



# PROSPER

## SOCIAL FINANCE

### Annual Report 2022



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# 1.0

## Executive Summary

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# 1. Executive Summary

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The 2021-2022 academic year has been exciting for Prosper Social Finance as we got a step closer to reaching our first 5-year horizon. The focus of this year was to look back and reflect on the social impact we have created as a company through our Analyst Training Programme and to lay out a framework to assess the overall social returns of Prosper through direct and indirect channels. We believe this goal was fundamental to evaluate how the mission and values that Prosper was founded upon were reflected in our internal and external operations over the past 5 years. We are very excited to embark on a new journey in the upcoming academic year and start generating direct social impact through implementing our first ever Social Impact Grants, which will be funded by the excess returns from our matured investments.

Since November 2017, Prosper has trained nearly 200 analysts, and invested £40,000 across 28 companies operating in Europe, United Kingdom, United States and Canada. Our investment philosophy is centred on the principle that value-based investing does not require investors to sacrifice a competitive return. Over the last year, we successfully trained 46 analysts and 12 senior analysts. It was very exciting to conduct the Analyst Training Programme in-person after a year-long break due to COVID-19, while following the government guidelines and offering support to analysts who were self-isolating.

Our goal in this report is to showcase Prosper's continued commitment to its mission, core values, and the strategic plan that was pitched to the University of Edinburgh SRS Department, which includes:

-  Influence through collaboration with organisations and universities around the world
-  Contribution to and enrichment of the local community through Social Impact Grants, and
-  Enabling students to build their own talent, skills, and employability

The report also highlights:

1. The successful execution of a further two rounds of investments.
2. The performance of our investments and effective fund management of our 28 holdings, despite the political and macroeconomic uncertainty in the markets.
3. A quantitative evaluation of the positive social impact generated by Prosper Social Finance and the pathway followed to create this assessment framework and criteria.
4. The effective recruitment and training of a further 46 analysts.
5. The continued development of our social impact and wider community engagement.
6. Our operational cash flow performing as projected in the original business plan.
7. Our management of ongoing and potential risks.

We are extremely grateful for the support everyone has given Prosper over the last year. We are especially grateful for the £40,000 in funding we have received from the University of Edinburgh thus far which has enabled us to achieve our goals.

Ultimately, we hope the University of Edinburgh Social Responsibility & Sustainability Department and Finance Department are satisfied that Prosper continues to fulfil its business plan and continues to have a positive impact for the University and its students. If so, then we would aim to continue our investment cycle in May and move forward to grow and develop Prosper in the coming year with their continued financial support.

  
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 Irem Sara  
 Executive Director

# 1. Meet the Team



**Irem Sara**  
*Executive Director*



**Charlie Denton**  
*Director of  
Investment Strategy*



**Matthew Hales**  
*Director of  
Operations*



**Camilla Carere**  
*Head of Strategic  
Relations*



**Albert Doyle**  
*Head of Investment  
Tracking*



**Zoe Fredrickson**  
*Head of Social  
Impact*



**Sara Galy**  
*Head of Strategy*



**Graham Rogers**  
*Head of Marketing*



**Nikita Nandanwad**  
*Head of Training*



**Cosmo  
Mwamwembe**  
*Head of Training*



# 2.0

## Investment Report

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## 2. Portfolio Analysis

### 2.0 Introduction

This investment report will look at the Prosper Social Finance (PSF) portfolio performance from inception to present. The individual companies will be looked at from the perspective of their recovery and role in backend of the COVID pandemic, along with major financial and business events that took place following the impact of COVID-19 recovery in their respective industries.

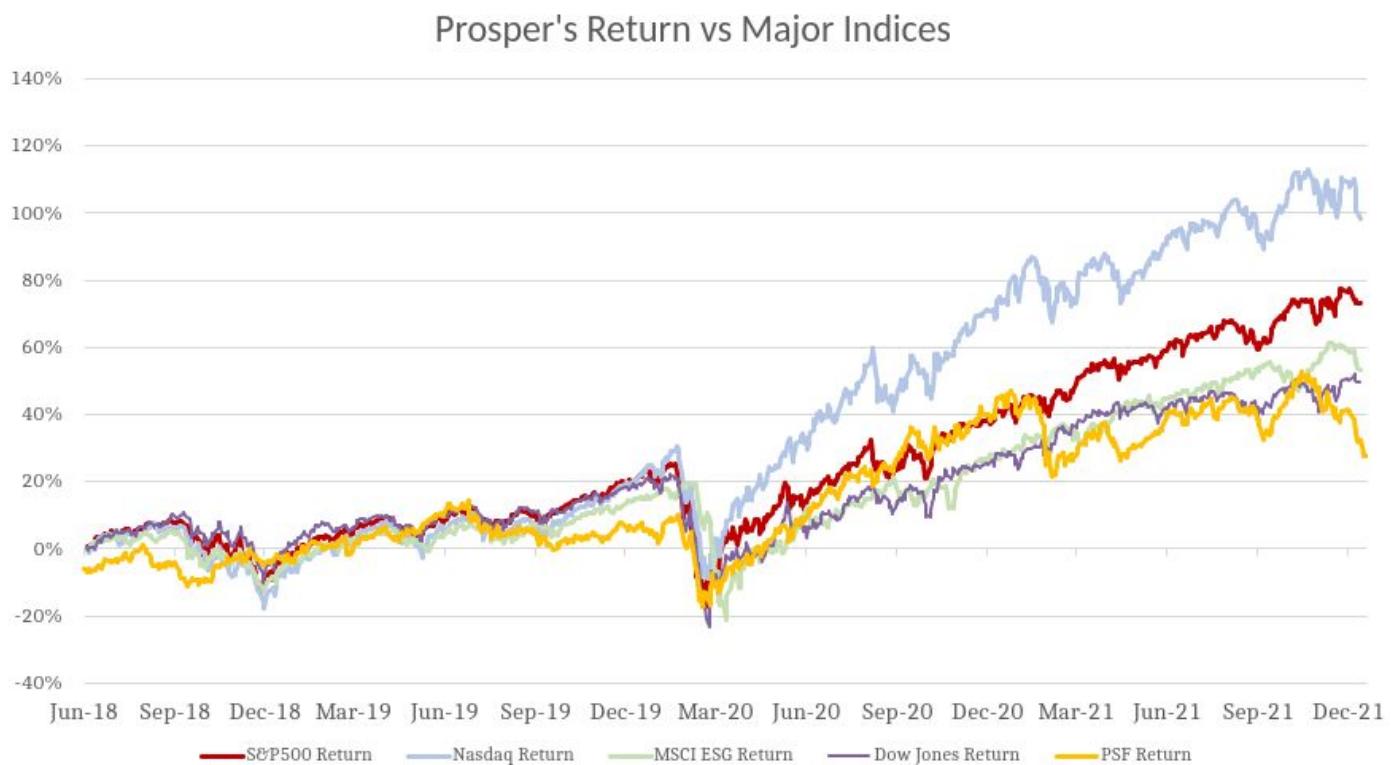
Heads of Investment	Charlie Denton / Albert Doyle
Report Date	20/04/2022
Fund Size	£47,542.44
Initial Investment	£40,210.78
Total Return	18.23%

### 2.1 Portfolio Return in Context

Following a rapid COVID recovery, our portfolio has at times struggled to keep pace with the aggressive and volatile pace of the major indices, particularly the Nasdaq and S&P500, but more recently the MSCI ESG index as well. Below, Figure 1 displays Prosper's Fund performance keeping pace with, and at times beating, some of the major indices. Yet it has been underperforming over the past 6 months. Prosper has performed well in relation to some of the smaller indexes seen in Figure 2 below.

