



INTEGRATED  
IMPACT  
INVESTING

# Why i3?

The great challenges we face—energy, food, medicine, the environment, etc.—will stretch the imagination and determination of entrepreneurs, government and society.

The CAPROCK Group and a growing body of investors world-wide believe that an evolving form of capitalism—Impact Investing—will help develop and sustain solutions that would otherwise never see funding. For a variety of reasons—uncertain capital needs, unfamiliar terminology, the absence of clear metrics, etc.—investments that seek to generate both

financial return as well as create environmental or social value, are perceived as more risky than conventional investments.

flexibility and creativity to drive institutional and global-scale solutions. The organizing rubric for these solutions is “Impact Investing,” and those

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***The CAPROCK Group's Impact mission is to express client values through financial solutions that enhance and support their life, rather than merely easing their conscience.***

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Unlike philanthropy or government, Impact Investing—the power of capital markets matched with the “invisible heart” of impact investors—has the combination of scale, incentive,

who seek to harness the power of the markets to solve the world's overwhelming challenges are known as “Impact Investors.”



The CAPROCK Group's approach to Impact Investing is unique in its ability to connect capital with those who seek it, while protecting those who hold it.

We reject the assumption that impact investments inherently yield lower rates of return to the investor. The CAPROCK Group's proprietary Impact process harnesses the tools of "conventional" financial analysis and portfolio construction and applies them to Impact Investing. The result is a portfolio that seeks impact across the full breadth of asset

classes, rates of return which are competitive with conventional investments and, most importantly, a portfolio designed to achieve specific goals as established by each impact investor.

Moreover, the process allows our team of advisors to serve as invaluable intermediaries at the choke point that exists between those looking for impact-oriented investment opportunities and the legions of entrepreneurs and fund managers looking for investors.

Our aim is to open that choke point in a manner that allows families to transition all, or part, of their portfolio from conventional investments to impact investments, and to do so in a way that protects their financial future while allowing for the expression of their values and mission.



# i3: The CAPROCK Group's Philosophy on Impact Investing

There are three broad groups of Impact Investors. "Finance First" investors commit capital with the expectation of financial return

embracing pioneer risk; seeking to expand the impact ecosystem, they invest in companies which offer the potential for leveraged impact.

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***Our relentless focus on liquidity, transparency and quality gives our clients the confidence to activate their entire portfolio in support of their mission, knowing that their wealth will not be squandered on well-intentioned, but potentially flawed, investments.***

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and the potential for social or environmental impact. "Impact First" investors commit capital with the expectation that the investment will have an environmental, social, and/or governance impact and the potential for a financial return. And "Catalyst First" investors commit capital with the express intention of

Of course, there exists a continuum between these three extremes. The partners at The CAPROCK Group place themselves on the "Finance First" end with a bias towards catalyzing investments. As such, the i3 process evaluates every potential impact investment through the lens of the probability of financial

return, and the associated risks to that pursuit. The proprietary tools they have developed to build customized, sophisticated, "conventional" portfolios are the same tools they use to build impact-oriented portfolios. This allows their clients to develop highly personalized impact themes and to support those themes with powerful analytics. Most importantly, The CAPROCK Group's relentless focus on liquidity, transparency and objectivity gives impact-oriented clients the confidence to activate their entire portfolio in support of their mission, knowing that their wealth will not be squandered on a series of well-intentioned, but potentially flawed, investments.



# The Tools of i3

The CAPROCK Group has developed unique, proprietary tools to help quantify both objective (financial) and subjective (environmental and social) return on invested capital. Working in tandem with metrics such as GIIRS (Global Impact Investing Rating System) and IRIS (Impact Reporting and Investment Standards), these tools help to quantify risk and return in our three primary impact themes: opportunity, sustainability and the environment. Perhaps more importantly, they help identify the importance of portfolio construction; specifically relative to the amount of return variability a portfolio can absorb yet still meet our client's financial objectives.

## **i3 Impact Score**

One of the most difficult challenges with Impact Investing is to articulate the balance between

desired financial and social/environmental return. The reason for this is that the balance is so intensely personal. If all one measures is one or the other, the task is straightforward. But, to balance competing priorities introduces a waterfall of complication. Which is more valuable? By how much? And is it always so? And if a fund pursues above-market returns, can it also be credible as an impact investment? Is it more important to invest with a firm that reflects social values (employee composition, purchasing policies, etc.) or with a firm that pursues social return with its investments? What is the probability of mission drift? And if the investment's mission drifts, how does that influence one's perspective on financial return? How is this quantified? Can it be quantified? The questions are legion, and can be paralyzing.

The intention of i3's Impact Scoring Algorithm is to frame these questions in a lucid, uncomplicated way and give investors the opportunity to clearly articulate their own priorities based on a wide set of variables. In so doing, we help investors express intensely personal priorities in a purely objective, quantitative manner. Portfolio decisions can then be made without the emotional complexity that impact investing can generate, and also without stripping the emotional rewards that impact investing can spark.



### **The Impact Ratio**

As with the i3 Impact Score, the i3 Portfolio Score helps investors understand and articulate impact at the portfolio level and to reveal to an investor how different decisions can push or pull this overall impact. Used in tandem with The CAPROCK Group's Lifetime Discounted Cash Flow (DCF) model, the i3 Portfolio Score helps to answer one burning question: "How much impact can I have with the assets I currently own, within the constraints of the financial objectives that allow my life to function as I wish?" This double-faced question essentially adds a third dimension to portfolio construction: risk, return...and impact.

More importantly, while it may be relatively easy to build a three-dimensional return model for one investment, it becomes fiendishly complex

Since The CAPROCK Group believes that their job is to build portfolios by design rather than by default, they consequently believe that the

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***The intention of The CAPROCK Group's Impact Scoring Algorithm is to put portfolio decisions into the hands of the investor and help them articulate their own priorities and to express these in a purely objective, quantitative manner.***

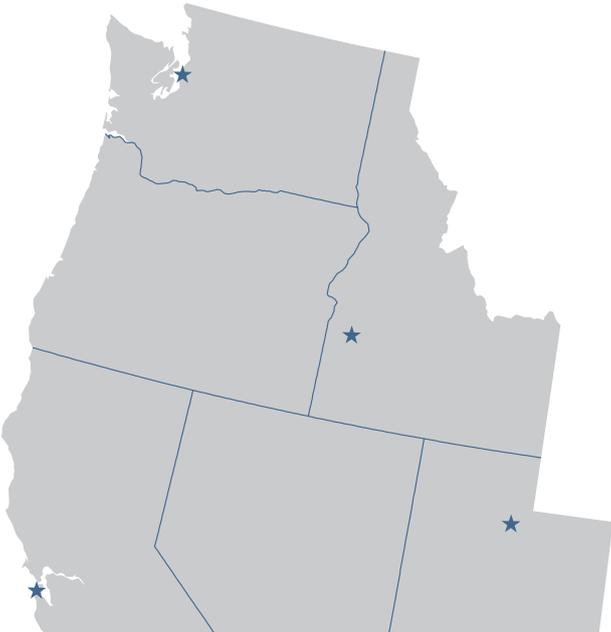
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to do so for an entire portfolio. The toolset developed by The CAPROCK Group helps to ease that complexity.

impact of a portfolio must be driven by the design function of the DCF. In doing so, they help investors answer not only the all-important "Do I have enough?" question, but also the soul-defining question: "Can I do more good with what I have?"



# Contact The CAPROCK Group



**San Jose**

**Seattle**

**Park City**

**Boise**

*i3@thecaprockgroup.com*

*www.i3impact.com*

