

MERCENARY IMPACT

THAT'S OUR CORE INNOVATION

CORE
INNOVATION
CAPITAL

LET'S MAKE A DENT

CORE BEGAN AS AN EXPERIMENT. Since our inception, we have targeted “missionary results and mercenary returns,” as we often quip today. Core’s mission is to achieve great returns by investing in companies which enable financial emancipation. For over ten years, we have tied our compensation to our financial success, as well as the positive externalities of our work, in order to better align incentives. Instead of relying on anecdotes, we have chosen to measure our portfolio companies’ impact through an annual process we call our Impact Report. An impact committee of three people keeps us intellectually honest. [Jennifer Tescher](#) and [Stuart Davidson](#) have served on our Impact Report team since its inception. [Susan Athey](#) joined our 2020 process. We’re incredibly grateful to this group (as well as the others who served over the

years) for helping create a groundbreaking practice of what we believe will become the norm for all investing over the next decades: taking externalities into account when assessing a company’s commercial success.

In this report, we’re excited to share how Core approaches impact measurement and how our companies are changing the world, often in unusual and unexpected ways.



CORE'S MISSION:

TO OPERATE A **WORLD-CLASS INVESTMENT FIRM THAT DELIVERS EXCEPTIONAL **FINANCIAL RETURNS** BY CREATING SIGNIFICANT **CONSUMER VALUE** AT **SCALE**.**

