

# Catalytic Capital Training

## Module 1: “Inspire”

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Content sponsored by the Catalytic  
Capital Consortium



Presented by:

Dario Parziale, Director of Investment Research and Analysis, Toniic  
[dario.parziale@toniic.com](mailto:dario.parziale@toniic.com)



## Who we are

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We are a global community of high net-wealth individuals, family offices and foundations from more than 25 countries who are active impact investors.

We curate a global community, enable peer-sharing, provide educational resources, and offer investment opportunities for our members, who use Toniic to amplify their impact.

# Catalytic Capital Series

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**01**

## **Inspire**

What is catalytic capital and why you should consider it in your portfolio

**02**

## **Inform**

How to deploy catalytic capital, roles, uses, and case studies

**03**

## **Implement**

How to set your portfolio up for catalytic capital, structure, analytical questions, and implementation

# Overview

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- 1 What is Catalytic Capital
- 2 Why Deploy Catalytic Capital
- 3 Learning from Others
- 4 How Catalytic Capital Enables Impact
- 5 Perceived Barriers and How to Overcome Them
- 6 Conclusion and Exercise

## DISCLAIMER

The materials in this course and the related modules and resources are for general education only and do not constitute financial or tax advice. Please consult your financial or tax advisor for guidance related to your specific situation or jurisdiction.

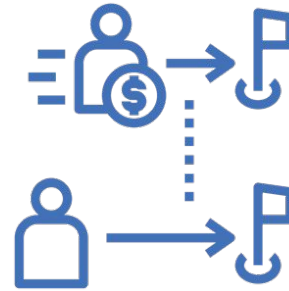
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# Lesson 1: What is Catalytic Capital?

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# Catalytic Capital

Catalytic capital is a subset of Impact Investing that targets impact opportunities that market rate capital is unable to reach on its own, primarily due to underlying capital gaps.



It consists of  
debt, equity, guarantees, and other investments that  
**accept additional risk**  
***and/or***  
**concessionary returns**  
relative to a conventional investment  
to generate positive impact  
or enable third-party investment  
that otherwise would not be possible

<https://www.macfound.org/press/article/catalytic-capital-work>



# Risks and Returns



## Disproportionate Risk

- Difficult markets or solutions
- Extending your timeline and duration
- Flexible deal structures and terms
- Lack of track-record and benchmarks

**AND / OR**



## Concessionary Returns

- Below market return expectations on equity
- Sub-commercial rates of return on debt investments

# Investor Contribution



Generate positive impact and enable third-party investment that otherwise would not be possible

# Catalytic Capital



Impact First

Subcommercial/  
Submarket

Flexible Capital



Impact Investments  
seeking risk adjusted  
returns

Grants

Blended finance

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## Lesson 2: Why Deploy Catalytic Capital?

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Why is Catalytic Capital important?

Why are private investors increasingly making Catalytic Capital investments?

