THE RENEWABLE INVESTMENT FUND™

Supporting Your Charity
through social impact investing

An opportunity to raise social capital

"Change is coming to the non-profit sector and non-profit boards must respond, in order to prepare their organisations for the future. Non-profits must quickly change the way they work in order to survive and succeed in a highly competitive sector that is evolving quickly."

David Knowles,
Partner and Head of Philanthropy and Social Capital Koda

"The definition of insanity is doing the same thing over and over again, but expecting different results."

Albert Einstein

THE RENEWABLE INVESTMENT FUND™

The donation that keeps on giving... back
without donors losing control of their capital

SUPPORTING YOUR CHARITY
THROUGH SOCIAL IMPACT INVESTING

AN OPPORTUNITY TO RAISE SOCIAL CAPITAL

The Modern Fundraising Environment

Charities require ongoing philanthropic funding to support vital projects, patient care and research. However, most Australian charities face increasing difficulties in obtaining donor financing. According to the Australian Tax Office, over the past four years the percentage of taxable income donated by individual taxpayers has steadily dropped year-on-year.

Here are three major obstacles that stand in the way of charitable organizations securing philanthropic revenues.

1. Economic uncertainty translates to less giving across the board.
Prolonged economic uncertainty continues to reinforce concerns of "How much money will I need in the future?" and "How much can I afford to give up now?"

2. The new generation of philanthropists is heavily focused on return.
Younger philanthropists are looking to align with organizations and causes that deliver a social or environmental return, in addition to the traditional financial ROI.

3. Competition for donor dollars is tough.
With over 54,000 charities, the not-for-profit sector is growing increasingly more competitive. Individuals, government agencies, and corporations have many choices when it comes to charitable giving.

> *"In the US, and here in Australia, project grant funding rates have dropped so low – only 15% of grant applications to the National Health and Medical Research Council (NHMRC) were funded in 2014 – that talented students are now nervous about embarking on careers in research and junior staff are feeling under intense pressure"*

Merlin Crossley
Dean of Science and Professor of Molecular Biology, UNSW Australia

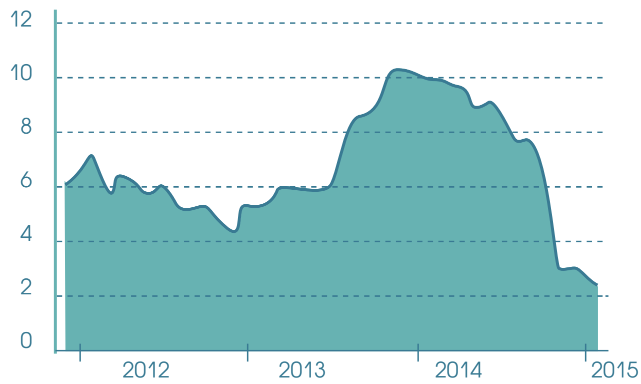
From the NAB Charitable Giving Report:

"The slowdown in giving mirrors some key findings from our Consumer Anxiety Reports which shows that Australians are responding to heightened stress by cutting back spending on "non-essentials", including charitable donations.

Slower growth in charitable donations has also occurred against a backdrop of below trend economic growth and rising unemployment."

When these issues affecting the private sector are set against a back drop of shrinking NHMRC funding, it becomes clear that non-profits must uncover new sources of revenue.

Growth in NAB Charitable Giving Index
(percentage change, year-on-year)



Source: NAB Charitable Giving report (Feb 2015)

If your charity is in this position,
we have developed something innovative
and engaging to help overcome these challenges

What can you do?

If charities want to continue to enjoy a healthy and vibrant funding environment and meet their research commitments, they must first undertake a fundamental shift in how they approach revenue generation.

We encourage charities to consider the following strategies.

1. Educate and raise awareness about bequests
Build an intentional and strategic educational campaign about the importance of charitable giving. Today, most Australians would never consider making a bequest to a medical institution. Targeted messages that connect the audience to the individuals whose lives are affected through research, medical care, and social outreach have been proven effective.