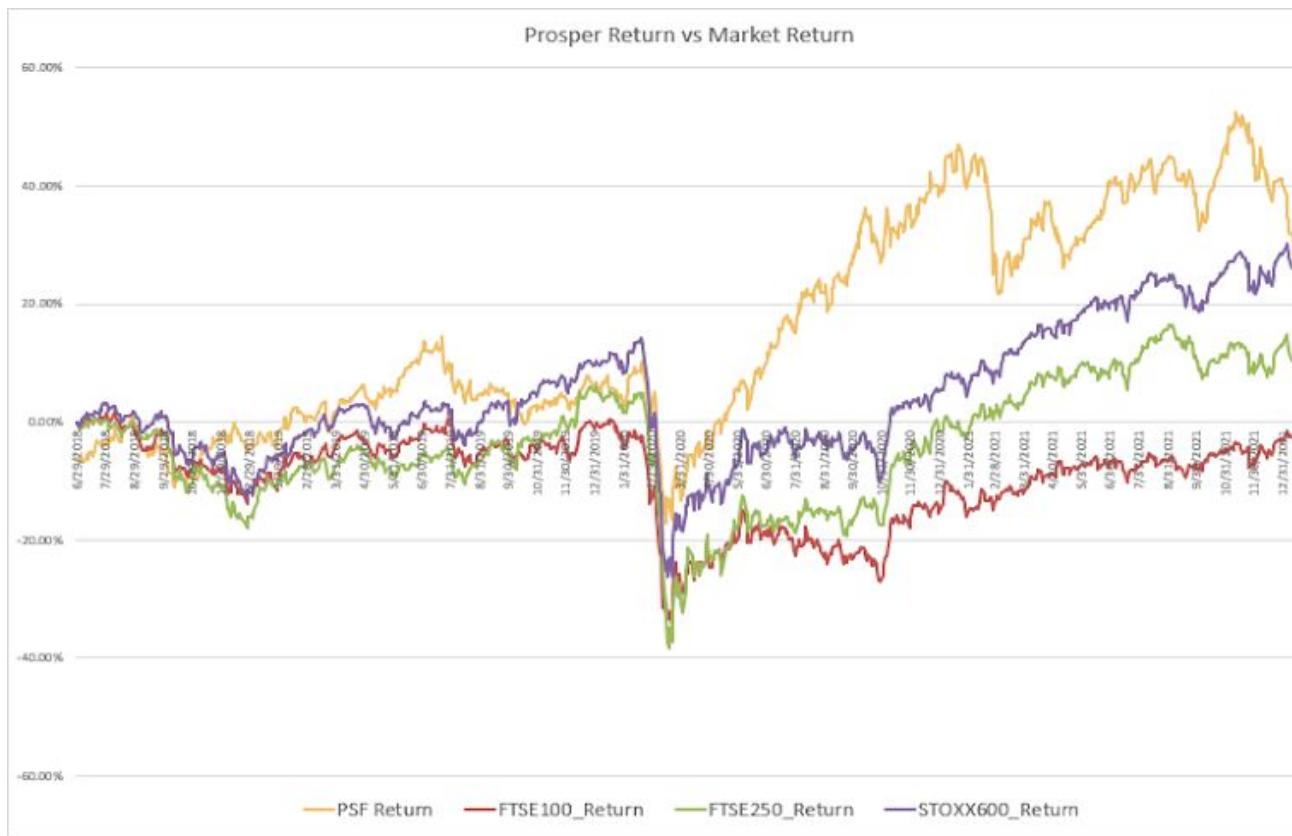
We believe this has been due to the uncertainty surrounding equities globally. Following a confident, accelerated recovery from the depths of COVID, sentiment has turned to that of uncertainty amid some of the highest valuations ever seen. These valuations have not been backed up by macroeconomic performance and thus the wide range between poor macroeconomic performance and high equity valuations have turned some investors away from expensive equities. The graph shows our portfolio having excessive exposure to these financial headwinds.

*Figure 1: Prosper Returns vs Major Indices*



## 2. Portfolio Analysis

Figure 2: Prosper Returns vs Market Returns



Currently, growing fears about rampant inflation and how isolated the Russian invasion of Ukraine is continue to depress our portfolio's returns. Effectively, concerns surrounding inflation centre around the effects of inflation eroding the amount of money investors make on their trades. Inflation fears have not been contained to equities, but have affected fixed income as well. Investors have been selling off bonds, causing bond prices to fall and yields to rise. This has a knock on effect on the everyday consumer by determining the interest rate on credit cards, homes or car loans. Investors are attempting to calculate how aggressive and timely the Fed's response to interest rates will be.

Federal Reserve Chairman Jerome Powell initially stated that inflation would be 'transitory', and in recent months has acknowledged that it has been

'more persistent' than expected. Inflation has hit Prosper's technology companies particularly hard, due to the fact that this sector thrives on and typically requires fast-growing economies. Investors are expecting the Fed to attempt to slow the economy by increasing rates to curb inflation. Furthermore, higher interest rates increase borrowing costs that reduce future profits for companies that may require large amounts of capital. Prosper's consumer and retail stocks have also been affected, with broader investor sentiment believing people will stick to buying only essential goods, giving up more luxury items.

Looking to the future, Prosper seeks to continue to evaluate each company individually, analysing expenses and cost controls, whilst keeping an eye on wider investor uncertainty.

## 2. Portfolio Analysis

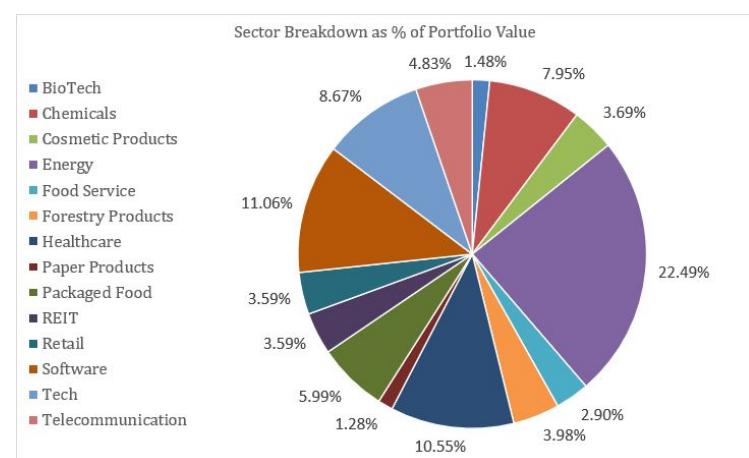
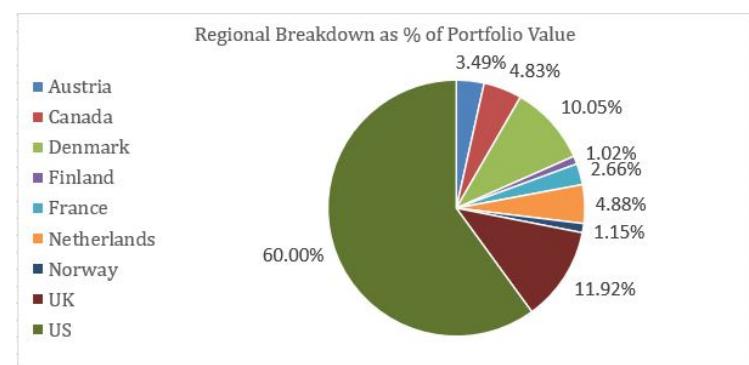
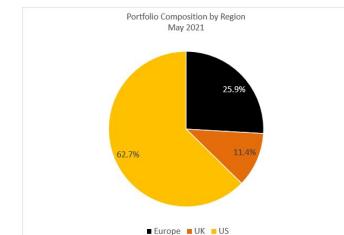
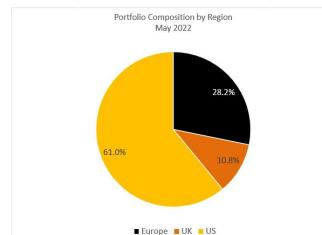
### 2.1 Portfolio Breakdown

The portfolio has remained similar to the portfolio composition in 2021. The 2022 compositional changes are a result of the addition of Cadence, Olaplex and Gresham House Energy Storage Fund.

Portfolio Breakdown				
BioTech	Biogen (US, NASDAQ:BIBB)			
Chemicals	Lenzing (Austria, ENX.VI:LNZ)	Novozymes (Denmark, NASDAQ OMX: NZYM-B)	Yara (Norway, OSL:YAR)	
Cosmetic Products	Olaplex (US, NASDAQ:OLPX)			
Energy	First Solar (US, NASDAQ:FSLR)	GRID (UK, LSE:GRID)	Hannon (US, NYSE:HASI)	Vestas (Denmark, NASDAQ OMX: VWS)
Food Service	Compass Group (UK, LSE:CPG)			
Forestry Products	Trex (US, NYSE:TREX)			
Healthcare	Agilent (US, NYSE:A)	Intuitive Surgical (US, NASDAQ: ISRG)	K Phillips (Netherlands, ENX.EN:PHIA)	
Paper Products	James Cropper (UK, LSE:CSPR)			
Packaged Food	Danone (France, ENX.PA:BN)	McCormick (US, NYSE:MKC)		
REIT	Assura (UK, LSE:AGR)			
Retail	Etsy (US, NASDAQ: ETSY)	Kesko (Finland, NASDAQ OMX: KESBV)	William Sonoma (US, NYSE:WSM)	
Software	Cadence (US, NASDAQ:CDN)	Microsoft (US, NASDAQ:MSFT)	Salesforce (US, NYSE:CRM)	
Tech	Cisco (US, NASDAQ:CSCO)	NVIDIA (US, NASDAQ:NVDA)	Xylem (US NYSE:XYL)	
Telecommunication	Telus (Canada, TSX: T)			

### Regional Breakdown

In 2022, there was a marginal increase in the value of European stocks in the portfolio, relative to Prosper's portfolio in 2021. This was largely due to the investment in Gresham House Energy Storage Fund. Diversification risks were taken into account in the screening and buy order size of potential investments. With similar market outlooks for 2022, we do not believe having an American dominant portfolio will depress returns.



### Sector Breakdown

Our sector breakdown by portfolio value reveals a majority holding in the Energy sector (22%), leading the next largest sector by 11% (Software 11% holding). Looking forward, our investment thesis suggests that a portfolio with exposure to a multitude of sectors in the investment universe results in the greatest return. Therefore, Prosper's Investment Panel will continue to screen companies on an individual basis, ensuring that analysts pitch a variety of sectors.



