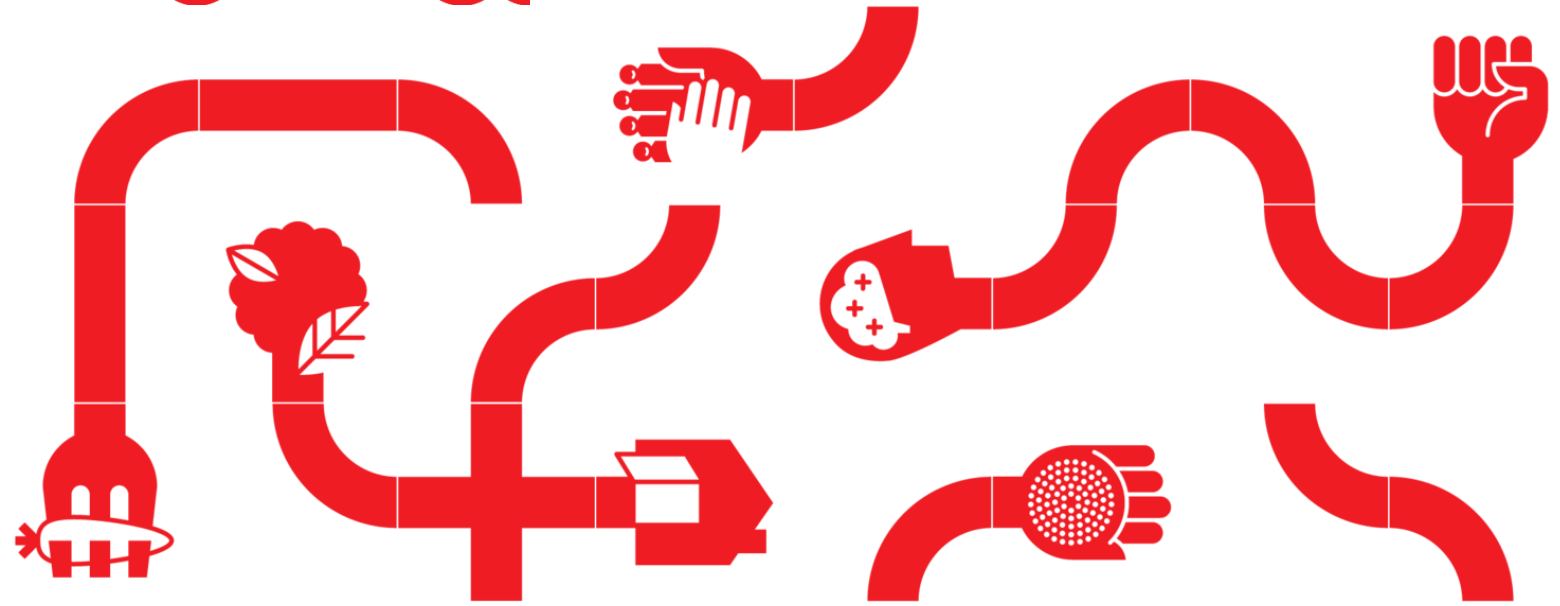


sfa



Building capability. Scaling social impact.

HERE'S HOW WE MAKE THESE HAPPEN AT SEFA.

1 November 2022



Contents

1.	OUR APPROACH	2
2.	ABOUT US	2
2.1.	Our story and offering	2
2.2.	Our areas of expertise	6

CONTACT DETAILS	13
------------------------	-----------



1. Our Approach

Collaboration and understanding. They're the secret ingredients that allow us to do what we do. Our technical expertise, rigour and passion help purpose-driven organisations and impact investors reach their goals. And our deep understanding of community and impact business challenges allows us to meet you where you're at – building long-term partnerships and supporting you along your journey to independence.

OUR VALUES

- **Togetherness** | We're so much more than an investor. Think of us as a collaborator with the experience and expertise to help your organisation achieve its purpose and financial goals. We'll walk beside you on your path to becoming a sustainable organisation and offer support well beyond finance.
- **Integrity** | We are transparent about our motivations, influences, intentions, and limitations. We don't leave you in the dark about how or why a decision has been made. We tell the truth, even when it might be uncomfortable or lead to a change in plans. We are committed to our principles and take responsibility for our actions.
- **Champion** | We champion others and amplify impact through real-life examples. We advocate for systems change and put this into practice by supporting our clients. Our work aims to change mindsets and instigate conversations to challenge the sector – including ourselves.

