

# MAKING AN IMPACT, LITERALLY

(NPX)

NON-PROFIT ORGANIZATIONS SUFFER FROM A KEY DISADVANTAGE in their search for scale and growth: efficient access to capital. There is now tremendous appetite for assets that are classed impact investments – those which deliver both financial returns and social or environmental impact.

NPX Advisors, a company established to transform how impact is financed in the non-profit sector, came to us with a clear challenge: apply free market principles to the non-profit sector to enable those companies making an impact to access capital efficiently. Until now, the only way to invest in a non-profit and realize a financial return was through a loan. The closest product was the Social Impact Bond, which, despite its name, is not structured as a bond. The lack of a standardized financial instrument was preventing the scalability of the pay-for-success model.

In 2016, NPX launched the first Impact Security, a debt security that combines the contingent returns concept of the pay-for-success model with an established, scalable and tradable structure. Our debt capital markets and structured products expertise helped in structuring the instrument. By making this Impact Security a standardized debt security, instead of a bespoke agreement, it is readily transferable, able to have an identifier, able to be held in a brokerage account and able to trade and settle through clearing houses. Unlike SIBs, this security is not restricted to government entities. If issued by a non-profit, the offering of the security is exempt from Securities and Exchange Commission registration requirements, which means the securities can be offered publicly, opening it up to the broadest possible range of investors. The Impact Security has the power to revolutionize the way the world finances impact.