WORLD-CLASS

Attract top entrepreneurs, talent, and LPs

FINANCIAL RETURNS

>3x+ DPI

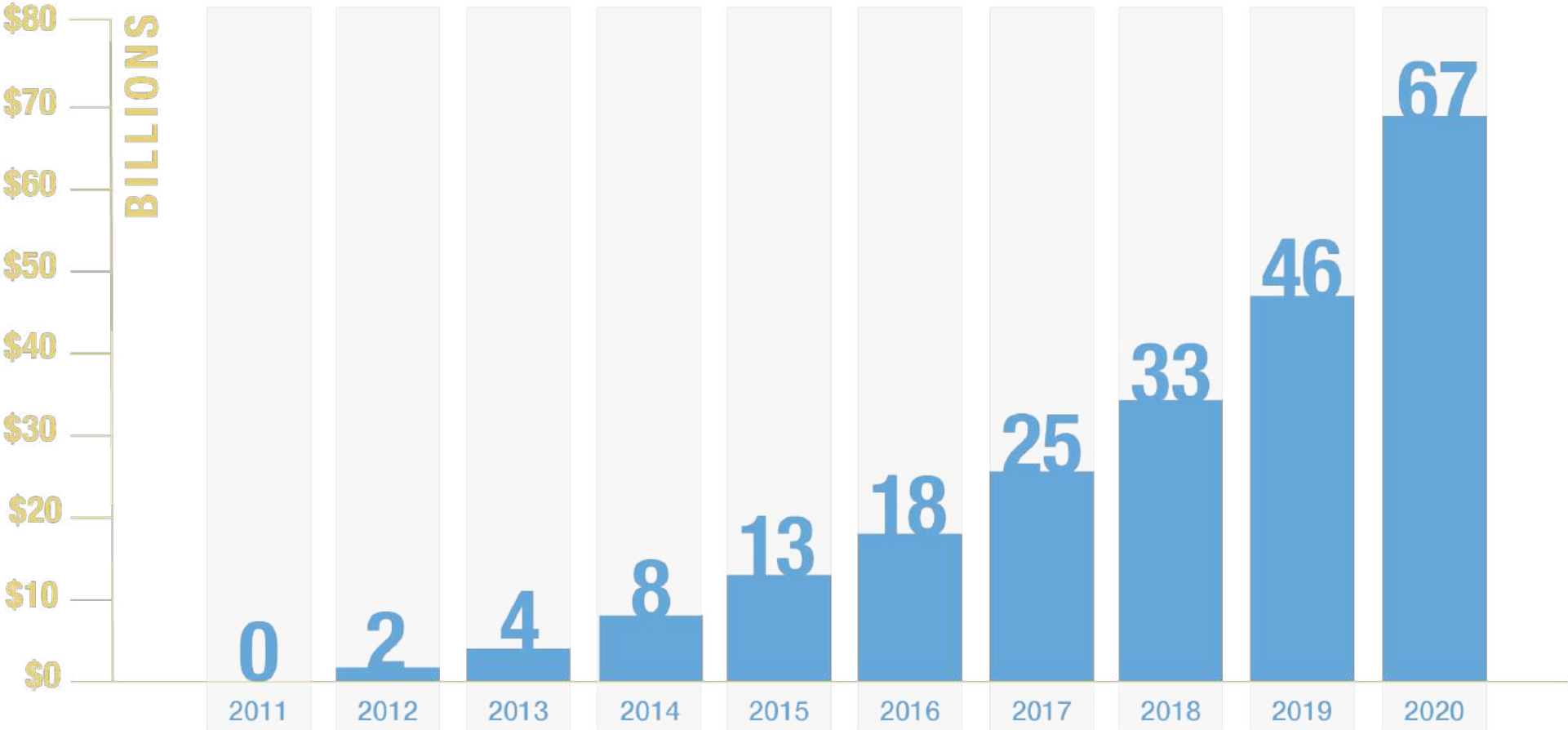
SCALE

200 million; 90% of people in bottom three income quintiles by 2035

CONSUMER VALUE

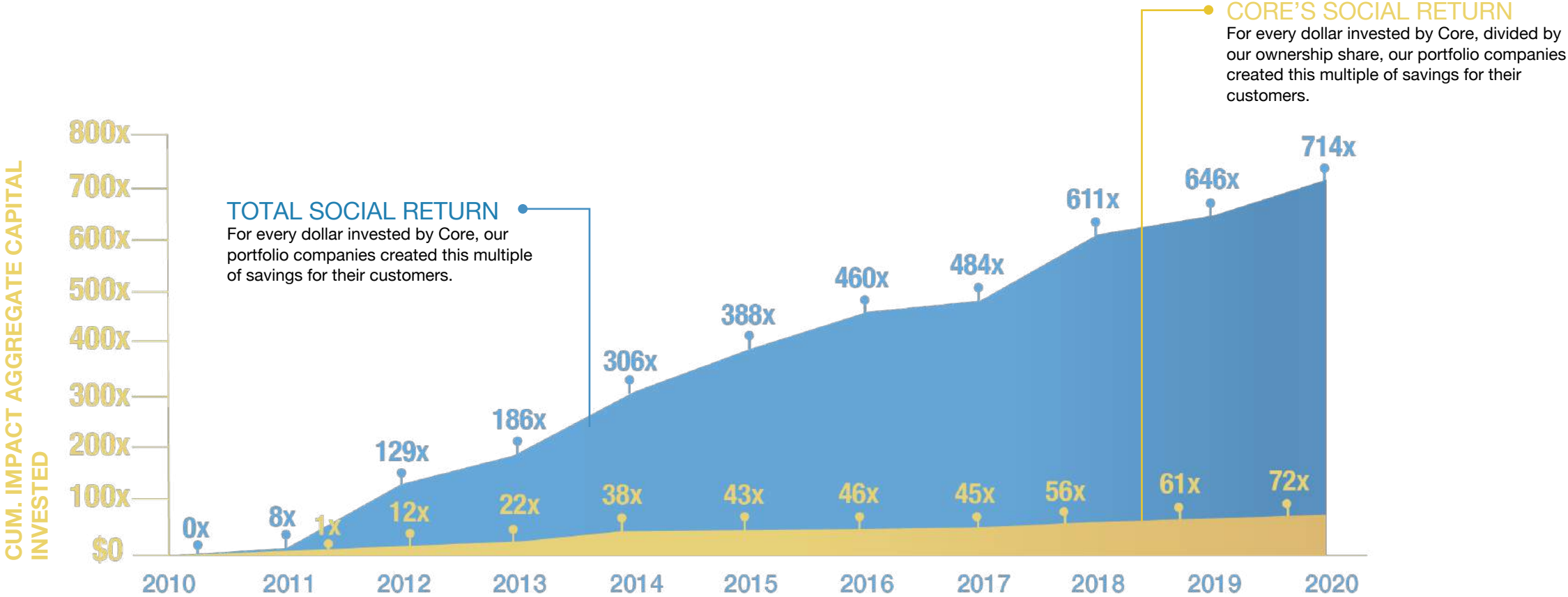
\$1T in aggregate income increases, savings and risk mitigation by 2035

