



PROSPER SOCIAL FINANCE

ANNUAL REPORT - APRIL 2019



EXECUTIVE SUMMARY

Prosper Social Finance has now been in operation for 15 months. Having successfully invested £10,000, trained 60 analysts and run multiple events it has been very busy time. This report aims to show how Prosper has progressed since the last £10,000 draw down from the University of Edinburgh in May 2018.

Prosper has continued to operate in accordance with the business plan pitched to the University in November 2017, this report shows;

- The effective recruitment and training of 60 analysts.
- The successful execution of our first two rounds of investments and their positive performance to date.
- The continued development of our social impact and wider community engagement.
- Our positive impact on the student experience at the University.
- Our operational cash flow performing as projected in the original business plan.

Finally this report will outline some of the ongoing risks and the risk mitigation strategies in place to tackle these.

For the University, Prosper represented an opportunity to go beyond existing SRS initiatives and allow students to engage with sustainability and finance in a meaningful way. Prosper has begun to achieve this and has, we believe, already enhanced the 2016 'strategic plan development themes' in the following ways:

- Prosper has **influenced globally** through our collaborations with asset managers and other Universities. Prosper has led the way for other student funds to follow suit.
- Prosper has **contributed locally** through our social impact training programme. Prosper continues to develop its social impact.
- Prosper has built **talent, skills** and **employability** amongst University of Edinburgh students.

We have currently received £10,000 in funding from the University of Edinburgh with an original commitment from the University to fund Prosper at £10,000 a year for 5 years.

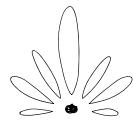
If the University of Edinburgh SRS Department and Finance Department are satisfied that Prosper continues to fulfil the originally pitched business plan and continues to have a positive impact for the University and its students then we would aim to continue our investment cycle in May and move forward to grow and develop Prosper in the coming year.

We would like to target the next £10,000 draw down in early May if possible.

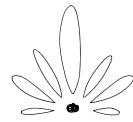
CONTENTS



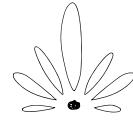
Investment Report	1
--------------------------	----------



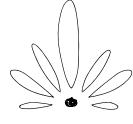
Strategic Relations	3
----------------------------	----------



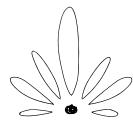
Student Engagement and Training	4
--	----------



Social Impact	5
----------------------	----------



Introducing Next Year's Team	6
-------------------------------------	----------



Risks and Risk Mitigation	7
----------------------------------	----------

INVESTMENT REPORT

INVESTMENTS 2019 KEY STATS¹

Heads of Investments	Adam Jones / Christopher Harper
Execution Dates	29/06/18, 04/01/19
Report Date	12 April 2019
Fund Size (+Income)	£10,914.17
Initial Investment	£10,020.03
Total Portfolio Return	8.18%
Total Dividend Payments since Jan 2019	£58.69
Dividend Amount Reinvested	£0.00
Net Income	£58.69
Net Profit April 2019	£892.57
Net Profit December 2018	£124.75
% Change	+615.48%

Prosper's portfolio has continued to outperform our benchmarks since the last tracking report in December 2018. Since the execution of the stocks pitched in December, our net profits have risen sixfold, which is attributed to new additions to the portfolio and improvement in our June 2018 investments. Currently, the return from rejected equities portfolio has just overtaken our current portfolio indicating returns of 8.46% against our 8.18%. Our rationale behind rejecting investments is that we did not see them outperforming in the long-run for a number of reasons, including, but not limited to, less convincing growth stories, ESG attributes or financials. If these stocks continue to outperform our portfolio throughout 2019, the investment team must reassess these stocks to learn and progress from previous purchasing decisions. In summation, Prosper's business model has shown some evidence of early success as our returns grow and outperform global indices. We are happy with the results so far but these investments were made with a long-term investment horizon and so the real proof will be in the years to come as our investments begin to mature.