2. About us

We partner with organisations and investors to unlock social impact. While supporting your growth and resilience, we generate positive returns for investors.

2.1. OUR STORY AND OFFERING

Sefa is the result of a cross-sector collaboration aiming to kick-start lending to social enterprises. In 2011, a \$10m Commonwealth grant, matched with \$2.2m private equity capital and \$7.8m of debt from impact investors helped establish Sefa – and today we're a leading source of impact capital and social impact services for purpose-driven organisations.

We know that together we can achieve more. So we develop collaborative financial partnerships with partners such as the Social Innovation team at NAB and [Lord Mayor's Charitable Foundation](#) (LMCF). And because your circumstances are unique, we work closely with you to create bespoke financial solutions that work for you.



We also work collaboratively with our sister organisation Sefa Partnerships – a not-for-profit public benevolent institution (PBI). Sefa Partnerships helps social enterprises support disadvantaged communities across Australia by building their capacity and giving them access to blended finance.

Thanks to these close relationships, we have unlocked more than \$120 million in impact funding since we opened our doors.

BUILDING MORE HOMES FOR LOW-INCOME FAMILIES

By 2036, Victoria will have a shortfall of 23,200 affordable homes. To help more low-income families have a safe and affordable place to live, we joined forces with Lord Mayor's Charitable Foundation (LMCF) and established the Affordable Housing Loan Fund (AHLF).

The fund helps selected projects to:

- build more affordable homes faster
- develop innovative housing solutions
- demonstrate the ability of capital structures to unlock social impact

Habitat for Humanity Victoria has built 13 new homes for low-income families in Greater Melbourne thanks to a loan from the AHLF. To bolster its pipeline of investable organisations and projects, LMCF has supported Sefa in getting emerging housing models that meets the needs of a range of lower-income and underserved cohorts investment ready. These models are working towards security of tenure, socially diverse co-housing and affordable (shared) home ownership.

As part of our partnership, we published a report into philanthropy's role in addressing housing affordability in 2020 – recommending four financing pathways foundations can take to tackle the issue. In 2022, we will be sharing insights on long-term affordable housing options for older women at risk of homelessness. To build the broader market, we have also contributed to two LMCF Affordable Housing Challenges in 2017 and 2021 by discussing selection criteria and exploring the topic with interested community housing providers.

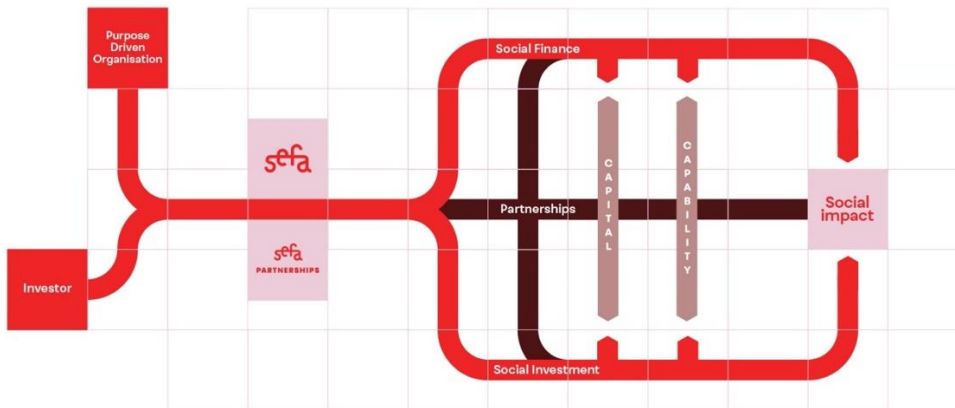
“We are inspired by the potential for philanthropy to unlock impact investment opportunities. We enjoy working with not for profit leaders who are trying to create new solutions, for example, through layered investment.”

Catherine Brown, CEO Lord Mayor's Charitable Foundation



Take a look at how our partnerships enable social impact below.