CORE'S COMPANIES HAVE CREATED \$67B IN CUMULATIVE SOCIAL IMPACT SINCE 2010

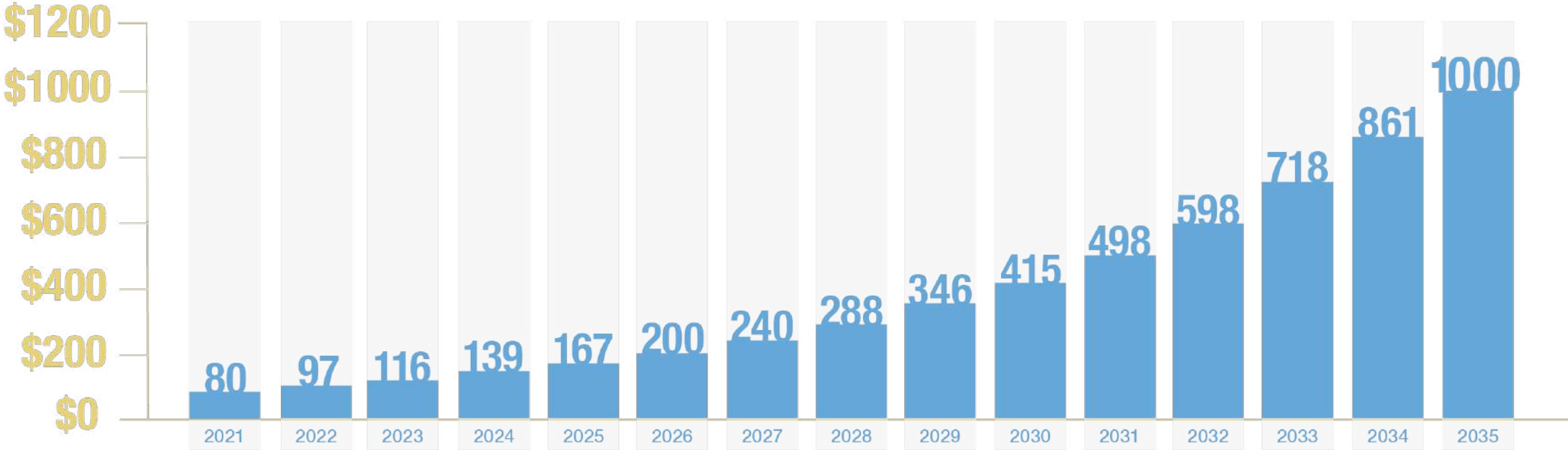


THAT'S \$714 IN CONSUMER VALUE FOR EVERY \$1 INVESTED

Cumulative savings divided by capital invested by Core, total and Core's share



OUR TARGET IS \$1 TRILLION ▶▶ 15X TO GO!





HAD THE HIGHEST IMPACT... BY FAR

Highest overall ranking by far, after strong year of customer growth which drove most of the fund-level impact increase YoY

Core initially led Series A in 2017.

