The Investor's Perspective

Building an impact management process for a multi-asset class portfolio

IMPACT MANAGEMENT PROJECT

SNOWBALL

Contents

About Project Snowball

Project Snowball is a pioneering investment partnership that targets measurable positive social and environmental impact alongside competitive financial returns.

Snowball recognises that more and more people want to invest in line with their values, but that constructing a diversified high-quality impact portfolio is difficult for individual investors. Snowball has been established to address this investment challenge and democratise impact investment by making it easier for anyone to access.

Snowball plans to do this by launching a publicly listed closed-end investment vehicle that gives its investors full visibility of the social and environmental impact of their investments.

Ultimately, Snowball aims to stimulate the development of impact investing across the mainstream asset management industry.

The Rockefeller Foundation supports Panahpur in the design of Project Snowball. As part of this initiative, Panahpur will share a core template for developing and launching an impact-focused investment trust, in addition to key insights about impact integrity and transparency. Panahpur is part of the Rockefeller Foundation's Zero Gap Portfolio.

About the IMP

The Impact Management Project (IMP) is a forum for building global consensus on how to measure, manage and report impact. This report is part of the IMP's ongoing effort to enable the widespread adoption of impact measurement and management by developing and sharing best practices. Our community of 2,000+ investors and enterprises are an integral part of this endeavour.

The IMP also facilitates the **IMP structured network**, an unprecedented collaboration of standard-setting organisations that, through their specific and complementary expertise, can provide end-to-end guidelines for impact measurement and management.

Introduction

Through the IMP community, Project Snowball has come together with other asset managers to create practical guidance on how investors articulate the impact goals of a portfolio of assets, and then make data-driven investment allocation and impact management decisions to ensure these goals are met.

This case study shares lessons learned from Project Snowball's efforts to use the IMP's five dimensions as a way to consistently classify the type of impact (or 'impact class') of each of their investments in their multi-manager, multi-asset class portfolio.

In summary, by integrating the IMP's impact management norms into its investment process, Snowball learned that:

1 **For multi-asset class, multi-manager portfolios such as Snowball, it is vital to have a consistent framework for assessing impact.** (see section 1 - pages 4-7)

The IMP's dimensions - which disaggregate impact into five core elements - have enabled Snowball to:

- Assess potential investments consistently

- Articulate a baseline from which to measure each investment's results

2 **The ability to assess impact performance of underlying assets differs significantly between investments due to the varying levels of impact data available.** (see section 2 - pages 8-9)

Snowball has found it easier to obtain impact data in private markets than in public markets.

Equipped with the five dimensions of impact, Snowball has been able to engage constructively with investees by supporting them in measuring and reporting impact in a consistent and comparable manner.

3 **Qualitative impact data is most valuable for assessing investor contribution.** (see section 3 - pages 10-11)

Qualitative commentary that includes relevant contextual detail adds substantial value to the impact performance assessment, even when quantitative data is available. Snowball found qualitative data to be particularly useful in assessing fund managers' impact management processes and contribution to the impact of the underlying enterprises.

Who is this case study for?

This case study is useful for all types of investors seeking to build an investment selection process, using the five dimensions of impact, in order to select and manage investments in relation to their impact goals. More specifically, this case study is relevant for:

- Asset managers seeking to map their product or portfolio by its impact on people and planet.

- Organisations keen to follow in Snowball's footsteps and provide investment products with clear impact goals.
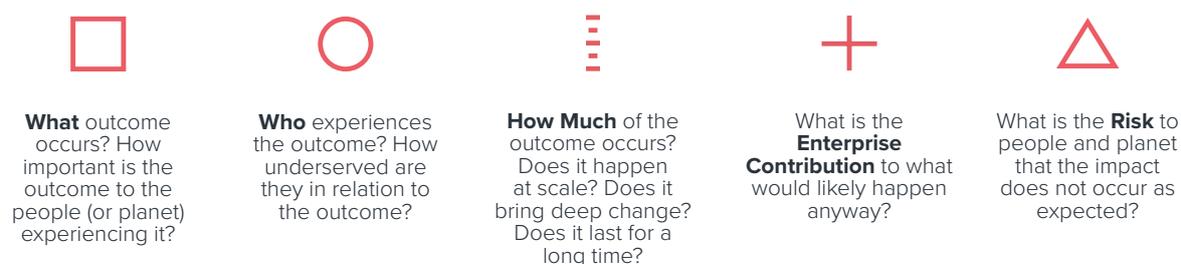
For any questions about this report, please contact:

