# Report
# December 2015

## Evaluation of the Community Capital Fund

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# Executive Summary

### Background and objectives

FMR Research was commissioned to research the views of investors and non-investors in the Social Investment Scotland (SIS) Community Capital Fund (CCF), established in autumn 2015. The CCF is an innovative approach, responding to the perceived unmet demand for social investment products which utilises the Social Investment Tax Relief introduced by the Government in 2014. This is the first fund of its kind in the UK so the research aims to inform future iterations of the fund, share learning within the sector and explore options for future development of social investment opportunities.

### Method

Three depth interviews were conducted with non-investors to explore their issues and fine-tune the questionnaire to be used in an online survey sent to all 45 investors and non-investors who had expressed interest in the fund. A total of 22 people gave their views: 17 investors and 5 non-investors.

### Key findings

The following bullet points highlight the key findings from the research:

***First impressions of the fund***

- Potential investors were most likely to have first heard of the CCF via SIS directly (27%, 6 respondents), from their independent financial advisor/wealth manager (23%, 5 respondents) or by word of mouth (18%, 4 respondents).
- Two-thirds of respondents felt the investment opportunity was clear (68%, 15 respondents) and 32% (7 respondents) that most of it was clear. More detail on what the investment would be used for, how performance would be measured and how the fund would be structured would have been helpful. SIS staff were rated very highly when clarifying the proposition and liaising with potential investors.
- Social returns were rated to be more important to respondents than financial returns, although financial returns were still a consideration for most respondents.
- Non-investors raised the high level of risk involved as a concern in the depth interviews so this was tested in the survey. When asked to rate the level of risk on a scale of 0 to 10, where 0 was no risk at all and 10 was extremely risky, the mean response was 5.8 and the most common response was 7 out of 10.
- However, three out of five respondents (59%, 13 respondents) said they would be willing for this fund to accept greater investment risks if greater social impact could be demonstrated. The remainder were not (23%, 5 respondents) or were unsure (18%, 4 respondents).
- The fund is structured such that the main financial advantage to investors is income tax relief on the investment. This does, however, make the fund less attractive to non-UK residents. Tax relief was perceived to be very (36%, 8 respondents) or quite important (36%, 8 respondents) by three-quarters of respondents.

***The investment in context***

- The main reason for not investing in the CCF were because it did not meet their criteria for investment.
- This was the first investment in social enterprise for four out of five of investors (81%, 13 respondents).

***Views on the CCF and process***

- The mean score when asked to rate the CCF investment process overall was 7.4 out of 10.
- Some respondents found it difficult to rate whether they would recommend the CCF to others as that would depend on their circumstances, but the mean score was 7.1 out of 10 being likely to recommend it.
- Specific aspects of the fund which were tested – quality of information, professionalism, accessibility and responsiveness of staff and the appropriateness of the CCF as a response to the SITR initiative - were positively received. There was some discontent with the length of time taken and ”hoops to jump through”, but this was from a minority of respondents (8).
- The key areas of concern (which were primarily minor concerns rather than major ones) focussed on the security of investment, level of financial return on their investment and the maturity of the market but there was less concern around the length of time investment would be tied up, the level of risk and the track record of SIS.
- Suggestions for improvement included accessibility via an online platform (47%, 8 respondents) and improved publicity of the fund (41%, 7 respondents), with 5 respondents (29%) keen to see a quicker process in place.

***Informing future development opportunities***

- There was some interest in direct social investments (18%, 4 respondents, saying yes and 50%, 11 respondents, that they may be interested), but this was of no interest to a third of respondents.
- The most expedient way to match investors to direct social investment opportunities is via an online provider who currently does this for commercial investments. Three out of five respondents would prefer to see a degree of separation between social and commercial investments in an online platform.
- Two-thirds of respondents would prioritise investments in citizenship and community; conservation of the natural environment; employment training and education; and mental health and wellbeing over other outcome areas.
- 18% of respondents (4) were interested in sharing their expertise with social enterprises and a further 32% (7) may be interested in doing so. This may be as a board member, via short-term mentoring or one-off contacts about specific issues.
- The most common preferred frequency of reporting for the CCF was six monthly (53%, 9 respondents).
- Whilst 45% (10 respondents) did not have strong views on the issue of distribution of profits in the social enterprise sector, 36% (8 respondents) felt that they should be distributed if possible, supporting feedback from the depth interviews which encourage social enterprises to take a business-like, sustainable and accountable approach.

**Concluding comments**

It is hoped that the data provided in this report gives useful insights to help SIS and others move this new type of fund forward. The number of participants was small, but the response rate was excellent and the depth interviews were very helpful. FMR/SIS would like to acknowledge the time and effort given by all participants in helping to illuminate this innovative social investment approach more fully.

The research was conducted very soon after investment decisions were made so effectively evaluates the process of investment and consideration of the concept rather than an evaluation of the fund in practice. It is recommended that further feedback would be helpful in a year or two’s time, whether that is gathered by the SIS team or an independent party. It is suggested that some of the questions asked in this research may also be used as a ‘baseline’ to compare to future feedback once the fund has been operational for a reasonable length of time. It would be particularly interesting to compare views on risk and concerns, for example, based on experience.

It should be noted that two participants requested feedback on the outcomes of the research. FMR would recommend that some feedback is given to those participating in the research, for example by sharing a full or summary report and, most importantly, a response from the SIS outlining what it plans to do with the findings, with an indication of timescales if appropriate.

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# 1 Introduction

## 1.1 Background

This report details the findings from research with investors and non-investors in the Social Investment Scotland (SIS) Community Capital Fund (CCF). The fund aims to help private investors make a real difference to communities across Scotland by connecting capital to social enterprises who need investment.

The fund was established in 2015, launching in May and recruiting for investors until early autumn. The CCF was SIS's response to perceived unmet demand for social investment products, supported by the introduction of Social Investment Tax Relief (SITR) which allows 30% tax relief on their investment from investors' income tax liability.

A target of £500,000 was set for the fund, with a minimum of £300,000 to be viable, to provide lower cost capital than might be available from other funds. This was the first fund in the UK to raise social investment from individuals, with investments of £5,000 - £50,000. Investors had to be high net worth individuals and undergo a rigorous application process in order to invest in the fund.

## 1.2 Objectives

As the fund was a first for the UK and for SIS, FMR Research was commissioned to undertake research with investors and non-investors to inform future iterations of the fund and share learning more widely within the sector.

The research therefore aimed to evaluate views on the CCF, reasons for investing/not investing and explore options for future development.

# 2 Method

## 2.1 Overview

The primary research consisted of two strands:

- depth interviews with three non-investors; and
- an online survey of all investors and non-investors.

The three depth interviews with non-investors were undertaken once a questionnaire for the survey had been developed with SIS. The depth interviews effectively tested the survey and sought to explore any issues which were not already captured. The depth interviews were undertaken by one of FMR's directors in early November by telephone. The survey questionnaire was then modified in light of feedback, so that all issues could be tested with the wider audience.

The online survey was issued to all investors and non-investors (apart from those who had already given their views via the depth interview or who had declined to do so). A couple of reminder emails were also sent as the deadline for response approached. The survey was kept accessibly short, with primarily tick-box questions, and took around 10 minutes to complete

The overall response rate was good at 49%: 22 out of 45 investors/non-investors gave their views. As might be expected, the response rate was higher among investors (63%, 17 out of 27 investors) than non-investors (28%, 5 out of 18).

## 2.2 Participant profile

It is helpful to consider the profile of respondents alongside the views expressed. The figures below show the gender, age and geographic location of respondents. It should be noted that respondents were more likely to be male (64%, 14 respondents), aged 55+ (64%, 14 respondents) and living in the City of Edinburgh (45%, 10 respondents).

