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IMPACT

Sustainable Investment Funds Surpass \$1 Trillion First Time Ever



“Governments around the world have been stepping up their support for green projects in recent years, both through regulation and through fiscal spending”

Assets under management in funds that abide by environmental, social and governance (ESG) principles have surpassed \$1 trillion for the first time on record, according to data compiled by Morningstar.

It comes after net inflows of \$71.1 billion between April of June this year, driven by growing investor interest in sustainable investment funds in the wake of the coronavirus pandemic.

“Governments around the world have been stepping up their support for green projects in recent years, both through regulation and through fiscal spending,” analysts at UBS said in a research note published on Tuesday.

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“This has intensified in the wake of the Covid-19 pandemic, as governments have committed to a green recovery,” they continued. The “emphasis should add impetus to the performance of ecologically friendly companies over the coming years.”

In a report published earlier this month, researcher Morningstar cited three factors contributing to record second-quarter inflows into ESG funds.

It said the disruption caused by the Covid-19 outbreak had “highlighted the importance of building sustainable and resilient business models based on multi-stakeholder considerations.”

The continued growth in the number of products making up the sustainable fund universe had also acted as a catalyst for ESG investment funds in recent months, the company said.

It found that the number of funds that use ESG criteria as a key part of their security-selection process in Europe had jumped up to 2,703 by the end of the second quarter, up from 2,584 at the end of March.

BlackRock CEO Larry Fink on climate change and ESG investing

Additionally, asset managers were seen to be “greening” their offerings by converting 40 traditional funds into sustainable funds over the three-month period through to the end of June. Morningstar said 30 of these funds were also renamed.

The repurposing of existing funds into sustainable offerings, the research firm explained, offered a way for the asset managers to leverage existing assets when building their sustainable funds business. It means the funds do not have to start from scratch and can accelerate the time frame required to reach scale.

Stakeholder capitalism

Last month, BlackRock CEO Larry Fink said that the idea companies have a greater purpose besides just providing returns for shareholders would soon become even more important.

“The one thing that is very clear in this Covid world ... [is that] stakeholder capitalism is only going to become more and more important, and the companies that focus on all their stakeholders — their clients, their employees, the society where they work and operate — are going to be the companies that are going to be the winners for the future,” Fink told CNBC’s “Squawk Box” on July 17.

The CEO of BlackRock, which is the world’s largest money manager with more than \$7 trillion in assets under management, also said the investment fund had seen a “surge of interest” among clients looking to invest in areas like renewable energy.

A Native Food Company's Commitment to Social Mission Attracts Investors

Published by Seeking Alpha July 22, 2020



Foods is an example of the latter, with the inclusion of a host of terms that ensures the company stays Native-owned and that it continues to foster community health, security and opportunity.

NANF got started in 2005 on the Pine Ridge Indian Reservation in South Dakota with a mission to build a health food brand with both deep cultural ties and strong community impact. Fifteen years later, the B Corp and maker of the popular Tanka buffalo snacks has raised its first institutional funding round, backed by the Libra Social Investment Fund, Clearinghouse CDFI and Highlands Associates, with support from Candide Group.

“For us, the question of fundraising was always about how to do it in a way that is authentic to our Native values and culture and fulfills our mission. It takes longer to do something when you’re trying to be mindful of so many pieces,” NANF CEO Dawn Sherman tells ImpactAlpha. “The terms fit with the fabric of who we are.”

That fabric was spun up by founders Mark Tilsen and Lakota tribal member Karlene Hunter, who envisioned a company that could restore buffalo to Native lands, provide livelihoods to their community and bolster local food security and health, all while reflecting Native culture and values. The company was the first to launch a commercial buffalo protein bar, made from a traditional Lakota recipe of cured meat and berries, called wasna. The original intent was to steer Native communities hard hit by poverty, food insecurity and chronic disease back to familiar, healthy foods. Amid changing consumer trends and growing demand for healthy snack options, Tanka bars garnered broader appeal.

