INTEGRATED INVESTING

TOOLKIT

October 2016

Feel free to share this book by email, social media, or on your blog, but please do not alter any of its contents when you do. Thank you!

INTRODUCTION

Thank you for downloading the Integrated Investing Toolkit. If you're reading this, you are ready to shift your investments towards a more positive, impactful strategy that better aligns with your values and financial and impact goals.

You want great investment returns and you can feel good about. You want to have less risk or at the very least manage risk, yet save time in due diligence.

A key step in achieving these aims and making an impactful investment strategy a reality is the Integrated Investing Toolkit.

The Integrated Investing Toolkit is an efficient, robust process for evaluating and performing due diligence on impact investment opportunities. It is a combination of traditional analytical tools, venture evaluation tools, and impact identification and evaluation tools.

Impact identification and evaluation tools are new tools that I developed to help you assess the impact of an opportunity. One of the tools is based on the impact concept of Access to Essential Resources. Another tool is the Business Impact Canvas, a variation of the Business Model Canvas, but focusing on the impact in each component of a business model. The third impact evaluation tool is a form of cost/benefit analysis that takes into consideration the cost and benefit to a number of different stakeholder groups within and around a venture. I will also share the Four Impact Summary, a way of summarizing and reporting on impact that has been regarding as a really useful and concise framework.

Venture development and evaluation tools are tools that were developed in the year 2000 onward, particularly the Business Model Canvas and Seven Domains Model, conceived originally for entrepreneurs starting new ventures, to help them design new business models and to evaluate their team, market, and industry as they were just starting out. As I was advising early-stage entrepreneurs and also looking for investment opportunities, I realized that these two tools were also useful from an investor's perspective.

Traditional investment evaluation tools are a selection of analysis-based approaches, used for decades to evaluate investment opportunities and tend to focus only on financial outcomes and commercial measures of success. They continue to be useful even in an impact investing context, but need to be complemented by other tools particular to impact and early-stage venture opportunities.

The integration of traditional investment evaluation tools, venture development and evaluation tools, and impact identification and evaluation tools gives you a complete set of processes.

The Integrated Investing Toolkit will help you ascertain whether investment opportunities are a good fit for you and have a good chance of achieving the blended financial and social returns you're looking for. This is the first investment methodology that combines elements from three sectors or disciplines that to-date have operated differently and distinctly. Combining useful tools from each of these investment, venture, and impact worlds is a radical new concept that is very powerful for you as an Integrated Investor investing for both financial and social returns.

IMPACT EVALUATION TOOLS

The first part of the Integrated Investing Toolkit is comprised of tools for identifying and evaluating impact.

Access to Essential Resources

Access to Essential Resources is the impact concept I developed to describe impact in terms that relate to specific actions and activities that we could observe and experience in real life.

To survive, to be happy, to thrive, and to feel fulfilled, there are certain things in life we all want and need. We need food and clean water to drink to satiate our hunger and thirst. We need shelter and clothing to protect us from the elements, and health care or remedies to protect or treat us for changes in our health such as injury, illness, and disease. We need stories, images, and sounds to express ourselves and to connect with others, and transportation to connect us from place to place. We need information from all sorts of sources to make decisions. We need money or some form of currency with which we can exchange or barter to get other things we want and need in life. I refer to these things in life we all want and need as Essential Resources and they can be categorized into six groups:

1. Sustenance: Essential Resources to Sustain Ourselves
2. Expression: Essential Resources to Communicate and Express Ourselves
3. Connection: Essential Resources to Connect and Develop Relationships with Others
4. Managing Change: Essential Resources to Prepare For, Experience, and Manage Change
5. Making Decisions: Essential Resources to Make Decisions and Taking Action
6. Means of Exchange: Essential Resources for Exchange to obtain other Essential Resources we need

In my opinion, people become more empowered when they have the Essential Resources they need to sustain and express themselves, connect with others, manage change, make decisions, and as a means of exchange.

The impact of a venture can be evaluated by examining the Access to Essential Resources being provided by that venture. Think about all the types of Essential Resources being provided by the venture. The following table is one of the tools you can use to list those Essential Resources:

Essential Resource	Type of Essential Resource	Who is the Essential Resource for?	Type of Access to the Essential Resource

The Access to Essential Resources Matrix, below, is another way to visualize the impact outcomes that could be achieved by the venture you are evaluating.