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Context on the IMP norms

Through the IMP, more than 2,000 practitioners have reached consensus that any type of impact experienced by people and planet – intended and unintended, positive and negative – needs to be understood across the five dimensions (as shown in Figure 1 below). Collecting data for each dimension enables enterprises, and their investors, to assess and manage their impact in a consistent and comparable manner.

Figure 1 | The five dimensions of impact needed to understand any effect on people or the planet

What outcome occurs? How important is the outcome to the people (or planet) experiencing it?	**Who** experiences the outcome? How underserved are they in relation to the outcome?	**How Much** of the outcome occurs? Does it happen at scale? Does it bring deep change? Does it last for a long time?	What is the **Enterprise Contribution** to what would likely happen anyway?	What is the **Risk** to people and planet that the impact does not occur as expected?

By assessing impact data – qualitative or quantitative – across the five dimensions, three patterns of enterprise performance can be observed:

- **Act to avoid harm:** Enterprises that are preventing or reducing significant effects on important negative outcomes for people and planet

- **Benefit stakeholders:** Enterprises that not only act to avoid harm, but are also generating various effects on positive outcomes for people and the planet

- **Contribute to Solutions:** Enterprises that not only act to avoid harm, but are also generating one or more significant effect(s) on positive outcomes for otherwise underserved people and the planet

These patterns allow investors to classify enterprises according to three main types of impact: 'A', 'B', or 'C'.

Investors can use the five dimensions to create an impact management framework

The five dimensions create a common conceptual impact framework where every actor in the value chain – from asset owners to intermediaries to enterprises – can interact and align with each other. The dimensions serve as the foundation for the wider set of impact management norms co-created through the IMP. Some of these norms have been mapped to Snowball's approach (as seen in the next page). The IMP website covers the full detailed consensus.

Snowball found that the IMP's co-created norms provided a common language for collecting, assessing and reporting impact data. To facilitate the investment matching and assessment process, Snowball has leveraged the IMP convention to create an in-house impact analysis framework that could be integrated into the impact investment process. Described over the remainder of the report, Snowball's framework covers:

Section 1: Articulating its impact goals and converting these into a set of investment selection criteria

Section 2: Understanding the impact performance of each potential and current investment product and assess whether it meets these impact goals

Section 3: Assessing the investor's contribution to the impact of the underlying enterprises

About Snowball's impact management process

If the world is to succeed in closing the $2.5tn annual capital gap to meet the Sustainable Development Goals, then ordinary citizens, or retail investors, must be involved in the endeavour.[1]

The thesis behind Snowball is to demonstrate that incorporating social and environmental factors into investment management is the future for mainstream investment and the key to creating long-term shared prosperity.

Snowball will offer retail investors access to a diversified multi-asset, multi-manager portfolio that delivers positive impact alongside a competitive financial return. Its portfolio has been designed to deliver consistent endowment-like returns. It not only includes exposure to public and private market investments, but also to a range of sectors and impact themes, including housing solutions for the homeless, community-owned renewable energy and microfinance. Snowball invests in both developed and developing economies.

Snowball has integrated impact into every step of the investment management process. Snowball also takes a hands-on approach, engaging actively with its investees to improve their impact measurement and management practice.

Project Snowball's impact management approach is well aligned with the co-created IMP norms, as illustrated below.