# 3.0

## Portfolio Composition

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### 3. Investment Rationales

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**Agilent (NYSE: A):** Agilent are in healthy financial position and are well placed to take advantage of positive market trends. They have strong ESG credentials and despite previous scandals operate in a way that aligns well with Prosper's values. We have decided to invest in Agilent.

**Assura (LON: AGR):** Assura appears to be a low risk and low volatility investment with an easily scalable model. The ESG outlook seems very strong with a few issues in areas such as water. The company looks to have carbon neutral buildings by 2020. The values of the company align with those of Prosper and therefore overly we decided to invest in Assura.

**Biogen (NASDAQ: BIIB):** We believe Biogen is truly leading the pharmaceutical industry on the side of social responsibility and sustainability and has the potential to continue to develop and market life-saving and life improving drugs that will have a Positive Social Impact. We are impressed by their Innovation and drive to research drugs in new fields. This has led to our decision to invest in Biogen.

**Cisco (NASDAQ: CSCO):** Cisco was a surprisingly strong case for ESG integration. The company's commitment to driving equality and sustainability is impressive and industry leading. This is especially important in the technology sector. The investment proposal for Cisco was well researched and presented in both ESG and financial evaluation.

**Compass Group (LON: CPG):** The company's values are aligned with those of Prosper and we believe this will be a good investment in the Quality of life section of our portfolio. There are signs of growth of the company and a good ESG score. This has led us to invest in Compass Group.

**Etsy (NASDAQ: ETSY):** The company has shown great strength in all the initial parts of the Prosper criteria including a great ESG outlook. The company is well ahead of the industry in this aspect; while the P/E is slightly above the industry, the competitive advantage among e-commerce platforms justifies the ratio. Etsy fits well with the Prosper values and the signs of growth have led us to decide to invest in Etsy.

**First Solar (NASDAQ: FSLR):** First Solar is an excellent fit for the Prosper portfolio. The use of innovative solar cells sets First Solar apart from their competition. The focus on sustainability of production and recycling of their products demonstrates a strong commitment to ESG integration. The Vertically integrated model should provide some stability in a growing market. The investment proposal for First Solar is well researched and detailed in both the ESG and financial analysis.

**James Cropper (LON: CRPR):** The company has impressive ESG credentials and strong Core Values, especially with Innovation, Integrity and Transparency. There is a lot of potential for the direction the company is trying to grow in with a competitive edge in cup-cycling capacity; and also, their Innovation in TFP and 3D. There is a financial risk for the company with reduced profits in once year, so we have decided to invest, but to take a smaller position to reduce the risk to the overall portfolio.

**Kesko (HEL: KESKOB):** The company has a strong ESG outlook, with sustainable product sourcing and securely monitored supply chains. The company has also shown strong alignment with Prosper's Core Values, especially on the Collaboration and Integrity front. We will be investing in Kesko as it allows us to diversify the portfolio by adding a company. The financials look solid, with the company having given out uninterrupted dividend and good signs of stable cash flow. There is some risk in competitors such as Lidl coming in and affecting the company's margins, but we believe Kesko is well positioned to deal with this and as such have decided to invest. Kesko will also give Prosper a good chance to diversify in the portfolio.

### 3. Portfolio Composition

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**Lenzing (VIE: LNZ):** We believe Lenzing is a market leader in the production of sustainable fibres and is having a positive influence on the attitudes to fashion towards its future and sustainability. While financials have been rocky over the last few years, we believe that the management team is competent at ensuring the business's profitability in the long-run. Its stock price devaluation in 2017 but resilient financials have proven to the investment team that the company is undervalued at this time.

**McCormick & Co (NYSE: MKC):** The company does extremely well in the ESG criteria, particularly in their approach to their suppliers. The company also align strongly with Prosper's Core Values, especially in Positive Social Impact and Innovation. They are a financially sound company, with strong ROE, ROA, CROCI and fluctuations in year on-year growth justified by acquisitions to expand the business. The next year or so will be challenging in particular for their flavours segment, however demand for their consumer products should remain as people around the world will continue to shop for household essentials. The investment team find McCormick to be a great addition to Prosper's portfolio.

**Microsoft Corporation (NASDAQ: MFST):** The company, more so recently, aligns strongly with Prosper's Core Values, with increasing trends in Transparency and Positive Social Impact. While the company has faced scandals in the past, the response with policy adjustments and revision of its values, has justified the integrity of the company. Microsoft has impressive ESG policies and social externalities that can benefit many communities through their AI and general accessibility of their products. The company has a very strong financial position, with a steady EPS growth and manageable debt position. Although there was some concern about overexposure to certain markets given Prosper's holding in Cisco and Salesforce, after further research the investment Panel came to the conclusion that the operations of these 3 firms differ enough that over-exposure to a certain market segment is not an issue.

**Philips (AMS: PHIA):** Koninklijke Philips N.V. has demonstrated strong, sustainable historical performance, and their drive for Innovation will ensure consistent returns into the future. We have chosen to invest in Koninklijke Philips N.V.

**Salesforce (NYSE: CRM):** CRM is a growing industry and Salesforce is a market leader. Although trading at a high price we see great potential for future growth. Salesforce is committed to ethical business practices and fits well with Prosper's values. We have decided to invest in Salesforce this semester.

**Trex Co Inc (NYSE: TREX):** The company's product inherently aligns with Prosper with the revolution of the decking industry into a greener industry. The company also provides a great diversification stock for Prosper's portfolio as it is not an industry we have invested in before. Trex is an industry leader in environmental policy and has relatively strong policies in the social and governance aspects too. Trex shows a strong financial position with good growth in sales and EBIT. While there were significant risks associated with Trex's operations and sales under the COVID 19 pandemic, the company has regained momentum and will prove a valuable investment. The investment team consider Trex a valuable investment, accounting for all these reasons.

**Telus (TSX: T):** Telus is a Telecommunications company operating in Canada. Despite Canada's market being concentrated in a few firms hands, Telus impressed us with its strong corporate governance standards. Furthermore, the panel were impressed by the innovative nature of the company, specifically their transition to 5G technology. Finally, Telus offered Prosper the opportunity to diversify our portfolio, both in terms of holding a new sector (telecommunications) and region (Canada).

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### 3. Portfolio Composition

**Vestas (CPH: VWS):** Vestas is a well-established company which appears to be a relatively safe investment. Vestas is also diversified across locations, with operations in Europe, Africa and Asia. Production will not cease but shifts in the market may occur and affect the value of Vestas and we will continue to monitor these. We have decided to invest in Vestas.

**Xylem (NYSE: XYL):** Xylem has strong profitability and large potential areas for growth in Smart Metering and the improvement of ageing water infrastructure. These are in high demand for water municipalities worldwide. Xylem's mission to tackle water scarcity is aligned with Prosper's ESG goals. Key risks to take into account is the volatility of its share price due to aquifer extraction and weather, in addition to its close margin with competitors. We have decided to invest in Xylem.

#### New Investments

**Cadence (NASDAQ: CDNS):** Cadence provides exemplary evidence that it is both aligned with Prosper's values and that it is a strong bet financially. The balance sheet permits a lot of confidence in the stock, with current assets and cash remaining high and majorly resistant to the pandemic. This allows Cadence a degree of security and flexibility towards its R&D budget. It is our belief that there are significant growth opportunities that will remain resilient during the pandemic and beyond to the end of the 5 year time horizon. This prediction is based upon Cadence's trusted relationships with both suppliers and customers alongside their quality of product. These factors enable Cadence to progress their business through repeat and referral business and generate greater sales numbers in the future with their existing and new customers.

**Gresham House Energy Storage Fund (LON: GRID):** Gresham House Energy Storage Fund aligns strongly with Prosper's core values and ESG standards. GRID is intrinsically ESG, given that the company plays a key role in the energy transformation. GRID tackles the issue of the renewable energy production volatility through BESS and reduces the demand for fossil fuels creating a strong positive environmental and social impact. We believe GRID fits well into Prosper's portfolio mix and will allow us to enter a very nascent market with massive growth potential in the medium-term.

**Olaplex (NASDAQ: OLPX):** Olaplex passes Prosper's investment screening with alignment to Prosper's core values, a strong ESG case under the rising equality theme and impressive financial results with a strong growth story. The company only had its initial public offering in 2021 so there is limited financial data but what exists is strong and provides a convincing case investment.



# 4.0

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## Divestments

## 4. Divestments

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Date of Divestment: 20/10/2021

### **Reason for Divestment: Value-Misalignment**

**Company:** Kingspan Group

#### Background and Explanation of Decision:

As highlighted in our 2021 Annual Report, we have made the decision to divest from Kingspan Group due to their involvement in the Grenfell Tower Tragedy and the subsequent inquiry. We have sent an engagement email to their investor relations contact; however, concluded that their response was unsatisfactory to keep the company in our fund's portfolio. The full divestment was completed in October 2021.

#### Implications

Prosper had completed two rounds of investments into Kingspan Group- in December 2018 and May 2019. We, therefore, have decided to re-allocate the capital gains realised into the stocks pitched and selected in these investment rounds: Koninklijke Philips NV, Lenzing AG, First Solar, Salesforce Inc, Xylem Inc and Cisco Systems Inc. Although pitched in this period, we excluded Biogen Inc from the reallocation due to the poor financial performance and the negative outlook for the company. This decision targets easing the challenges that might be faced by future management teams. Our decisions ensure both re-investment into the current fund and the allocation of the profits into future social impact grants.