SAVINGS/YEAR

\$13.3B

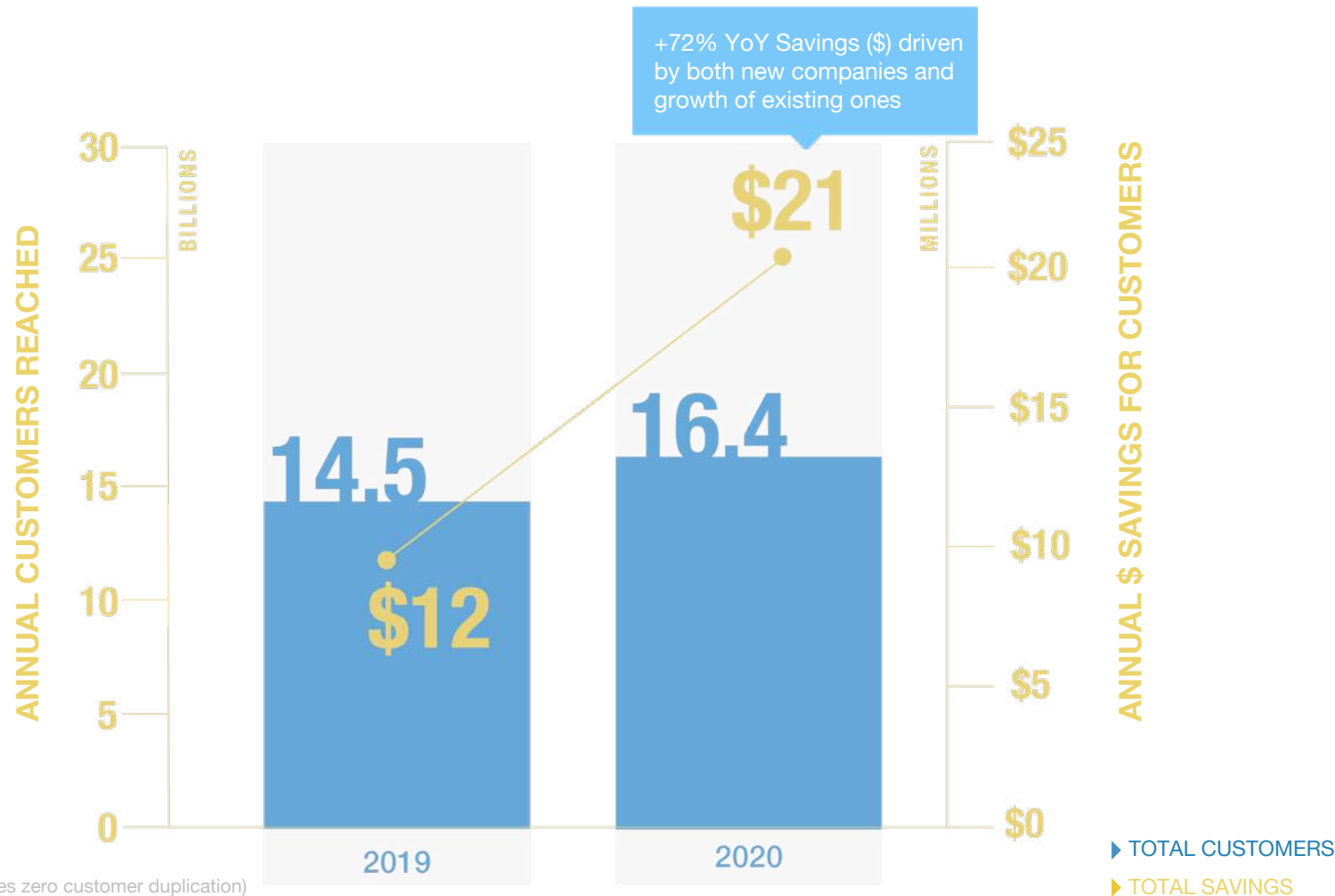
YoY CUSTOMER GROWTH

87%

YoY SAVINGS

142%

IN 2020, CORE COMPANIES SERVED 16 MILLION PEOPLE AND SAVED THEM \$21 BILLION



(Assumes zero customer duplication)



HealthSherpa contributed the most to the increase in year-over-year savings. This came from a doubling in customers served and almost \$8000 in increased subsidies per user over the previous year.



Oportun made a big impact thanks to larger average loans and lower interest and fee revenue relative to its competitors.