An example of the Access to Essential Resources Matrix with Types of Access and Essential Resources identified:

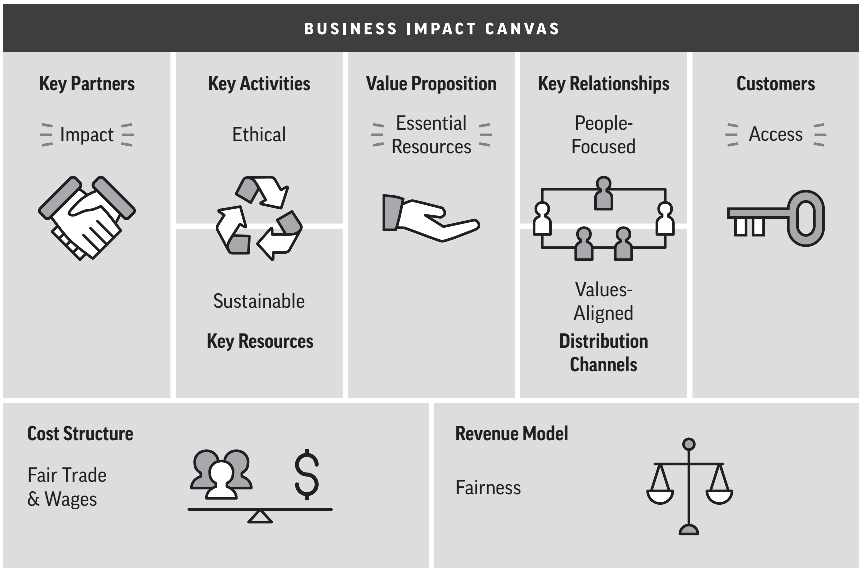
ESSENTIAL RESOURCES FOR

Types of Access	Basic	Efficient	Choice	Convenient	Supply Chain	Employment
Sustenance						
Expression						
Connection		X	X	X		
Managing Change		X	X	X		
Making Decisions		X	X	X		
Exchange						X

Business Impact Canvas

Modeled after the Business Model Canvas, the Business Impact Canvas helps us identify where in the business model of a venture is there impact or potential for impact.

The impact a company has on its stakeholders, customers, suppliers, and broader community could be through the Value Proposition – that is, the products and services themselves. The impact could be the Customer Segment it is serving such as intentionally serving low-income populations or marginalized communities. Impact could be in how it reaches and interacts with its customers, for example by focusing on high personal touch.



TIP: FAMILIARIZE YOURSELF WITH THE BUSINESS MODEL CANVAS FIRST BEFORE USING THE BUSINESS IMPACT CANVAS. IT WILL HELP YOU UNDERSTAND THE COMPONENTS OF A BUSINESS MODEL, BEFORE UNDERSTANDING WHERE IN THE BUSINESS MODEL IMPACT MAY BE HAPPENING.

Cost/Benefit Analysis for All Stakeholders

ESSENTIAL RESOURCES IMPACTED	+Positive / –Negative Impacts on:	Customer	Partner	Supplier	Employee	Community	Planet
	Sustenance						
	Expression						
	Connection						
	Managing Change						
	Making Decisions						
	Exchange						

The Cost/Benefit Analysis for All Stakeholders is a tool that enables you to examine the cost to multiple stakeholders as well as the benefits, with reference to Essential Resources.

For each type of Essential Resource provided by the venture you are evaluating, you ask yourself, does the Customer benefit from access to this Essential Resource? Do partners, suppliers, employees, the community and/or the planet benefit from some kind of positive impact as a result of access to this Essential Resource. Equally, you would ask yourself whether there is a cost or any negative impact to any of those stakeholders.

TIP: ONE OF THE PHRASES YOU MIGHT HEAR IN IMPACT INVESTING IS THE CONCEPT OF "NEGATIVE EXTERNALITIES". THE COST/BENEFIT ANALYSIS FOR ALL STAKEHOLDERS IS A USEFUL TOOL FOR IDENTIFYING NEGATIVE (AND POSITIVE) EXTERNALITIES.