The realised gains from the divestment were allocated to match the initial investment decisions and replicate the percentage allocations of the corresponding investment rounds into each of these companies.





**5.0**

**Value Added by  
Prosper**

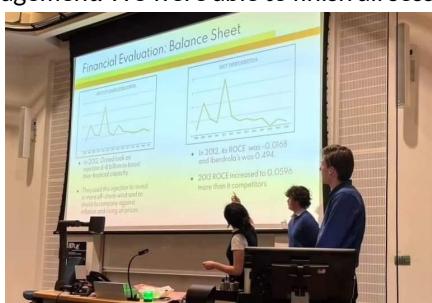
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## 5. Value Added by Prosper

### 5.1 Analyst Training Programme

The past two years have been a challenging, yet exciting period for Prosper's Analyst Training Programme (ATP). In 2020 when the COVID-19 pandemic started, Prosper was agile in moving trainings online. This academic year as the COVID-19 restrictions loosened, we were able to bring back the in-person sessions. That was a big and exciting move for us. It involved substantial planning to ensure delivery of highest value in an efficient manner to analysts, who either had gotten used to online-everything or had never had proper in-person sessions if they were in 1st or 2nd year. This, therefore, impacted engagement at the beginning of the ATP as all of us tried to adapt to the new experience. However, engagement picked up quickly with time. This was made possible partly by making the sessions more discussion-focused, and emphasising from the start that Prosper is a learning experience for everyone. We also incorporated more presentations in small groups to help the analysts get used to each other and comfortable presenting their ideas from the beginning. Having different management team members present some topics also enhanced analysts' experience as they got more exposed to other members in the team. Finally, both our weekly socials and 'big' social night out fostered much closer relations between our analysts and the management team, leading to much better engagement in the training programme.

As the past years, weekly feedback formed an important part of the ATP. This year's feedback was particularly comprehensive, thanks to the Head of Social Impact and everyone in the Senior Analyst Programme who worked on Prosper's impact tracking (see below). We also noticed a very high response rate in surveys, which helped us get a better picture of what was working and where we needed to improve. It also helped us in compiling areas that would need further long-term work for the next management team. One other major improvement was on time management. We were able to finish all sessions on



*Image of analysts from the second semester delivering their final investment pitch.*

or before time. This was a recurring concern we identified from the previous years' feedback; some sessions would overlap with analysts' other commitments.

The core training procedure remained unchanged, with the financial analysis part based on four themes: (1) growth and profitability, (2) balance sheet analysis, (3) return structure and (4) valuation. As always, we assume no financial background for the analysts, we start from the fundamentals while ensuring those with keen interest in specific areas are given space to ask questions and are directed to people with deep expertise in management or other external resources.

Prosper has been able to maintain its partnership with Walter Scott & Partners. In the first semester we were fortunate to have the firm's representatives deliver one of the critical hands on sessions on financial analysis. For the second semester, we were thrilled to extend our network and have Chris Holcroft, a Senior Associate at Zamo Capital and founder of INSEAD's Student Impact Fund. Chris did a wonderful job in giving a wide overview of the different sides of finance and investing—something we have not been doing—and a crash introduction to private equity, his main job. This proved very favourable for the analysts, particularly those from a non-finance/business background.

### Hear from our Analysts:

"The friendship and connections I've made have been really valuable, especially as they are across age groups and subjects" - Semester One Analyst



"Improved my public speaking skills, and communication skills within a team." - Semester One Analyst



"It was a very dynamic 8 weeks, with new content every week and different kinds of assignments." - Semester Two Analyst



"It makes a corporate environment feel less intimidating, it also helps us learn about finance from the basics without feeling insecure." - Semester Two Analyst



## 5. Value Added by Prosper

### 5.2 Value Added Calculations

The Social Investment Fund (SIF) provided the initial £50,000 to Prosper Social Finance as an investment, with the expectation of fund performing at CPI + 150bps. The mandate set out by the SIF allowed Prosper to invest in North American and European Equities over a 5 year period. Over the course of this period Prosper has targeted annual growth of 3 percent, with our profit

*The additional value added by Prosper to the local community can be seen below:*

being used to benefit the local community. Over the past 5 years, Prosper has made a return of 16.48% on the £40,000 loan we have current received. This enables Prosper to look into the possibility of Social Impact Grants in the year 2022/23, and thus allows Prosper to operate along it's original business model.

12 Month Benefit Break Down of Prosper Social Finance					
Operational Category	Number of Employees	Number Hours worked per person	Estimates Wage per Hour (in £)	Number of Students Engaged with	Estimated Benefit (in £)
Analyst Training Programme	2	64	9.9	46	1267.2
Senior Analyst Programme	5	48	9.9	14	2376
Management Team	10	88	9.9	-	8712

Events	Number of Attendees	Ticket Price	Total Benefit
Virtual Consultancy and Investment Insight Session hosted with FreshSight, EUCC and 180 Degrees	28	Free	Intangible reputational value for Prosper, the University whilst simultaneously offering opportunities for attending students
Prosper and Freshight Insight Session	12	Free	Intangible reputational value for Prosper, the University whilst simultaneously offering opportunities for attending students
Alumni Networking Social	17	Free	Intangible value for Prosper as a community whilst allowing networking oportunities for attending students
Further Outreach	83	N/A	Intangible reputational value for Prosper, the University whilst simultaneously offering opportunities for attending students

Total Benefit:	£12,355.20 (+intangible value)
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### Estimated Wage Explained

Prosper aims to adhere to our core values in everything we do, including the governance of the company. Thus, it is unlikely that Prosper would simply pay the minimum wage and would instead pay the Real Living Wage. As of May 2022, this is £9.90 for everyone over the age of 18 in Scotland.<sup>(1)</sup>

### Further Outreach Explained

Since Prosper's inception, we have collated a list of 83 professional contacts who work across many industries (asset managers, social enterprise founders, consultants etc.) Many of them have

attended and led Prosper sessions, spoken at our events and helped us develop our investment strategy adding further value to us.

They also provide networking opportunities, career advice, internships and potential careers for students involved with Prosper. Former analysts have gone onto work for some of our contacts. Operating under the name of the University of Edinburgh increases the presence of the university amongst these professionals, fostering valuable relationships with initiatives and social enterprises that may end up benefiting from the profits the fund will accrue.

(1)<https://scottishlivingwage.org/what-is-the-real-living-wage/>



# 6.0

## Strategic Relations

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# 6. Strategic Relations

## 6.1 Collaborative Continuity

This past year we have focused on continuing the collaborative nature of Prosper Social Finance's ethos. Firstly, we aimed to incorporate existing partnerships into our Analyst Training Programme, in order to maintain the high standard of exposure our analysts get to both the financial and social enterprise sectors. Prosper's 'Share Your Ideas', financial analysis and social impact training sessions gave our analysts the opportunity to form professional connections. Prosper was thrilled to continue our strong relationship with Walter Scott, and would like to thank them for their time in aiding our semester one financial analysis training session. Additionally, we were thrilled to create a new connection with Zamo Capital during our second semester's financial analysis training session. Prosper would like to thank Chris Holcroft from Zamo Capital for both his excellent delivery of financial analysis for equity markets, but additionally his introduction to Private Equity markets, which many of our analysts found insightful.



Secondly, we would like to thank the team at Sanitree, who provided the analysts with a clear example of a social enterprise that operates in Edinburgh. Sanitree focuses on providing sustainable sanitary products to address period poverty in India. We enjoyed working with Sanitree, and their presentation gave analysts a concrete example of where Prosper's profits could be allocated.

Additionally, we were thrilled to welcome a range of investment professionals to our Investment Panel who provided their valuable insight to our team through their questions and feedback. We extended

the question time at the pitches from five to up to ten minutes to allow a greater opportunity to learn from their knowledge. This year we welcomed Kate Fox from Baille Gifford, Douglas Ledingham from Stewart Investors. Nick Rankin from Refinitiv, Adam Hussain from Aegon Asset Management, Andrew Barrie who is a social entrepreneur with experience in asset management, and Chris Hegarty, an ex fund manager who now works with charities. We greatly appreciated these individuals taking the time out of their schedules to engage with Prosper.

Finally, we have also been aiming to improve the analyst experience outside of the Analyst Training Programme this past year. We were fortunate enough to be able to hold in-person analyst recruitment events and socials both semesters. Many analysts gave positive feedback regarding the in-person socials furthering their involvement with Prosper. We also felt that analysts would benefit from careers and internship panels. Thus, we held one each semester where multiple members of the management team shared their experiences with the analysts, and approximately a quarter of all analysts trained this past year attended.

## 6.2 Developing Relations

Something we have lacked being a student organization but not a University organization is access to University databases. Greater access to ESG data would help improve Prosper's analysis and decision-making processes. This year, we have been speaking with Refinitiv, a financial data provider, to hopefully gain access to their ESG databases and tools for our training Programme and investment decisions in the coming years. These discussions are still in progress.