2. Develop new donation mechanisms
Establish new donation mechanisms to encourage donor participation from a younger age. Reach the younger donors through social media, charitable giving apps, and special events. Make it your goal to build and nurture a network of younger donors that will grow with you.

3. Invite prospective donors in.
A reluctance to donate is often driven by the uncertainty as to how the funds will be spent. Give your donors a look behind the veil by hosting events where they can meet the people that they are entrusting their money to. Consider proactive communications to your donor base with clear non-technical reports on how the funds are being put to good use.

4. Measure and share the good.
Your Charity is more than dozens of researchers and clinical trials. It is more than its budget or the sum of annual gifts. It is about social impact. **That's where our idea of social impact investing comes in.**

5. Introduce Processes
Introduce new mechanisms to connect regularly with new markets with new ways of giving whilst also helping themselves.

"Change is the law of life. And those who look only to the past or the present are certain to miss the future"

John F. Kennedy

"Innovative solutions are needed to re-invigorate philanthropy, particularly planned giving, as charities are seeking long-term income streams to finance their capital expenditure and community programmes"

Prime Minister's Community Business Partnership Annual Report 2015

Introducing the Renewable Investment Fund

A new approach to fundraising for social impact

Social impact investing is a new approach to raising charitable funds in Australia. It was born out of the mounting social challenges, combined with increasing pressure on public funds. **Investing for impact, as well as financial benefit, is the answer.**

Social impact investing does not replace the core role of the public sector or the need for philanthropy. However, it can provide a blueprint for leveraging existing capital and attracting new funds for maximum impact. **The idea is to invest in efforts that not only generate a return on capital, but also deliver a social benefit: better schools, safer streets, and ground-breaking medical research.**

What is a Social Impact Fund?

A typical Social Impact Fund is a balanced portfolio of loans and equity-like securities that reflects desired risks and returns and focuses on resulting social impact. For all of its benefits, it usually requires the donor to invest the money and effectively lose control over it, at least for a considerable period.

Our challenge was to use the style and philosophy of a Social Impact Fund, and make it better. We set out to create a structure that would represent a win-win for both donors and charities they support.

- We wanted the donors to **retain ownership** and access to funds while they are alive;
- We wanted to create a **financial return** to compensate them for supporting the charities of their choice.
- We wanted to create an annuity-style **recurrent revenue stream** for the charity with a defined term that would complement research funding cycles. The result is assured funding for your projects, and enhanced confidence of your critical research personnel.
- We wanted to offer a philanthropy model involving **lending** to community Versus **gifting** to community

"Social impact is the provision of finance to organizations addressing social needs with the explicit expectation of a measurable social, as well as financial, return."

OECD

"In essence, we wanted to craft a vehicle that would help others whilst they helped themselves."