IMP Norm	Snowball's Approach
1 Investors who care about impact must at the very least 'signal that impact matters' by considering impact at each stage of the investment process.[2]	Snowball defines impact investments as those made with the intent to deliver, measure and manage their impact by reducing negative impact and improving the positive, within the constraints of the investor's financial goals. Snowball therefore holds its investees accountable for their impact and financial results.
2 Investors can choose to contribute to the impact of the underlying enterprise by 'engaging actively' with the investees to provide impact management support or share expertise.	Snowball engages with all investees to support them in strengthening their impact measurement and management processes. Snowball expects its investee fund managers to share their expertise with their underlying investee enterprises.
3 Different investment products can be compared by evaluating impact performance across all five dimensions.	Snowball aims to invest in the most impactful investments in the opportunity set that also meet the financial return expectations. Snowball does this by evaluating the expected impact of the opportunity across the IMP's five dimensions prior to investment.
4 When disclosing data to investors, enterprises should seek to report disaggregated data across all five dimensions of impact, for each of their outcomes. Commentary should be included to explain gaps in the data.	Snowball intends to work alongside intermediary asset managers to select key performance indicators (KPI) across the five dimensions of impact, tailored to the business and impact model of the underlying enterprises. Snowball plans to use this KPI impact assessment to illustrate how investment products meet clients' impact goals.

[1] The Rockefeller Foundation, Innovative Finance: https://www.rockefellerfoundation.org/our-work/initiatives/innovative-finance/
[2] See Figure 4 for the different strategies that investors can use to contribute to the impact of the underlying enterprises

1. Setting impact goals

Snowball seeks to build a portfolio of 'high-impact investments', which it defines as 'investments that have a significant effect on specific important positive outcomes for underserved people and planet'.

By overlaying its goals on the five dimensions and observing the pattern of actual or expected performance, Snowball identified that it wanted its portfolio to '**Contribute to Solutions**'.

Figure 2 | Illustrating how the IMP's five dimensions can be used to classify impact goals or performance in one of three classifications[3, 4]

Patterns of impact performance					
WHAT	Unknown	Important negative outcomes	Important negative outcome(s)	Important positive outcome(s)	Important positive outcome(s)
WHO	Unknown	Various	Underserved	Various	Underserved
HOW MUCH					
- DEPTH	Unknown	Various	High degree of positive change	Various	High degree of positive change and/or
- SCALE	Unknown	Various	Various	Various	For many and/or
- DURATION	Unknown	Various	Various	Various	Long-term
CONTRIBUTION	Unknown	Various	Likely same or better	Likely same or better	Likely better
RISK	Unknown	Various	Various	Various	Various
CLASSIFICATION OF IMPACT	May cause harm	Does cause harm	Act to avoid harm	Benefit stakeholders	Contribute to solutions

To make the most impactful investments, Snowball needed a set of investment criteria to identify fund managers (and by extension, enterprises) that were likely to '**Contribute to Solutions**'.

Snowball found that it could use the IMP's five dimensions to map out the impact goals of the portfolio based on Snowball's intentions, and convert these into a set of investment criteria for assessing potential investee enterprises (and portfolios of enterprises).

Using these criteria, Snowball developed an impact scoring system (Figure 3) to forecast and assess impact throughout the investment management process:

During due diligence, Snowball uses the scoring to classify potential investment products based on the 'A, B, C' impact classification. At this stage, Snowball looks for fund managers that have made (or plan to make) investments in enterprises in the '**Contribute to Solutions**' category.

During the investment period, the team regularly analyses impact data at a fund manager-level to determine whether investments are meeting these impact goals (i.e. the 'C' impact classification). Over time, as more impact data is collected, Snowball will - where feasible - re-score each underlying enterprise. A long-term investor in pioneering models, Snowball often has to be flexible and ready to adjust its impact expectations throughout the holding period.

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[3] The definitions of each impact classification can be found on page 4.
[4] As an example, to be classified as 'Act to avoid harm', the investee enterprise should be actively mitigating ('HOW MUCH - DEPTH') important negative outcome(s) ('WHAT') for those currently experiencing them ('WHO'), making the outcome better ('CONTRIBUTION').

The scoring system guides Snowball through a series of questions to determine whether the individual enterprise, or portfolio of enterprises, are likely to meet the performance thresholds for **'Contribute to Solutions'**, as shown in Figure 2.