## 6. Strategic Relations

Members of the Management team also attended an event at the Library of Mistakes, which gathered investment professionals from across Scotland and the UK to discuss learning from past mistakes in asset management. This was a great opportunity for us to learn about how to improve our own decision making processes from established professionals, as well as build new connections for Prosper. We especially enjoyed speaking with Future Asset and plan to strengthen our relationship for the upcoming year as well as connecting with new individuals who could potentially attend the Investment Panel in the future.

### 6.3 Prosper Alumni Event

This past year we have also taken the opportunity to engage with Prosper alumni on multiple occasions, which has not only provided the current Management Team with invaluable advice but gave an additional perspective on Prosper's impact to analysts on the Analyst Training Programme. For Induction Day in the first semester, we welcomed a founding member of Prosper, and in the second semester, we welcomed multiple founding members for a training session followed by a networking event with many past analysts. We have drawn on the knowledge of alumni through the Advisory Board, and also through alumni interviews which have taken place to measure our social impact. The large success of the Prosper Alumni Networking event this term has excited us about the possibility to continue these events next year.

*Image - Prosper Alumni Meet-Up Facebook Event*



### 6.4 Prosper Alumni

Hear from some of Prosper's incredible alumni and how Prosper has affected them in their own words:

#### Sarah Mae Smit



Hi my name is Sarah and I co-founded Prosper in 2017-18. I joined the co-founding team in my fourth year of university as Head of Investments and I was mainly responsible for forming the initial ESG-integrated investment strategy.

After university I joined Goldman Sachs Asset Management in London where I currently work as an Associate in the UK & Ireland Institutional Sales team. In my role I manage the firm's client relationships with pension funds, sovereign wealth funds, charities, endowments and I am also responsible for prospecting new business.

Prosper was fundamental to me when choosing a career path. Having been born in South Africa, raised in the UK and Switzerland, I was exposed to worlds on opposite ends of the development spectrum and I always wanted to go into a role where I could have a positive social impact. It wasn't until learning about ESG through Prosper that I realised I could do it from an intrapreneurial angle whilst also reaping the technical skills and knowledge that a graduate job would offer.

Since leaving university four years ago sustainable finance has become core to the industry and my everyday role. At my work ESG is fully integrated into the investment process and I have had the

## 6. Strategic Relations

opportunity to work with clients on developing carbon reduction plans for their portfolios, which has felt quite surreal after founding Prosper! I love that I get to work on something I'm passionate about everyday.

I also feel very fortunate to have met some amazing people through Prosper who are now some of my closest friends and confidants when it comes to navigating the early stages of my early career.

### Iman Mouloudi



Hello, I'm Iman, one half of Prosper's first Executive Directors and one of its Co-Founders!

Since graduating in 2020, I now work as a Multi-Asset Analyst for BlackRock's Portfolio Management division in the London office. My role focuses on creating tailored portfolios for charities, endowments and family offices, by optimising asset allocation. Since starting, I have had exciting opportunities to move portfolios towards investments in new territories, industries and macroeconomic themes fitting around the energy transition and the desire to reduce exposure to fossil fuels. ESG, sustainability, and responsible investment are themes that finance is becoming more comfortable with, and as the conversation develops, I am more and more aware of what distinguishes robust, data-backed methodology, with unsustainable and generic green-washing.

Prosper was an enormous part of my university experience, and is something I will always

treasure. In my last role as its Founding Advisor, it was incredible to watch successive generations of analysts and teams carry through the spirit of the original vision, but also to develop and enrich it further on their own terms. Prosper opened up my world entirely, it challenged me and developed me in ways I am so grateful for, and has given me skills, experiences, and networks I have used ever since.

When Prosper started, it was at the forefront of bringing together students determined to work towards meaningful and sustainable impact. We may now not be alone in our thinking (and that can only be a good thing!), but I certainly believe Prosper's magic remains in the people it brings together year after year.

### Will Hinckley



Hey! My name is Will and I was part of Prosper's founding team back in 2017, as the other half of Prosper's Executive Directors. My involvement during the first year was extremely varied and ranged from developing the business plan and pitch to the University of Edinburgh to delivering part of the training plan to analysts.

Since leaving Edinburgh in July 2018, I have gone on to work in the transaction team for two real estate investment funds. In my current position, I am responsible for sourcing, underwriting and closing real estate transactions across Europe within alternative sectors such as senior housing, student housing, life sciences and digital.

## 6. Strategic Relations

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Its difficult to concisely articulate how impactful Prosper has been on my career path. My aspirations to work in real estate were heavily influenced by its disproportionate impact on carbon emissions. Globally, real estate accounts for 40% of carbon emissions and in my role, I am able to influence the environmental quality of future real estate both during construction and operations. What I didn't account for, however, was how much our investors, lenders and partners are pushing ESG to the top of their agenda. Relative to a few years ago when ESG was largely an unspoken 'nice to have', the need for my team to be up to speed with ESG and to be able to assess which factors are relevant/material has never been greater. Through my experiences at Prosper, I've been able to directly apply the materials I was taught and as a result, I now sit on the European Sustainability Leadership Team and help steer the transactions team on how best to integrate ESG into our investment decisions. Without Prosper, I would not be able to capitalize on these opportunities nor be in a role where I can simultaneously develop both financial and impact skills.

### 6.5 Looking Forward

Looking forward, Prosper should develop a concrete method of maintaining relationships with current and past contacts as well as building new ones. Besides inviting outside speakers to Share Your Ideas, the Investment Panel, and miscellaneous events, keeping past contacts up to date with Prosper's operations helps to maintain an open line of contact. This could take the form of a greater presence on LinkedIn or through monthly newsletters. This should be done alongside a main goal of creating new partnerships and obtaining funding for the next investment timeline.





# **7.0**

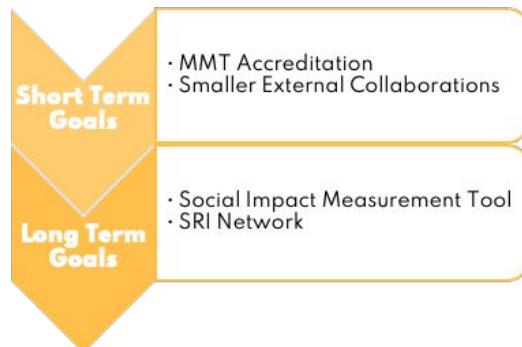
## **Strategic Goals**

# 7. Strategic Goals

## 7.1 Introduction

The initial strategic goals that were set out in summer 2021 were split into two categories: long term achievements and short term achievements. The two long-term goals that were set was to develop a tool to measure social impact and create the foundations for an SRI network. Short term goals that were set included research into management team accreditation and smaller collaborations.

### Break Up of Goals:



## 7.2 Achievement of Goals

The following outcomes have been achieved:

### 1. Social Responsibility Investment Framework

The formal research on quantifying Prosper's social impact, formerly known as the SRIEF project, was started by the Head of Social Impact in 2020/21 and after foundational research and development of an initial tool, it was recommended as a bigger project for Senior Analysts. This was formally commenced in Semester 1. This project used the social impact matrix previously developed as a foundation. Prosper conducted further research on the areas of positive social impact that Prosper has that required measurement, how to measure them, and the creation of a final matrix with which to measure them. This culminated in a tool which can be used in the future for tracking Prosper's progress and how it can improve itself as well as a means for branding and advertising itself in order to secure future funding.

### 2. SRI Network

Following last year's goal of commencing a network as a way to support similar student-led responsible investment funds, works commenced over summer to undergo this. The purpose of this network remained 'collaboration with other student-led ESG investment funds around the world. The main purposes being to promote the concept of responsible investing, identify new investment ideas and learn techniques that we could implement into our Programmes. Over the summer of 2021, Prosper underwent numerous conversations with the University of Oxford, who were previously interested in Prosper franchising with them. Unfortunately, relations with the University of Oxford did not proceed as there was no existing SRI fund with which to collaborate, however, it did enable Prosper to solidify how the network would work exactly. The SRI network ideally would commence with initial meetings between respective management teams on how operations can be smoothed within Prosper, followed by semesterly or annual conferences between the respective universities and finally, contribution and inclusion for any talks or experiences that would improve the social impact of those included in the SRI network. Secondly, Lancaster University approached Prosper but also did not have an SRI fund in existence, alternatively they had a society which was interested in furthering the knowledge of their members as such contributing to social impact for both parties (Prosper and Lancaster University). As they are interested in an exchange of ideas and inclusion in the future conferences and they should be included in future network discussions. Finally, talks with Brown University, who have an existing SRI fund, resulted in a formal contract being developed that would protect Prosper's intellectual property which are to be used when creating the SRI network and expanding with other universities. Initial talks culminated in Prosper aiming to have a meeting which would

## 7. Strategic Goals

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involve the management teams exchange ideas of operations improvement. In order to have this meeting, at least one more university should be included for a successful exchange of ideas to be had, as such there have not been any formal meetings with Brown University as of yet but hopefully this is something that can be solidified over summer and next year.