**Figure 1 Gender and age**

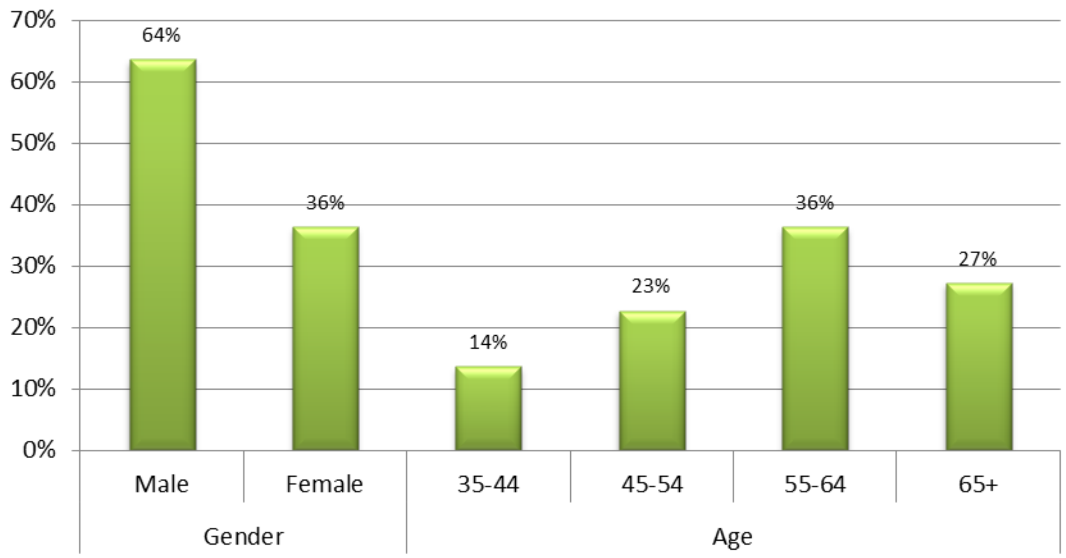


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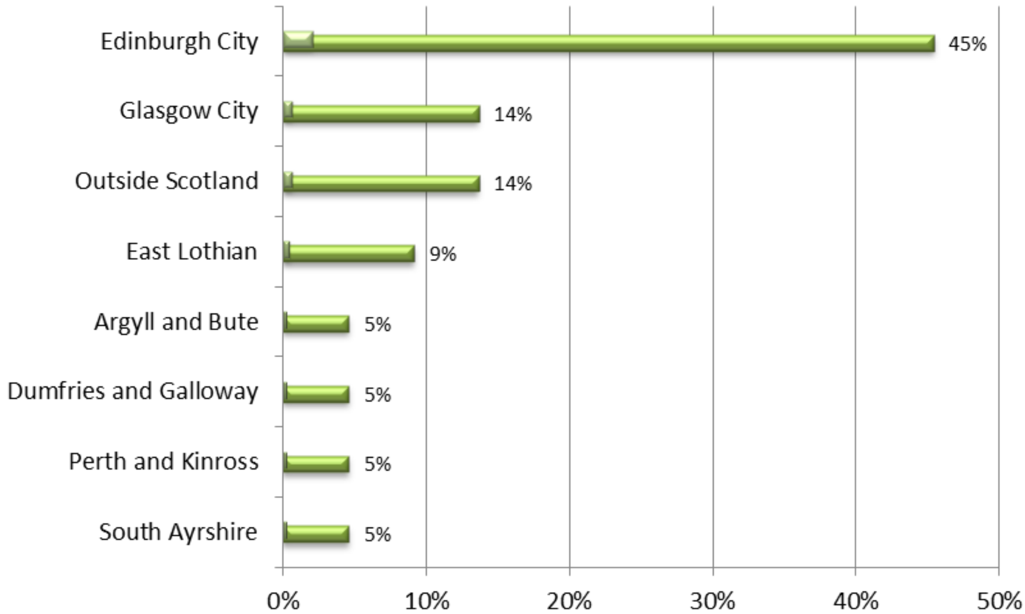
**Figure 2 In which local authority area are you based?**




n=22

# 3 Key findings

This section details the feedback given via the online survey and depth interviews, following the flow of the questionnaire. Where percentages do not sum to 100%, this is due to rounding. Please note that the sample is small, so care should be taken to consider the number of people responding to each question in addition to the percentage response to each answer option.

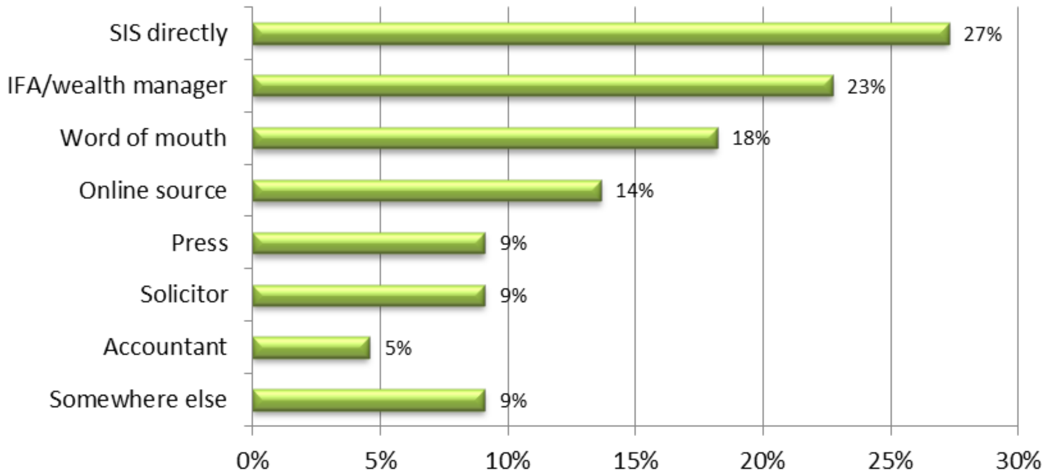
## 3.1 First impressions of the Community Capital Fund

### 3.1.1 Awareness

Potential investors had first heard of the SIS Community Capital Fund (CCF) from a variety of sources. A quarter of respondents (27%, 6 respondents) had heard of it directly from SIS, but 23% (5 respondents) had heard of it via their independent financial advisor/wealth manager and 18% (4 respondents) by word of mouth. The full response set is shown in the figure below.

Whilst only 5 non-investors responded to the survey, it was interesting to note that they first heard of the CCF via more general sources such as word of mouth, online and the press, rather than being recommended it by a professional advisor or being approached directly by SIS.

**Figure 3 Where did you first hear about the Community Capital Fund**



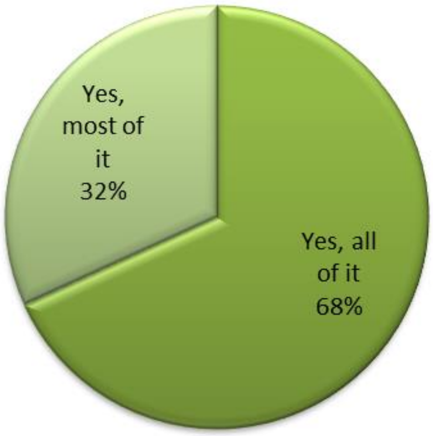

n=22

Somewhere else:
- Another social impact network in London via their website news
- Was looking for a social investment opportunity and had experience of investing in social investment organisations.

