

Impact Investing Syllabus

*** DRAFT ***

FNCE 381/881

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This course explores **Impact Investing**, a discipline which seeks to generate social benefits as well as financial returns. From tiny beginnings, the Impact Investment space has expanded and now commands significant attention from policymakers, wealthy and public-spirited individuals, academia and, not least, the world's largest asset managers and philanthropic foundations. Evangelists believe it may be the key to freeing the world from poverty. Skeptics think it will remain confined to the boutique. Regardless, Impact Investing is becoming a distinct career specialization for finance professionals despite the diverse skillset each must have and the uncertainty of the new field's growth.

The major topics treated are:

- History, size and characteristics of the Impact Investing marketplace
- Turning policy challenges into investment return – who needs help, how investments matter
- Distinctive business and financial characteristics of Impact Investments; social impact metrics
- Adapting conventional investment analysis to the Impact Investing paradigm
- Impact evaluation frameworks and their integration into traditional risk/return models
- Synchronization of capital markets, government policy and philanthropic resources to blend investment return and social benefit
- Relevant work in the field of Development Economics
- Analysis of sample Impact Investing models and cases
- Related concepts including microfinance/microenterprise, Socially Responsible Investing, and natural resource constraints

The primary emphasis of the course is applying a conceptual understanding of Impact Investing to real-world projects, managers and data. We will analyze existing cases, and students will organize into groups to discover, research, analyze and present team investment cases.

Course Schedule

Week 1

Introduction and Overview: Definitions, Classical Finance and the Case for Impact Investing

Week 2

Socially Responsible Investing: negative screening, positive screening, the fiduciary standard revisited

Week 3

Shareholder Activism: positive and negative investment

Week 4

Corporate Social Responsibility (CSR)

Week 5-6

Microfinance and the Base of the Pyramid

- Microlending, microinsurance, housing (finance, housing, RE development), technology and cases

Week 7-8

Environmental Finance, Greentech, Infrastructure, Scale and Private Equity

Week 9

Philanthropy and Its Related Models

Week 10

NGOs, Public Policy and the Public Sector

Week 11

The Boundary: New Products, New Approaches and New Finance

Week 12

Team Presentations

Prerequisites

This course has no specific prerequisites, but given its wide-ranging subject matter, students will benefit from completion of any of the following Wharton finance courses: FNCE 613 Macroeconomics and the Global Economic Environment; FNCE 720 Investment Management; FNCE 738 Capital Markets; and FNCE 895 Private Equity. Coursework or practical experience in microeconomics, development economics, international philanthropy, Non-Governmental Organizations, financial risk management and political risk analysis will also be useful.

Text

There is no primary text as such for the course, but a number will be featured in class lectures, discussions and team assignments and are required: *Impact Investing: Transforming How We Make Money While Making a Difference*, by Antony Bugg-Levine and Jed Emerson (Jossey-Bass, 2011) is assigned for the course. *Investments* (9th Ed.), by Bodie, Kane and Marcus (McGraw/Hill/Irwin, 2011) is an outstanding reference text.

Course Pack

In addition to class notes and texts, the course will make use of articles that are both academic in nature and practitioner-oriented. While some of the articles in the course pack are supportive of the class materials and are thus optional, most will be required reading. The philosophy behind including some ancillary material in the course pack is that it acts as a “free” option (or at least

an exceedingly low-cost one) for you should you wish to understand what we cover in class to a greater depth. I will make clear for which articles I will hold you responsible.

Handouts

I will hand out material for almost every class and will typically make electronic versions available in advance of class. Should you be absent when I distribute something, **you** will be responsible for obtaining a copy of what I gave to the class. Generally, I'll make handouts available on the course website.

Evaluation and Administrative Details

You will be evaluated in this class through a midterm and a final exam or project (**likely to be given as a take-home near the end of the semester**). The final or project will count as 60% of your course grade and the midterm will contribute 40% toward your final grade. I'm sorry to say that, according to Wharton policy, individual exceptions to the timing of these examinations cannot be made to accommodate travel schedules, etc.

While I certainly won't monitor your attendance in the class, I will gauge class participation and will use it to help decide grades. For some, this may contribute up to 5% - 10% of the final grade, or more. *Keep in mind that, in any case, I "cold call" in just about every class, or, as we say, facilitate an open and frank exchange of ideas.*

The final exam will be cumulative over the course's content.

My grading policy allows for re-grades on all assignments. However, the re-grade request

- must be accompanied by a clear and persuasive explanation for your request
- must be submitted to me within one week of your having received the assignment or test back
- will result in your exam or assignment being *completely* re-graded.

I want to be explicit about this last point. If you ask me to re-grade an exam, for example, I (or the course TA) will re-grade **all** questions on the exam in addition to the answer(s) in question so that it is actually possible for you to receive a lower score after the re-grade than before. In fact, assuming grading errors are symmetric, the expected value of the change in points from a re-grade is zero! This policy is designed to ensure that the mean class score will not be increased artificially by corrections of mistakes only in students' favor. Also, the TAs may be responsible for first-stage re-grades; however, I will view every one myself.

Note: Again, if you experience an emergency or illness that will interfere with *any* course requirement, you must contact me with the appropriate explanation *before* the due date. For example, if you are ill on the day of an exam, you must contact me *before* the time at which you are scheduled to take the exam. Interviews and job-related absences are not considered to be emergencies or illnesses, per the school's official policy (and common sense).

Finally, although it should go without saying, I need to make clear that I expect you to adhere closely to the school's code of academic conduct. I will treat any violation of this code, such as cheating in any form, with severity. I also photocopy a significant portion of the assignments

that are turned in (including homework and tests). I will likely catch any regrade-related cheating as a result. In addition, I expect classroom conduct to be on a high level. For example, do not expect to leave the class to get coffee in the middle of a lecture and be ignored upon your return. More importantly, I will not tolerate harassment of any type in my classroom.

Homework/Team Projects

Students may choose to take a final exam for the course or complete a team-based project.

This project should be completed by students in groups of *no more than six and no fewer than two*, and all group members will receive the same grade, regardless of who contributed most to the final result. *You are responsible for forming groups, and constituents may change throughout the semester. In addition, please note that I am averse to mediating disputes among group members, so please choose your groups wisely.*

The group project will require student to identify, research, analyze and present an investment thesis and business case for a specific Impact Investing initiative. Creative approaches are encouraged!

Teaching Assistant and Review Sessions

The teaching assistant (TA) for this course will be announced.

<u>Teaching Assistant</u>	<u>Activity</u>	<u>Date, Time and Location</u>
TBA	Review sessions, email response, call- in hours, grading.	Review sessions (time, venue TBA): Office hours: TBA. Email address: [TBA]@wharton.upenn.edu

My Office Hours

My office hours are on Thursdays from approximately 1:30-3:00 p.m. EAST and by appointment. My office is in 2258 SH-DH. My remaining contact information is:

Email: Geczy@wharton.upenn.edu

Phone: 215-898-1698

Fax: 215-898-6200

By far the best method of contacting me is by email.