Meet the Renewable Investment Fund

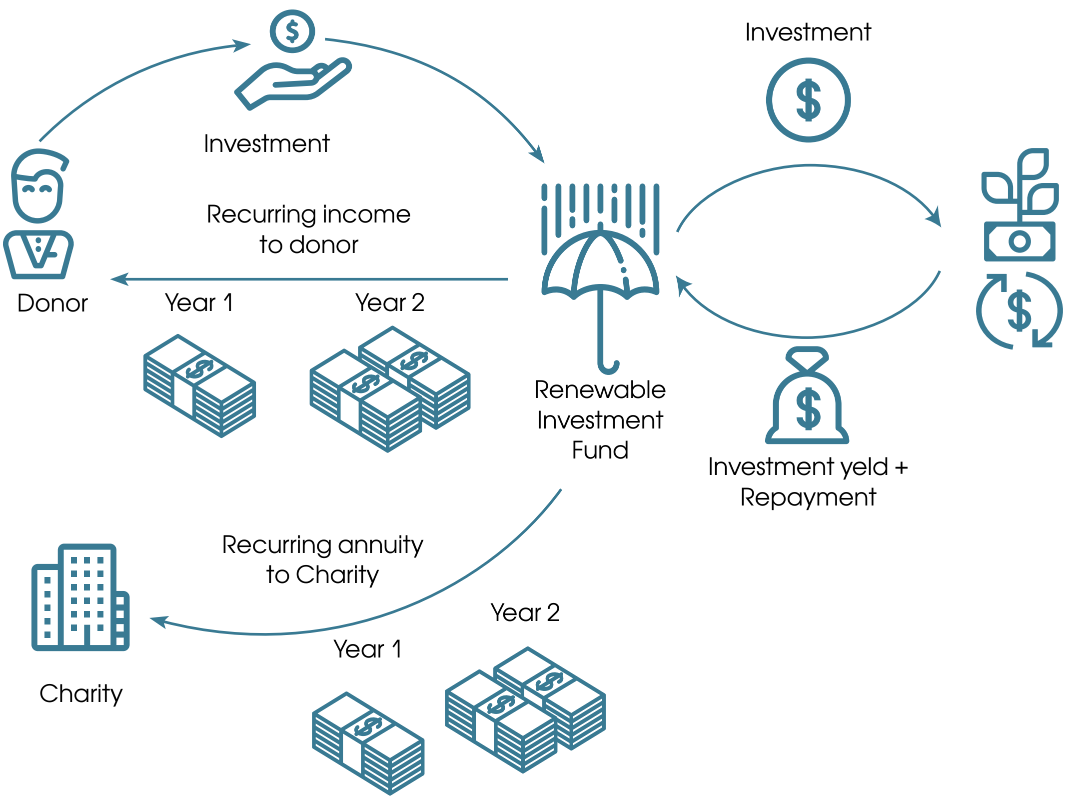
Renewable Investment Fund: Structure

Here is how we have structured the Renewable Investment Fund (“RIF”).

- It is a registered investment product offered by a licensed fund manager.
- The fund manager provides access to several investment funds that suit the appetite of your donors in terms of risk tolerance and return.
- Donor funds are invested in the selected funds. A return is generated, which is shared between the donor and the charity. The allocation is at the discretion of each donor.
- The charity is merely a beneficiary of the Renewable Investment Fund. No asset management or investing expertise required!
- The charity may choose to brand the RIF in its own name, or use a generic option shared by multiple charities.
- A minimum investment term will be selected by the charity to provide certainty of recurrent income for the charity. Three years is recommended by industry research.
- The minimum investment can be as low as $10,000, making it very accessible.
- All assets are held /owned by an independent Custodian (Trust Company, a division of Perpetual Trustees) whose role is to protect investor interests and liaise with fund managers.
- Donor funds are invested into the funds of their choice. Initially 2 options will be provided.

Let’s explain the concept of an annuity first. An annuity is an investment that generates a recurring cash flow to the investor in the future on a specified schedule. The core amount is reinvested and generates a return, and the accumulation allows for the investor to create a cash flow that adds up to more than what was invested. Here is an illustration of how it works.

So, let’s put it together. The donor makes an investment that is placed with the Renewable Investment Fund. The RIF in turn invests and grows that amount, generating recurring cash payments to the charity and to the donor.