PORTFOLIO STATS

58%

of Core portfolio end-users are Low to Moderate Income. 41% increase from last year. **MAYVENN** and **NeuroNav** both have 100% LMI customers.

\$152

22% YoY increase in average savings per customer/month. **Ampla** had the most with \$84,000 per borrower/year.

74%

of consumers are in the bottom 60% (what we call 'everyday Americans').

67

NPS vs 35 industry average. **Seed^{Fi}** had the highest, 90.

JOBS AND DIVERSITY

We only recently started tracking Environmental Social and Governance (ESG) metrics. While this is not Core's focus, we believe in the power of diversity and encourage our companies to employ best practices.

5K+

Full-time jobs provided by our portfolio companies in 2020, a 21% YoY increase.

18%

diverse CEOs
(seven female, two minority).

~50

out of ~100 portfolio board members are diverse.

In 2020, the three largest employers in our portfolio were:

i:  OPORTUN

ii:  nerdwallet

iii:  ripple



FINANCIAL LITERACY DONE RIGHT, FINALLY

NerdWallet saved their users approximately \$55 million in 2020. People find the right answers to almost any personal finance question. NerdWallet created a Movement to Advance Financial Equity, depositing \$2 million in bankable dollars with Self-Help Federal Credit Union to fund personal, mortgage, and commercial loans for its members.

Core initially invested in Series A in 2015.

HOW WE MEASURE IMPACT

We measure impact in three big categories: quality, scale and alignment.



QUALITY (40% of our total score) is meant to measure how much better each product is, versus the competition and for the consumer.



SCALE (also 40% of the total score) is also important. How many people does a company serve (often indirectly), and who? After all, a dollar saved by a millionaire is less valuable than a dollar saved by a bus driver.



ALIGNMENT Finally, we look at how our companies' profitability and commercial success are aligned with their social impact. We measure the correlation between commercial and impact success for the remaining 20% of our score.

QUALITY

Quality measures how much better each company's product is, versus the competition and for the consumer. We mostly look at quality quantitatively: how much cheaper it is than the benchmarks, how much new wealth it creates and how much it protects customers from financial shock. We also look at qualitative factors such as the Financial Health Network's [Compass Principles](#), impact stakeholders and other kinds of value, like impact on the environment, building credit score, etc.



SAVINGS

VS GOAL

MEASURE

Cost savings comparison to target of \$50 per consumer per month.



Has highest savings per user/month at about \$650/month for 2020.

SCORE: 12

MATERIAL NEW WEALTH CREATION

MEASURE

Materiality defined as companies' ability to facilitate **2%** in new wealth creation per user relative to average user income. New wealth creation calculated by comparing companies' product to counterfactual (e.g., absence of product).



74% of Vemo's customers would not have pursued a degree beyond high school without an ISA. Having a BA or associate's degree in the US increases earnings by \$6K annually, a 15% increase relative to high-school-only income.

SCORE: 8.3

RISK MITIGATION



MEASURE

Materiality defined as companies' ability to facilitate **2%** in risk mitigation/stability per user relative to average user income. Risk mitigation/stability calculated by comparing cost of companies' risk mitigation/stability product to probability-weighted counterfactual cost (e.g., comparing home insurance premium to average uninsured expense * probability of loss).



Pando members have an expected annual payout of \$9K for their career based on a 15-year career and their 8.4% chance of making over \$1.6M in their career. This represents increased earnings of 32% relative to players' average income of \$28K.

SCORE: 10

FINANCIAL HEALTH NETWORK'S COMPASS PRINCIPLES



MEASURE

How well do the portfolio companies align with FHN's Compass Principles, relative to their market benchmarks?
Measured by FHN staff.

- **Embrace inclusion** to expand access responsibly to underserved consumers
- **Promote success** by encouraging positive consumer behavior through intelligent design and communication
- **Build trust** by developing mutually beneficial products that deliver clear and consistent value
- **Create opportunity** for more people by providing options for upward mobility

ONE

One is a next-generation, full-service digital bank for the unloved middle market. It scored amongst the highest in FHN's Compass Principles.

Core initially led Series A investment in 2020.