### 3.1.2 Clarity of the investment opportunity

All respondents found the investment opportunity to be clear, on the whole. Two-thirds of respondents (68%, 15 respondents) felt it was all clear and 32% (7 respondents) felt most of it was clear. The 'teaser' information was considered to be clear and depth interviewees reported the documentation to be clear, although they did still have some specific questions.

**Figure 4 Was the investment opportunity clear?**




n=22

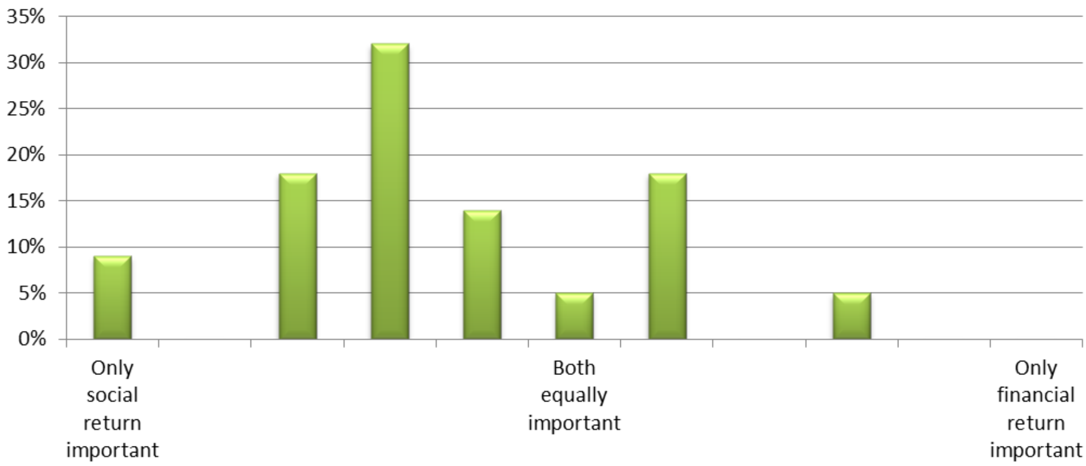
Three investors would have liked additional information: having a simpler structure, providing another couple of examples of the return and more detail on the corporate/fund structure. Two non-investors rated the input of SIS staff highly and the supporting information provided. One would have liked more detail on what their investment would be used for (and so what difference it would make) and another felt a performance metric would have been helpful.

### 3.1.3 The attraction of the CCF

Respondents were asked to indicate with a slider scale (which started in the middle) the attraction of the fund for them, trading social against financial returns. The figure below illustrates the distribution of responses, with social return being more important to more respondents than financial returns.

Non-investors were more likely to rate financial returns as more important than investors, who prioritised social returns. If a numerical scale is applied, where only social return is 1, both equally important is 6 and online financial return is 11, the mean score for investors was 4.1 and 6.0 for inon-investors.

**Figure 5 What was the attraction of this SIS fund for you – social and/or financial returns?**




n=22

### 3.1.4 Level of risk

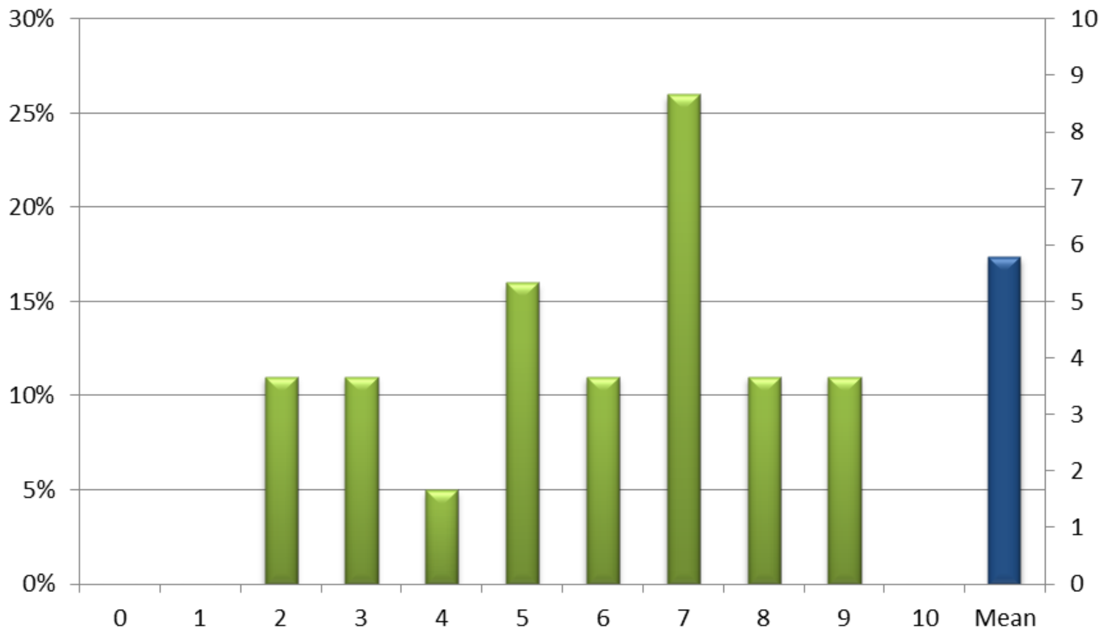
**Current perceived level of risk**

The depth interviews highlighted some concern around the level of perceived risk of the CCF so this was tested in the survey. Concern focussed around the low number of investments to be made by the fund and the impact that even one bad debt would have on investors. Whilst it was understood that the CCF is a relatively small fund and if loans are too small it is harder to achieve transformational change plus administrative costs are higher, the risk was judged to be too high for non-investors interviewed. This level of risk may be more acceptable on the basis of an equity stake, but the fund is operating on the basis of debt only.

Participants were asked to rate the level of risk on a scale of 0 to 10, where 0 represented no risk at all and 10 was extremely risky. The mean score for those who gave a response was 5.8 out of 10 although there was a spread of responses, as can be seen in the figure below. The most common individual score given was 7 out of 10 (5 respondents).

It was interesting to note that the mean response for non-investors was 4.3, i.e. the fund was perceived to be less risky by them than by investors, who rated it an average of 6.1 out of 10. This question was added after the depth interviews had highlighted that a couple of non-investors had raised the level of risk as an issue, however, so if they had been asked to rate the level of risk it is anticipated that the mean would be higher. There were clearly mixed views amongst the sample.

**Figure 6 How would you rate the level of risk of the Community Capital Fund, on a scale of 0 – 10 where 0 is no risk at all, and 10 is extremely risky?**




n=19

**Greater risk for greater social impact?**

Three out of five respondents (59%, 13 respondents) said they would be willing for this fund to accept greater investment risks if greater social impact could be demonstrated. A quarter (23%, 5 respondents) were not willing for risk to be increased on this basis and 18% (4 respondents) were unsure. Investors were more likely to accept greater risk (65%, 11 respondents), whilst non-investors were more likely to find this unacceptable (60%, 3 respondents). Those unwilling to accept greater risk were not limited to those rating the current approach as highly risky – one respondent rating the level of risk as 2/10 at the moment was not willing to accept greater risk for evidence of greater social impact.

