

GROWING SOCIAL ENTERPRISES

PROFESSIONAL
INVESTORS ONLY



INTRODUCING RESONANCE ENTERPRISE INVESTMENT FUND

Resonance is now in the final stages of developing its next tax-efficient social investment fund¹ - Resonance Enterprise Investment fund. The fund will enable high impact social enterprises to access the growth investment they need, whilst offering the opportunity for Professional Investors to invest for positive social impact and utilise Community Investment Tax Relief (CITR).

WHY IS THE FUND NEEDED?

Resonance is an impact property fund manager and, as such, is providing life changing homes and solutions to people facing crisis across the UK.

We know from working in these communities that individuals and families need much more than the safe & affordable homes that our property funds provide: people need to be able to access quality education, training and employment opportunities, equal access to services to protect their health and wellbeing, and support to ensure that the move to a low carbon economy is fair and equitable. Social Enterprise and social entrepreneurs are a crucial part of this ecosystem, providing solutions and innovations to help our communities thrive.

From a combination of both internal and external research, and our 20 years' experience of social impact investing, we know that for these social enterprises to continue to grow, they need flexible, patient, risk bearing capital – which is still not easily accessible in the sector:

- In the 2021 SEUK "State of Social Enterprise Survey" 36% of responders cited that obtaining finance was a major barrier to growth.
- "Beyond Demand – The social sector's need for patient, risk-bearing capital Shift, CAF Venturesome, UnLtd, Esmee Fairbairn – 2020" This research proposes that the need for patient, risk-bearing capital (quasi-equity like products) for social purpose organizations is actually much greater than reported demand, due to 'demand-side barriers' such as lack of awareness, understanding and access.
- Resonance recently surveyed 127 social enterprises. 89% of those who responded said they required funding or investment to grow in the next 2 years. 55% stated that they had a preference for this funding to be in the form of repayable finance. Investment that took a 'Blended Approach' and was "long-term" was most needed.

That's why we have developed the RESONANCE ENTERPRISE INVESTMENT FUND.



TARGET FUND SIZE

£10.1m

(by year 5)

First Close Target: £1.5m



EXPECTED TARGET RETURNS

5% IRR

benefit from accessing CITR

(c.6.7% Gross Equivalent)²



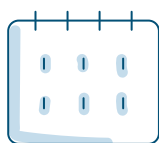
EXPECTED MINIMUM INVESTMENT

£300k

Corporates

£100k

Individuals



EXPECTED INVESTMENT TERM

5 - 6 years



FORM OF INVESTMENT

Unsecured Loan made by Investor to Resonance Enterprise Investment CIC, which will be an accredited Community Development Finance Institution (CDFI)



HOW THE FUND WORKS?

Resonance Enterprise Investment fund builds on Resonance's long-standing experience of regionally focused social impact investing, designed to back social enterprises delivering tangible social impact within some of the UK's most deprived communities. The combination of experienced "on-the-ground" investment teams as well as an innovative, flexible product suite offering for social enterprises will enable the fund to invest in a diverse portfolio of mission-driven enterprises.

Specifically, the fund will focus on three core impact areas:

- i) **Tackling Socio-economic Inequality;**
- ii) **Improving Health & Wellbeing; and**
- iii) **Supporting a just transition to a low-carbon economy.**

The fund will aim to provide a range of finance products to support the growth of social enterprises, which can be tailored to each enterprise's specific needs. The fund will operate an Equality, Diversity and Inclusion lens across its entire model from pipeline and investment to internal process and team – supported and challenged by external EDI partners.

This approach has been developed and tested in order to meet the varied needs, growth and impact profiles of social enterprises. The products have been designed to allow investment into a wide range of legal structures from charities (with trading income) and Community Interest Companies to Companies Limited by Shares (with strong mission and dividend locks in place). The product suite will include:

- **Launchpad Loans** – smaller, starter loans for enterprises starting their growth journey
- **Unsecured Loans** – larger loans of up to 8 years for enterprises with clear growth potential
- **Revenue Share Loans (Quasi-Equity)** – equity-like, patient investment for high growth enterprises, a share of revenue is paid rather than a fixed interest rate (sharing risk & reward)
- **Equity** – patient investment for high growth enterprises with viable exits and suitable legal structures.

