

THE INDIGENOUS GROWTH FUND

An Outline of the Future

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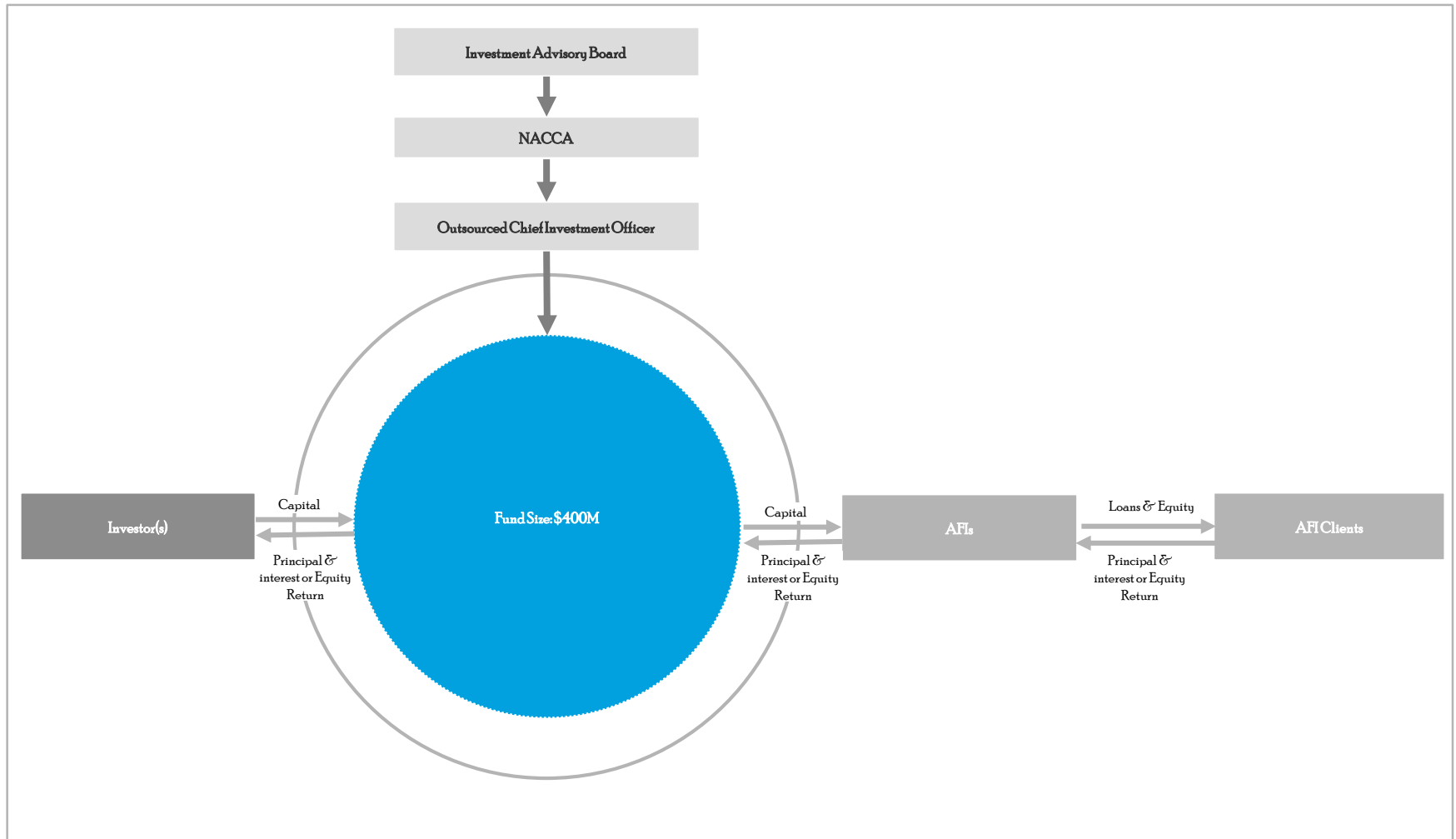
The Rational for the Indigenous Growth Fund

- The Indigenous Business Growth Plan (Business Case) aims to provide the capital that is needed immediately to be able to properly support the type of businesses AFIs have historically supported.
- Beyond the Business Case, there are investment needs that AFIs currently cannot serve:
 - Large community-owned projects
 - Second stage financing for growing businesses
 - Infrastructure that directly improves the viability and efficiency of indigenous SMEs
- In order to serve the aforementioned needs, AFIs need access to more capital in a sustainable way. The Indigenous Growth Fund can provide access to this additional capital.