**Figure 7 Would you be willing for this fund to accept greater investment risks if greater social impact could be demonstrated?**

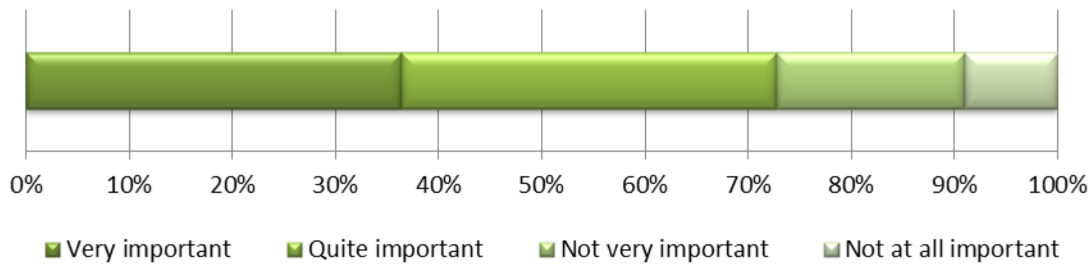

n=22

### 3.1.5 Importance of tax relief

The fund is structured such that the greatest economic benefit is tax relief on the investment. The importance of the tax relief element was tested with investors and non-investors: nearly three-quarters of respondents saw this to be very (36%, 8 respondents) or quite (36%, 8 respondents) important. The numbers are low, but it was interesting to see that non-investors were more likely to rate the tax relief element as very important (60%, 3 respondents) than investors (29%, 5 respondents). However, it should be noted that a quarter of respondents (27%, 6 respondents) did not see this as a particularly important aspect of the investment for them.

Tax relief is obviously more relevant for investors based in the UK and those resident elsewhere were keen to explore how benefits could be improved for them to facilitate their investment in Scottish social enterprise. This was also allied to the lack of equity provision – if equity was to be provided, this would be more attractive to non-UK residents.

**Figure 8 How important was the tax relief element of this fund to you?**




n=22

## 3.2 The investment in context

### 3.2.1 To invest or not invest?

Three-quarters of respondents (77%, 17 respondents) decided to invest in the SIS Community Capital Fund, whilst 23% (5 respondents) did not.

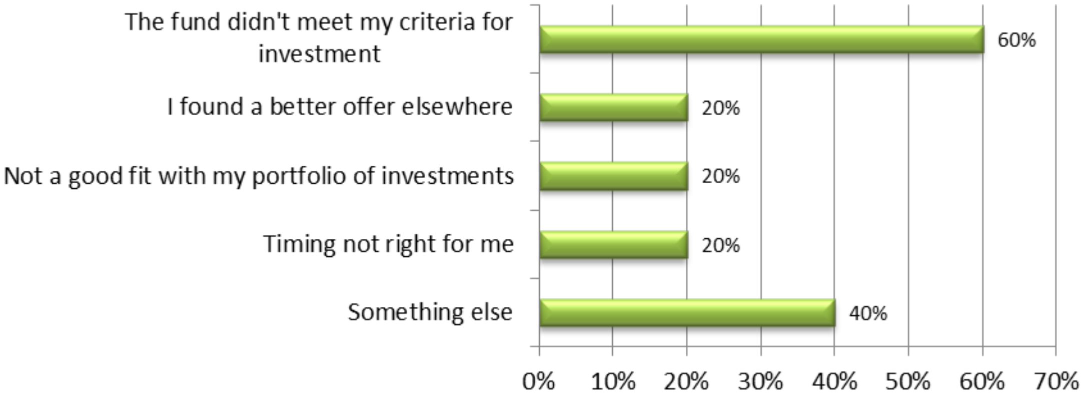
Non-investors were most likely to decide not to invest because the fund did not meet their criteria for investment (60%, 3 respondents). Again, the small base must be acknowledged here. The figure below shows the responses given. It should be noted that no-one selected any of the following response options:

- Lack of confidence in SIS
- Want to be more involved
- Want to be less involved
- I didn't meet the criteria

The two 'something else' responses related to the fund no longer being open for investment and the tax relief/debt rather than equity offer which was not attractive to an overseas resident.

The key factors cited were the two 'something else' options above and the fact that it did not meet their criteria for investment (3 respondents).

**Figure 9 What made you decide against investment?**

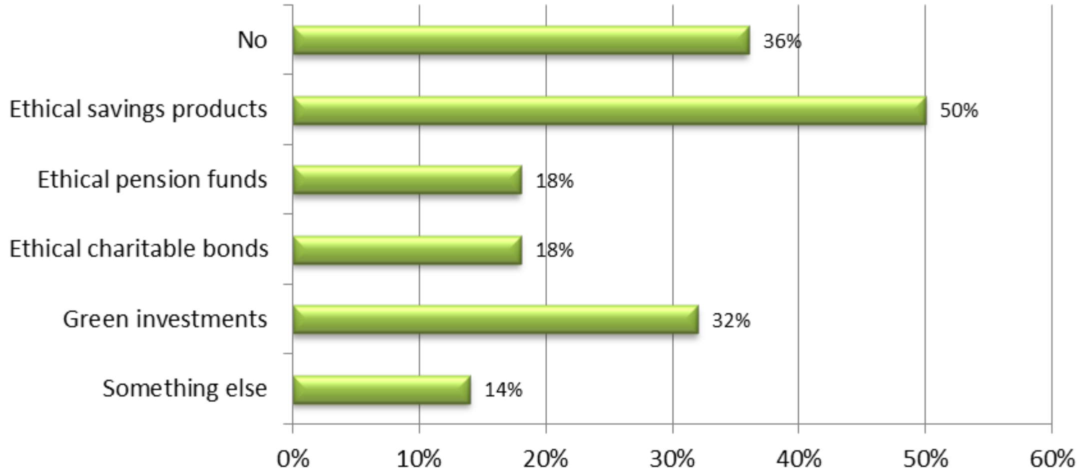



n=5

### 3.2.2 History of investment in social enterprise

Investors were asked if this was their first investment in social enterprise. For four out of five of them (81%, 13 respondents) it was. Nearly half of investors (47%, 8 respondents) had not previously made other ethical investments, but two-thirds of respondents had done so (64%, 14 respondents), primarily ethical savings products and/or green investments.

**Figure 10 Have you previously made other 'ethical' investments?**




n=22

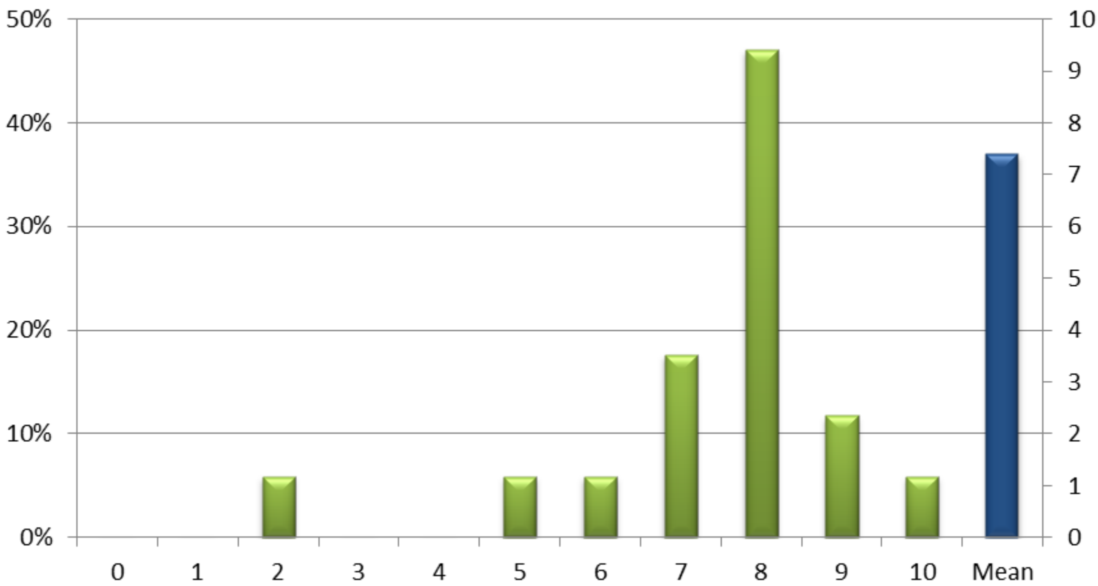
## 3.3 Views on the CCF and process

### 3.3.1 Rating the investment process

All respondents, investors and non-investors, were asked how they would rate the SIS CCF investment process overall, on a scale of 0 to 10. Whilst two respondents did not feel able to comment (as they haven't seen the results yet) and three non-investors felt they did not take their enquiry far enough to comment, the mean score awarded was 7.4.