“We were the originators of an entirely new food category. How many people get to say they did that?” remarks Sherman, who has been with NANF since 2012 and at the helm of the company for the past two years.

The product line expanded. Tanka bars and snacks made it onto the shelves of Whole Foods, Costco and R.E.I. At its peak in 2015, NANF was doing \$5 million in annual sales.

Then the competitors flooded in.

Texas-based EPIC developed a knock-off version of the Tanka bar, while California-based Country Archer and Krave began popularizing other types of healthy cured-meat snacks. NANF was out-spent on marketing 10-to-one, Sherman estimates. Krave got acquired by Hershey in 2015. EPIC got acquired by General Mills the following year. Country Archer has raised tens of millions of dollars in venture capital funding, including a \$12 million Series C round in February this year.

NANF, meanwhile, couldn't find the investor funding or working capital to compete. It scraped together some funding through a crowdfunding campaign, but it wasn't enough to sustain the operation. Its production gradually slowed, until Tanka bars all but disappeared from retail shelves.

“It was tough to watch these other brands use Native imagery—teepees, arrow heads—and mimic our story. It was deliberate cultural appropriation,” Sherman reflects. “But then they were outspending us on marketing. All of these big brands started flowing in. They got instant distribution, and we just couldn't compete against that.”

Levels of impact

In some ways, the acquisition of NANF's competitors by corporate food giants could be considered impact investments. Amplifying access to healthy snacks in a country where more than 40% of adults are obese and chronic diseases like diabetes and heart disease are rampant certainly has positive impact.

But for NANF, a corporate buy-out has never been an option; such an acquisition would only jeopardize the company's social mission, Sherman says. “Our story, who we are and what we've accomplished would be diluted, because those things get pushed down in an industry model that depends on volume.”

“My passion is to shake that up,” she adds. “Everyone should be able to access healthy food. It shouldn't be dependent on this grow-sell business model that pushes little brands down.”

NANF's institutional funding round puts the company back on a path to have that kind of impact, for Native-owned businesses and communities in particular.

With support from Candide Group, the company raised several million dollars in equity funding from Libra Social Investment Fund, a donor advised fund, and California-based Highlands Associates, as well as Native-focused community development financial institution Clearinghouse CDFI, a prior investor that converted its previous shares and debt in the new round. The deal terms upheld the company's existing employee-ownership scheme, and included a commitment to ensuring that at least 51% of any dividends or sale proceeds go to Native owners and a plan to sell back the equity shares either to the company or a third party Native buyer, Candide's Aner Ben-Ami tells ImpactAlpha.

“In short, it required working outside the box and intentionally structuring an investment that benefits Native communities and prioritizes Native ownership over the longer term, which is not what your typical private equity investors would be able or willing to do,” he says—especially not for a Native-owned company, where “there is practically no equity capital available at all.”

There is also much more than financial support involved, adds Sherman. Niman Ranch, a sustainable meat brand with over 750 independent farmers and ranchers, has pledged to support NANF's growth strategy as a technical advisor and hands-on partner, including contributing senior staff to work directly with NANF.

“The financial independence of the Native owned and operated TANKA goes to the heart of our mission to support sustainable agriculture and resilient rural communities,” said Niman's Chris Oliviero in a statement.

“I've never heard of a large brand that comes in wanting to help a small company grow without the intent of acquiring them,” remarks Sherman. “All of the pieces that we've brought together, and the partners we've brought in, they really support our whole mission and are helping to build the ecosystem.”

Goals for growth

NANF's immediate focus is to revive sales and retail relationships, with the aim of getting back to 2015 sales volumes. In the next five years, Sherman says she hopes to see the company doing about \$20 million in sales.

But the company can only grow as fast as its producers can produce, and the Native ranchers and growers it sources from also need investment and technical assistance. To that end, NANF is launching a resilient agriculture fund to support and expand its circle of producers.

"Our biggest goal is to close the supply-chain loop in this Native food ecosystem we have built," says Sherman. "Then we can bring in more products, and lend our support to some of the other 500 small Native food brands, and drive all of that impact back."