SCORE: 10.5

IMPACT STAKEHOLDERS

MEASURE

- How connected are the portfolio companies with external impact stakeholders (e.g., on board, with clients, with partners)?

OPORTUN

CDFI status; FHN member; Aida Alvarez, board member; CEO on CFPB Consumer Advisory Counsel

NeuroNav

B-corp; numerous government agency and nonprofit partners; developmentally disabled clients

 PadSplit

Atlanta Community Foundation, other charities

SCORE: 6.9

OTHER IMPACT



MEASURE

- How well do the portfolio companies deliver on 'other' (i.e., more indirect/long-term) impact?

SCORE

- Subjective scoring (1-3) by the committee for each company's 'other' impact for each of:

A. SIGNIFICANCE: how transformative this impact could be, from trivial to modest to world changing

B. TRACTION: traction to date on this impact, from trivial to modest to impressive

Then, add the two scores for each company:
(Average Total Score/Possible Score) * 10

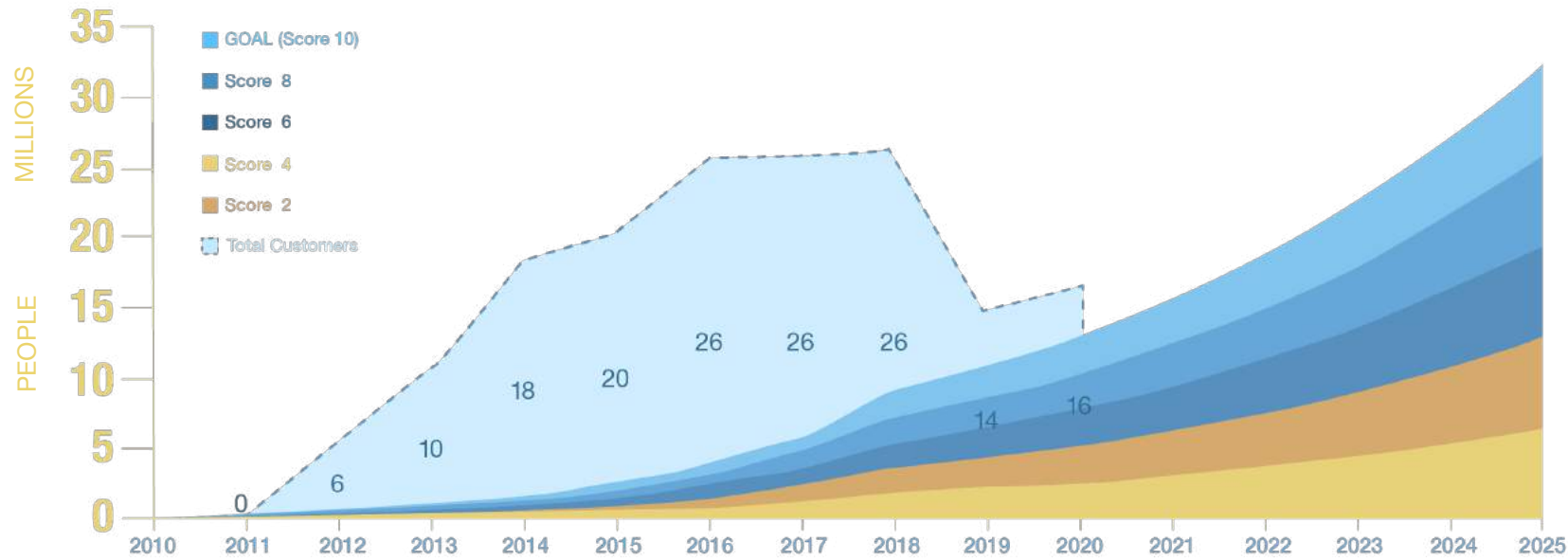
SCORE: 6.5

SCALE

Our objective is not just to reach millions of people, but to oversample the bottom three quintiles of the population by 1.5x, including low- and moderate-income households. We measure how many people each company serves (often indirectly). But we also track as best as possible the income quintiles of our end-users, on the observation that a dollar saved for a millionaire is much less valuable than a dollar saved for a bus driver.