PORTFOLIO PERFORMANCE

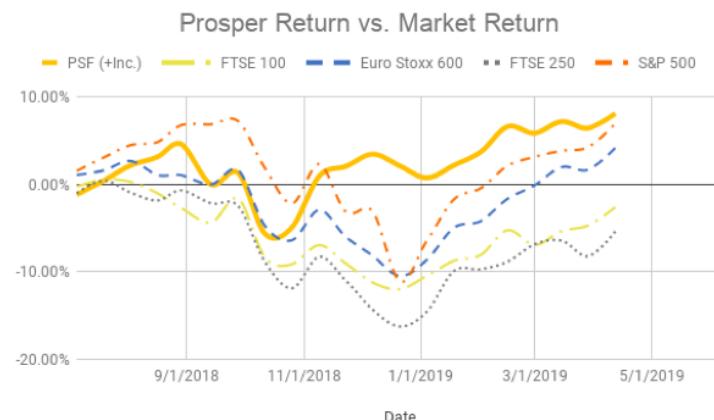


Figure 1 Prosper vs Market Return April 2019

Benchmark	% Return
Prosper Social Finance	+8.18%
FTSE 100	-2.62%
FTSE 250	-5.37%
Euro Stoxx 600	+4.18%
S&P 500	+6.95%
MSCI ESG Index	+5.30%
Rejected Investments	+8.46%

