



BUSINESS

Be a Trump as well as a Mother Teresa

There can be profit with a purpose, argue a new wave of impact investors

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Growing up on a farm outside Johannesburg in 1980s South Africa, Andy Kuper witnessed extreme poverty. His parents, who campaigned against apartheid, sent him to one of the few unsegregated schools in the country.

The experiences became

the driving force behind his business. LeapFrog Investments, which he founded 11 years ago, backs companies in emerging markets in making “profit with purpose”.

LeapFrog was among the first “impact investing” funds, set up to make both a social and financial return. When Kuper started the fund, there was a clear distinction between profit and non-profit and any investor blurring the boundaries was treated with suspicion. Critics still think it is impossible to be both a force for social good and a financial powerhouse.

However, LeapFrog has raised more than \$1bn (£740m) in investment since its formation and won support from power players such as Bill Clinton and George Soros. A government report last year estimated that the UK impact investing

market is worth £150bn, although that includes huge social housing and renewable energy projects, as well as investments in green bonds. Nonetheless, the beneficiaries of the influx of cash are often small businesses that would not find funding elsewhere. It might be time to start taking impact investing seriously.

“People are trained to think there are two options — you’re either Donald Trump or Mother Teresa,” said Kuper, 43. “That’s not right. Within all of us, there’s a desire to contribute to our community and our world on the one hand, and accumulate assets and security for our families and ourselves on the other.”



Younger people want higher standards in business: Lisa Ashford of Ethex

There is certainly a strain of sixth-form idealism to the concept of impact investing, and the entry of some of the world’s most ruthlessly capitalist organisations into the industry has added to the levels of cynicism. BlackRock, Goldman Sachs and the private equity giant KKR have all launched social impact funds. Can such institutions care as much about their impact on society as the bottom line?

Previous attempts to kickstart an impact investing revolution have fallen flat. Inspired by work led by the private

equity veteran Sir Ronald Cohen, David Cameron established Big Society Capital, billed as the world’s first social investment bank. Although it has committed to disperse more than £1bn, it has not managed to thrust the concept of impact investing into the mainstream.

There has, nonetheless, been a shift. Lisa Ashford, chief executive of the investment platform Ethex, said the movement began gathering momentum after the financial crisis. “Younger people are asking for a higher standard and call into question companies that don’t have a moral compass.”

Ethex has raised nearly £65m since it was set up five years ago. Investors use the platform to back businesses deemed “positive”, which Ethex defines as having a “clear social mission at their heart”. About 90% of investments are made in British companies such as the fair trade business Cafédirect and Westmill Solar, an Oxfordshire co-operative.

Last year, Ethex claimed that out of all Britons able to make savings or investments — meaning those not in debt — 20% had made an impact investment and a further 31% would consider doing so.

Kuper said LeapFrog is helping to create a new asset class and likens impact investing to the early days of venture capital. “Nobody thought you could invest in companies when they were that small and unfamiliar,” he explained. “Those attitudes have completely changed.”