The scoring system scores both the impact of the underlying investee (i.e. Impact Objectives) and Snowball's assessment of the fund manager's impact management processes (i.e. Investment Management), and combines these into an overall score (i.e. Final).

Balancing impact goals to account for market availability and sector diversification

In addition to impact goals, investors such as Snowball need to take into account other factors like market availability and sector diversification when building their portfolio. As part of its standard risk management, Snowball needs the portfolio to be diversified by:

- **Asset class:** public and private equity, loans and bonds, and real assets, among others
- **Geography:** developed and emerging markets, though with a bias towards the UK
- **Impact theme:** e.g. financial inclusion, affordable housing, environmental sustainability

At this stage of the market's evolution, Snowball has found that products under **'Contribute to Solutions'** are limited in some asset classes, impact themes and geographies.

In the interest of building a diversified portfolio, Snowball has therefore widened the scope to include investments that **'Benefit Stakeholders'.**

"When building their portfolio, investors such as Snowball need to balance their impact goals with other factors like market availability, sector diversification and liquidity risks."

2. Using data to assess impact performance

After matching the impact goals of its investors with the impact goals of the investment products, Snowball needs to understand whether those expectations have been met by collecting data from the underlying enterprises. To this end, Snowball asks fund managers to report quantitative and qualitative impact data collected by the enterprises. Equipped with this data, Snowball uses its scoring system to assess whether the enterprise - and then the portfolio as a whole - is likely to be 'Contributing to Solutions'.

- For **private equity and loan funds**, the process is relatively straightforward as data is often available to make the assessment and rate each underlying asset.

  For example, Snowball has holdings in the Big Issue Invest Social Enterprise Investment Fund I and II. The funds have 23 current investments split between loans and social impact bonds, containing a mix of 'B' and 'C' investments. By rating each of the funds' assets, Snowball can determine whether the majority of the invested capital falls under the 'B' or 'C' classification (see page 9 for a private market example of how Snowball's scoring system drives this assessment).

- Similarly, for **fixed income and real estate investments**, Snowball looks at a manager's underlying holdings and rates each asset or bond, where feasible.

  For example, Rathbones has been given a discretionary mandate to invest in UK fixed income opportunities for Snowball. The mandate is to find the most impactful publicly-traded fixed income opportunities in the marketplace without taking on undue risk. This fund is rated as '**Contributing to Solutions**' because the majority of Rathbones' investments are bonds issued to fund community renewable energy projects and charity bonds that have a significant effect on specific positive social outcomes for underserved populations (e.g. Golden Lane Housing, which provides long-term supported housing for people with learning disabilities).

- Most **publicly traded companies** do not routinely share sufficiently detailed data across the five dimensions, and it is often harder for individual investors to request additional information than it is with private companies. The lack of data makes it difficult for Snowball to score each asset, particularly in cases where there are a large number of underlying holdings.

  For these types of investments, Snowball ensures that the fund managers' goals are aligned with those of Snowball, and that they have an impact management process in place.

  For example, to assess WHEB Asset Management's goals, Snowball reviewed the thematic framework that WHEB uses to select new holdings, as well as the processes of its independent Investment Advisory Committee that decides if new holdings are consistent with that thematic framework. Similarly, for Wellington Global Impact, Snowball looked at the criteria used to assess the underlying enterprises. To meet Wellington's criteria, the impact of the investee enterprise needs to: (1) be at the core of the business model, (2) fulfill an unmet social need, and (3) be measurable. Wellington has created a theory of change for each of its investments to identify the relevant outputs, outcomes, and impact of each underlying enterprise.

  Given that Snowball's rating for these public equity investments are based on an assessment of the fund's goals - not the performance of each individual asset - Snowball rates these conservatively. Most of the public equity funds that Snowball has looked at are rated 'B', but it is likely that a number of investments in these funds would be rated 'C' if sufficient data could be gathered.

While a number of Snowball's fund managers have developed proprietary impact frameworks, these often lack one or more of the dimension(s) of impact. Supportive of convergence, Snowball is currently engaging with its investee managers to ensure they collect data against all impact dimensions from the underlying enterprises, even if they have not set goals against all of them. This will enable Snowball to set impact expectations for each manager across the five dimensions, and track performance over time.