Customer/Donor Profiles

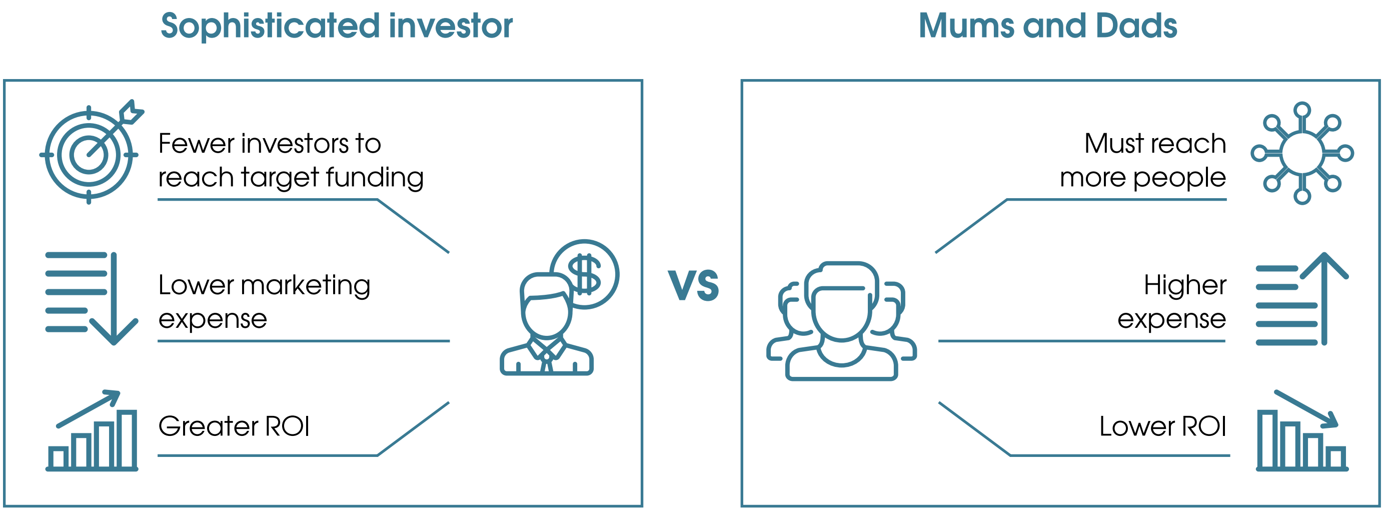
Investors are increasingly interested in social impact investment. While they are often unwilling to sacrifice financial goals, they want to diversify their holdings and contribute to the greater social good.

Who are the investors?

The range is diverse and includes foundations, high net worth individuals and philanthropists, banks and other financial services firms and intermediaries. The most active social impact investors have been high net worth individuals and family offices, who have more flexibility and autonomy than other investors.

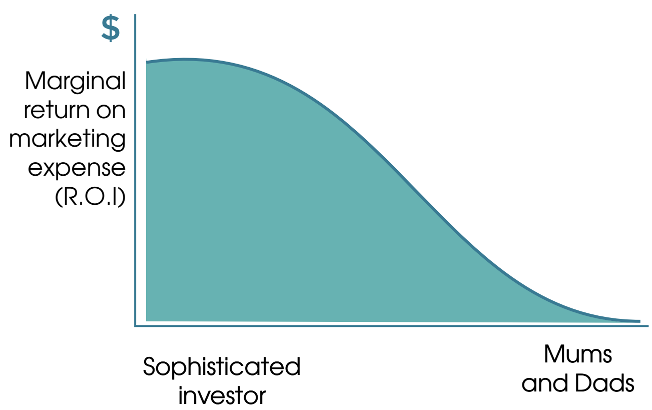
The beauty of this investment product is that it is suitable for all levels of investor and donor sophistication. RIFs can be a great fit for a wide range of investors, from related Endowment Funds, Private Ancillary Funds, Family Offices that represent high net worth families, sophisticated investors, aligned professionals such as VMO's, business owners, to individuals.

Whilst you may consider opening this up to your broad data base, it is envisaged that this concept will be ideal for the more sophisticated, high net worth, and PAF style investors. In our experience, it is far more efficient to raise $ 1M each from 10 sophisticated donors than $ 10,000 each from 1,000 donors.



Here is another way to look at the ROI in relation to the size of individual investor. You see that the marginal rate of return is higher for sophisticated investors, and lower for those with lower available capital and less investing experience.

This makes the case for reaching out to sophisticated individual investors, family offices, and Private Ancillary Funds first.



Private Ancillary Funds

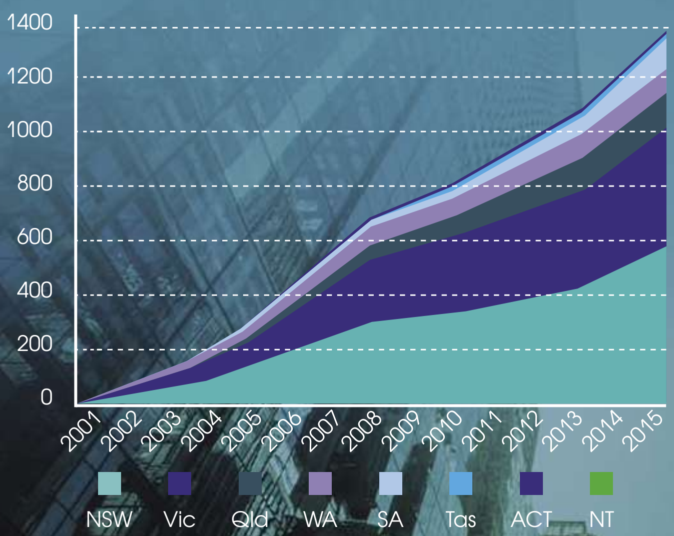
What is a private ancillary fund?
A private ancillary fund (PAF) is a type of charitable trust, which exists for the purpose of providing grants to eligible charities over time.