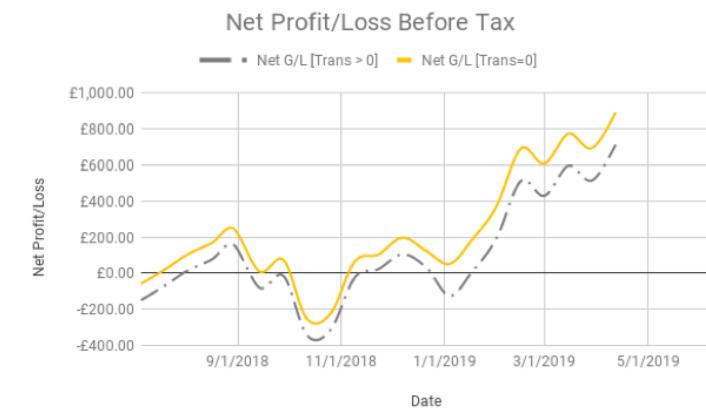


Figure 3 Net Profit & Loss Before Tax, July 2018 - April 2019

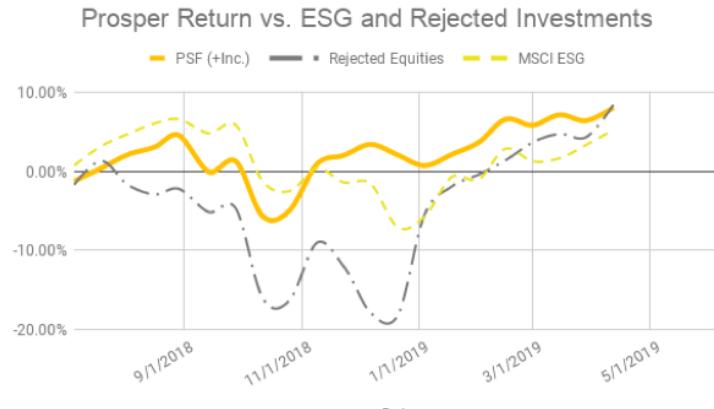


Figure 2 Prosper vs ESG & Rejected Investments

INVESTMENT REPORT

PORTFOLIO COMPOSITION

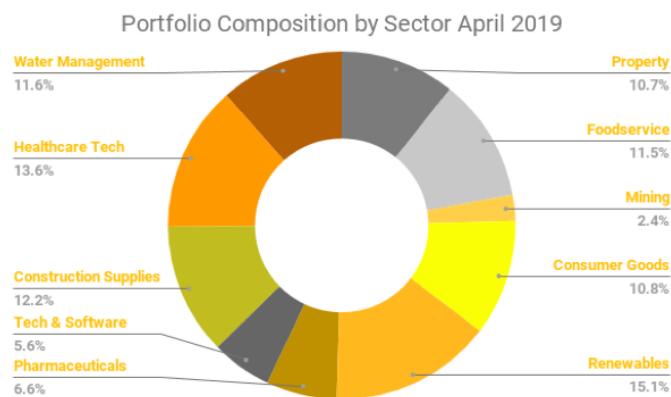


Figure 4 Prosper Portfolio Composition by Sector as of April 2019

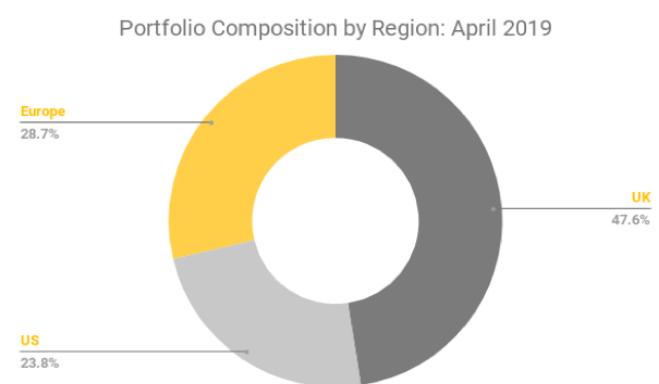


Figure 5 Prosper Portfolio Composition by Region as of April 2019

STRATEGIC RELATIONS

This year, Prosper Social Finance has managed to both consolidate its existing network and establish a range of new connections. Our engagement within the finance community has grown considerably and we have established a number of fruitful relationships with asset managers (ASI, Baillie Gifford, Stewart Investors, Martin Currie, and EdenTree to name a few), industry associations (Investment Association), and a number of individual professionals. We have utilised this network for advice, resources, and human capital to strengthen our current offerings and pursue new avenues. In particular, we are grateful to Baillie Gifford for their continued support of our training programme, and ASI for kindly supporting our final pitches. We have been hugely warmed by the positive response from Edinburgh's investment management community and we look forward to collaborating with all going forward. We were very fortunate to host Sarah Whitley (Retired Baillie Gifford Partner and Lead Fund Manager, Current NED Rakuten), Ian Wamerdam (Head of Global Equities, Janus Henderson), Chris Hegarty (Ex Fund Manager, Scottish Widows and Senior Policy and Advocacy Advisor, Christian Aid), Julian Parrott (Partner, Ethical Futures) and Dr Maria Bouthkova (Finance Lecturer, UoE Business School) as part of our investment panels. They have provided invaluable feedback on our investment process and have acted as an additional layer of due diligence.

We have also strengthened our relations within the social enterprise sphere. Events such as Social Enterprise Stories allowed us to leverage our network and expose students to the variety of opportunities within the third sector. Bridging the gap between the student community and Edinburgh's social enterprise scene has always been a mission of Prosper and through the training programme and public events we have been able to deliver on this. A framework for further engagement and the forging of new relationships has been developed by our Head of Social Impact through our returning analyst programme.

A highlight was our Finance for the Future event in February supported generously by the SRS Department. This event aimed to generate discussion around social finance, the idea of profit for purpose and the role of finance in addressing global issues. Our three headline speakers, Cary Krosinsky, Merryn Somerset-Webb, and Kieran Daly provided the 400-person audience with a range of perspectives but a general consensus that the world of finance was changing for the better. Cary, albeit remotely, has been pivotal in Prosper's development, so to finally hear his insights in person was an added bonus for all.

As part of Prosper Social Finance's objective to make the world of finance more inclusive and promote greater financial literacy within the Edinburgh community, we launched our Weekly Financial Review campaign in June 2018, providing our social media followers with a jargon-free summary of finance-related events happening that week.

As a result of our continued engagement with the investment community, the student body, and the greater Edinburgh community, we have also substantially boosted our online presence this academic year, attracting over 3,500 unique visitors to our website.