Case study: Snowball's impact assessment of Just Ask, an investee of Bridges Sustainable Growth Fund IV

This case study illustrates the 'Investment' component of Snowball's in-house framework (figure 3).

Just Ask is a facilities management business that provides cleaning and grounds maintenance services to housing associations (i.e. houses and flats for rent to people on low-incomes or with particular needs). Just Ask improves the lives of residents in housing associations by offering high-quality services and improving local surroundings. The business also provides employment opportunities to housing association tenants and offers pro bono support for community projects. The example below considers the impact of Just Ask on housing association tenants through its employment strategy.[5]

Table 1 | Snowball's assessment of Just Ask
Score ranges from 0 to 3, with 0 being the lowest score.

IMP's impact dimension	Snowball's impact expectation	Score	Rationale for the score
What	Important outcome: quality employment	3	Quality employment is evidenced by an 89% employee satisfaction rate, a 'Gold Investor in People' and B-Corp certification, and the training and qualifications offered to employees.
Who	Underserved stakeholders	3	25% of the enterprise's employees are housing association tenants, who are likely to be underserved in relation to the outcome - quality employment.
How much			
Scale	Medium-scale	2	530 employees. This is considered medium-scale relative to similar types of businesses.
Depth	Deep	3	72 of the employees were previously unemployed for >3 months.
Duration	Medium-term	3	The average tenure of employees is 12 months.
Contribution	Likely better	2	Just Ask's contribution to the outcome - quality employment - is likely better than what would have happened for this stakeholder group, characterised by high unemployment levels relative to the national average (i.e. 20% of social residents are economically inactive).
Impact score		3	
Impact risk[6]			
Evidence risk	Low risk	3	There is strong evidence confirming that Just Ask offers quality employment (see first row).
External risk	Medium risk	2	Just Ask faces competition from similar facilities management businesses, which may impede the impact it can deliver.
Execution risk	Medium risk	2	As a relatively new enterprise, Just Ask faces a recruitment challenge in hiring housing association residents and making the employment position attractive to them.
Stakeholder participation risk	Low risk	3	Just Ask has a good understanding of its employees, evidenced by the survey it carries out every six months.
Drop-off risk	Medium risk	2	Employment attrition rate is relatively low for the sector but high in absolute terms.
Unexpected impact risk	Medium risk	2	Just Ask is still embedding an impact management reporting system, so it may not be fully aware of the unintended impacts - positive and negative - it may be contributing to.
Efficiency risk	Medium risk	2	The competition from other businesses promotes efficient use of resources. However, insufficient industry data exists to benchmark performance of processes.
Modal risk score	Medium	2	
Enterprise assessment	**Contribute to Solutions**	3	

[5] Please note that Snowball only assesses the impact thesis of each company. The management of other negative and unintended effects is captured by the manager assessment (see page 11).

[6] A detailed description of each risk can be found on https://impactmanagementproject.com/impact-management/what-is-impact/risk/.

3. Assessing investor contribution

Recognising the role investors can play, Snowball seeks to contribute to the impact of all its managers by *engaging* to support them on impact measurement and management. In addition, Snowball considers the asset managers' own contribution to the impact of their underlying enterprises. Snowball uses the IMP's Investor's Contribution strategies as a starting point for understanding a fund manager's approach (see figure 4 below).

Figure 4 | The IMP's Investor's Contribution

Investors can use four strategies to contribute to the impact of the underlying enterprise, often in combination.

Signal that impact matters

Choose not to invest in or to favour certain investments that, if all investors did the same, would ultimately lead to a 'pricing in' of effects on people and planet by the capital markets more broadly

(e.g. require a company to share data on impact through diligence and the investment period)

Engage actively

Use expertise and networks to improve the environmental and societal performance of businesses

(e.g. share expertise on impact measurement and management with the investee to build capacity)

Grow new or undersupplied markets

Anchor or participate in new or previously overlooked opportunities that offer an attractive impact and financial opportunity. This may involve taking on additional complexity, illiquidity or perception of disproportionate risk.