### 3. CMI Accreditation

Accreditation for the management was researched and a relationship with the Chartered Management Institute (CMI) was established. This means that MMT can become accredited which improves employability and opens up further CMI qualifications. This still remains an option for future management teams however, due to lack of popularity amongst the current MMT this was not pursued as an option. A further option that was discussed was the formation of Prosper into a formal accredited teaching foundation. This should be further discussed to assess whether Prosper mould for the requirements.

### 4. Further Relationships

Finally, Prosper formed a relationship with Wavestone, a consulting firm that specialises in technology. Wavestone approached Prosper with the interest of a mutual collaboration. This resulted in two ways of collaboration and opportunity for future MMT to consider. Firstly, talks with Wavestone resulted in the organisation of a session with JAP in Week 6 in which Wavestone deliver a CV/ Career workshop for the analysts. Unfortunately, due to illness this did not occur however, the foundational relationship has been established for future MMT to use. Secondly, Wavestone reviewed the SAP project from Semester and provided insightful feedback. Wavestone are also interested in conducting future workshops for SAP, the nature of which should be further explored by next year's MMT and the work for this should be commenced over

summer in order to have a successful collaboration. This should also be used as an opportunity for future MMT to consider reaching out to further companies for similar relationships.

### 7.3 Conclusion

In terms of future goals, the network remains a great opportunity for Prosper to expand, collaborate and further its social impact. This has been in its foundations and would benefit from greater focus and potentially could be expanded as a senior analyst project. As Prosper approaches its 5-year horizon, this will be a profound year for change and expanding Prosper's global reach can only result in better informed direction for Prosper. The relationships involved in all of the goals should be maintained and enhanced throughout the year through recurrent meetings in order to ensure dynamic rather than static relationships. There is scope to expand on both these short and long term goals as has been indicated in each respective section.



# 8.0

## Senior Analyst Projects

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# 8.1

## Semester One

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The Senior Analyst Programme is an opportunity for Analysts who enjoyed the ATP to stay involved with Prosper through completing semester-specific projects that aid in the improvement of the organisation. Given the size of the team and the pressing nature of the 5-Year Horizon, the Senior Analyst Programme tackled only one project in the first semester. Both the Director of Investing Tracking and Head of Social Impact deemed it incredibly important to start developing a social impact tracking tool ahead of the 5-Year Horizon, in order to: first, communicate the social impact that Prosper generates to outside organisations; and, second, to be able to quantify the impact of our Social Impact Grants. This semester, the tracking tool was only developed for one aspect of Prosper's operations: the Analyst Training Programme. In the future, we hope to expand this tool in order to measure all aspects of Prosper's operations.

# 8.1 Quantifying Prosper's Social Impact

## Introduction

In the first semester, the Senior Analyst Programme was tasked to create a Social Impact Evaluation Framework (SIEF) tool to assess, quantify, and communicate Prosper's social impact as an organisation. Additionally, the team was entrusted with designing a SIEF which can be adapted in the future to measure other branches of Prosper's operations as well as the impact of organisations that receive Social Impact Grants from Prosper.

## Motivations

The project was motivated by a discussion of Prosper as an organisation where the team noted that while Prosper professes to have a large social impact, there was no measure of it.

The goal of the project was to rectify this by creating a Social Impact Evaluation Framework (SIEF) which assesses, measures, and then expresses Prosper's impact quantitatively. The need to create a way of evaluating social impact has become more pressing as Prosper approaches its Five-Year Investment Horizon and needs to determine how to maximise social impact using its profits. The hope is that this framework will help with this as well as improve Prosperc's ability to convey its social impact to external organisations and potential partners.

Given that the project was to be completed in one semester, the team could only focus on one branch of Prosper. The team concluded that the biggest and most important impact Prosper is currently working towards is the Analyst Training Programme, and so the measurement of social impact was primarily focused on this aspect of Prosper's operations. However, the framework was designed with all aspects of Prosper's impact in mind and is versatile enough to be adapted with few alterations.

## Methodology

The team used a range of research methods to obtain a better understanding of pre-existing impact evaluation methods as well as an understanding of Prosper as an organisation to decide on the most effective framework to fit Prosper's needs.

### Background Assessment

Background research was conducted into methods of quantifying social impact as well as into how other organisations are evaluating their own impact.

### Surveys

Surveys from previous years were analysed and edited to ensure they were fit for purpose. A larger and more comprehensive survey tailored specifically to Social Impact concerns was designed for the ATP to assess analysts' experience and gather their thoughts on Prosper as an organisation to be entered into our SIEF Matrix.

### Interviews

Interviews were conducted with Advisory Board members and Alumni to better understand the broader context of Prosper's impact on its members and identify potential gaps in knowledge and areas of improvement for the SIEF Matrix.



## Results

By the end of the project the team had not only successfully created a SIEF which could analyse the impact of Prosper's Analyst Training Programme, but had incorporated a degree of flexibility that allowed an examination of future endeavours. Furthermore, the analysts during the second semester's Senior Analyst Programme helped refine and improve the SIEF. We are very proud of the results of this project and hope to continue developing methodologies to analyse Prosper's social impact across the multiplicitous aspects of the company.



**Zoe Fredrickson**  
Head of Social Impact  
4<sup>th</sup> Year, Philosophy and Politics



**Charlie Denton**  
Director of Investment Strategy  
4<sup>th</sup> Year, Economics with Finance



**Sara Galy**  
Head of Strategy 2021/22  
Head of Social Impact 2020/2021  
3<sup>rd</sup> Year, Economics



**Albert Doyle**  
Head of Investment Tracking  
3<sup>rd</sup> Year, Geography



**Sofia Allan**  
Senior Analyst  
4<sup>th</sup> Year, Economics



**James Orr**  
Senior Analyst  
4<sup>th</sup> Year, Business with Strategic Economics



**Zoe Mebude-Steves**  
Senior Analyst  
3<sup>rd</sup> Year, International Relations with Quantitative Methods



**José Francisco Lecaros**  
Senior Analyst  
2<sup>nd</sup> Year, Politics and Economics

# 8.2

## Semester Two

In the second semester of the Senior Analyst Programme three projects were tackled:

- 1.** Funding Project
- 2.** Social Impact Grants Project
- 3.** Tracking and Portfolio Analysis Project

This section will provide an overview of each based on reports created for the specific project. Prosper believes that it is a great strength of the organisation to be able to approach and work through dynamic projects each semester to help ensure constant improvement. We hope in the future to continue to undertake such work.



**Funding**



**Social Impact  
Grants**



**Tracking and  
Portfolio Analysis**

## 8.2 Funding Project

### Introduction

As Prosper is nearing the end of its initial five-year endowment, it now must look to the future at how it can secure and sustain itself in long-term funding sources. This Senior Analyst project focused on this issue. The project's deliverable outlines Prosper's functions, why Prosper is a worthwhile recipient of funding and what the organisation can give back, not only to the entities which finance Prosper but through the creation of Positive Social Impact. The deliverable serves as a prospectus for Prosper, answering all these questions and giving a detailed insight into Prosper's operations, how it creates value and why a potential investor should commit capital to the enterprise.

### The Current Problem

With the last round of funding provided by the University ending in December 2022, Prosper must re-evaluate its sources of funding. The original endowment was pivotal in the fund's initial kickstart. It paved the way for the creation of organisational structuring, analyst training, investment strategy and core philosophy. Nevertheless, in order to sustain and continue growth capital is necessary and paramount. With increased funding, Prosper seeks to fulfil two key goals: firstly, to make its investment strategy more sustainable whilst increasing returns and Prosper's Social Impact; and, secondly, to expand operational efficiency to ensure Prosper can meet its' future goals.

### Methodology of Funding

The Funding project this semester was primarily focused on creating a set of documents which can be used to communicate how Prosper operates as an organisation and why we are a worthwhile cause to fund. This includes a prospectus outlining all Prosper's functions, our goals and what we can return to investors. In addition to this we will create a slide deck which can be used in any pitch scenarios where we are "selling" the concept of Prosper to potential partners.

Outreach is another hugely important aspect of this project, and the team conducted some background research into organisations which award grants, and what a potential partnership could look like. With this research we identified the potential for smaller level endowments from "grant-giving organisations" such as The Tudor Trust and Foundation Scotland, which are potential sources of money down the line.

	<b>Charlie Denton</b> Director of Investment Strategy 4 <sup>th</sup> Year, Economics with Finance
	<b>Kyle Valentine</b> Senior Analyst 3rd Year, Business Management
	<b>Ethan Cohn</b> Senior Analyst 1st Year, History and Economics
	<b>Aaron Jimenez</b> Senior Analyst 2nd Year, Chemistry
	<b>Arsh Merchant</b> Senior Analyst 1st Year, History and Economics

Additionally, Prosper has been in touch with several other funds and contacts which have given feedback on the work so far and could serve as financial partners in the future. Prosper looks forward to continuing these outreach efforts in the future and finding new partners to collaborate with and to support Prosper financially.

### Results

While this project is still ongoing we are proud to have achieved a framework for how Prosper can sustain itself in the future. This work is instrumental and will be further built upon by next year's management team.

While we cannot yet reveal the names of the potential sources of funding, at this stage, we will reveal them when an agreement is met, in order to maintain Prosper's high level of transparency.