As shown in Figure 1 below, we have managed to increase the amount of unique visitors by 40% over the same period last academic year - indicating a growing interest in Prosper Social Finance - through extensive marketing campaigns and public engagements. This increase is reflected in our social media channels (Facebook, LinkedIn, and Instagram) as well. Since the beginning of this academic year we have increased the number of followers across all our channels by more than 55%, reaching more than 10,000 unique users during that time.

In the spirit of transparency, we have published our investment returns thus far on our website, with a helpful comparison to well-known indices such as FTSE100, S&P500, and the MSCI ESG index. We hope to expand on this further in future years by publishing other data (e.g. recruitment statistics, investment proposals, among others).

Looking forward, we intend to establish a smooth handover and transition to the next management team to maintain the relationships that we have built over the past two years, and to ensure continuity. Future plans for engagement include working more closely with some of our partners who have expressed significant interest in helping Prosper Social Finance, but were not able to do so this year due to clashes in scheduling.



A few of the people we have worked with :



SociovestixLabs

ethicalfuturesTM



Grant Thornton



Stewart Investors

STUDENT ENGAGEMENT AND TRAINING

A few adjustments have been made to the training programme this year including the ESG matrix, ordering of the weeks, and details within 'financial essentials'.

The training programme is now organised in coordination with our investment strategy. We start with Prosper's core values and value screening of products, then onto our unique ESG matrix for impact analysis, and after covering financial essentials, we finish with looking into the macroeconomic environment and analysing the growth stories of each company.

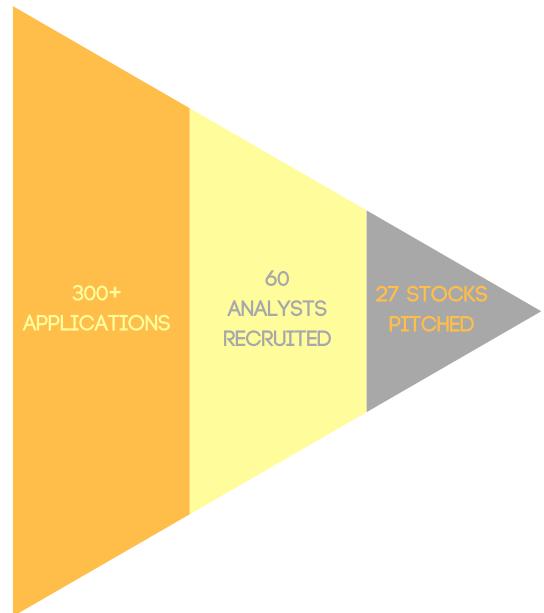


Our ESG matrix has also been altered based on last year's structure into an extensive ESG system that includes the alignment with the UN Sustainable Development Goals. The previous 'formulae heavy' finance evaluation weeks have been adjusted as well to better suit the learning patterns of students coming from a non-finance background. This includes interactive exercises and practices being added into these weeks. Furthermore, we organised help sessions every week for analysts to drop-in and solidify the contents covered from that week.

We are confident that these improvements have made our programme both more structured and more approachable for students from all degree backgrounds.



A typical Monday training session



60 analysts have now been through Prosper's Social Finance Analyst training programme, and the final pitches were delivered with great success. Through anonymous feedback, we found that the overwhelming majority of our analysts have found the training experience to be very positive (92.3% rated 4 and 5 out of 5). Furthermore, the vast majority of our analysts also found their financial literacy and public speaking abilities have improved through the experience of Prosper (84.6% rated 4 and 5 out of 5).



Some of our analysts at their final investment pitches

Students from a non-finance background especially emphasised how the training programme not only equipped them with adequate financial knowledge for the investment pitches, but also opened up the possibility to look into finance/economics related career areas in the future. We are excited to see Prosper's alumni start to head out into all different areas of work after University, from finance and investment to the world of social enterprise. Our aim is that whatever they end up doing they will be empowered with the skills and knowledge to drive positive environmental and social change.