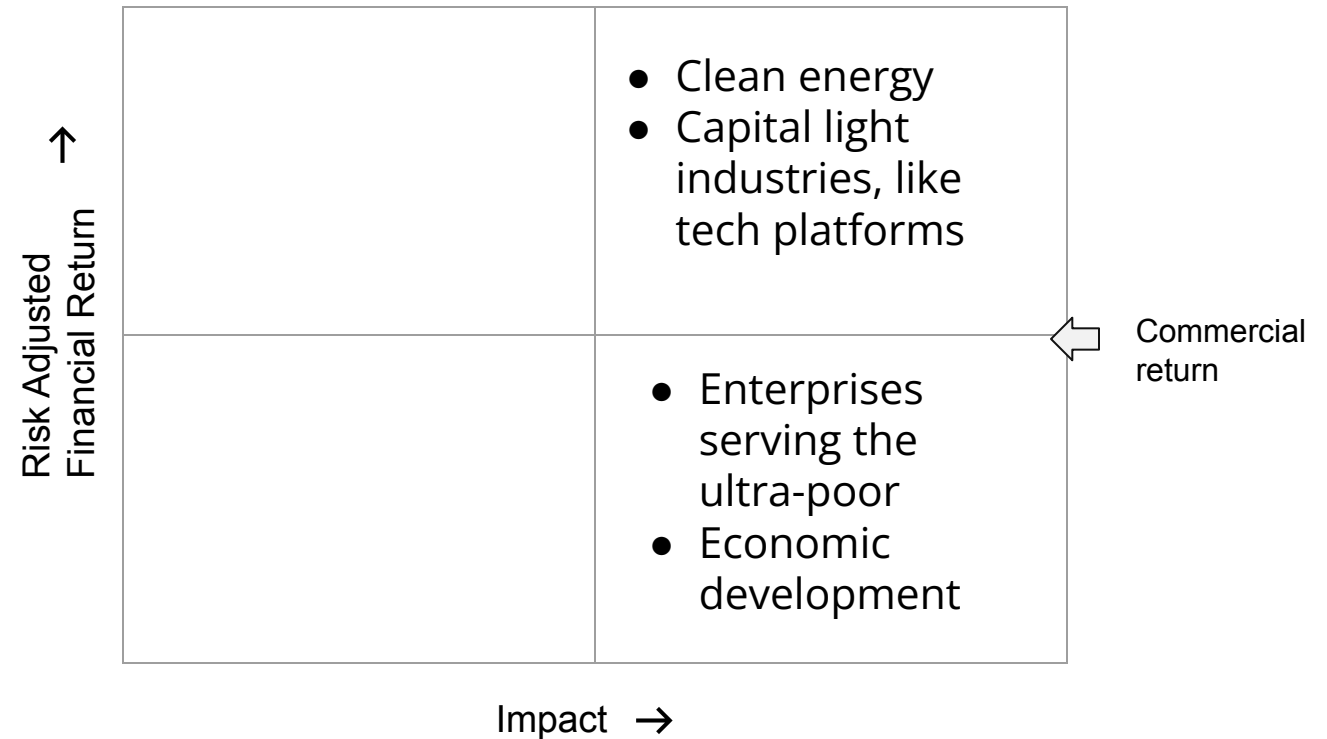
# Can't I get both commercial returns and impact?

Yes, in many situations you can!

Catalytic investors recognize they *could* restrict their portfolio to investments without tradeoff.

But they *choose* to include catalytic investments to achieve impact that commercial investments cannot.

They focus on “neglectedness” - high-impact opportunities neglected by commercial investors



# Why? “If not us, then who? If not now, then when?”

“My catalytic capital is making the biggest difference of all my capital because it is **catalyzing other investors to invest or allowing a company to exist that may not exist without my capital.**”

To **safeguard mission** - to serve the needs of **marginalized, vulnerable, poor or excluded people** and places that are not being addressed by conventional capital.

To **“create the highest leverage and impact, using patient capital to de-risk new ideas and concepts.”**

To lead other Family Offices by example. “We are balancing the individual impact of our portfolio with the **influence we can have on others.**”

**“To unlock future funding ... that otherwise wouldn't come in.”**

To **include groups systematically locked out of access to capital** because “I cannot live comfortably in a world of abundance without being aware that many/most live in scarcity.”

I am focused on **“the role that capital can play in building a purposeful life** while still getting financial returns.”



# Why? Enabling Change

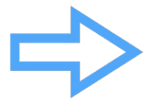




# **Why? Leading a More Purposeful Life**

# What impact you can have with catalytic investments?

- **Impact not available with commercial capital**
- Improve approaches with unproven deal terms & structures
- Fill gaps in conventional financial markets and philanthropy
- De-risk follow on capital
- Accept longer time horizons and financial returns
- Achieve “*impact leverage*,” beyond direct positive impact



*Using your capital as a catalyst (accelerator) to achieve impact at scale*

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## Lesson 3: Learning from Others

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# History of Catalytic Capital



Grameen Bank



Muhammad Yunus explains his system at a Grameen Bank centre. Image credit: [The Times](#); Karen Kasmauski/Corbis