POTENTIAL BENEFITS TO INVESTORS

The fund will initially be open for investment from socially responsible corporate organisations that are looking to invest for positive social impact whilst utilising the Community Investment Tax Relief (CITR). The fund has also been designed to accommodate individual professional investors at a later date. Investors in the fund will benefit from:

1

TARGET 5% IRR - benefitting from access to CITR (c 6.7% Gross Equivalent)²

2

PLACE BASED INVESTMENT FOCUS, WITH WIDER NATIONAL EXPOSURE – the fund will invest into the communities you operate in, but also give wider exposure across the UK

3

POSITIVE SOCIAL IMPACT – through investing in high growth, high impact social enterprises

4

FIRST LOSS CATALYTIC GRANT – 40% first loss cover for investors, enabled by funding from the **Access Foundation for Social Investment**

5

RESONANCE'S EXPERTISE – 20-year track record in impact investing, including region-specific expertise and on-the-ground teams in key investment geographies

WHY RESONANCE?

- Resonance is an impact property fund manager and one of the UK's leading social impact investors. Launched in 2002 with a mission of connecting capital to social enterprise and has a twenty-year track record in impact investing.
- Resonance's FCA authorised fund management subsidiary, Resonance Impact Investment Limited (RIIL), has over £340m of funds under management across eleven social impact investment funds.
- Teams based in Launceston, Manchester, Birmingham, London & Bristol, employing over sixty people who specialise in impact-first finance, real estate, community-led housing, and social enterprise development
- We are proud to be a B Corp. Recertified in 2022 with a score of 128.1. named as Best For The World in two categories; Governance and Customers.
- Through our pioneering social impact residential property funds, we work with institutional investors and expert housing partners to provide safe, affordable homes with wrap around support for people and communities facing crisis. Since our first property fund launched in 2013, we have helped to provide homes for almost 3,000 individuals and families in over 1,000 properties, in major cities across the UK.
- With people's homes at the heart of what we do, our Impact Labs Division develop the eco-system around and ahead of our impact property funds so that we innovate new solutions, pilot systemic change, increase supply, and scale opportunity. Our Impact Labs Division also manage 4 operational funds and have invested directly into over 100 social enterprises.

WHERE WILL THE FUND INITIALLY OPERATE?

The fund will initially focus investment in the three regions in the UK, where Resonance has a strong investment track record, investment team and network, before rolling out into other regions in the UK:

- **South West** – the Resonance South West SITR Fund has invested over £3m into 20 social enterprises, with 3 deals successfully exited, since 2016. Resonance has also invested over £5 million into more than 40 social enterprises through the Health and Wellbeing Challenge South West Fund since 2017. As well as a growing affordable homes property portfolio.
- **West Midlands** – the Resonance West Midlands SITR Fund is in its final deployment phase, a c.£2m social investment fund backing the growth of 10 high impact social enterprises to date
- **North West** – Resonance has a strong presence in the North West, with an office based in central Manchester, strong links with the communities and a growing affordable homes property portfolio.

**THERE ARE
100,000 SOCIAL
ENTERPRISES IN
THE UK, EMPLOYING
OVER 2M PEOPLE AND
GENERATING £60M
IN REVENUE**

SEUK - 2022

QUESTIONS & ANSWERS

Q. WHEN WILL THE FUND LAUNCH?

The fund is targeting launch in Q1 2023.

Q. WHAT IS CITR?

The Community Investment Tax Relief (CITR) scheme was introduced by the Government in 2002 to encourage investment into disadvantaged communities by giving a tax relief to investors who invest into accredited Community Development Finance Institutions (CDFIs).

The tax relief is available to both individuals and companies (subject to eligibility) and is worth up to 25% of the value of a qualifying investment into an accredited CDFI. The relief is spread over 5 years (5% claimable each year) from the year in which the investment is made into the CDFI.

The CITR scheme is jointly run by HMRC and the Department for Business, Energy & Industrial Strategy (BEIS). BEIS is responsible for accreditation of new CDFIs and the ongoing management of the scheme. HMRC oversees the relief.

Q. HOW MANY ENTERPRISES WILL THE FUND INVEST IN?

The fund will aim to invest in over 100 social enterprises over 5 years³.