The lowest score was 2 out of 10, because the process was perceived to be complex, particularly in comparison to other opportunities such as crowdfunding and share purchases. However, another respondent awarded the process 10/10 and all bar three scores of those who gave a score were 7+. There were some niggles about the bureaucracy of the process (two-stage, money laundering regulations, etc.) but the reasons for this were understood. SIS staff were rated highly and perceived to be very helpful, efficient and to take the time to meet or speak to potential investors as required, which was very much appreciated.

**Figure 11 How would you rate the SIS Community Capital Fund investment process overall?**




n=17

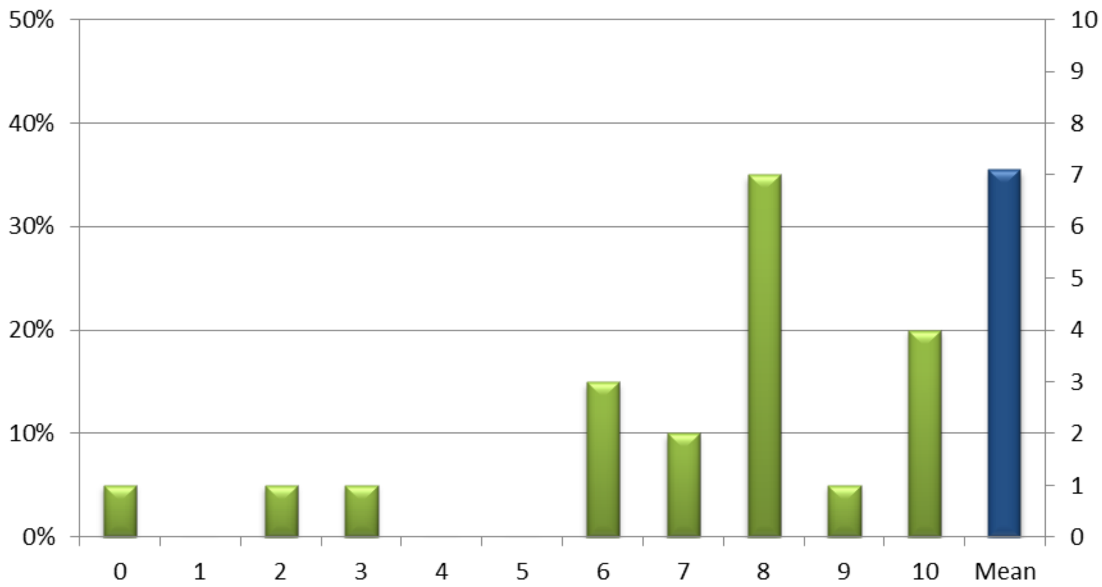
### 3.3.2 Recommending the CCF to others

Investors and non-investors were asked how likely they would be to recommend the CCF as an investment opportunity to a friend or colleague. This was perhaps an unfair question as the investment was so recent and the depth interviews revealed a reluctance to give a definitive answer as such a recommendation would depend on how appropriate the fund was for the friend or colleague. Indeed, one person responding to the survey gave a 0 on the basis that they do not "recommend investments to friends and would certainly not recommend an investment I have made for non commercial reasons."

Looking at the scores awarded in the figure below, there was a real mix of responses. The mean score was 7.1 (7.2 for investors, 6.3 for non-investors), which masks the range of scores given.

This question was asked in a format which allows a Net Promoter Score (NPS)[1] to be calculated. This is an internationally-recognised tool to gauge customer satisfaction and allow individual performance to be benchmarked against others. Scores can range from -100 to +100. The NPS for the CCF was -5. NPS has been criticised for categorising scores of 7 and 8 as passive/neutral ratings, as many people giving these scores consider them to be high and they never give a 9 or 10. As stated above, it was perhaps unfair to ask this question at this stage in the investment, but this forms a baseline and it would be very interesting to ask this question of investors again in future, to see if responses change. That said, there will always be that 'only if it's appropriate to them' caveat around investments, which perhaps needs to be articulated in the question in future.

**Figure 12 How likely is it that you would recommend the SIS Community Capital Fund as an investment opportunity to a friend or colleague?**



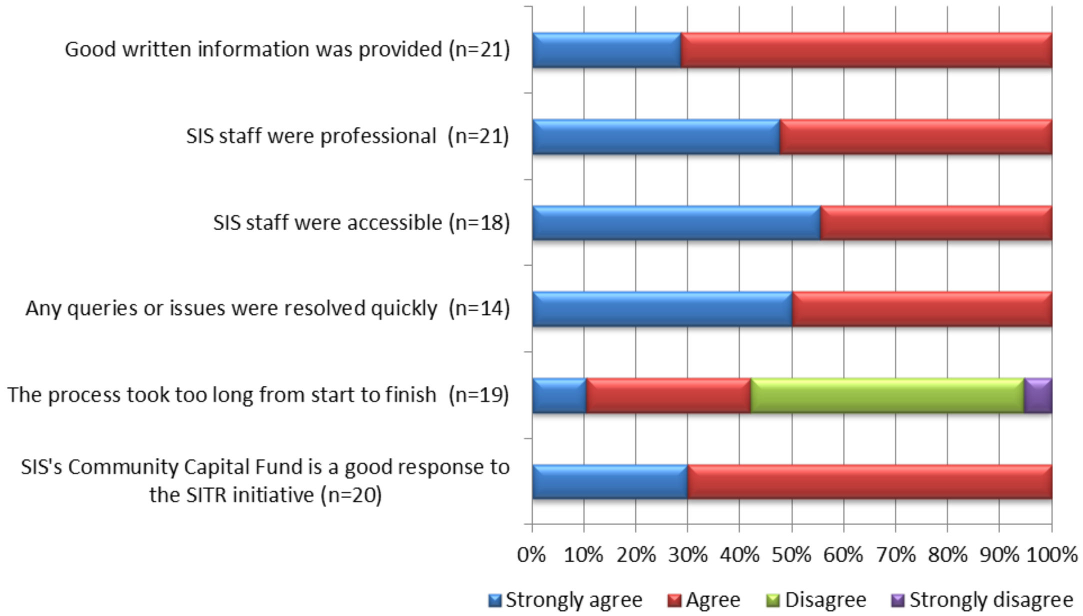

n=20

[1] The Net Promoter Score is a management tool that can be used to gauge the loyalty of a firm's customer relationships. When asked 'How likely is it that you would recommend [company x] to a friend or colleague?', customers respond on a 0-10 point scale where 0 is not at all likely and 10 is extremely likely. Promoters (score 9 – 10) are loyal enthusiasts who will keep buying and refer others, fuelling growth. Passives (score 7 – 8) are satisfied but unenthusiastic customers who are vulnerable to competitive offerings. Detractors (score 0 – 6) are unhappy customers who can damage the brand and impede growth through negative word-of-mouth. NPS is calculated by taking the percentage of customers who are Promoters and subtracting the percentage who are Detractors.