# Catalytic Capital at Toniic

Toniic E-Guide for Early Stage  
Global Impact Investing

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Early-Stage Global Impact Investing

Toniic Working Groups



**Climate Impact  
Working Group**



**Regenerative  
Agriculture &  
Food**



**Gender & Racial  
Equity**



**Ocean Health**

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**Family Office**



**Africa**

# Why Catalytic Capital is Important





# Catalytic Capital Consortium



**Catalytic  
Capital  
Consortium**

Investment, learning, and market development initiative to promote greater and more effective use of catalytic capital, in recognition of its essential role in realizing the full potential of the impact investing field, including in achieving the Sustainable Development Goals (SDGs).

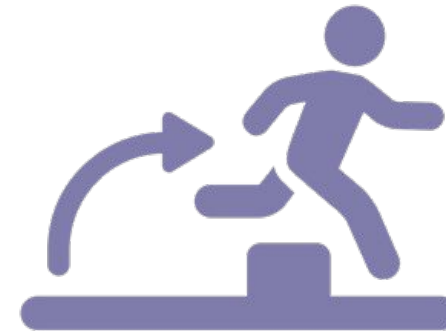
<https://www.macfound.org/programs/catalytic-capital-consortium/>

# HNI and Family Offices role in catalytic capital

In 2021, Toniic received a grant from the Catalytic Capital Consortium (C3) to increase the knowledge, awareness, and use of catalytic capital among HNIs and FOs. Overall Toniic worked with over 90 investors to investigate:



Attitudes and motivations



Overcoming Barriers

# Hear from catalytic investors, Sayuri Sharper



# Hear from catalytic investors, Hedda Pahlson-Moller



# Investor Contribution



Generate positive impact and enable third-party investment that otherwise would not be possible

"I like to think in terms of **counterfactual impact. So what happens in a world where I take an action, versus what happens in the world where I don't take an action.**

And I think that then clarifies a lot of things like additionality, and other, even more nuanced factors."

"I consider, 'is this a piece that **is really hard to fund?**' Are there **no other funders available?** Is this a sector that **traditionally doesn't attract a lot of capital?**"

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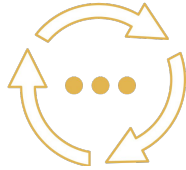
## Lesson 4: How Catalytic Capital Enables Impact?

# Forms of Catalytic Capital - The 5 Ps



## Price

Accepting an expected rate of return that is below-market relative to expected risk



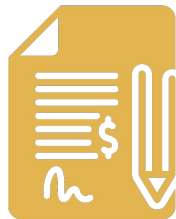
## Patience

Accepting a longer or especially uncertain time period before exit



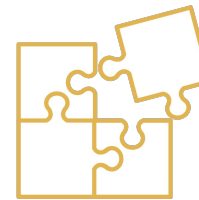
## Position

Taking a subordinated position or undercompensated risk



## Pledge

Using guarantees to unlock more capital



## Purpose

Accepting non-traditional terms to meet the needs of an investee



# Roles/Stages

## Seeding

Seeding early-stage innovation



## Scaling

Scaling to reach new geographies and populations



## Sustaining

Supporting an investee that requires subsidy on an ongoing basis



# Equity Case Study - Ziqitza Healthcare Ltd

Seeding



**ZIQUITZA  
HEALTHCARE  
LIMITED**

ZHL provides emergency medical services to BOP customers in Mumbai through 24/7 call centers, ambulance services, and personnel training. Its model uses a sliding price scale to determine patient fees, based on a customer's ability to pay. "Dial 1298 for Ambulance" was one of its first services.

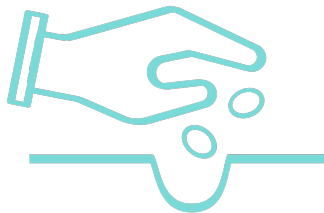


\$1.5M equity investment

Financial viability of providing affordable health services to very low-income customers

Ziqitza went from 10 to 70 ambulances in 2 years, bolstered senior mgmt, and improved service quality

Long-term investment gave time to refine operating model and gain market traction



Case study source: Tidelive

# Private Debt Case Study - HCT Group

Scaling



HCT Group is a UK-based bus operator that uses its surplus commercial vehicles to provide training and community transport services for those unable to use conventional public transport due to mobility issues.