Key features of a PAF:
- A PAF is a charitable trust controlled by a company as trustee. The board is usually comprised of family members but must contain at least one independent director (the 'Responsible Person').
- Donors receive a tax deduction for donations, which can be spread over five years.
- The investment strategy is set by the directors. Earnings are income tax exempt with franking credits reclaimable and testamentary gifts have Capital Gains Tax (CGT) exemption.
- Distributions are made to charities with Deductible Gift Recipient (DGR) status, and a minimum of 5% of the value of the fund must be distributed each year.
- PAFs are governed by Australian Taxation Office (ATO) Guidelines and have Australian Charities and Not-for-profits Commission (ACNC) compliance obligations

The Role of PAFs

Structured giving is continuing to grow strong: the number of Private Ancillary Funds created in 2015 is on the rise compared to 2014, with the total count almost at 1,400. This represents significant dollars, as well, when the Paul Ramsey bequest enters this pool of capital, it will get close to $ 8B.

Cumulative total of current PAFs at 2015 by state and year (to June) of establishment



Source: ATO, JBWere Philanthropic Services

The JBWere Australian Giving Trends report also highlighted the potential for significant growth in the impact investment sector. According to the specialists:

The next revolution is potentially the use of the "95%" of available capital for social cause through impact investments, in addition to the "5%" in donations. This refers to the fact that while annual donations to charitable organisations from structured philanthropy are generally a little above legislated levels, currently around 7% of assets for Private Ancillary Funds , there is a considerable body of assets remaining in foundations with the potential to work harder in also achieving social returns rather than just earning the annual income to be paid out in distributions

However, when established in 2001, government modelling expected up to 180,000 PAF's would be established. Yet only 1400 have been. Research has identified, that even the wealthy, **do not want to lose control over their capital.**

> *" The challenge for potential partners/recipients is to understand this evolving area and to be a proactive generator of opportunities that fit each corporate business and delivers the social returns they desire. "*
>
> *From the JBWere report on Australian giving trends*

What type of investments suits a Renewable Investment Fund?

Your donors have worked hard to accumulate their wealth, and your team has put considerable effort behind getting their commitment. How does an individual select the right underlying investment profile for the fund?

Here are some characteristics of an investment that delivers the benefits required by a Renewable Investment Fund.

Capital stability	Regular reliable distributions	Easily explained and understood
Liquidity	Option to reinvest	Considerable yield
Income producing	No fees to investors	An ethics match

These characteristics are satisfied by fixed income type investments e.g. an unlisted mortgage trust

What is an unlisted pooled mortgage trust?

A mortgage trust is a professionally managed investment portfolio consisting of loans secured by first mortgages on Australian properties. These properties may already exist, or may be a property development. An unlisted mortgage trust is not listed on the Australian Stock Exchange

Let's compare the main asset classes as investment alternatives.

Characteristic	Shares	Property	Mortgages
Capital stability	No	Maybe	***Yes***
Liquidity	***Yes***	No	***Yes***
Income producing	***Yes***	***Yes***	***Yes***
Regular, consistent distributions	Maybe	***Yes***	***Yes***
Option to reinvest	***Yes***	***Yes***	***Yes***
No fees to investors	To negotiate	To negotiate	**Maybe**
Easily explained and understood	***Yes***	**Yes**	***Yes***
Focus on Yield	Yield + growth	Yield + growth	***Yes***
Ethical investment	Maybe	Maybe	**Maybe**
Target Yield	4% pa	6% pa	**8% pa**
Investment Period	Long (6 years +)	Long (6 years +)	**Short (1 to 3 years)**

The Role of Fund Manager Partner

Here is what you can expect from your fund manager partner.