(e.g. take on additional complexity in order to structure a new type of financial product that delivers a certain type of impact)

Provide flexible capital

Accept disproportionate risk-adjusted financial return in order to generate certain types of impact

(e.g. provide capital where only a full or partial return of principal is expected in order to ensure an enterprise reaches a certain demographic)

Snowball invests with asset managers that deploy at least one of the following strategies:

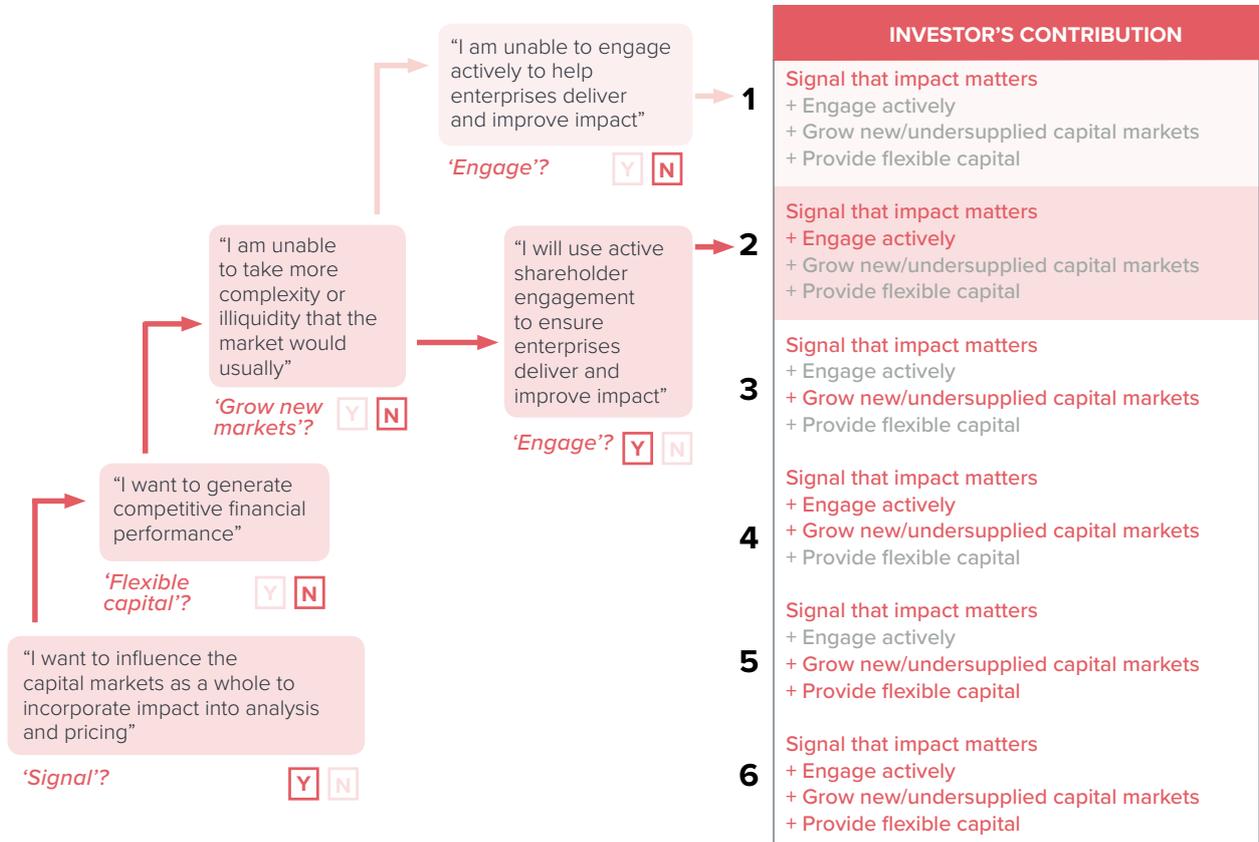- Signal that impact matters and share similar values to Snowball's
- Engage actively, to provide both ESG and direct impact management support to investees
- Grow new or undersupplied capital markets to support the allocation of new capital to 'high-impact' investments

As it requires a commercial return from its investments (portfolio target return 4-6%), Snowball only backs a few managers that provide flexible capital.