Four Impact Summary

The four areas of impact I look for in ventures are:

- Business impact
- Social impact
- Qualitative impact
- Macro impact

By categorizing the impact I identify through the tools mentioned above into these four areas, I am able to summarize a venture's impact in a quick, succinct way, paving the way for measuring and assessing the impact with the appropriate systems or tools for measuring.

Business impact: These are the more traditional measures of business and commercial success that are easily measured and accounted for, such as profit, sales, number of customers, typical business metrics.

Social impact: Measurable shifts and changes directly connected to the positive impact from your business. These are quantifiable, discrete changes such as number of people impacted, number of jobs created, number of affordable homes developed.

Qualitative impact: Quite often, qualitative impact is actually the impact that matters. It is captured intrinsically, emotionally and intuitively. Such intrinsic, emotional and intuition-based outcomes are practically impossible to measure with numbers, but can be assessed and captured through stories and narrative. Although, qualitative impact is often considered intangible, it is nevertheless critical and important.

Macro impact: This captures systems-level change, which is big picture, likely to be indirect and therefore harder to measure. Often closely link with an entrepreneur's vision and mission, macro impact is worthwhile noting and identifying as it can provide direction in the long-term that influences business and social impact in the short-term.

TIP: SET A SCHEDULE FOR REVIEWING THE IMPACT OF YOUR INVESTMENTS, SUCH AS ANNUALLY.

ADVANCED TIP: COLLECT UPDATES ON THE TOP COMPANIES YOU HAVE INVESTED IN OVER THE COURSE OF THE YEAR. HERE ARE SOME OF THE WAYS YOU CAN DO THIS:

- SET UP A GOOGLE NEWS ALERT
- BOOKMARK LINKS RELATED TO YOUR COMPANIES
- CREATE A NOTE IN EVERNOTE WHERE YOU COMPILE NEWS AND UPDATES

WHEN YOU COME TO REVIEWING THE IMPACT OF YOUR INVESTMENTS AT THE END OF THE YEAR, YOU WILL HAVE THIS INFORMATION AT YOUR FINGERTIPS TO REVIEW.

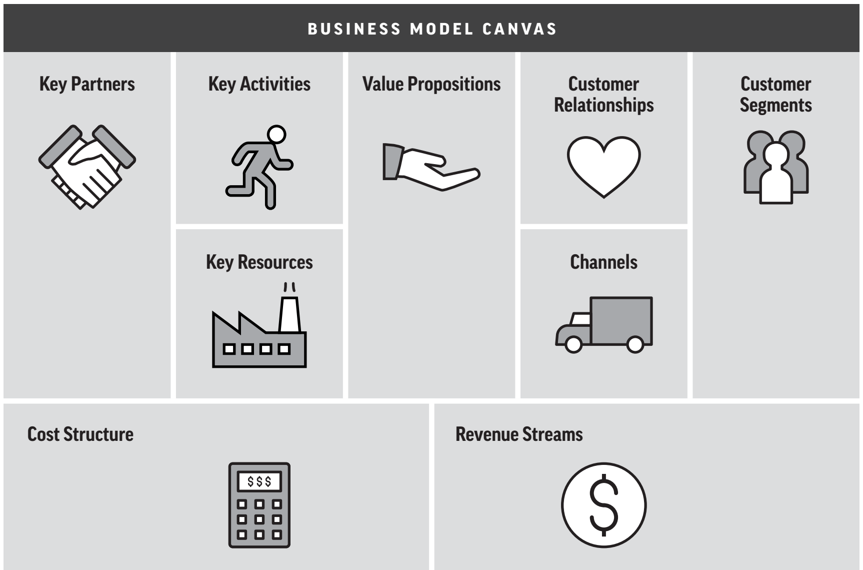
VENTURE EVALUATION TOOLS

In the 2000s, a methodology and set of tools emerged to help entrepreneurs develop and their ventures in a more efficient, lean way called Lean Startup Methodolgy. Instead of wasting a lot of resources to go down a path, faced with lots of uncertainty, and subsequent failing, the Lean Startup Methodology was an attempt to test hypotheses quickly, develop quick prototypes called minimum viable products, and build a startup venture in an agile, responsive, and flexible way.