Figure 1. Sefa's and Sefa Partnerships' Joint Strategy



Our bespoke **capital products** help you grow, using capital from a range of financiers – including impact investors, philanthropy, government and Sefa.

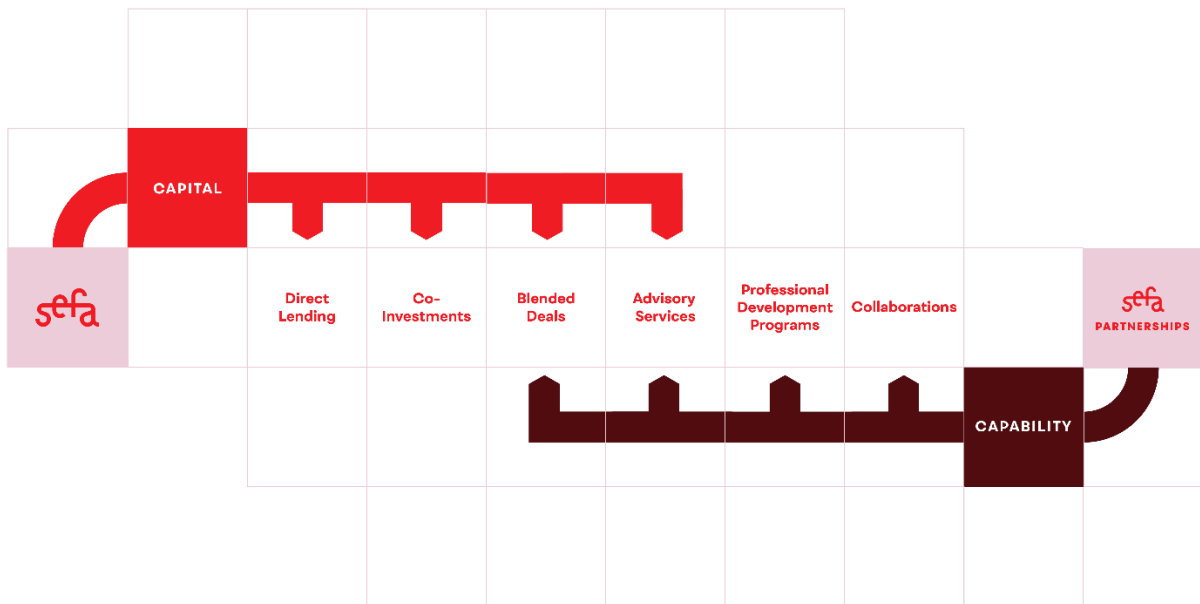
- **Direct lending** | When your organisation can repay a loan, we lend directly to you.
- **Co-investment** | For larger projects, we offer impact investors the opportunity to lend directly to your organisation, alongside or facilitated by Sefa.
- **Blended finance** | We design personal finance solutions with Sefa Partnerships that are manageable. Partnering with philanthropy and government, we leverage the grant dollar with our loan products.

We also help you build your organisation's capability through tailored **advice** alongside our capital offering, including:

- **Organisational resilience** | Strong organisational capability helps you run your services, drive social outcomes and use capital more effectively. We support management, boards and advisors to achieve this through coaching across the four themes of: governance, commercial acumen, advocacy and partnerships.
- **Investment readiness** | Not every organisation is ready for investment. We assess financials, conduct a stocktake of organisational capability and develop business cases for new projects – providing insights on your capacity to take on investment.
- **Capital structuring** | Building organisational resilience includes developing realistic financial models. We analyse the preferred finance pathway and prepare detailed financial modelling, including scenario analysis for the target capital structure.
- **Capital raising** | We provide potential capital partners with the right information and facilitate conversations so they can support social impact organisations – and realise returns.
- **Investment management** | We execute and manage social investment transactions and portfolios for investors – irrespective of whether Sefa is a lender in the transaction or not.



Figure 2. Sefa's and Sefa Partnerships' Product and Service Offering



On top of personalised blended finance solutions, Sefa Partnerships focuses on:

- **Advisory Services** | We apply our learning and human-centred design knowledge to run personalised educational sessions for purpose-driven organisations like yours, supporting Sefa's technical work.
- **Professional Development Programs** | Our bespoke personal and professional learning programs for government and corporate partners help bring social enterprise thinking into these sectors.
- **Collaborations** | We enable our partners to use philanthropic funds to develop their impact work, whilst offering organisations access to networks and providing guidance on theory of change - strengthening their overall organisational capacity.