Impact Investors Catalyze \$10 Billion for India's Social Venture Market

Published by Impact Alpha July 14, 2020



A decade ago, India's first wave of impact investing collapsed under the weight of unregulated and unsustainable microfinance lending. Since then, the sector has rebounded, multiplied and diversified.

Almost \$10.8 billion in equity capital has been invested in Indian companies with a social mission since 2010 (when impact investments totaled only \$323 million), according to new research from Impact Investors Council and Asha Impact.

Impact investors have had a catalytic impact on India's social venture ecosystem: for every \$1 India's social ventures attracted from impact investors, they've secured \$2 from commercial investors. Early-stage impact investments also "de-risk" companies and drive later-stage commercial capital. Indeed, impact investors accounted for 43% of seed and Series A funding and only 22% of Series B and later rounds.

Impact investing "has also found new ways to improve quality of service delivery to the poor while making it affordable with business models and technology-based innovation for serving the masses," the report states.

Since 2010, education, healthcare, agriculture and impact tech ventures have emerged in a space once dominated by microfinance. *Recent examples:* rural delivery service Frontier Markets clinched \$2.3 million in a seed round from ENGIE Rassembleurs d'Energies, The Rise Fund, The Singh Family Trusts, Teja Ventures and Beyond Capital. India's Aye

Finance secured \$16 million in debt from German impact investor Invest in Visions, after raising \$27 million in equity from LGT Capital Advisors and Alphabet's CapitalG.

Despite the exponential growth in Indian impact investing in the past decade, \$10.8 billion represents just a sliver of the capital needed to achieve the U.N.'s 2030 Sustainable Development Goals. To meet the goals, experts say India must invest \$600 billion annually, with half going to SDG No. 5 (*gender equality*), SDG No. 8 (*jobs and economic growth*) and SDG No. 11 (*sustainable cities*).

Impact in the News



- Ball Corporation

Goal to Reduce Carbon Footprint by 25% in 2020. They lead in metal packaging in anything from food, beverage, aerosol products, and automotive parts. The use of Aluminum an infinitely recyclable product

- Telefonaktiebolaget LM Ericsson

Committed to all 17 Sustainable Development Goals and funds projects in each of the 17 areas. Largest is a mobile financial services (MFS) platform for unbanked mobile users in the Middle East and Africa.

- Microsoft

Committed to become *Carbon Negative by 2030*. Climate Innovation Fund has invested \$1 billion for the development of carbon reduction and removal technology.

- Texas Instruments

Phased out the use of class 1 and class 2 ozone emissions and uses LEED building standards to increase efficiency and "corporate greening".

E3 = Epic Time, Talent & Treasure

Epic Capital is a mission-driven firm with a genuine heart for community, both locally and around the world. We focus specifically on social outreach initiatives. We give our time, talent and treasure to organizations that support families in need, the working poor, homeless or impoverished. This is meaningful to us because we recognize the incredible blessings in our lives and the opportunities that we have been given to do work that we love. So we have taken our personal passion for empowering others and made it a part of our corporate charter. We call it **E3**.

- We give **our time** through our quarterly *Epic Outreach* program, serving where the greatest needs are through local charities.
- We give **our talent** through our *Epic-EDU* program, in addition to our partnership with [CommonWealth Charlotte](#), administering financial workshops for organizations and churches that minister to low income families, the working poor and the previously incarcerated.
- And we give **our treasure** through our *Epic Impact Grant* program to local community and global organizations that meet our social outreach criteria.

We believe that we are all called to serve. We also believe that the positive impact one can make by empowering the life of another can alter the direction of that life forever.

We are pleased to announce that we have opened up our quarterly Epic Outreach initiatives to include volunteer participation from clients of Epic Capital. Please consider joining us during one of our upcoming volunteer efforts.



If you would like to consider other volunteer opportunities, or to learn more about over 400 local non-profits in the Charlotte region, please visit a community partner of ours who we hold in very high regard: **Share Charlotte** <https://sharecharlotte.org/>

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