I thought, if this is how ventures are now being build, we investors need to make sure our tools for evaluating ventures catch up to the tools the entrepreneurs are using to build their ventures. Two of the tools from the Lean Startup Methodology, which I have found useful in evaluating ventures as investment opportunities are the Business Model Canvas and the Seven Domains Model.

Business Model Canvas

The Business Model Canvas was a crowd-sourced innovation of sorts. Alexander Osterwalder and Yves Pigneur, sought the perspectives and contributions of 470 business practitioners from 45 countries. The outcome was a visual representation of nine key components of a company's or organization's business model that describes its value proposition, customers, infrastructure, and finances.



Value proposition:

- The products and services a business offers to meet the needs of its customers. A venture's value proposition is what distinguishes itself from its competitors.

Customers:

- Customer segment(s): The set or sets of customers that the company is trying to serve. It could be mass market or niche, a specific demographic or profile of customer. If the venture is trying to serve too many customer segments or everyone, it is a red flag that the venture has not figured out who they are actually serving.
- Customer relationships: How the venture interacts with its customers. For example, a customer relationship could be bespoke, direct, online and automated, through a community or co-created.
- Channels: How the venture's products and services reach its customers, that is, its distribution channels.

Infrastructure:

- Key partners: The other people, businesses, and organizations that the venture needs to deliver its products and services. Key partners can include suppliers, staff and contractors, and other production or delivery partners.
- Key activities: The actions and processes required by the venture and its partners to deliver the products and services. This includes activities such as, but not limited

to, production, processing, sales and marketing, and communications.
- Key resources: The materials, inputs, and people power required to deliver the products and services. These resources could be human, financial, physical, and intellectual.

Finances:
- Revenue streams: The way a venture generates income from each customer segment, such as directly selling a product or service, subscription fees, licensing fees, or advertising.
- Cost structure: The expenses and costs of operating the venture including fixed and variable costs, salaries and wages, and economies of scale or scope.

TIP: GO BACK AND REVIEW THE BUSINESS IMPACT CANVAS TO REFRESH YOUR MEMORY ABOUT HOW IMPACT COULD HAPPEN IN DIFFERENT PARTS OF THE BUSINESS MODEL.

Seven Domains Model

The Seven Domains Model was developed by John Mullins, a professor at the London School of Business. It is an evaluation tool that reminds you to look at seven key factors a venture which Mullins categorizes into Market, Industry, and Team. There are two Market domains (macro and micro), two Industry domains (again, macro and micro), and three Team domains.

<u>Market Attractiveness</u>: The *market* is the group of people who are, or will be, buying the product or service delivered by the venture. The Market Attractiveness domain reminds you to evaluate the size of the market the venture is trying to reach, the total number of potential customers, the values of the sales the venture could generate, and how many products or what volume of services the venture could sell. Evaluate the trends in the market, whether it has grown in recent years, and the likelihood that it will continue to grow. A more promising investment opportunity is one where the venture is targeting a growing market rather than a declining one.
Sector Market Benefits and Attractiveness: Whereas the Market Attractiveness domain evaluates the market opportunity from a macro perspective, Sector Market Benefits reminds you

to evaluate the market opportunity on a micro level. Take a look at the specific or niche market segment that the venture is targeting and how the venture or product differentiates itself from others that are also targeting this segment. Consider the other market segments the venture could access. Ask the management team if you could talk to some of their customers as part of your due diligence and evaluation, to gather feedback on their needs and how the venture is meeting these. Consider talking to other customers in the market segment who may be using a competitor to gain more insight on the market segment

Industry Attractiveness: This domain evaluates the Industry on a macro level, by considering the barriers to entry into the industry in which the venture is operating and the competitive nature of other participants in the industry. Are the venture's competitors numerous and fierce, are ideas easily stolen, or is there one or few significant, large competitors which would make it very difficult to operate in this industry?

Sustainable Advantage: On a micro level, does the venture have a Sustainable Advantage that sets it apart, be it intellectual property that can be or is protected through patents, for example. What are other factors that make it difficult for others to copy or replicate the venture's products or services?

The following three domains are focused on qualities of the founding team or entrepreneur.

Mission, Aspirations, and Propensity for Risk: What is the founding team's or entrepreneur's mission and aspirations? The strength, audacity, and integrity of an entrepreneur's mission, vision, or goals can be an indicator of the attractiveness of the opportunity. Starting and building a new venture is rife with uncertainty, therefore the founding team or entrepreneur must have the appetite and propensity for risk and navigating it strategically and intelligently.