We support organisations from a range of sectors:





2.2. OUR AREAS OF EXPERTISE

2.2.1. Developing frameworks for maximum impact

Being clear about your impact helps your organisation build and validate business plans and operating models that support its purpose and help realise its potential.

We help you achieve this by developing a Theory of Change. It allows your team to make evidence-based decisions, report to various stakeholders and advocate for your social cause more broadly. This includes a framework for embedding data collection, monitoring and evaluation practices and defining, measuring and reporting your social impact.

MAPPING OUT THE NEXT PHASE OF GROWTH – SCHOOLHOUSE STUDIOS

Schoolhouse Studios (SHS) is a community arts organisation in Melbourne which houses creative tenants, hosts community events and art exhibits and runs professional development and creative workshops. The organisation works to build joyful, inclusive and collaborative communities. In the context of SHS having recently relocated during the COVID pandemic, Sefa was engaged through a Resilience Grant to:

1. Clarify SHS' social impact, theory of change and impact measurement framework – intended to facilitate future funding applications and discussions with government / philanthropy.
2. Develop an operating model that identifies target income from studio rent as well as additional revenue sources and funding options to help mitigate the losses experienced in connection to COVID lockdowns. Three scenarios were modelled, examining the financial sustainability of each.

The following key outputs were developed for SHS as part of this engagement:

- An updated Theory of Change
- An impact measurement framework
- A summary of the evidence base behind the social impact SHS delivers through its model
- A financial operating model that SHS could continue to use to test various assumptions and scenarios – the intended purpose being to aid operational decision making moving forward.

2.2.2. Building organisational resilience

Working across the pillars of impact, governance, commercial acumen and partnerships, we help you develop the skills, structures and processes that empower you to operate efficiently, effectively, and viably. By conducting a comprehensive stocktake we get to understand your organisation's starting point – and how we can best support you to build resilience and drive impact and growth. Our bespoke scopes of work address focus areas, letting you know the kind of experience and key deliverables you can expect.

We also make sure that the content we cover includes learning opportunities for your organisation, with meaningful input and active participation from management, Board and other stakeholders. For some clients, we explore finance as a tool to help deepen and grow their impact whilst strengthening financial independence and sustainability to prepare for future investment opportunities.



STRENGTHENING BLACKTOWN YOUTH SERVICES ASSOCIATION'S CAPABILITY

Blacktown Youth Services Association (BYSA) in Western Sydney has been disrupting the social services sector for decades. But it needed help to develop a funding model and pitch that would support its innovative, youth-led approach – and allow it to continue meeting the needs of disconnected, vulnerable and complex young people.

We:

- Analysed BYSA's financial performance and operations and worked closely with the Executive team and young people to understand the organisation and its role in community
- Consolidated evidence to support the cost-effectiveness of the BYSA model
- Developed a Theory of Change and meaningful outcomes measures in partnership with young people that use the service
- Built a bottom-up, multi-year funding model for the organisation – supporting its pathway to attracting diverse revenue sources
- Created a compelling pitch document to present to philanthropic supporters

2.2.3. Preparing for investment

Having the right financial models, funding structures and impact measurements in place maximises your organisation's chances of securing the funding you need to thrive. We help you get 'investment ready' by working with you to develop these tools and frameworks. You'll also develop your understanding of different forms of investment, what they mean for your organisation and how you can make informed decisions.

INVESTMENT READINESS – ABORIGINAL HEALTH ORGANISATION

Sefa developed a framework-based approach to assess the investment readiness of an Aboriginal Community Controlled Health Organisation that is considering external financing options to support growth ambitions.

- Sefa analysed the organisation's financial performance, considered operational elements and worked closely with the Executive team to deeply understand the organisation and its role in community.
- Developed a number of potential pathways with the framework containing elements against which objective scoring was applied for each of the potential pathways.
- Provided recommendations for activities and processes that will strengthen the organisation's investment readiness including through: improving the evidence base for decision making; strengthening financial management performance; and investing in governance and leadership.
- With appropriate support and attention across these areas the organisation has the potential to attract and leverage the finance that it will need to secure the assets that will underpin growth for the long term.