TOTAL PEOPLE REACHED VS. GOAL



Note: Assumes zero customer duplication

 Synapse
 L2C inc

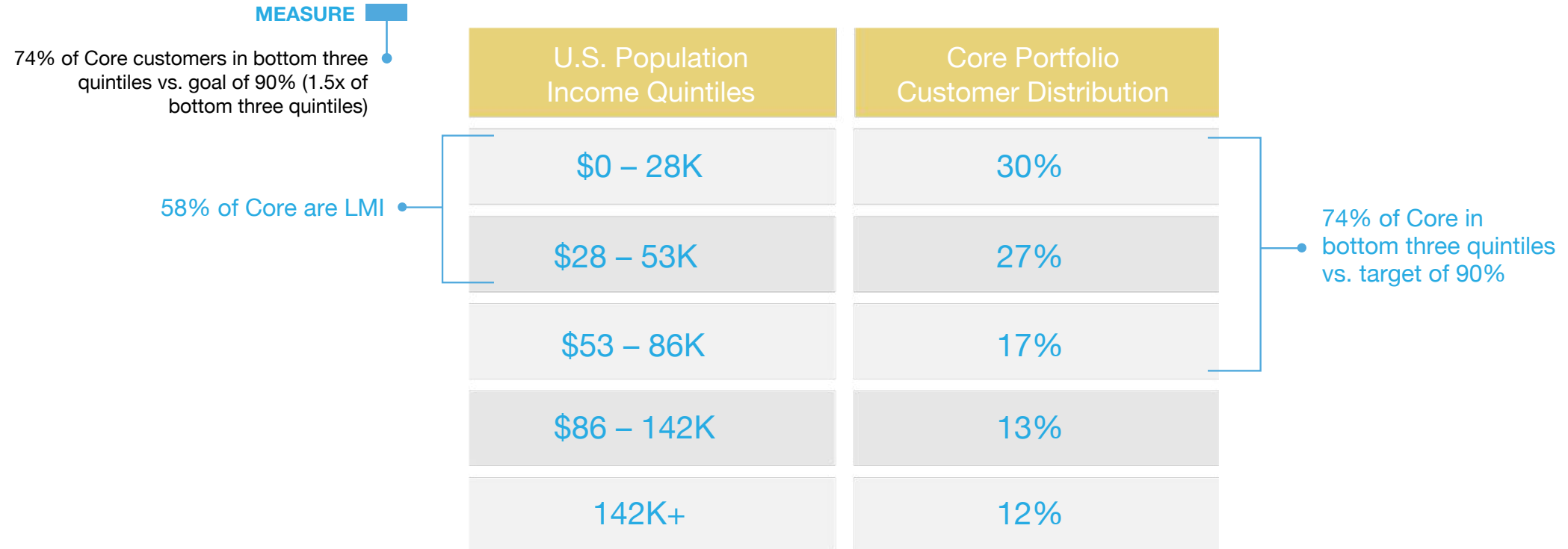
The two companies with the most customers serve 66% of the total in our portfolio, reflecting scale enabled by B2B companies.

 HealthSherpa
 L2C inc
 OPORTUN

The top three companies with the most savings generated 92% of savings in our portfolio, indicating that B2C companies can make a major impact.

SCORE: **12**

INCOME DISTRIBUTION VS. TARGET



Income brackets:
<https://www.census.gov/data/tables/time-series/demo/income-poverty/historical-income-households.html>

SCORE: **8**

ALIGNMENT

We look at how our companies' profitability and commercial success is aligned with their social impact. Core's investment premise is that if we invest in companies that provide lots of value to a mass market of everyday people, it will increase their enterprise value and our investor's returns. We measure the correlation between commercial and impact success when we're able. When we're not, we ask our impact audit committee to judge.