Ability to Execute on Critical Success Factors: A key question here is does the founding team or entrepreneur do what they say they are going to do? Ideas are a dime a dozen, but execution and the ability to actually realize ideas, seize opportunities, and say no to things that do not help the venture succeed is critical.

Connectedness Up, Down and Across the Value Chain: Does the founding team or entrepreneur have sufficiently strong connections to customers, suppliers, potential partners, and distribution channels to deliver their value proposition? Connectedness up, down and across the value chain is a good indicator of the founding team's depth and breadth of experience and network in their chosen field – are they trusted in the field they are in or are they fish out of water?

TRADITIONAL EVALUATION TOOLS

Traditional evaluation tools help you gather current and historical information about the entrepreneur, the venture, and the investment opportunity that you are evaluating.

Gathering and evaluating this information is a precursor to deciding whether the investment opportunity is a good or bad fit for you.

Due Diligence Checklist

A due diligence checklist is a useful memory-aid to remind you of the information to gather from an entrepreneur about them, their team, the venture, and the opportunity they are addressing.

An example due diligence checklist is available on the Integrated Investing website (http://integratedinvesting.ca) It is a fairly comprehensive list, however you may want to add items that you feel would help you in your decision-making.

Bear in mind though, that it is unlikely you will be able to collect everything on the list. Not all the information will be available at such an early stage for a venture nor will it all be relevant for every venture you encounter.

Prioritize the information from the due diligence checklist depending upon the opportunity and circumstance to help you need to answer the three major questions.

Scenario Analysis

Whereas a due diligence checklist helps you gather current and historical information about an investment opportunity, scenario analysis helps you imagine and evaluate the future of a venture. I think of it as future-oriented research!

Whilst it is impossible to completely predict the future, with no errors and with complete accuracy, scenario analysis helps you anticipate possible twists and turns along the future path of the venture you are considering investing in. It helps you imagine how things might turn out in the short to medium term. The scenarios that you consider may or may not happen, but by analyzing potential scenarios, this tool for evaluation can help you be prepared.

At the heart of scenario analysis, lies the question, "what if this happens, then what?" Your starting point is based on assumptions that the management team or you are making about the business that could lead the business to success. Scenario analysis involves a number of future-oriented questions:

- What if the assumptions the management team is making come true, then what?
- What if the assumptions you are making about the business come true, then what?
- What if the business exceeds expectations or out-performs the assumptions?
- What if an assumption or several assumptions do not prove to be true?
- What if you made a different assumption or the management team chose a different route forward, then what?
- What future actions might you have to take or advice might you have to give to help the business achieve its greatest potential and be successful? What if the management team followed your advice and took those actions, then what?

Scenario analysis is not meant to be exhaustive. It is an opportunity to imagine the future for the business and not take the management team's assumptions nor your own initial assumptions about the business at face value. Go deeper into the scenario analysis, by asking "then what?" at least three times as you imagine a particular future path.

Analyzing Financial Projections

Recall the three main questions on your mind as an investor:

- When will I get my money back?
- What are the potential outcomes that will please me?
- Can I trust the entrepreneur?

Analyzing financial projections prepared by the management team can help you answer these because projections give an indication of the path the team and the venture are on, the potential profit, revenues and other financial measures of progress. From information, you can make a guess about the current and future valuation of the venture. Financial projections can give you an idea whether there will be growth in the valuation combined with whether there is a potential exit. This sheds some light on the possible answers to the question of when will you get your money back and how much?

For financial projections to be meaningful to you, you need a benchmark or expectation that you can use as a comparison. Potential outcomes, as forecasted by the financial projections, that are better than your benchmark or expectation will please you.