2.2.4. Structuring capital

Impact capital helps you expand and improve depth and breadth of your impact – but your success depends on structuring funding correctly.

At Sefa, we develop highly personalised, suitable financial models to make sure they are manageable and sustainable for your organisation long term. With our capital structuring solutions ranging from \$200k to \$10m, we have helped over 40 social businesses and not-for-profit organisations like yours successfully access over 60 loan facilities.

Some examples of clients that we have worked with and capital structures that we have developed include:

BLENDING CAPITAL STRUCTURING – JARJUM PRESCHOOL

- Jarjum Centre Inc is the first Aboriginal preschool in Lismore offering culturally appropriate, transformative education and capacity building for the Indigenous community.
- Sefa was engaged to prepare financial projections, capital structuring and financial modelling, develop an impact measurement framework and form a debt syndicate as part of a blended finance solution for Jarjum to purpose build an early childhood centre in a safe location, tripling their current capacity to accommodate more families who are on their waiting list.
- To deliver on this engagement Sefa:
 - Worked with Jarjum’s Theory of Change to articulate it in a logic model with an associated impact measurement framework.
 - Established an understanding of the drivers of volatility in financial performance to determine appropriate debt level, based on serviceability.
 - Introduced Jarjum to CAGES Foundation and Vincent Fairfax Family Foundation who both provided a grant contribution to the project.
 - Approached family foundations with an interest in Indigenous early childhood outcomes for participate in Sefa’s arranged debt structure.
 - Negotiated with two government departments who were also grant funders in relation to relative security positions in the capital structure and facilitated conversations with Local Council to sell land to Jarjum at a discount.

BLENDING CAPITAL STRUCTURING – SHOPFRONT YOUTH THEATRE

- Shopfront is a youth-led arts cooperative that specialises in delivering classes for culturally and linguistically diverse and at-risk youth. Shopfront is renowned for its award-winning programs for young people with a disability in South Sydney.
- Sefa acted as intermediary assisting with financial modelling, capital structuring and securing commitments from government infrastructure grants to renovate and expand Shopfront’s premises into a local cultural and arts community hub.
- As part of the \$2m overall capital raise, Sefa was able to secure a \$350k grant contribution from the Vincent Fairfax Family Foundation (VFFF). This was Sefa’s second transaction with VFFF who also provided a \$300k grant to community-led funeral service Tender as part of the start-up funding.



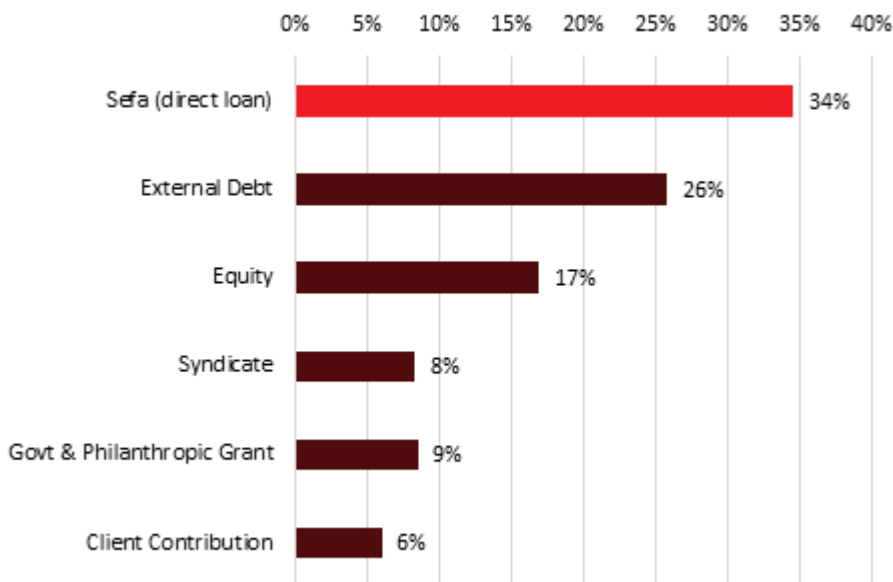
2.2.5. Raising capital

Our investor network is wide – we work with institutional investors, high-net worth individuals, family and corporate foundations, and charitable trusts to source capital for our clients. Operating under Australian Financial Services Licence 414570 allows us to accept and facilitate investment from wholesale and professional investors.