### 3.3.3 The investment process

The survey asked respondents to agree or disagree with six statements, to help gain more insight into their views on the investment process. As can be seen from the figure below, the feedback was largely positive, reiterating the qualitative discussions around the quality of information, the professionalism, responsiveness and accessibility of staff and the appropriateness of the CCF as a response to the SITR initiative. There was some negative feedback on the length of time taken, but this was still from a minority of respondents (43%, 8 respondent who gave a view) who agreed that the process took too long from start to finish.

**Figure 13 Please indicate if you agree or disagree with each of the following statements**



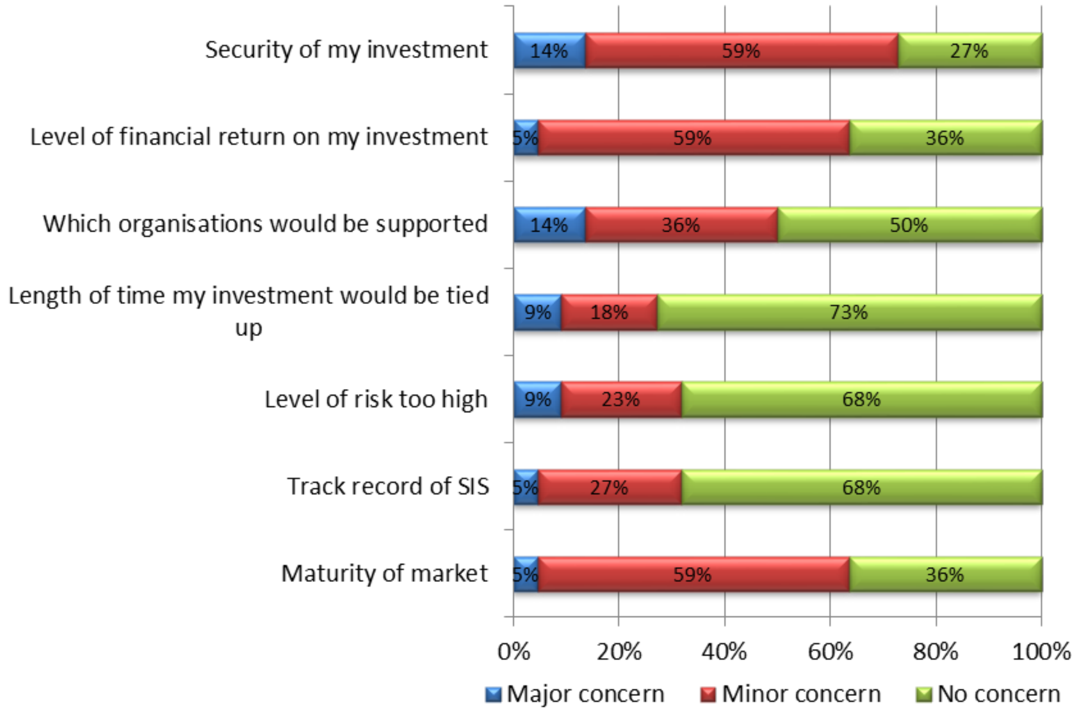

### 3.3.4 Areas of concern?

The greatest areas of concern about the CCF were the security of investment (73%, 16 respondents, had some concerns), the level of financial return on their investment (64%, 14 respondents) and the maturity of the market (64%, 14 respondents). The qualitative discussions highlighted this latter point. Whilst there was a recognition that SIS had to recruit investors to the fund prior to identifying social enterprises who would receive investment, some were concerned that there may be insufficient social enterprises who were investment-ready. This links to concerns around both which organisations specifically would receive investment and the level of risk, as the fund is small and therefore only able to support a small number of enterprises.

Which organisations would be supported divided respondents, with 50% having no concerns about this whilst 14% (3 respondents) had major concerns and 36% (8 respondents) had minor concerns.

The length of time the investment would be tied up (73% no concern), the level of risk (68% no concern) and the track record of SIS (68% no concern) presented less concern for respondents. Indeed, depth interviewees commented positively that SIS staff were very upfront about this being a new type of fund for the organisation, building on previous experience. This honesty was very much appreciated and SIS staff were rated highly, being seen to be an experienced team.

**Figure 14 Do you have any concerns about the Community Capital Fund?**

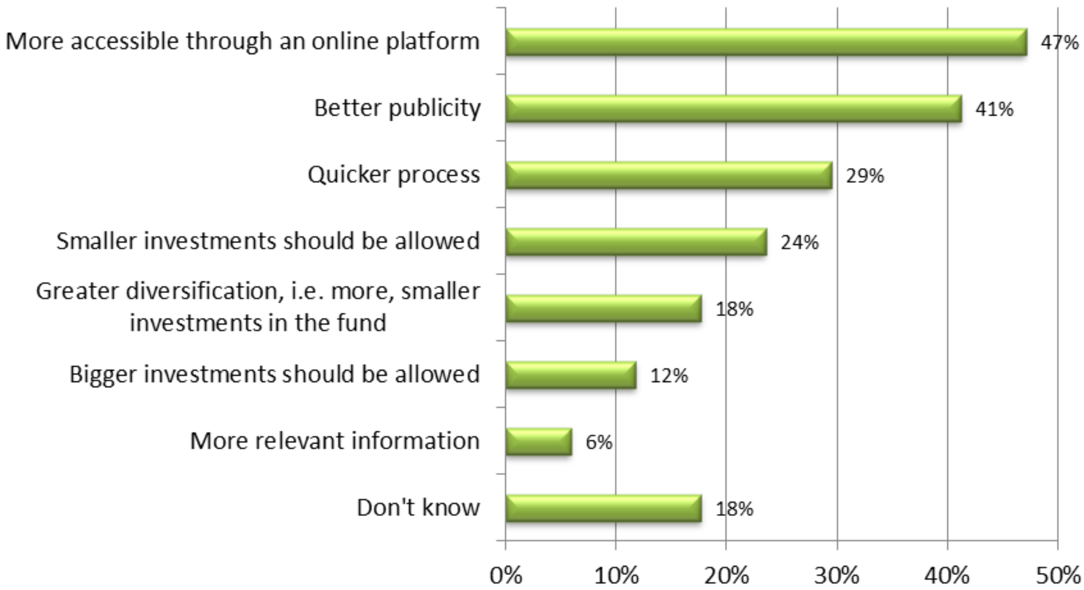



n=22

### 3.3.5 Suggestions for improvement

Investors were asked how the fund and process could be improved, selecting from a range of options. Nearly half (47%, 8 respondents) felt it would be more accessible via an online platform and 41% (7 respondents) felt publicity about the fund could be improved. 29% (5 respondents) were keen to see a quicker process in place and there was some agreement with both smaller and larger investments being allowed, in addition to greater diversification within the fund. The spread of responses is shown in the figure below.

**Figure 15 How could the fund and process be improved? (investors only)**




n=17

Other suggestions for improvement were sought and many of the online and qualitative comments reiterated the points tested above, particularly around the need to raise awareness of the fund, the need for a larger fund/greater diversity and the potential to generate a larger fund, albeit with greater administration effort, if smaller investments were allowed from those interested in supporting social enterprises.

In addition, the following points were made:

- The CCF is a good "first effort", but could be developed further.
- The regulatory framework is inhibiting, both in terms of the limits set on high net worth individuals making social investments and the reliance on tax relief as the main financial benefit as this offers nothing to non-UK residents who may otherwise like to invest in social enterprises.
- A couple of non-investors would prefer to see equity options.
- Non-investors were also keen to see a clearer articulation of the rate of return/reward ratio so that they could see what difference investment would make in order to justify the higher risks involved. It was acknowledged that this is challenging with the first fund, but would be easier to do for any subsequent funds.
- One investor suggested offering investors the opportunity to spend a day with a chosen borrower, particularly if they have something to offer that enterprise.

