

Driving Investor Engagement in the Fisheries and Aquaculture sector

INTERVIEW RESULTS

Manta Consulting Inc.

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Interview Goals

1. Improve our understanding of what we can do to catalyze investment into sustainable fisheries and aquaculture businesses.
2. Gather information on what has made deals and partnerships successful in food systems, land conservation, community development, fisheries and aquaculture.
3. Understand what motivates different types of investors and what aspirations and expectations they have for returns (financial and non-financial) from investments in fisheries in aquaculture.

Organizations Participating in Interviews

- Avina Foundation
- California Fisheries Fund
- Calvert Foundation
- Capricorn Investments
- Coastal Enterprises (CEI)
- Confluence Philanthropy
- Farm Credit
- Grassroots Business Fund
- Impact Assets
- Imprint Capital Advisors
- KL Felicitas Foundation
- Kresge Foundation
- Mitsubishi Foundation
- Gordon and Betty Moore Foundation
- NCB Capital Impact
- New Island Capital
- The Oak Foundation
- David and Lucile Packard Foundation
- Rasmuson Foundation
- Root Capital
- RSF Social Finance
- Skoll Foundation
- Springcreek Capital
- Swift Foundation
- TBL Capital
- Trillium Asset Management
- Unitus Impact
- Verde Ventures
- The Waitt Foundation
- Walton Family Foundation

Focus of the Interviews

Impact investors were asked about:

1. Mission, motivation & scope
2. Priorities for returns (profit/social/environmental)
3. Nature of portfolio (food systems, community, environmental)
4. Scale of typical investments
5. Degree of engagement in investments
6. Barriers to involvement in fisheries/aquaculture
7. Suggestions on how we can help their work in fisheries

Findings and Conclusions from our Interviews

- The next several slides highlight key conclusions from the interviews, accompanied by a representative sample of statements from impact investors.
- We do not include statements from those who only make grants to focus attention on the viewpoints of impact investors who might be able to scale businesses using equity and debt. We are happy to discuss the similarities and differences between grant makers' and investors' responses upon request.
- We do not provide attributions of quotes, but you may recognize your own statement(s).

1. Impact investors have varied priorities when seeking investments.

“ We seek broad impact – our mission is to support bio-cultural diversity in the face of climate change.”

“ We prefer place-based investments tied to assets to better steward those resources.”

“ All investments are unique but we track data with metrics for each.”

“ We do have program areas but mainly assess how impact is created.”

“ We are really concerned about making sure local villages have access to fresh food. The tools could be loans or grants.”

“ Our capital is focused to provide comprehensive support for building the local food system infrastructure.”

“ We want to make good investments but also want to be sure that we are not doing any environmental or social harm.”

Each investor is unique in terms of the type, breadth and depth of impact they would seek in the fisheries investments.

2. Financial performance is critical – though expectations vary.

“We want to recover invested capital, but returns don’t have to be market rate.”

“Financial performance and social returns are necessary.”

“We offer a range of options so donors can make their choices. Some are 0% return; some are equity funds with predicted returns.”

“Profit is crucial. At the end of the day it’s a VC fund.”

“We use a revenue-sharing scenario to share in the upside.”

“We will negotiate the interest rate or waive it if it is shown to us that there are clear benefits.”

Fisheries businesses must prove that they can return capital and create some level of profit – as well as generate positive impact.

3. Social impact is a high priority for most investors.

“ All else being equal, we would prefer social impact over financial return.”

“ All lenders must enter social impact data to write up a loan. Borrowers report on social impact too. Basic data is required from everyone, and specific data for the sector.”

“ We are concerned about job creation/retention. We are also interested in halting leakage and in keeping things local.”

“ We are focused on where lack of access to capital restricts social investment. We provide early capital to support innovative models which if proven out can increase in scale. “

“Our initial screen is the livelihood angle.”

Fisheries and aquaculture businesses must measure and communicate their social impact to attract the widest range of investors.

4. Most investors support, but do not seek, specific conservation goals.

“Conservation is not an explicit goal but sustainability is very important.”

“Our conservation goals are to ‘do no harm’. But we need more social impact than ‘no harm’.”

“It’s difficult for us to be certain that an investment will truly do no conservation harm. Working with knowledgeable donors can help us with this.”

“Resource sustainability and resilience, resource conservation, energy conservation -- these are thematic elements in our work.”

“We have seen entrepreneurs try to do full-on livelihood plus sustainability and bite off too much. Over the long term you want to turn the deal into a sustainability play.”

It is important to demonstrate how environmental conservation goals can contribute to and enhance long term social and financial sustainability.