We cultivate strong relationships with engaged impact investors and our network continues to grow as foundations and impact investors choose to support specific causes.

Our diversified \$20m loan fund with our own balance sheet has allowed us to unlock over \$120m of impact capital for various social and environmental outcomes.

Figure 2. Contributors of Unlocked Capital since Sefa's Inception



PAYMENT BY OUTCOMES CAPITAL RAISING – LIVING LEARNING BY MELBOURNE CITY MISSION

Melbourne City Mission (MCM) is a leading profit-for-purpose offering vital services in Early Years, Disability, Homelessness, Palliative Care and Education. MCM entered into an outcomes-based Partnership Addressing Disadvantage (PAD) with the Victorian Government to provide supported education at the Hester Hornbrook Academy for young people aged 15-21 who experience mental health conditions and who are disengaged from mainstream schooling.

Sefa was engaged by MCM and their partner Latitude Network to advise on a blended capital structure. Our brief was to raise working capital from philanthropic impact investors for the delivery of the Living Learning program.

To deliver on this engagement Sefa:

- Worked with MCM and Latitude Network to understand the cash flow requirements, timing and size of outcomes-based payments from government and the investment risk profile associated with the Living Learning program logic.



- Based on the identified investment profiles, developed an innovative capital model - the “Philanthropic Impact Investment Tranching (PhIIT) - that uses a ‘two-tranche’ structure to allow philanthropic entities to utilise both their investment corpus and granting arms in the one transaction. The investment tranche generates competitive market-based returns while the granting arm provides coverage for losses that may occur due to under-performance against the outcomes Living Learning contracted with government. Investors were required to split their investment amounts equally across both tranches.
- Supported MCM to successfully raise \$4m for Living Learning under the PhIIT structure from five leading Australian foundations, including the Lord Mayor’s Charitable Foundation, the Paul Ramsay Foundation and Gandel Philanthropy.

CAPITAL RAISING AND SYNDICATE AGENCY – NIGHTINGALE HOUSING GROUP

Nightingale Housing Group (NG) is leading the housing revolution in our cities, facilitating the construction of multi-residential buildings that are financially, socially and environmentally sustainable.

- Sefa structured and secured a \$6.2m senior debt syndicate (including Social Ventures Australia, Christian Super and two private family foundations) to complete the pilot development ‘Nightingale on Florence’ or NG 1.0 which is Australia’s first multi-residential fossil fuel free building. NG 1.0 won the 2018 National Award for Residential Architecture and the Victorian Premier’s Sustainability Awards (Built Environment) in 2017.
- Sefa has continued to act as single point of contact between Nightingale Housing and impact investors. For Nightingale 2.0, we evolved the funding model by inviting National Australia Bank (NAB) to act as senior lender and led a \$900k mezzanine syndicate as the agent/syndicate administrator that included several high net worth impact investors through their private family foundations and trusts.
- For NG Albion Street, we provided a syndicated land banking facility of \$2.5m to secure a future development site and acted as agent, syndicate administrator and security trustee.
- For former Nightingale 3.0 (Terrace House), we raised a \$2.8m mezzanine syndicate, again in partnership with NAB and other impact investors, acting both as agent and syndicate administrator.

2.2.6. Due Diligence

We want to set you and impact investors up for success. This means working through a pipeline of inquiries before we approve a loan to identify risks, discuss mitigating factors and assess a borrower’s ability to repay the loan.

Our robust yet flexible investment risk management framework meets the needs of purpose-driven organisations and investors alike. Plus, highly experienced individuals on our independent Investment Committee review and approve all loans funded from our own pool of capital.

Our proven social finance process also means we can objectively assess investment opportunities for financiers such as foundations, high-net worth individuals and institutional investors. This can be as part of a loan syndicate where we share our investment committee papers with other investors – or as a standalone service, independent of any Sefa capital involvement.