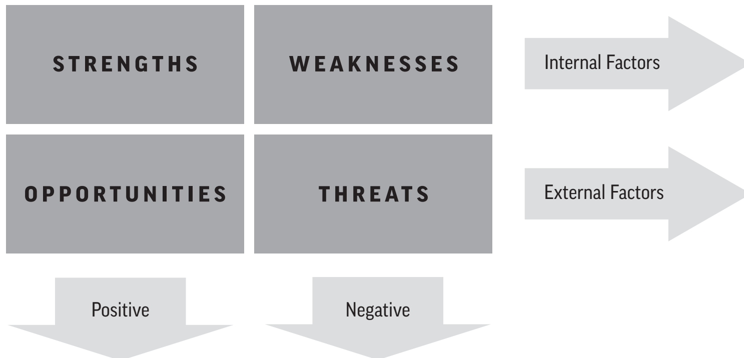
Seeing that the management team has done their homework and gone through the trouble of preparing intelligent, robust financial projections indicates to me that they have thought about the assumptions and factors affecting their business, tested some of those assumptions, and are being open about the variables that remain guesses and estimates. It is an early indication of the management team's ability to plan for, manage, and direct the business. It gives me a glimpse into how they make decisions and begins to give me more confidence in the team and whether I can trust them with my investment.

The assumptions underlying the financial projections are just as important as the projections themselves. Look at whether the assumptions are realistic, but ambitious. Are the assumptions and projections exciting? Does the entrepreneur know what has been tested and what is a guess?

A list of the things to ask for, related to financial projections include:

- Past financial performance-to-date, if it exists (might be no more than 3 years of historical financial information, especially if the business is an early-stage venture or start-up)
- 2 to 3-year projections
- What assumptions did the entrepreneur make?
- Has the entrepreneur tested as many assumptions as they could?
- Are they transparent about the unknowns?
- Look for balance between big vision and realism
- Will you take the leap of faith with the entrepreneur?

SWOT Analysis



SWOT stands for strengths, weaknesses, opportunities, and threats. It is a risk evaluation tool that helps investors capture positive and negative aspects of an investment opportunity on a matrix with internal and external factors.

Strengths: Think about the positive features of the venture that you are evaluating that are internal to the business. Examples could be the experience and track record of the management team, the attractiveness of the venture's product or service, the team's ability to attract customers, the list of customers the business has already attracted, or the impressive group of advisors that surround the venture.

Weaknesses: These are the negative, internal features of the venture. Examples of weaknesses to look out for in a venture include gaps in the skills and experience of the management team, shortcomings in the product or service, and lack of basic systems and processes in order for the business to deliver its products and services.

Opportunities: Opportunities are positive factors that are external to the venture. Opportunities could be trends amongst significant groups of people that are potential customers that will find the venture's products and services more attractive. Changes in technology, the economy, society, and political environment that favour the venture's business could also be opportunities.

Threats: External factors with a negative effect on the venture are threats. These include fierce competition, potential downturns in the market the venture is operating in, economic, societal and political variables that could negatively affect the venture's ability to operate and succeed.

Risk Analysis

Sitting back and thinking about the whole spectrum of possible risks associated with your investment is a key component to investment evaluation. Risk analysis involves not only risk identification, but also identifying how to mitigate or manage the risk.

This can be tracked simply in a risk table, like this one below.

Example of a Risk Table

Risk Identified	How to Mitigate or Manage the Risk

Be open and thorough to the wide range of risks that could affect your investment. Involve other people and their perspectives to get as complete a picture as possible. Then think candidly and equally as thoroughly about the ways the risk can be mitigated, managed or overcome.

TIP: DO AS MUCH ANALYSIS AS YOU CAN, BUT DON'T GO OVERBOARD. AIM FOR A BALANCE BETWEEN BREADTH OF ANALYSIS (USING ALL OF THE TOOLS IN THIS TOOLKIT) AND DEPTH OF ANALYSIS (HOW DEEP YOU GO WITH EACH TOOL MAY VARY DEPENDING UPON THE OPPORTUNITY). PRIORITIZE THE ISSUES AND RISKS AND SET A DEADLINE TO MAKE A DECISION.

ADVANCED TIP: DO DUE DILIGENCE WITH OTHERS AND SHARE YOUR FINDINGS. YOU'LL OFTEN FIND THAT SOMEONE ELSE HAS UNCOVERED A DIFFERENT PIECE OF INFORMATION OR HAS TAKEN A DIFFERENT PERSPECTIVE ON THE OPPORTUNITY. LOOKING AT AN OPPORTUNITY FROM DIFFERENT PERSPECTIVES WILL HELP UNCOVER AREAS OF EVALUATION THAT YOU MAY HAVE MISS. SHARING DUE DILIGENCE CAN ALSO BE A MORE EFFICIENT WAY TO DO A GREATER AMOUNT OF ANALYSIS.