SOCIAL IMPACT

As social impact remains at the core of what Prosper does, we have made a concerted effort to enhance our social impact this year, both directly and indirectly. Our training programme provides one of our more direct avenues of social impact. Since our inception, we have successfully trained 60 students as social finance analysts and received 27 stock pitches from our analysts. Seeing the growth of such a diverse group of students over the short 8-week training programme is fantastic. We have received encouraging feedback from many of our analysts, such as:

"I genuinely loved the experience and would recommend it to anyone wanting to learn about responsible investment, social impact and to meet great people along the way."

As we wait for our investments to mature before those profits can be used to make our own impact investments into the local Edinburgh community, we wanted to find other ways to make a direct social impact in the meantime. Consequently, we entered a team of our Prosper analysts and Management Team into Social Bite's Sleep in the Park. This provided a great opportunity to make an immediate social impact within our local community, while encouraging students to experience more of Edinburgh and thereby gain a greater understanding of the social issues facing the city. 14 Prosper members participated in the sleep out, raising more than £1,400.00 for the cause.

To further Prosper's influence and make an indirect social impact, we have also increased our engagement with other mission-led, student organisations and the larger third-sector community within Edinburgh. This year, we have hosted several events open to Edinburgh students and the rest of the city, aimed at spreading the ethos of socially responsible finance and the benefits of social enterprise. Our Social Enterprise Stories event included members of three student-run organisations, FreshSight, Unearthed Edinburgh and The Tomorrow Network, alongside other leaders in the Edinburgh social enterprise scene. This event provided inspiring insights into the potential of social entrepreneurship to solve social challenges and enabled us to engage more students and organisations in some of the amazing initiatives taking place within Edinburgh's third sector. Subsequently, we hosted our Finance for the Future event, with much appreciated support from the University's SRS Department. This event gave students and the community at large a chance to hear from leaders in the field of socially responsible investing, with the hopes of challenging traditional perceptions of the finance industry.

Excitingly, this year also marked the start of Prosper's Senior Analyst Programmes. This gave students who had already completed our primary 8-week training programme the chance to get involved in either Investment Tracking or Social Impact.

The Social Impact Senior Analysts were able to choose between 2 options; working on the Prosper Podcast or constructing Prosper's Personal Finance Training Programme. The Podcast is intended to encourage conversation around social issues and the power that finance holds to address these concerns. The Podcast is aimed at the Edinburgh student population, and will be released next academic year, thereby serving as an additional indirect social impact. The Personal Finance Training Programme represents an exciting expansion to the direct social impact Prosper can make before our investments have matured. The aim of the programme is to increase financial literacy and thus empower members of Edinburgh's third-sector who may not have any financial acumen. The programme will be tailored to the specific audience, and will involve a range of topics, such as 'how to file taxes' and 'what are student loans'. We have arranged to pilot the training programme at Scran Academy, a social enterprise in Edinburgh which supports the most vulnerable young people to transition beyond the classroom into the workplace and wider life. By teaching the students at Scran Academy about finance in an approachable and interactive way, we believe that we will be furthering their opportunities and our own social impact. Following the pilot programme, we intend to run these workshops at various social enterprises around the city.

The Investment Tracking Senior Analyst Programme saw returning analysts actively track both the financial and ESG progress of our investments. This has allowed us to increase our social impact in two ways, firstly, we have been able to more closely monitor the ESG performance of our investments and actively improve our strategy or divest where appropriate. Secondly we have been able to actively engage in the stewardship of our investments. The governance of the companies that we invest in is important and we are committed to ensuring that our investment strategy incentivizes companies to behave in a socially responsible manner. By utilizing Senior Social Finance Analysts, Prosper has the opportunity to actively participate and vote in shareholder meetings, pushing the social mission that we believe is in the best interest of the company and fund.