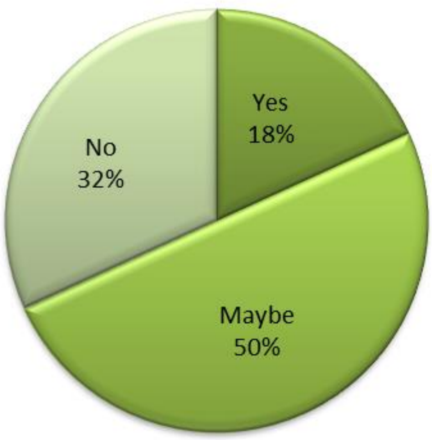
## 3.4 Informing future development opportunities

### 3.4.1 Interest in direct social investments

SIS's Community Capital Fund is a new concept which responds to the new SITR framework facilitated by the Government. SIS launched the CCF as an initial response to this opportunity but this could be developed further and SIS was keen to test out a few ideas for development. Firstly, direct social investment opportunities were tested. This would most likely involve an online service linking potential investors to opportunities to invest directly into a specific social enterprise. Four respondents to the survey (18%) – two investors and two non-investors – said this would be of interest to them. Half (50%, 11 respondents) said they may be interested and a third (32%, 7 respondents) were not interested.

Depth interviewees had different views on direct social investments, with some keen to invest directly whilst others felt this was far too risky. This raised the question of how they would do due diligence and really understand what they were being asked to invest in. For some, this needs greater information and consideration.

**Figure 16 Would you be interested in direct social investment opportunities?**




n=22

### 3.4.2 Separate v integrated with private investments

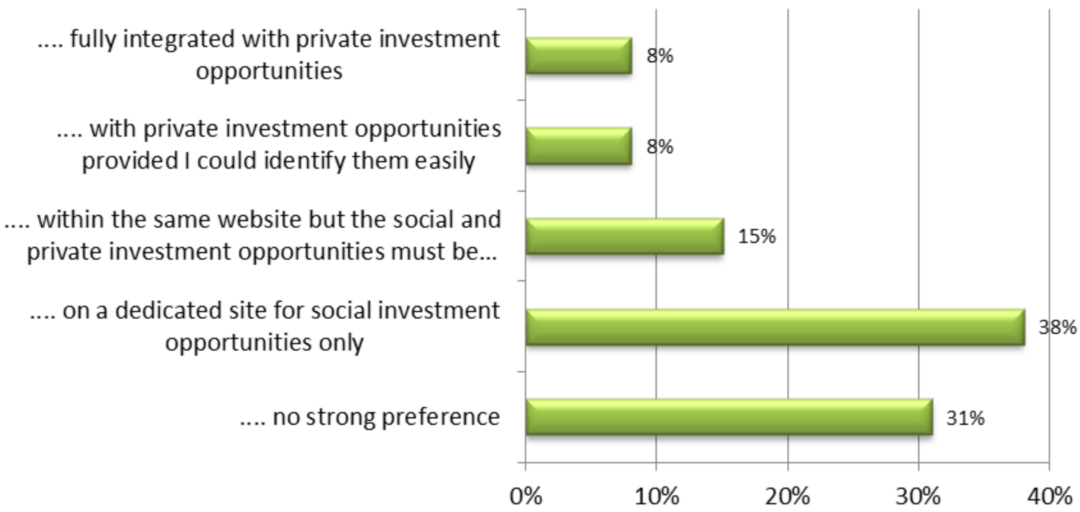
The most expedient and less costly way to match investors to direct social investment opportunities would be via existing online providers who do this for private sector investments. However, SIS were keen to explore to what degree association with private sector investments would compromise their efforts.

Those who said they were or might be interested in direct social investment opportunities were asked about their attitudes to this. Results were mixed, but three out of five respondents desired a degree of separation: 38% (5 respondents) were most comfortable accessing such opportunities if they were on a dedicated site for social investment opportunities only, 15% (2 respondents) were comfortable with private and social investments being on the same website but they must be searched for separately and 8% (1 responden) would wish to be able to identify social invesments easily.

Whilst just one non-investor (8%) was comfortable with a fully integrated approach, 31% (4 respondents) had no strong preference. Two 'maybes' gave no response to this question.

Discussions would suggest that investors who have a range of investment types at present are less likely to be bothered by the way in which investments are presented provided social investments are clearly identifiable and there is evidence of impact so that they can take an informed view of the risks and benefits of social investments alongside more commercial opportunities.

**Figure 17 I would be most comfortable accessing direct social investment opportunities if they were displayed …..**

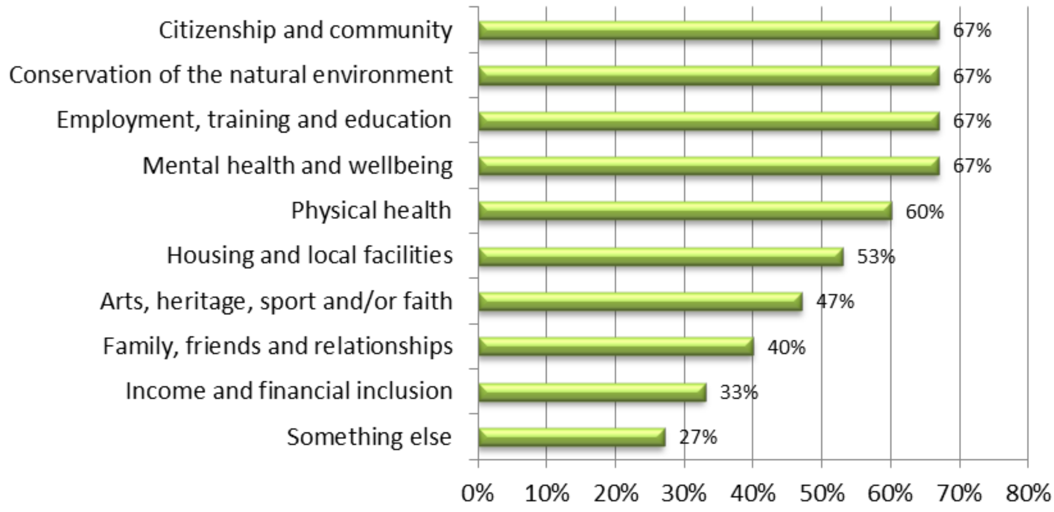



n=13

### 3.4.3 Social impact priorities

SIS was also keen to establish what social impacts potential investors were most interested in supporting. The survey allowed respondents to tick all those of interest and, as the figure below illustrates, two-thirds of respondents expressed interest in supporting citizenship and community; conservation of the natural environment; employment, training and education; and mental health and wellbeing in particular. These categories reflect those aroudn which SIS measures its social impact, based on the outcomes matrix developed by Big Society Capital. Income and financial inclusion and family, friends and relationships were selected by fewest respondents (33%, 5 respondents, and 40%, 6 respondents, respectively).

**Figure 18 Social enterprises aim to make all sorts of impacts on their beneficiaries. Which impacts are of interest to you?**




n=15

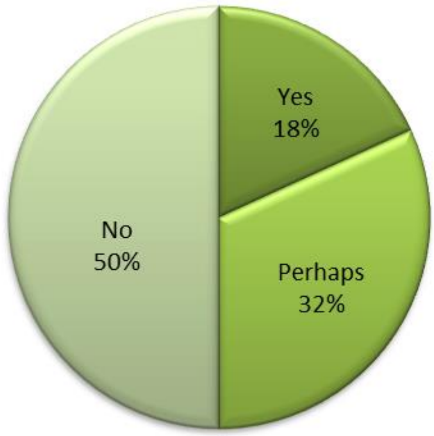
The ‘something else’ responses were:

- inclusion, particularly in meaningful work for adults with learning disabilities;
- local area;
- opportunity creation in the wider sense; and
- penal reform, working with offenders, etc.