- Establishing the RIF as a registered fund;
- Development of the investment documentation (e. g. a registered Product Disclosure Statement);
- Operation and administration of the fund;
- Developing marketing collateral;
- Marketing of the RIF to appropriate channels (e. g. advisors, clients);
- Dissemination of educational content to clients and advisors;
- Waiving any management fees on the RIF (to maximize return to the charity and donors);
- To cover all administration and compliance costs (eg audit) associated with operating the fund (estimate of $100,000 pa).

As you can see, the label of "partner" is well deserved as fund managers deliver a considerable amount of support and behind the scenes work. This is a significant commitment, as in the first year alone the manager will bear the costs of about $ 100,000. For this reason, the target for the capital fundraising in Year 1 is $ 10M. Whilst the Fund Manager partner will waive all fees involved in administering the RIF, it will generate revenue from management of the underlying funds into which the RIF invests.

Orbit has identified a fund manager that has agreed to partner with selected charities to support the RIF concept. Over time, once the concept has been tested, additional investment options may be offered.

How the Renewable Investment Fund Works

To provide your charity with a new approach to generating a sustainable annuity-style revenue stream and a vehicle to encourage bequests, a relationship with a fund manager is required to establish the Renewable Investment Fund (RIF).

In this example, we have assumed the RIF will be set up as a feeder fund to an existing Investment Fund with underlying investments in fixed income assets.

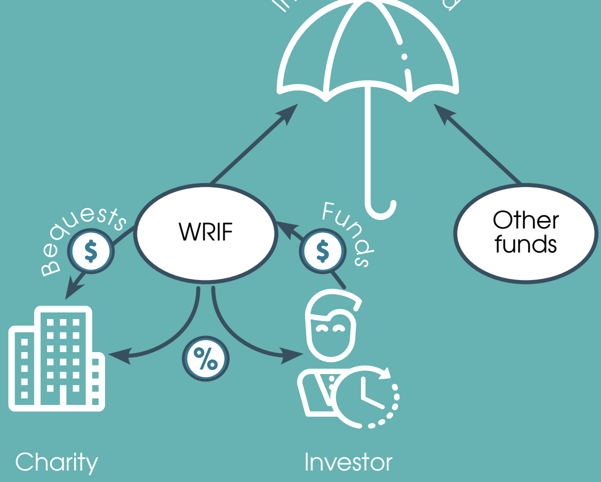
Donors invest their money into the RIF.

As the invested money generates income, donors can share 50%, 75%, or 100% of the monthly distributions with a charity. The investor has control and ownership over the invested funds during their lifetime, and has the option to bequeath the funds to your charity upon their death.

Investors have the ability to redeem their investment after a period of 3 years – the minimum term that is aligned with the charity research project funding cycle.

This is what we refer to as a **lending approach** to community support as opposed to the traditional **gifting approach.**

The lending approach to community support



Is a Renewable Investment Fund a good fit for you?

A Renewable Investment Fund is a good fit if the following statements are important for you.

- **You want to allow donors to donate now and have access to their capital in the future. That allows them to retain ultimate control of their money, avoiding the concern of "how much money will I need in the future?"**
- You want to provide both donors and the charity with a regular predictable (annuity-style) revenue stream.
- Your goal is to establish a partnership relationship with donors by aligning interests and sharing rewards.
- **You want to align fund raising activities with the multi-year funding commitments of medical research.**
- You want your donors to have the option of living on distributions throughout their lifetime, and bequeathing the remaining capital upon their death or death of their spouse.
- Your vision is dependent upon reaching a wider audience in order to improve communication, increase donations, and raise awareness of the difference that bequests make for funding your research.
- You could benefit from access to marketing support from friendly financial planning channels such as advisory firms and stockbrokers to introduce this product to their clientele. The RIF is fundamentally an investment product with a charitable/social impact purpose, and individuals outside your immediate circle can connect with the vision.
- You are interested in testing the concept with close supporters via a pre-launch campaign. The pre-launch base could provide immediate revenue to the charity, and serve as a sign of confidence to those who may be approached post-launch.
- You want to gain access to the clientele and advisor distribution channels of the selected Fund Manager partner. In addition to getting the support for capital fundraising, this can also create greater awareness for the charity and philanthropy in general.
- You wish to provide your fund raising team with new ways to engage with people in other areas associated with your charity e. g high net worth employees (VMO's in hospitals), parents in schools, residents and families in aged care and retirement living.