INTRODUCING NEXT YEARS TEAM



Executive Director - Duncan Harris

"I'm a Physics and Music student going into my 4th year. I joined Prosper in September 2018 and enjoyed it so much I returned to help track the stocks this spring. I look forward to continuing the great work Prosper has already done, further spreading the word about social finance and helping develop our portfolio and community impact projects."

Social Impact Director - Clara Geldard



"I'm going into second year studying Arabic and Politics. I began the financial analyst programme in January of this year, I loved the whole training program and am looking forward to taking on a management position next year and exploring ways in which Prosper can increase their social impact at the University, as well as within the wider Edinburgh community."



Training Director - Rory Sandison

"I study Economics with Environmental studies, a degree which allows me to combine my interest in economic theory and policy with the contemporary environmental issues that we face. I have thoroughly enjoyed being a senior analyst on the social impact side and look forward to continuing with Prosper as Director of Training."

Head of Training - Vicky Grant



"I am a second year Economics and Politics student from Athens, Greece. This year I was an analyst for Prosper and part of the Senior Analyst Social Impact Programme. I am excited to see how new analysts will help Prosper continue to grow its portfolio and expand its social impact over the next year."



Head of Investment Tracking - Tirivashe Chidzwondo

"I am a 3rd Year Chemical Engineering with Management student. Growing up in Zimbabwe I gained a passion for both finance and social impact. I am excited to help build Prosper's portfolio into one with socially conscious companies and spread the word about social finance."

Head of Investment Strategy - Mackenzie Wallace



"I am currently a 4th year undergraduate student studying Economics with Finance. I had the privilege of working as an analyst for the Sustainable Consumption sector in Prosper's first class of analysts. I am looking forward to working to further the path of SRI and developing our ESG criteria to ensure long-term growth and sustainability in Prosper's investments."



Head of Strategic Relations - Jemima Banks

"I'm a first year student studying Economics and Politics, and completed the Prosper analyst program last semester. I have so enjoyed meeting other like minded socially conscious investors this semester and look forward to helping Prosper forge some new partnerships next year."

Head of Operations - Julio C. Othon



I am a third-year International Relations student at the university. In the second semester of 2018/2019, I was a lead analyst in my team at Prosper. I am excited to be the Head of Operations in the next academic year, where I aim to make Prosper more efficient wherever possible and help it grow!



Head of Marketing - Patrick Haworth

"I am studying Economics and Politics and over the past three months I have been working on the new Prosper podcast with others whilst researching other Social Enterprises within Edinburgh. I looking forward to working with our future analysts and progressing our current plans."

Founding Advisor - Iman Mouloudi



Iman was one of Prosper's founding directors, she has spent the last year working as Prosper's Founding Advisor ensuring that Prosper continues to work towards its original mission and stays in alignment with its values. Iman will continue to fulfil this role over the next year, supporting the new team and continuing to drive Prosper forward.

RISKS AND RISK MITIGATION

1. Management Team Turnover

One of Prosper's greatest assets but also a tangible risk is our annual turnover of management team members. We have mitigated and continue to mitigate it in the following ways.

- **Training and development that has already taken place.** Prosper prides itself on its ability to translate its Mission, Vision and Values through the 8-week training programme that all our members must undertake. Any future management team members have spent 8 weeks learning intensively about Prosper's business model and investment strategy as well as discussing our social impact. Furthermore, a number of next year's management team have been further involved in developing our investment tracking and social impact strategies.
- **Original selection process.** We have received over 300 applications for our analyst programmes, we only take on individuals who can demonstrate a clear passion for what we are aiming to achieve.
- **Management team recruitment process.** We carried out an application and interview process to recruit next year's management team. Steps were taken to ensure this was both impartial and rigorous, ensuring only the most passionate and best equipped of our analysts were offered a role on next year's management team.
- **Handover Period.** Throughout April and May an extended team handover process has been / will be taking place. This ensures that all new members of the management team are fully equipped with the knowledge, resources and contacts they need to fulfil their role and continue to improve and develop Prosper.
- **Founding Advisor.** Iman Mouloudi has taken on the role of Founding Advisor for the past year. As a founding director of Prosper she is incredibly well placed to ensure that Prosper continues to develop and grow in the right direction. She has supported this year's team and will continue in her role next year providing support and continuity for next year's team.
- **Advisory Board.** Our original business plan incorporated an advisory board of industry professionals. Whilst we have had and continue to have fantastic industry connections who support us in our mission and form an integral part of our processes we do not feel that these partners form an advisory board as such. Therefore, from May 2019 we will be developing an advisory board of 4 independently selected members of past Prosper management teams who have graduated and are working in a variety of industries. This board will provide a level of continuity and maintain oversight of and support for future management teams.