## 8.2 Social Impact Grants Project

### Introduction

As detailed throughout this report, a running theme and motivation of this year's strategic goals was to complete projects which put Prosper in the best position upon reaching its first 5-Year Investment Horizon. Once this horizon is met, Prosper will be able to donate the profits from its matured investments to the Edinburgh community in the form of Social Impact Grants. The Social Impact Grants Project, then, sought to address the future allocation of Social Impact Grants in two ways: first, to devise a method for forming long-term, sustainable, and mutually beneficial partnerships with social enterprises in receipt of Impact Grants; and, second, to draw up a structure for the Social Impact track of the Senior Analyst Programme to maximise Prosper's Positive Social Impact and encourage continual growth for all members involved in Prosper.

The team has created a separate report detailing the specifics of our considerations and plans for next years Management Team. Key points of this report have been summarised below.

### Partnerships with Social Enterprises

The team was tasked to:

1. Come up with a comprehensive plan for the selection criteria for social enterprises in receipt of Impact Grants
2. Conceptualise how best to create a long term, sustainable, and mutually beneficial relationship with the social enterprise/s
3. Consider the structure of the Social Impact track of the SAP, including a Social Impact Pitching Project (SIPP)
4. Think through how to track and report the impact of Social Impact Grants and SIPP

**Task 1:** the team decided that a method similar to Prosper's Bottom Up Investment Strategy would be the most appropriate way to design selection criteria for social enterprises. This was decided because the team believes that Prosper's Core Values should drive every decision, and because we believe that this is a rigorous screening process that will ensure beneficial partnerships.

**Task 2:** the team determined that incorporating the selected social enterprise into key parts of Prosper's operations – such as presenting on Induction Day and at the Social Impact Week of the ATP, as well as notifying Prosper of potential volunteering opportunities and potential projects for the SIPP –

is essential for a mutually beneficial relationship.

**Task 3:** the team created a report on the proposed structure for next years Social Impact track of the SAP, this structure is summarised on the following page and detailed in the separate report on this term's project.

**Task 4:** the team believes that first and foremost, transparency and sharing Core Values is of the utmost importance when considering impact tracking. Additionally, the SAP should design and refine a social impact matrix to evaluate the effect of Prosper's grant. This will ensure that Prosper is adequately and efficiently catering to the Social Enterprise's needs, as well as keeping track of Prosper's overall impact as an organisation. Tracking this impact in detail will also allow for constant internal review so that Prosper can reassess if it is using its Impact Grants most effectively. Ultimately, specific metrics for tracking impact will be highly dependent on the nature of the social enterprise. In regards to the SIPP, our team has started to develop a comprehensive Impact Tracking Document for Senior Analysts to read before beginning the SIPP. This document will need to be refined, however, we believe that it is an excellent start in Prosper's efforts to effectively teach incoming members of Prosper about the importance of impact tracking.



**Zoe Fredrickson**  
*Head of Social Impact*  
 4<sup>th</sup> Year, Philosophy and Politics



**Mason Crawford**  
*Senior Analyst*  
 2nd Year, Business Management



**George Ewing**  
*Senior Analyst*  
 4th Year, Classics



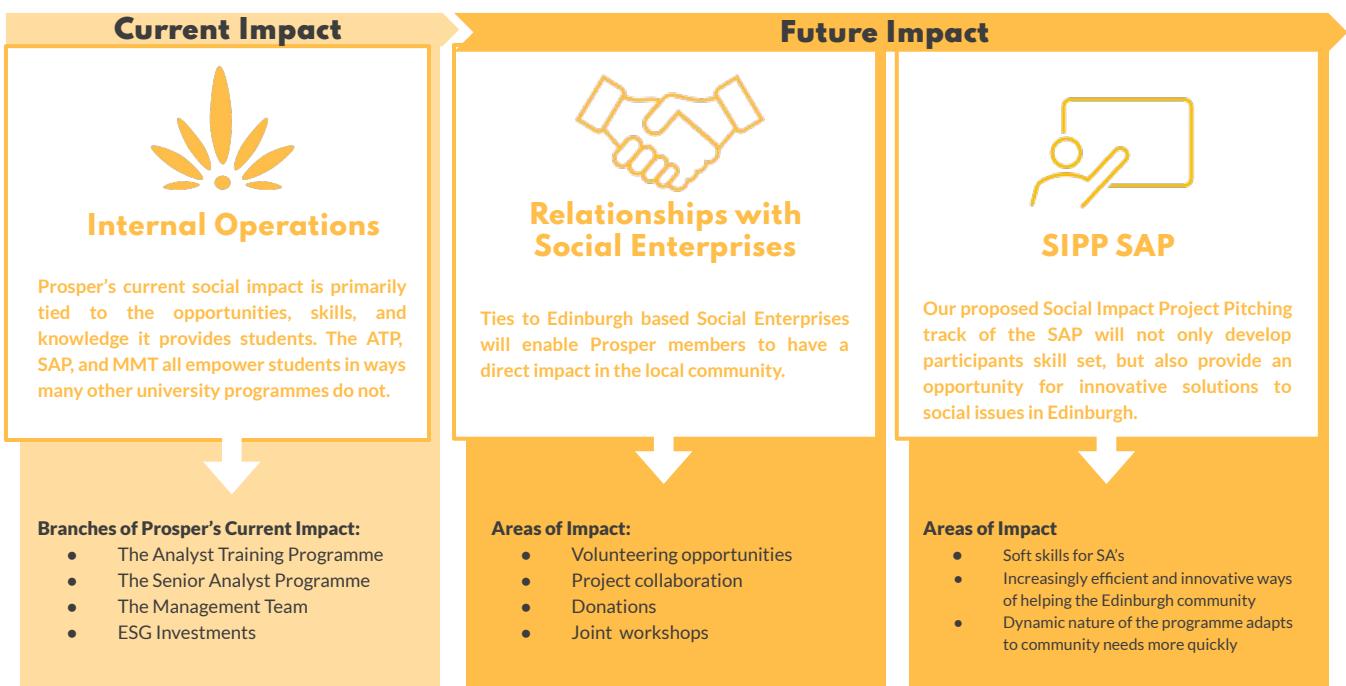
**Grace Gubbay**  
*Senior Analyst*  
 2nd Year, Chemistry



**Keira Hovorka**  
*Senior Analyst*  
 1st Year, Finance and Business

## 8.2 Social Impact Grants Project

### Prosper's Social Impact



### Social Impact Track of the SAP

The team recommends that the Social Impact track of the SAP should pitch and execute individually researched projects working to increase Proper's Positive Social Impact and funding, allowing for innovative approaches to social issues in Edinburgh. This will be called the Social Impact Project Pitching (SIPP) track of the SAP. Innovation is one of Prosper's Core Values, and the team believes that allowing SAs to design creative, actionable, and socially conscious projects will not only improve their own innovative skills, but also Prosper's innovation as an organisation.

The SIPP will include a Proposal, detailing the objectives and methods for the project; a Pitch in front of the MMT and ATP to include the entire Prosper community in the selection of Projects; and finally, once the Projects have been selected

and carried out, an Impact Report which details the Social Impact that was achieved, or is projected to achieve, from the project.

### Conclusion

Having a well-structured Social Impact track of the SAP with clear expectations and goals will not only ensure that Prosper has the utmost impact with its grants, but will also provide SA's with a rigorous and socially beneficial programme. It is imperative that Senior Analysts have a strong understanding of impact tracking in order to not only create a suitable matrix to track the effect of Proper's Social Impact Grant on the Edinburgh community, but also effectively communicate this impact externally. A social enterprise should be selected, and a solid relationship should be established in preparation for the grant. We are excited to refine this project's work in the future.

# 8.2 Tracking and Portfolio Analysis Project

## Introduction

Since the inception of Prosper we have handled all of our trades through the broker Hargreaves Lansdown. Yet, Hargreaves Lansdown does not give historic data which makes analyzing and tracking our portfolio difficult. Thus, our project was focused around updating Prosper's current tracking tool and refining it to be more accurate. Additionally our project decided to roughly examine the impact of inflation and tightening monetary policy on our portfolio's growth over the next two years.

The goal of the project was to create a tool in which the growth of each stock can be seen in isolation, or in the context of its semester's round of stocks purchased with it. Additionally, the tool was designed to display the biggest weaknesses of the portfolio and potential regional or sectoral over-exposure.

Primarily, our tracking tool has been designed to ensure a precise view of our portfolio to inform the Investment panel and aid them to make the right decisions. Yet, this project can also be used to display Prosper's professional financial management to external third parties which may be interested in funding.

## Methodology

The methodology for the tracking side of the project was fairly simplistic. Through problem solving, trial and error and accuracy checks we corrected and updated the existing tool. In contrast, the portfolio analysis part of the project was more complex. With most market predictions sitting behind a paywall, we drew heavily on Bloomberg's bank prediction summary to ascertain the main market concerns lied in the effects of inflationary and changing monetary policy.

As our report outlines we examined industry specific debt to equity ratios, variable debt as a % of total debt and mark-up of goods to assess these two factors.