Overview of the Stakeholders

Stakeholder	Perspective
Federal Government	<ul style="list-style-type: none">• The Federal Government is interested in supporting vehicles that utilize the efficiency and expertise of the private sector while serving a public good (<i>e.g.</i>, Canadian Infrastructure Bank)• The Federal Government does not have the resources to establish and capitalize a fund in the hundreds of millions• The Federal Government is interested in collaborating with organizations that have shown a successful track record and understanding of their specific market (<i>e.g.</i>, BlackRock)
Investors	<ul style="list-style-type: none">• There is a tremendous amount of capital in the market looking to be put to work and it is becoming increasingly more challenging to find investment opportunities• Investors may have mandates that require them to invest in socially responsible entities• Investors desire access to growth markets and demand rigorous reporting and return metrics
AFIs	<ul style="list-style-type: none">• AFIs are uniquely situated to further drive economic development in native communities (<i>e.g.</i>, long-term relationships, ability to create entrepreneurial ecosystems)
NACCA	<ul style="list-style-type: none">• NACCA is uniquely situated to service AFIs by establishing a vehicle that handles administrative, legal, and investment management in a scalable, cost-effective way

How Does This Work?



Tax, Legal and Regulation

- The typical investment fund structure for a domestic private investment fund is a limited partnership with separate entities serving as general partner and investment manager
- A limited partnership is comprised of at least one general partner and any number of limited partners
- The general partner controls the day-to-day affairs and the limited partners do not participate in the running of the day-to-day affairs
- The fund will be structured in a way that is tax advantageous to the general partner and limited partners

Benefits to AFIs

- Sustainable source of capital
- Independence and diversification
- A centralized vehicle to shoulder administrative and legal costs in a scalable, cost-effective way
- Flexibility to broaden types of investments (*e.g.*, equity investments, second stage growth investments)

Potential Investors

NATIVE COMMUNITY

- Indigenous and U.S. Native Americans organizations with capital (*e.g.*, NACCA, Indigenous Development Institute)
- Indigenous and U.S. Native American communities
- High net worth Indigenous and Native American individuals
- Philanthropic or for-profit business entities interested in Indigenous and U.S. Native Americans (*e.g.*, CAPE Fund)

OTHER

- Canadian Corporations with corporate social responsibility mandates (*e.g.*, CPPIB)
- Financial firms with impact investment funds (*e.g.*, BainCapital Double Impact)
- Canadian Federal Government

Investor Expectations

- Experienced investment professionals with a track record
- Transparency on types of investments to be made and risk / return profiles of these investments. Potential pre-approval of each investment required
- Specific investment criteria (*e.g.*, adequate levels of insurance, audited financial statements to the lender, compliance with applicable laws, maintenance of proper accounting books, maintenance of specific financial ratios)
- Ongoing quarterly reporting (*e.g.*, loan portfolio-level performance metrics, brief summary on business activities of SMEs in the portfolio)
- Common tax objectives when investing in a fund (*e.g.*, fund itself should not bear tax, pass-through of capital gains and losses)
- Returns commensurate with opportunities in the market

Next Steps

- In-depth session with AFIs and NACCA on Wednesday, November 22 in Montreal
- Identify key partners (*e.g.*, legal firm, outsourced CIO candidates, advisory board members, initial capital)
- Finalize investment fund structure (*e.g.*, legal, regulatory, tax)
- Early stage investor meetings
- Develop administrative requirements (*e.g.*, reporting requirements)
- Deployment of initial capital
- Involvement of TAG throughout the process