INTEGRATED INVESTING TOOLKIT

In summary, your complete toolkit includes:

Impact Evaluation Tools

- Access to Essential Resources
- Business Impact Canvas (http://piqueventures.com/business-impact-canvas/)
- Cost/Benefit Analysis for All Stakeholders
- Four Impact Summary

Venture Evaluation Tools

- Business Model Canvas (http://www.businessmodelgeneration.com/canvas/bmc)
- Seven Domains Model (http://www.mindtools.com/pages/article/mullins-seven-domains.htm)

Traditional Evaluation Tools

- Due Diligence Checklist
- Scenario Analysis
- Analyzing Financial Projections
- SWOT Analysis
- Risk Analysis

Conclusion

We have covered a lot of ground in the Integrated Investing Toolkit. Impact investing is multi-faceted and that's what makes it so exciting. You need to gather a lot of information to make an informed impact investment decision and this toolkit was designed to make the information gathering process easier by identifying the key pieces of information you need to collect and helping you to evaluate the critical information needed to make a decision.

As with anything, impact investing takes practice, so put these tools to use.

Let me know how you get on with them. I would love to hear from you.
In the meantime, best of luck with your impact investing activities!

GO DEEPER AND MORE INTEGRATED

Thank you for reading the Integrated Investing Toolkit. If you are interested in more tools and techniques for better investment decision-making, to help create a better world, we invite you to read ***Integrated Investing****: Impact Investing with Head, Heart, Body, and Soul*.

"For anyone struggling to identify and integrate their values with their investment decisions. An interesting examination of the motivations behind our investment choices and their potential impact."
- **Deb Abbey**, CEO, Responsible Investment Association

"Foley-Wong challenges us to see investing as an opportunity to express and realize our deepest values. Read this, reflect, and be inspired for our future."
- **Andy McCarroll**, Criterion Institute Board member, General Counsel, Southeastern Asset Management, Inc.

"This book is a must-read for any investor interested in doing good while doing well."
- **Meredith Jones**, author of *Women of The Street: Why Female Money Managers Generate Higher Returns (And How You Can Too)*

"At the core of this book is the echoing refrain, "towards what end?" This question cuts like a beacon through our deepest investment fog, and when combined with the tools Bonnie shares, it lights a path towards creative, engaged investing, profitable in all dimensions."
- **Katherine Collins**, Founder Honeybee Capital, Author of The Nature of Investing

---

Order your copy on Amazon.com, Amazon.ca, or Amazon.co.uk.

Available at amazon

ABOUT PIQUE VENTURES

Pique Ventures is an impact investment and management company, enabling a diverse community of investors to pursue integrated investing.

Pique Ventures manages Pique Fund (Pique Venture Investments (VCC) Inc.), an inclusive angel fund where you can make a difference with your investment dollars, in the company of other like-minded people.

About the Author

Bonnie Foley-Wong is the founder of Pique Ventures, founding investor of Pique Fund, and author of ***Integrated Investing****: Impact Investing with Head, Heart, Body, and Soul*. Having worked closely with investors and entrepreneurs and exclusively in the alternative investment and private capital industries throughout her career, Bonnie founded Pique Ventures in 2012 to help impact investors make more integrated investment decisions to achieve financial and impact outcomes.

Over her 19-year career, Bonnie has made and evaluated investments and performed due diligence in impact investing, start-up and venture, commercial real estate, and private equity. Of that, she has spent the last 6 years in the impact investing industry, working in Vancouver with the Pique Fund, Invoke Labs, and VanCity, and in the UK, with Resonance and Big Issue Invest. Bonnie previously worked in the investment banking and corporate finance industries in Europe, financing over $1 billion of structured capital transactions with ABN AMRO and Hypo Real Estate Bank. Originally from Toronto, Bonnie is a Chartered Accountant and began her career as an auditor with Deloitte. She also holds the Chartered Financial Analyst designation.

Where you can find us:

Website:	piqueventures.com Integratedinvesting.ca
Facebook:	facebook.com/piqueventures
Twitter:	@BonnieOWong @Pique_V