**BRIDGES**  
Fund Management

£1M debt investment

Bid for and operate more bus routes as part of its plans for expansion

Increase turnover by nearly £20M, provide investors a return of 7%

Continue to raise an additional £10M in investments



# Loan Case Study - National Housing Trust

Sustaining



NHT is a US-based nonprofit engaged in creating and preserving affordable housing through policy advocacy, real estate development, and lending.

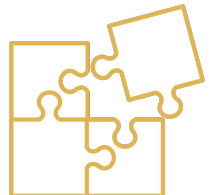


\$6M debt investment

More competitive buyer with enterprise-level capital, enabling the organization to respond more rapidly to opportunities.

Bought apartments in high-opportunity neighborhoods and offered a portion to Section 8 affordable housing.

Demonstrated the viability of mixed income housing without subsidies.



# Jaqueline Novogratz, Acumen Capital



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## Lesson 5: Perceived Barriers and How to Overcome Them

# Barriers

1

## Structural

Setting up a portfolio and managing overall returns



2

## Analytical

Building capacity for catalytic capital and justifying a need for it



3

## Perceived

Perceived barriers prevent investors from even considering catalytic capital





# Structural Barriers - it's not all or nothing

Catalytic investments considered a sub-portfolio or “asset class” with different return and impact expectations than commercial investments.

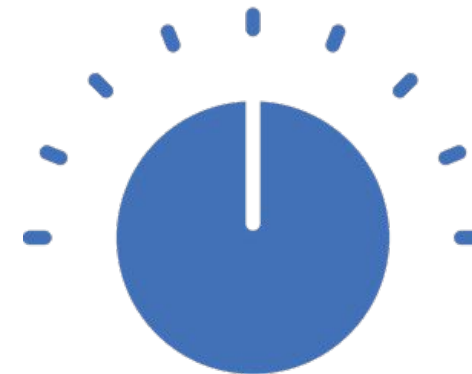
## Segregate a catalytic portfolio

Investors create a sub portfolio allocation of capital that does not need to generate commercial returns.



## Gradually integrate catalytic investments

Start adding catalytic investments to a commercial portfolio, and then “tune the dial” on the overall financial risk/return profile of their portfolio and evolving constraints.



# Analytical Barriers - Collaboration and Evaluation

Limited capacity to analyze and evaluate investments, and especially justifying the need to deploy catalytic capital

## Sourcing and analyzing deals

Identify other key players and catalytic capital providers, learn about their investments and collaborate on due diligence.



## Evaluation framework

Assessing investor contribution and evaluate if this same outcome would be achieved without an investment.

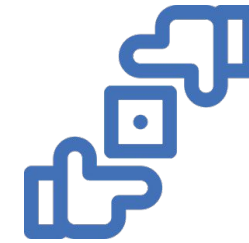


# Perceived Barriers

**Beating the market**



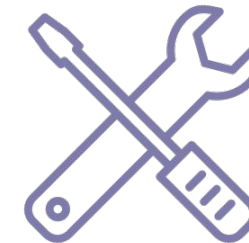
**Limited horizon**



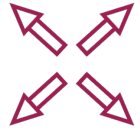
**Scarcity mindset**



**Not focusing on  
Investor Contribution**



# How to Investigate Perceived Barriers



Do you need to **maximize your financial returns** across all investments?



Do you assess your success **based on beating the market?**



Can you think of impactful **deals you passed on** because of sub-commercial returns?



Is your **investor reputation tied to financial returns?**



Have you considered defining **how much capital** is enough for your needs?



When you screen investments, do you also consider your **systemic impact?**

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# Conclusion

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# Topics Discussed

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# Next modules in this mini-series

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# Thank you



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