The diagram below illustrates how an investor's intentions and constraints drive the choice of strategy for contributing to the impact of the underlying enterprise - and how these strategies often work in combination.

Figure 5 | From intentions to investor's contribution strategies

An illustrative example showing how an investor ends up selecting the top two strategies.

	INVESTOR'S CONTRIBUTION
1	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital
2	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital
3	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital
4	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital
5	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital
6	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital

"I am unable to engage actively to help enterprises deliver and improve impact"

'Engage'?   Y **N**

"I am unable to take more complexity or illiquidity that the market would usually"

'Grow new markets'?   Y **N**

"I will use active shareholder engagement to ensure enterprises deliver and improve impact"

'Engage'? **Y** N

"I want to generate competitive financial performance"

'Flexible capital'?   Y **N**

"I want to influence the capital markets as a whole to incorporate impact into analysis and pricing"

'Signal'?   **Y** N

Once the team confirms that the asset manager will deliver against one (or more) of these strategies, Snowball conducts a detailed analysis of the manager's impact management policies and processes. Snowball uses this assessment to set impact management expectations and track performance over the investment period.

The assessment covers three areas:

The following questions illustrate the 'Manager' component of Snowball's in-house framework (figure 3).

1. Philosophy and values

- What is the manager's philosophy and values?
- Does the manager share Snowball's values?
- Are all levels of management focused on impact?
- Does impact drive decisions throughout the investment process?
- Is impact integral to the success of the fund?

2. Impact management process

- Does the manager have a clear impact thesis?
- Is impact data collected?
- Is impact data assessed?
- What is the risk that the targeted outcomes are not achieved?

3. Engagement with underlying enterprises

- Does the manager provide impact measurement and management support?
- Does the manager use its influence effectively?
- Does the manager report on engagement?

Fund managers that score highly on this assessment tend to self-identify as 'impact investors' and have a strong impact-focused organisational culture. Some managers also put in place financial incentives to ensure the impact focus of the fund is locked in.

Managers that score poorly tend not to have in-house impact management expertise. They are often part of a larger organisation where impact is not a priority.

The final stage of Snowball's in-house framework evaluates the total impact risk of the investment (not covered in the report). It includes an assessment of specific impact risks as well as the fund manager's track record and commitment to transparency and verification of impact.

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[7] Adapted from NPC's Impact Risk Classification - a tool for assessing the impact processes of fund managers

Mapping Snowball's portfolio by impact class

Snowball has completed a preliminary mapping of each investment product in its portfolio by impact class on the Investor's Impact Matrix, which brings together the impact of the underlying enterprises and the investor's contribution to that impact.

By mapping its portfolio onto the Investor's Impact Matrix, Snowball has:

- Identified a consistent approach for assessing the impact of an investment across asset classes and managers
- Been able to test assumptions and engage constructively with investees
- Constructed a baseline against which progress of impact goals and performance can be measured over time

As not all the required data was available for a completely accurate mapping, Snowball had to make a few assumptions, mapping the portfolio conservatively as a result. Snowball expects to alter the mappings over time as the practice of impact management matures and becomes more consistent.

Mapping results

Mapping Snowball's portfolio by impact class illustrates that the portfolio is heavily weighted towards assets that '**Contribute to Solutions**' (approximately 65%) and '**Benefit stakeholders**' (approximately 33%). Snowball intends to increase the relative weighting of '**Contribute to Solutions**' over time (see figure 6 for the detailed mapping on the Investor's Impact Matrix).

The fund is currently benefiting from strong net cash inflows, which are initially invested in liquid markets using public equity and fixed income managers. As opportunities arise, Snowball will aim to sell its less impactful liquid assets and purchase more impactful illiquid private market assets. The fund is open to secondary market transactions in private investments.

Findings on the investor's contribution (y-axis) indicate that 45% of the portfolio is currently classified as 'signaling that impact matters and engaging actively' (B2, C2, B4, C4, C6). This pattern is consistent with Snowball's decision to select managers that are thought leaders and/or can clearly demonstrate their engagement policy.