Is the Renewable Investment Fund a Good fit for a Donor?

Why should a donor support the Renewable Investment Fund rather than just investing monies themselves and manually donating the returns to a charity?

Our research has indicated there are many reasons, with the most important being that the Renewable Investment Fund provides an investor with:

- Discipline – the capital amount is invested for a fixed 3 year term. Once invested, it is committed.
- Forced Savings- for 3 years the capital amount is invested and generating a return
- Programmed Giving – a 3 year giving program where funds are allocated to a charity on a regular basis for the term of the investment
- Lower Cost of Giving – Due to a return generated which may be higher than otherwise received by the donor, the donor is able to share the return with a charity and as a result potentially be no worse off as the donor may retain the same investment income as would otherwise be received if funds were invested in a standard cash type investment.
- Certainty – to provide the charity with certainty of income for a 3 year period.

For these reasons, we believe the Renewable Investment Fund provides a Win – Win for both parties.

Revenue Potential

The table below shows the potential of the RIF to produce consistent donations for your charity over a 3 year period, dependent on the performance of the fund manager portfolios selected. If the underlying fund produces an annual return of 8.00% pa during this period, and all capital is invested at the beginning of the period, this could effectively result in the following donations.

Capital Raised	Annual donations to WMRI*	Donations to WMRI over 3 years**
$15 million	$600,000	$1,800,000
$30 million	$1,200,000	$3,600,000
$50 million	$2,000,000	$6,000,000

* *Assumes 4% annual distribution allocated to your charity (i.e. 50% of the 8% distributions made).*
** *Without taking into consideration compound interest*

Risks and frequently asked questions

What if we raise no funds?.

The Fund Manager bears all the costs associated with the fund set-up, including legal expenses and marketing. This does not expose you to any financial risk.

But we are not set up to administer an investment trust!

We understand that. The Fund Manager will provide full administrative and client service support.

Can our donors lose money?

Yes, that is possible. As with any investment there are no guarantees. Risks of course would be fully disclosed.

Do we need to be licensed in order to bring this up with donors?

It depends. For wholesale investors who invest more than $500,000, the answer is "No". This is yet another reason to target sophisticated investors first. For retail investors below $500,000, the answer is "Yes". The fund manager partner will provide access to licensed client service personal to answer questions from retail clients.

Marketing strategy – First mover opportunity

The RIF offers the opportunity to be one of the first not-for-profits in Australia to utilize the concept of social investment to support traditional fundraising activities. **The unique thing about this offering is that you stand to gain all the benefits that come with being an early mover**. We anticipate that the concept could be so successful with major donors and sophisticated investors that it may never be made available to the general public.

As part of its commitment to your charity, we will negotiate with the selected Fund Manager partner to provide access and resources to.

- Launch the RIF to new sales and marketing channels;
- Support an ongoing education and awareness campaign to promote the RIF;
- Raise awareness of the critical issues identified by your charity;
- The fund manager's Business Development Managers will actively promote the RIF to each of the Fund Manager's channels – financial advisers, family offices, retail investors, high net worth individuals, accountants, and other institutional investors

> *"Opportunity is missed by most people because it is dressed in overalls and looks like work."*
>
> *Thomas Edison*

The channels for marketing the RIF

The Fund Manager Partner will create marketing collateral and strategies to promote the renewable investment fund to the following channels.