Q. WHAT IS THE ANTICIPATED DEPLOYMENT TIMING?

In order to maintain CDFI Accreditation, the Resonance Enterprise Investment fund will need to meet specific deployment milestones over time. The fund will need to reach deployment of 25% of investable capital at some point in year 1, 50% in year 2, and 75% in year 3, with an average of 75% of investable capital needing to be deployed every year thereafter⁴.

Q. WHAT IS THE ANTICIPATED EXIT TIMEFRAME?

Any loans made to the Resonance Enterprise Investment fund would be illiquid investments and would not be able to be redeemed early. The minimum period the investments would need to be held is 5 years in order to comply with CITR legislation and maintain eligibility.

Q. HOW DOES THE FIRST LOSS CATALYTIC GRANT WORK?

The fund will benefit from a catalytic grant from The Access Foundation for Social Investment. This grant will provide a 40% first-loss risk capital in the CDFI fund (meaning for every £100k of investment £40k of grant will be blended into the structure). This will enable us to offer more accessible investment terms for social enterprises, whilst providing the opportunity for some down-side protection of the fund's investment capital³.

Q. HOW WILL THE FUND BE STRUCTURED?

Resonance Enterprise Investment is an Alternative Investment Fund (AIF) and structured as a Community Interest Company (CIC), and will apply to become a Community Development Finance Institution (CDFI). Any prospective Investors would be invested directly into Resonance Enterprise Investment CIC, and the CIC will own all the onward investments made into social enterprises. The Resonance Enterprise Investment CIC will be notified to the Financial Conduct Authority (FCA).

Resonance Impact Investment Limited (a FCA Authorised, wholly owned subsidiary of Resonance Limited with FCA Number FRN 588462) will provide Fund Management services to Resonance Enterprise Investment CIC.

Q. WHY SOCIAL IMPACT INVESTMENT?

- Social impact investment aims to deliver financial returns to investors whilst also achieving targeted, measurable social impact.
- Investors have the opportunity to allocate a portion of their investment portfolio to back positive change in issues or areas they care about.
- It enables Social Enterprises to use business models to deliver their impact. This is more sustainable for them than dependence on grants and often gives their business unique routes to market as well as more robust long-term relationships with customers, staff, and suppliers.

IMPORTANT INFORMATION

This is a summary concept document only. Full details, including the proposed investment strategy of Resonance Enterprise Investment CIC, as well as full risk considerations, will be available for eligible potential investors on fund launch. Investors will have to be capable of being categorised as Per Se Professional Clients or Elective Professional Clients under the FCA's client categorisation rules. Retail Clients will not be admitted to this fund. This document may only be distributed in the UK.

This document has been prepared by Resonance Impact Investment Limited (RIIL) to provide high-level summary information about future investment opportunities which may be available in Resonance Enterprise Investment CIC and is to be used solely for this purpose. It is being provided to you for information and discussion purposes only. The document is confidential, and no part of it may be reproduced, distributed, or transmitted without the prior written permission of RIIL. RIIL has taken all reasonable care to ensure that this document is fair, clear, and not misleading and that the facts stated are true and accurate in all material respects. All opinions, estimates, projections, and forecasts are those of RIIL, are given as at the date hereof and are subject to change. Some information contained in this document has been obtained from published sources prepared by other parties and neither RIIL nor Resonance Limited, nor any of its subsidiaries or affiliates, nor any of their respective directors, officers, employees, or agents, makes any warranty or representation, express or implied, as to the accuracy or completeness of such information. Taxation reliefs depend on the individual circumstances of each investor and may be subject to change in the future, which may affect the ability of this product to reach its objectives and/or reduce the level of returns that might otherwise have been achievable.

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1. Nothing in this document should be regarded as constituting investment, taxation, legal or other advice. The value and availability of Tax Reliefs will depend on the individual circumstances of a prospective investor and may be subject to change in the future. Further detail on CITR can be found on the Government website: <https://www.gov.uk/government/publications/community-investment-tax-relief-citr/community-investment-tax-relief-citr>
2. The Expected Target Gross equivalent return is calculated by dividing the expected post-tax return of 5% by 0.75 for Corporate Tax rate of 25% (from 1st April 2023).
3. Any capital invested into the prospective fund (through Resonance Enterprise Investment CIC) would remain at risk at all times.
4. Target deployment figures and percentages are estimates only, and could be higher or lower depending on the size and availability of suitable transactions.



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