## Results

Figure.1 Snapshot of the Tracking Tool Summary Page



**Albert Doyle**  
*Head of Investment Tracking*  
 3rd Year, Geography



**Matthew Hales**  
*Director of Operations*  
 3rd Year, Economic History



**Shaurya Lal**  
*Advisor*  
 Masters, Climate Change Finance and Investment



**George Ewing**  
*Senior Analyst*  
 4th Year, Classics



While the report should be read in full to understand where the portfolio analysis has come from, this section will summarise our findings:

 Our Portfolio is performing well against minor market indices but not as well against major indices.

 Our portfolio is well diversified in terms of both regions and sectors.

 Our portfolio is very well protected against rising interest rates.

 Our portfolio is moderately protected against rising inflation rates.

 We believe our portfolio growth may slow in the next year but then rebound when the effect of interest rates are first felt.

 Our current portfolio has a volatility problem which needs to be addressed in our social impact grants methodology.

 Our portfolio could become more stable, and more profitable with the use of greater funding.



# 9.0

## Risks and Risk Mitigation

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# 9. Risks and Risk Mitigation

## 9.1 Management Team Turnover

The annual turnover of the management team continues to be one of the biggest strengths of Prosper, as each new member of the management team brings fresh ideas and perspective to the organisation. However, we understand there are certain risks involved with this organisation structure as well, such as ensuring effective handover of knowledge. To ensure a comprehensive and speedy orientation of new members, we have adopted a list of processes:

### 1. Improved documentation

In addition to the existing handover documentation, this year, we have produced management team reflections that highlight the views of each management team member on:

- i) what they felt they have done wrong and ways they could have improved these;
- ii) what they felt they have done well and;
- iii) what they wish they had known before they have taken on their specific role.

Our goal is to use these reflections as pointers to help the new management team settle into their roles and ensure a smoother handover process.

### 2. Guidance from the founding members of Prosper

Mission and values of Prosper lie at the heart of our operations and it is essential that we stay committed to these. As the fourth management team of Prosper, we believe it is crucial to understand how Prosper was formed, the founding strategy of the organisation and the vision the founding members had when they started Prosper. We, therefore, reached out to the founding members of Prosper and has extensive chats about the past, present and future of Prosper.

### 3. Rigorous selection process

We are committed to have a rigorous selection process for all members of the management team. Completing our Analyst Training Programme is a prerequisite for joining the management team as we believe this ensures all members to have a strong understanding of the mission, values and

reporting process of our company. We adopt a two-step selection process, consisting of a written application followed by individual interviews. Each application is scored by the current management team members and we ensure the process is carried out fairly and transparently.

### 4. Addition of a new management team role

The new management team of Prosper will have the opportunity to shape the future of the organisation as Prosper transitions into a self-dependent company. 2022-2023 will also be the first year that Prosper will start the process of social impact grants to make direct impact in the local community. We believe it is essential that the whole team contributes to the decision-making process that will support this transition; however, this also means the management team will have further responsibilities that will require additional time commitment. We, therefore, added a new management team role to support the transition of Prosper and work closely with the Executive Director in issues regarding finances, grants and funding for the company.

### 5. Workload Balance

We remain committed to supporting the team to practice a healthy balance of workload across their studies and their responsibilities as the management team members at Prosper.

## 9.2 Investment Risks

Our investments are restricted to European and North American Equities which generate investment risks due to low-diversification. However, we also have developed processes and to mitigate these risks:

### 1. Rigorous screening process

All stocks that are invested in our portfolio continue to be subjected to our rigorous screening process. Our analysts produce in-depth investment reports for their proposed investments for Prosper, and deliver investment pitches after completing the Analyst Training Programme. The investment panel then evaluates each company following our bottom-up investment strategy and produce investment rationales.

## 9. Risks and Risk Mitigation

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### 2. Formalised tracking protocols

This year, our Head of Investment Tracking and Director of Operations worked on creating a model that tracks Prosper's return and ensures that there is accurate historical data. Our broker, Hargreaves Lansdown does not provide portfolio tracking software or analysis, and thus Prosper constructed its own required model. The model analyses Prosper's portfolio on a daily basis since inception, Friday 29th June 2018 – Prosper's first trading date. From viewing Prosper's growth at this scale, inferences are enabled about the future of the portfolio, historic return and volatility. The growth of each stock can be seen in isolation, or in the context of its semester's round of stocks purchased with it. The data produced in the sector and regional breakdown allows the Investment Panel to manage the portfolio precisely, monitoring potential over-exposure to any geographical area or sector. The model also enables Prosper to learn from its mistakes, and where the largest amount of profit or loss is. The model, although constructed this year, will also be available to show any third parties that may be interested in external funding, proving that Prosper manages its financial transparency and performance in a professional manner.

### 3. Formalised tracking implementation:

We have continued to utilise the software tool automatically pulls in key data on all the stocks in our portfolio into one spreadsheet, which also captures recent ESG news. This tool has allowed the tracking of the ESG performance of our portfolio, and ensure our investments align with the core values of Prosper.

### 9.3 Security and Prosper Use of University Funds

We understand that the University needs to be sure that any funds given to Prosper will be used in the way intended as outlined in our Memorandum of Understanding. However, no significant changes were made over the last year to the structure that was agreed upon with the University.

Our current structures in place to ensure appropriate use of funds are enumerated below:

### 1. CIC Structure:

Being a community interest company, limited by guarantee, ensures that funds can only be used for our stated mission and only in the interest of the community which we aim to serve. As indicated in our articles of association, if at any point we should fail to meet our legal requirements as a CIC, all funds would be returned to the University of Edinburgh Development Trust (Charity No.: SC004307)

### 2. Directorship Roles:

Three members of each year's management team are named directors on Companies House. This spread of responsibility ensures an even balance and the need for majority vote on any important legal or accounting decisions.

### 3. Account Access:

Only the investment team continue to have access to the trading account we use to manage our portfolio. The Executive Director has the legal right to place trades. For both the trading account and operational bank account, we have best practice security protocols in place to protect access to these accounts.

### 9.4 Legal and Accounting Risk

As a company, we continuously ensure that we meet all legal and accounting requirements imposed by law. These include:

#### 1. Relationship with the Business School:

We continue to have a good relationship with the Business School. We moved our Analyst and Senior Analyst Programmes back to in-person after a year-long break due to the pandemic, and we are grateful that the Business School allowed us to use their teaching spaces.

#### 2. Independent Accountant:

We continued to work with an independent accountancy firm, Jay Shah & Co., who filed our Corporate Accounts and Tax Return. Their services were compensated, which resulted in an increase in the administrative fees of Prosper; however, we managed to offset this by a minimal increase in the Analyst and Senior Analyst Programme fees. In the

## 9. Risks and Risk Mitigation

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coming years, we hope to explore alternative accountancy firms which might offer their services on pro-bono basis, or work with students who have relevant experience in creating Corporate Accounts which would significantly reduce the administrative expenses of the company.

### 2. Leveraging Partners and Contacts:

We continue to use our large number of industry contacts and connections with local social enterprise service providers for support regarding legal and accounting issues.

### 9.5 Cash Flow Risk

Prosper continues to be a financially stable business and meet its operational cash flow needs, without charging discriminatory administrative fees. This is done by:

#### 1. Effective Budgeting and Planning:

Due to the return of in-person training, our operational expenses had expectedly risen in this full year. We have continued to carefully evaluate every expense of the company and ensure that our funds are spent towards the enhancement of our Analyst and Senior Analyst Programmes and operations. We managed to remain cash flow positive and ensure the company has enough liquidity to cover unexpected expenses that may occur within the next academic year.

#### 2. Efficient Spending of Funds:

Our main source of revenue is the administrative fees charged in our Analyst and Senior Analyst Programmes. We ensure this fee covers all expenses of Prosper; however, is also fair and non-discriminatory. As a part of the SEIF project, we have decided to use an external, paid survey tool to aid the evaluation process of our social impact. This expense was balanced by lower marketing expenses due to increased use of online marketing platforms, and the removal of the distribution of flyers on campus. Our admin fees are calculated using a numerical tool that guarantees the amount charged to our analysts is fair and is sufficient to cover the operational expenses of the company without generating profits.



## 8. Meet Next Year's Team



**Matthew Hales**  
*Executive Director*



**Grace Gubbay**  
*Director of Social Impact*



**Kyle Valentine**  
*Director of Operations*



**Aidan Brennan**  
*Head of Training*



**Ethan Cohn**  
*Head of Strategic Relations*



**Mason Crawford**  
*Head of Investment Strategy*



**Albert Doyle**  
*Head of Investment Tracking*



**Priscilla Gracia**  
*Head of Marketing*



**Kiera Hovorka**  
*Head of Training*



**Aaron Jimenez**  
*Head of Strategy*



**Arsh Merchant**  
*Head of Portfolio Research*

# Thank You!

Thank you for taking the time to read through this report. Please do not hesitate to get in touch if you have any questions or concerns. We may be contacted by email at: [operations@prospersocialfinance.co.uk](mailto:operations@prospersocialfinance.co.uk).

We would also like to express our gratitude to the University of Edinburgh for their continued support. The growth and development of Prosper would not be possible without their sustained belief in us and their generous financial support.

On behalf of this year's Prosper Team, thank you.