5. Investors want to help to shape the impact investment field.

“The more I learn about the impact field, the more I understand that traditional finance experience can come in to create social & environmental impact.”

“It’s a creative exercise. On the one hand our treasurer is uncomfortable calling this an investment, not a grant. He thought he’d have to monitor and evaluate it as an investment. I said you are not responsible for managing it, we will manage it alongside the grants. The board thought that was interesting.”

“There is so much left to “shape” and to influence. It draws me to the work. Like bringing support to businesses integrating smallholder suppliers.”

To attract investors, fisheries and fish farms should highlight the opportunity investors will have to shape a new impact investment field.

6. Provision of technical assistance varies widely among investors.

“ We always provide technical assistance with a loan, 100%.”

“ We stay connected and have dialogue (with our investees). But it’s not policy. Mostly case by case, with an open door.”

“We take board positions on companies and offer support through weekly board calls with the CEO.”

“ Our technical assistance takes place during the due diligence process.”

“ We offer loans only, no technical assistance.”

“We are the check writer but we are one of many members in a family. No pre-set requirements. Sometimes we require a lot of rights and sometimes we do not.”

“ We need to stay impartial and to monitor and recover the investment.”

Fisheries businesses may benefit from the broader expertise of and feedback offered by many investors.

7. Impact investing in general still faces many barriers.

“The benefit of impact investments to the market is unclear.”

“Products are not well-defined. What are we investing in?”

“Investments need to meet allocation targets and portfolio objectives.”

“We did not know how hard it was going to be to achieve a good fit to our objectives, risk tolerance and cycle of payback. The term tends to be very long, 7 to 10 year paybacks; trying to

find shorter terms.”

“IRS does not consider energy efficiency a charitable purpose. If not dealing with a non profit we must seek a legal opinion each time. We may need to approach IRS with other grant-makers.”

Investors in fisheries & aquaculture will have to overcome the same barriers as other impact investors.

8. Investors face additional concerns when investing in fisheries.

“We lack knowledge of the fisheries sector.”

“Mother Nature is a big factor for uncertainty and investors shy away.”

“Overfishing & climate change – it’s difficult for investors to know the repercussions and the limits.”

“A lack of intermediaries in fisheries or aquaculture leaves only direct investments as an option.”

“Other issue is structural - it’s a hard place to invest. Aquaculture is young, most opportunities are international opportunities, mostly conglomerates.”

“The major problem was that seafood is handled by buyers as a commodity thus the brand values are lost.”

“I understand that there is a lot of adverse reaction from both wild and farmed sides to one another. Saw this recently at a conference.”

Investors need help assessing fisheries risks, and managing the fragmented nature of the sector in order to build confidence.

9. Finding deals to invest in is a basic challenge for many.

“Deal flow is a barrier. It’s been harder than we would have thought.”

“There's not a lot of opportunities for direct loans to ‘fisheries’. “

“There are not a lot of intermediaries in fisheries or aquaculture.”

“Honestly I think it’s not understanding yet what the potential deal flow is.”

“I'd love to fund something in aquaculture only haven't found the right deal yet.”

“I am really passionate about the sustainable food systems but we don’t have any deals or transactions yet. Looking but can’t find them.”

“Because so few deals are out there, fish doesn't seem to really be in the domain of sustainable food and food system.”

The shortage of finance-ready deals appears to be a primary problem for investors interested in fisheries and aquaculture.

Next Steps

- The interviews formed the basis for follow up discussions between Manta Consulting and a variety of co-investors and foundations.
- The question was: What type of platform or structure might best help spur impact investment in fisheries and aquaculture?
- We found that investors wanted access to a broad network of experts, advisors, co-investors and entrepreneurs in the currently fragmented fisheries and aquaculture space.
- This would help them to make an informed decision of how and if to grow in the space – and, hopefully, to find a few deals to start working on.

Introducing Fish 2.0

- Manta Consulting will be working in 2012 to launch *Fish 2.0*, a business competition and networking platform to build a deal pipeline within the fisheries and aquaculture sectors. Additional details will be provided in July 2012.

- Fish 2.0 is an effort aimed at doing three things:
 1. Helping sustainable fisheries and aquaculture entrepreneurs build finance ready businesses and investment structures;
 2. Helping impact investors and foundations to learn more about the players, sectors and opportunities therein;
 3. Building a network of experts, entrepreneurs and knowledge providers who can help develop and improve sustainable fisheries and aquaculture businesses through peer-peer and cross-sector learning.

- All interested investors and entrepreneurs are invited to participate. Opportunities are available for competitors, judges, mentors, and sponsors.

Please contact Monica Jain if interested.

Thank You

Thank you for participating in the interviews
and for your contributions to our
understanding of your visions and needs.

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