Another 43% of the portfolio is focused on 'growing new or undersupplied capital markets' (i.e. B3, C3, B4, C4, C6). This is in line with Snowball's mission to grow the impact investment market by setting an example. Investments that fall under this category include holdings in charity bonds (a small but growing market), social property funds (buying illiquid assets to meet the housing need of underserved groups) and funds providing patient capital to social enterprises.

Mapping of Snowball's portfolio by impact class

Snowball's portfolio mapped by impact class

*The tables at the end of the page indicate the percentage allocation to a particular **investor strategy or type of impact.***

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IMPACT OF UNDERLYING ASSETS / ENTERPRISES

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INVESTOR'S CONTRIBUTION		**A** **A**ct to Avoid Harm	**B** **B**enefit Stakeholders	**C** **C**ontribute to Solutions
1	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital	Rathbones Ethical Bond Fund	Threadneedle UK Social Bond Fund	Civitas Social Housing The Renewables Infrastructure Group Greencoat Renewables Bluefield Solar Greencoat UK Wind Lyme Timber
2	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital		WHEB Sustainability Fund Wellington Global Impact Fund	M&G Impact Fund
3	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital		CAF Bank (cash) Ecology Building Soc (cash) Triodos Bank UK (cash) Southern Bancorp (cash) Unity Trust Bank (cash)	Community Share Underwriting Fund Affordable Homes Rental Fund National Homeless Property Fund Real Lettings Property Fund Rathbones direct bond portfolio
4	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital		Bridges Sustainable Growth Fund III Ethical Property Co.	AWEL Bridges Sustainable Growth Fund IV I&P Afrique Enterprises Amanda Social Venture Fund Big Issue Invest SEIF I & II Bridges Social Impact Bond Fund II
		⬇ Only relevant for investors whose intentions and constraints are such that they are willing and able to provide flexible capital. ⬇		
5	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital			
6	Signal that impact matters + Engage actively + Grow new/undersupplied capital markets + Provide flexible capital			Oikocredit Bridges Social Impact Bond Fund

Snowball's portfolio allocation to a particular investor contribution strategy and type of impact

Refer to the numbers on the left (1-6) and the letters at the top (A-C) to interpret the allocation. For example, 32% of Snowball's portfolio has been allocated to investor contribution strategy 1 'signal that impact matters'.

Investor contribution strategy

Classification	1	2	3	4	5	6	
Allocation	32%	25%	23%	17%	0%	3%	100%

Impact of the underlying asset / enterprise

Classification	A	B	C	
Allocation	2%	33%	65%	100%

Concluding thoughts

By developing an impact framework and a portfolio from scratch, Snowball was able to embed the IMP's five dimensions of impact at the due diligence stage of the investment process. Moving forward, the challenge for Snowball will be in understanding and improving the impact of its investments, given the differing ways that fund managers report impact.

Beyond a lack of consistency around how impact data is reported, Snowball found that the majority of fund managers only collect, assess and report impact data for one or two impact dimension(s) - this was usually the 'What' and the 'Who', with data and analysis on 'Contribution' and 'Risk' most commonly lacking. Snowball believes that every aspect of the impact management process would benefit if impact was reported across all five dimensions for each individual enterprise, rather than aggregated across enterprises in the same portfolio (as is common practice). This would enable the investor to review and assess each effect, and therefore each enterprise, as an 'A', 'B' or 'C'.

To improve how impact is reported, Snowball is encouraging its investee fund managers to be as clear and transparent as possible about their impact goals along the five dimensions, and to share these with the underlying enterprises pre-investment. When assessing performance, the investor can then engage in a dialogue about what 'good' performance looks like against these goals, in the context of whatever data is available to evaluate performance against each of the five dimensions - qualitative or quantitative. Where data is hard to obtain, Snowball is encouraging managers to include as much contextual commentary as possible to help all parties understand what assumptions have been made to judge performance.

Snowball is hopeful that this open dialogue will encourage other enterprises and investors to see the value in working together to measure and manage their impact.

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