2. Investment Risk

Prosper's invests in European and North American equities that can decrease in value as well as increase.

- **Investment selection process.** Our investment selection process is made up of numerous audit, due diligence and feedback rounds. These combined with the high-quality training we give our analysts, the detailed and stringent five stage investment strategy we have developed and the industry professionals outside perspective from our investment panel help us ensure we invest in companies we believe will outperform in the long run. Finally continued diversification of our portfolio and careful consideration of capital allocation minimise our risk.
- **Investment tracking process.** Prosper's Head of Investment Tracking maintains an updated financial and ESG oversight of all of our investments, updating our database on a bi-weekly basis. Our Senior Analysts also maintain company specific oversight of our investments.
- **Re-development of investment tracking protocols.** Whilst we have investment tracking protocols in place currently which demand re-evaluation of stocks at financial loss markers and in the case of any ESG scandal. This process needs further development and refinement, something that is already being worked on and will be developed fully over the summer.
- **Quality Recruitment.** Again our recruitment strategies aforementioned allow us to take on students who will dedicate themselves to learning the necessary skills and putting in the necessary work for our investment pitches

3. Security and Proper Use of University Funds

We understand that the University needs to be sure that any money given to Prosper will be used in the way intended and outlined in our original business proposal.

- **CIC Structure.** Our legal structure as 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. An annual statement to the regulator for community interest companies outlines how Prosper has met these criteria.
- **Directorship Roles.** Three members of each year's management team are named directors on company's house. This spread of responsibility ensures an even balance and the need for majority vote on any important legal or accounting decisions.

RISKS AND RISK MITIGATION

4. Legal and Accounting Risk.

As a company, we need to ensure that we meet all the legal and accounting requirements imposed by law, including filing annual accounts and paying any necessary tax.

- **On-going relationship with LaunchEd.** We have an ongoing relationship with the University LaunchEd service, this being our first port of call and support for any legal and accounting questions or risks.
- **Leveraging Partners and Contacts.** We have a number of industry contacts and connections with social enterprise service providers in Edinburgh who support us with legal or accounting questions.
- **Application for grant to help with support for first accounting period** We are in the process of applying for a grant to pay for professional assistance on our first accounting period to ensure we minimise our tax exposure and set up the appropriate accounting practices for the years to come.

5. Cash Flow Risk

Although financially sustainable as a business there is not a huge amount of additional bandwidth within our current cash flow.

- **Summer scope of additional revenue streams – events, training or merchandise.** This summer there will be a scoping exercise to identify additional revenue streams that can support Prosper's growth moving forward.
- **Careful budgeting and planning.** In order to ensure that we remain cash flow positive careful budgeting and planning is needed. This year that has been well achieved with the current team managing to dramatically grow Prosper's training and event output, increase marketing outreach whilst spending less than the proposed budget.
- **Efficient marketing spend to ensure high levels of new applicants and maintain current revenue streams.** The current main revenue stream for operations is the admin fee income from new analysts and senior analysts. In order to ensure that we continue to generate this revenue we need to effectively market ourselves affordably to new students.

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. Either email operations@prospersocialfinace.co.uk or call Jack on +44 7481 938338

We would also like to thank the University for their continued support for Prosper. We simply wouldn't be in the position we are today without the support and belief in Prosper we have received. We look forward to continuing to work together closely.