Within the charity community	Within the Fund Manager Partner community
Existing high-net-worth supporters and major donors	Existing investors
Staff specialists and VMOs	Financial advisers
Endowment funds associated with your charity	Family offices that manage the financial affairs of wealthy families
Financial advisory firms that have a connection to your Board members	SMSF administration practices
Related Institutions *Your charity maybe related to other organisations delivering services such as education, health, aged care. The clients of such organisations have typically been ignored by fund raising activities or perhaps become desensitized . The RIF provides a new opportunity to engage with these markets.*	Business Development Managers *Fund Managers will support your charity by making BDM resources available to assist promote the RIF to selected channels thereby providing leverage to your internal marketing resources.*
PAFs *Under current investment guidelines a PAF can invest part of the corpus of the fund in social impact investments. This provides opportunity for a PAF to magnify the impact of their work beyond the minimum 5% giving rule.*	Accountants

Cornerstone – Foundation investors

It is envisaged that you will assist securing several cornerstone investors that will allow the fund to be launched with a sizeable base. These investors may have PAFs, existing Endowment funds or be key donors.

What the Experts Say

Dr John R Hayes M. B. I B. S. I F. R. A. C. P.
Director, and Founding Member, of the Queensland Cardiovascular Group.
Member of the Wesley Medical Institute Research Committee
Past -Deputy Chairman of the Uniting Health Care Board

" I am impressed with your concept. This potentially represents a paradigm shift in how we see and and manage fundraising for Medical Research. Fundraising for medical research has become a challenging area in recent years, for many reasons. People approaching retirement are in a position where they would like to be socially responsible and contributing to charities including medical research. There are, however, more and more charities vying for a reducing donation pool. Since the GFC there is uncertainty in capital security and investment returns. They just don't know what returns they will see on their funds and whether it is enough to fund their retirement, particularly with improving life expectancies with medical advances. As the baby boomers head towards retirement, they are understandably being cautious about gifting and donating capital.

I see the Renewable Investment Fund concept as likely to be positively disruptive in this area of fundraising. Individuals and organisations will be able to earmark funds for medical research, be confident that their capital is still theirs to access if the need arises in the future, to bequeath to family or to donate to the charity at a later date, if not needed. They will help generate a more stable income stream to the Research Institute. Many Research Institutes have never been able to rely upon regular income to fund their research, rather dependant on intermittent donations that are difficult and costly to generate and replicate.

I would be very supportive of such a concept and wish you all the best in bringing this product to fruition. "

Jock Beveridge,
Head of Fundraising, Cancer Council Queensland

" The Social Impact Fund is an innovative concept that will prove to be a valuable addition to the philanthropic landscape in Australia. There are many ways people can support causes that are important to them, but an easy and accessible way of giving the earnings from a capital base, while still retaining access to that capital, has not been one of them. This will be very appealing to a range of investors and has the potential to make a real difference to the work of many charities. "

Nigel Harris,
Chief Executive Officer
Mater Foundation
Chairman of Fundraising Institute Australia

" The impact of philanthropy is evident across our community on so many levels, every day. However, the good that is done through giving is not always obvious today and it can be difficult to measure into the future. But it is real. And it touches people's lives in many ways.
Creating opportunities and mechanisms that enable giving is a key to facilitating people's philanthropy. As much as we might want to do good, and to be useful, giving isn't always as straightforward as we would imagine it to be.

The more options that are available, the more we can tailor arrangements to suit our own circumstances, and the more good we can do.

Using your assets to generate income that can be gifted to causes important to you is one giving option that offers flexibility for the donor and benefit to the community. There are various approaches to giving in this way, and consideration needs to be given to the vehicle, the risk and the return.

Ultimately, as with all forms of giving, the choice lies with the donor, and the benefit is felt in the broader community. "

Orbit’s Role

We will do what ever is necessary to make this project successful

Next Steps

The Renewable Investment Fund is an opportunity for your charity to:

- Launch a new mechanism for engaging with new channels in innovative ways
- Give your donors an opportunity to support the your charity through social impact investing whilst retaining in control of their funds.
- Give your team confidence that you are pursuing new multi year revenue streams to provide certainty that mission-critical research projects will be funded.
- Be one of the first charities to offer a lending approach to philanthropy as opposed to the traditional gifting approach


...They will come

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