### 3.4.4 Getting hands-on

SIS works closely with its customers and is aware of the degree to which they manage to achieve their outcomes within very tight staffing and budgetary constraints. There is often little opportunity to bring in external expertise. Potential investors were recognised to often have a useful skills-set to offer social enterprises, so interest in contribution in some way was gauged. Four respondents (18%) were interested in offering their expertise and a further 7 (32%) may be interested in doing so. Half of respondents were not interested in being involved in this way.

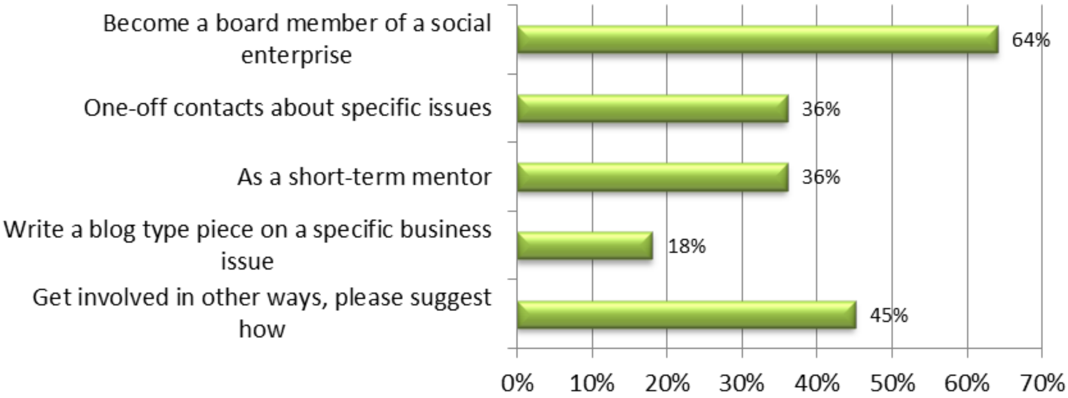
**Figure 19 Would you be interested in offering your expertise to social enterprises?**




n=22

A number of different ways in which investors could be involved with social enterprises were then tested with respondents. There was greatest interest in becoming a board member of a social enterprise (64%, 7 respondents), in addition to one-off or short-term mentoring support (both 36%, 4 respondents). Other suggestions were given, such as assisting SIS strategic fund development, assessing how well enterprises meet identified needs and being open to assistance as required (provided Skype can be the main form of contact given base overseas).

**Figure 20 How would you like to be involved?**




n=11

The expertise on offer included financial management, organisational development, managing growth, governance issues, change management, funding development, strategic/business planning and other sector-specific experience. One respondent also highlighted the value of experience as both an investor and operations management, which can bridge the gap between an organisation's plans and the expectations/aspirations of investors.

It was clear from the interviews and survey that both investors and non-investors have significant experience to offer social enterprises and SIS itself, so CCF development could offer substantial added value to all parties.

### 3.4.5 Preferred frequency of reporting

Investors were asked for their preferred frequency of reporting: whilst a quarter preferred annually or quarterly, just over half (53%, 9 respondents) preferred six monthly reports.

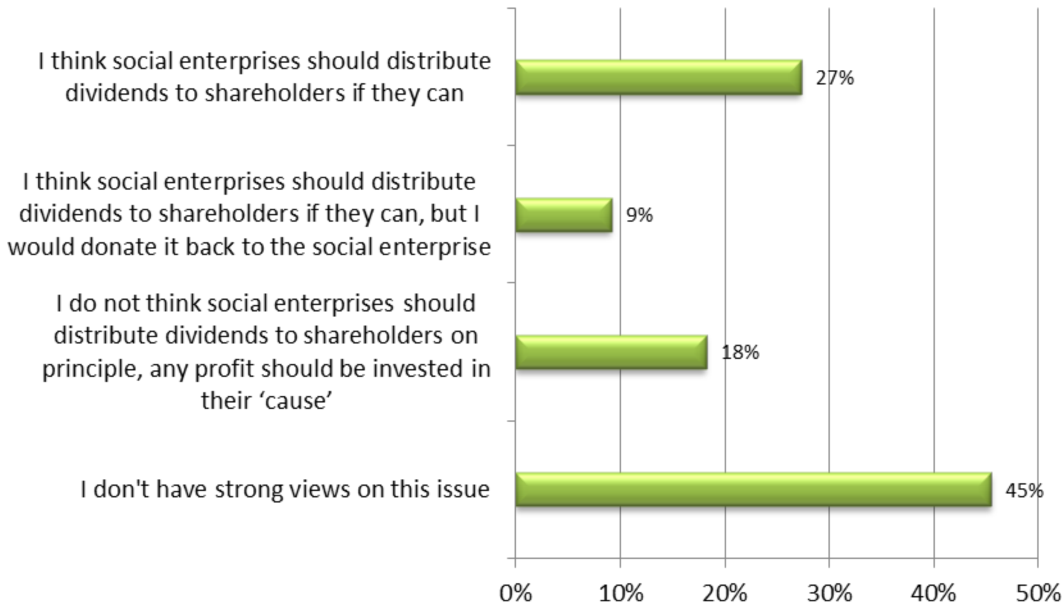
**Figure 21 How often would you like to receive reports on investment?**


n=17

### 3.4.6 Philosophy on distribution of profits

SIS also wished to explore views on social enterprises distributing dividends to investors and this was tested with all respondents. The CCF is not an equity-based investment so dividends will not be declared, but this question aimed to gain some sense of understanding of views as this is an issue which can divide those supportive of social enterprise. Whilst nearly half of those reponding stated that they did not have strong views on this issue (45%, 10 respondents), 36% (8 respondents) felt that social enterprises should distribute dividends if they can, although two stated that they would donate it back to the organisation. This supports comments made in qualitative interviews and open questions in the survey, which encourage a 'business-like', sustainable and accountable approach to social enterprise where organisations should be aiming to make a surplus.

**Figure22 The issue of dividends can be perceived to be controversial in the social investment arena. Which of the following best reflects your views?**




n=22

# 4 Concluding comments

The aim of this research was to hear the views of investors and non-investors in the SIS Community Capital Fund to enable SIS and the wider sector to learn from the experience, inform future iterations of the fund and explore options for future development. It is hoped that the data provided in this report gives useful insights to help SIS and others move this new type of fund forward. The number of participants was small, but half of those who invested or enquired about the fund and decided against investing gave their views, which is an excellent response rate. The depth interviews were very helpful in fine-tuning the questionnaire and FMR/SIS would like to acknowledge the time and effort given by all participants in helping to illuminate this innovative social investment approach more fully.

The research was conducted very soon after investment decisions were made so effectively evaluates the process of investment and consideration of the concept rather than an evaluation of the fund in practice. It is recommended that further feedback would be helpful in a year or two's time, whether that is gathered by the SIS team or an independent party. It is suggested that some of the questions asked in this research may also be used as a 'baseline' to compare to future feedback once the fund has been operational for a reasonable length of time. It would be particularly interesting to compare views on risk and concerns, for example, based on experience.

It should be noted that two participants requested feedback on the outcomes of the research. FMR would recommend that some feedback is given to those participating in the research, for example by sharing a full or summary report and, most importantly, a response from the SIS outlining what it plans to do with the findings, with an indication of timescales if appropriate.