Please note: We are not licensed by ASIC to provide personal financial advice. While we prepare due diligence reports on a general basis, investors are responsible for doing their own due diligence and seeking professional advice.



DUE DILIGENCE SERVICES – KARDAN CONSTRUCTION LOAN FACILITY

Kardan Construction (Kardan) is a Perth-based licensed construction company that is a Registered Aboriginal Business and Supply Nation-certified. They support over 55s, women, people with disabilities or other personal challenges with employment and training opportunities in the building industry, with a particular commitment to First Nations people. Kardan has completed projects all over Western Australia, ranging from building educational and sporting facilities in remote communities to restoring historical buildings in urban centres.

In their early years Kardan needed a significant amount of funding to support their strong growth trajectory. As part of Sefa's investment process, we conducted a detailed and comprehensive due diligence over a 3 month period, including

- interviews with directors, management, and clients,
- reviews of revenue contracts,
- an on-site visit, and
- a deep financial analysis on Kardan's historical performance and 3 year projections.

Our findings were written up in a substantive report presented to our Investment Committee. They were also provided to one of Australia's largest superannuation funds that was interested in co-investing alongside Sefa. Financial close was completed shortly afterwards on a total loan facility of \$1m, with a WA non-profit joining as a co-investor a few months later.

2.2.7. Managing investments

Investment management can be easy for purpose-driven organisations and investors alike. With our 10-year track record of managing a social loan portfolio, we can coordinate, manage and report ongoing impact investments. We can also provide legal templates, resources, systems and processes – whether or not we're a lender in the investment structure.

We can also manage every stage of the process for loans with several co-investors – from signing documentation and initial disbursement all the way to full repayment, while also looking after the security collateral for the loan. And for increased transparency, we segregate cash transactions and loan records for these services from Sefa's proprietary loan fund activities.

INVESTMENT MANAGEMENT SERVICES WITHOUT SEFA AS AN INVESTOR – COVIDENCE'S CAPITAL RAISE AND SYNDICATE ADMINISTRATION

Veritas Health Innovation Ltd (Covidence) is a SaaS platform that uses artificial intelligence for good: a systematic review system that scales the (1) currency – easier and faster – as well as (2) trustworthiness of academic research with a focus on medical and health from around the world, turning it into streamlined scientific knowledge that is readily available for improved collaboration. Covidence provides free access to users in low-income countries and those participating in COVID-19 research. In July 2021, Covidence approached Sefa to support their short to medium term capital requirements. This capital injection is in anticipation of a larger amount of grant funding in the medium term that will support Covidence's continued product development and revenue growth.

Sefa successfully raised a \$2 million debt syndicate from six impact investors providing Covidence funding over a 12-month period.

In addition to the capital raising services, Sefa acted as a Syndicate Agent for the investors, which included private family foundations and discretionary trusts.



As the appointed Syndicate Agent, Sefa is responsible for:

- executing the transaction documentation on behalf of the Syndicate
- holding all security items provided by the borrower in trust on behalf of the Syndicate investors
- facilitating the management and administration of the Syndicate for its entire term
- acting on the Syndicate's behalf as the sole contact in communications between the Syndicate and the borrower.

From an operational perspective, Sefa's services include:

- setting up investor and borrower accounts, including receiving and checking pre-disbursement documentation and managing all drawdowns
- coordinating any changes related to the investment agreement, acting as the syndicate agent to document the changes
- monitoring and coordinating funds transfers according to the agreed repayment schedule and issuing loan statements
- providing a proprietary set of legal syndicate documentation and liaising with lawyers of all parties.

With this service in place, the impact investors benefit from a streamlined investment process that reduced operational risk for all parties involved, without needing access to inhouse resources or systems. Covidence also benefits from having a single coordinator of all interactions with investors, allowing it to concentrate on its core activities and ultimately deliver greater impact.

Contact Details

HANNA EBELING **CHIEF EXECUTIVE OFFICER**

- hanna.ebeling@sefa.com.au
- 0475 084 855

RENEE MARTIN **HEAD OF ENGAGEMENT**

- renee.martin@sefa.com.au
- 0409 926 646

MANFRED BAUER **HEAD OF PORTFOLIO MANAGEMENT**

- manfred.bauer@sefa.com.au
- 0493 310 327