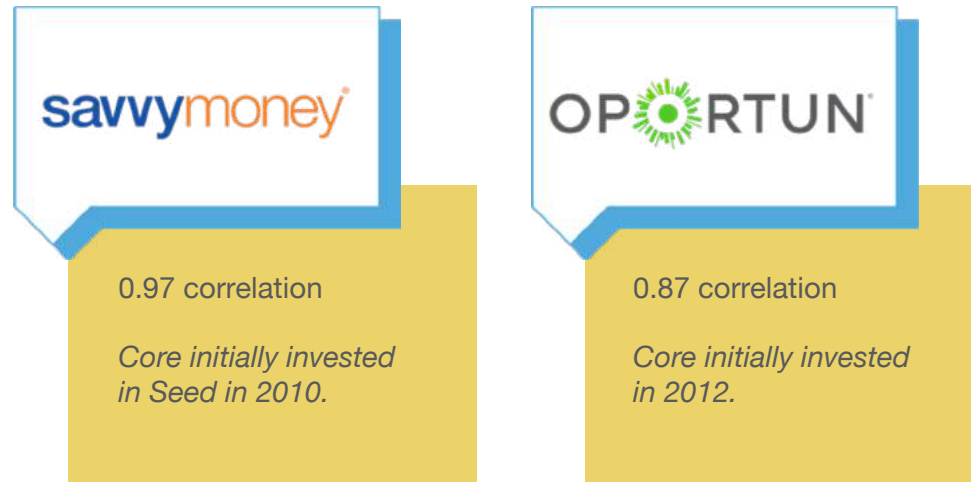


CORRELATION

Correlation measures the relationship between a company's revenues and its 'impact value,' measured as savings/user/year.

MEASURE

- Social Return on Investment (SROI) =
[Ownership Weighted Annual Savings]
/ [Capital Invested by Core]



Note: All metrics are based on current year data. Minimum of three years of data needed to conduct correlation analysis.

SCORE: 7.2

CORRELATION IMPACT THESIS



MEASURE

For newer companies for which sufficient data is not yet available: Has Core presented a useful and reasoned impact thesis for the companies in the portfolio? How likely is it to be achieved?



Near-term application for underbanked through improving access, speed, and cost of remittances.

Core initially invested in Seed in 2013.



Enables lower-cost, democratized financial services by providing easy and compliant “wholesale” or “back-office” banking services to third parties.

Core initially invested in Series A in 2017.



Aims to increase savings for LMI people and create upward mobility for the end consumer. Yotta hopes to create better savings habits and increased financial stability.

Core initially invested in Series A in 2020.



Charges no fees for cash advances because it will generate revenue through selling anonymized transactional data and targeted advertising, in the process helping the 100mm Americans that live paycheck to paycheck.

Core initially invested in Seed in 2020.

SCORE: **7.6**

IMPACT KPI



MEASURE

Does each company in which Core is a director or observer/advisor track an impact KPI?

Company	Examples
SavvyMoney	Credit score improvement
Mayvenn	Stylists' commissions
Mosaic	Electricity bill savings
Health Sherpa	Subsidies enabled
Padsplit	Rent saved, improved credit scores
Pando	Expected earnings
Assured Allies	# of people aging in place per choice vs. being forced into a home
One Finance	Bank fees saved

SCORE: **8.8**



Oportun is a responsible alternative to payday lending that went public in 2019.

Core initially invested in 2012.

SAVINGS/YEAR

\$3.7B

YoY SAVINGS

6%



“

One day my wife's car tore up, so I was like, I don't have any money right now. I'd just had an operation and I'd run out of time off at the job. She found Oportun's name and address, took my paperwork down, and they okayed it. So, I got the money, took my wife's car to the shop, and got it fixed. The loan was easy. The people were friendly. I do feel like a part of the community. Every time I go in to pay my bill every two weeks, the guy, he's like, he knows me! Things are better now. I'm paying my loan off. I'm not behind on my bills. I'm back at work. I'm healed up. And I am thankful for Oportun for giving me the loan when I needed it at that time.”

”

HOW WE MEASURE IMPACT

How is this score used? Just like our economics are tied to the financial success of our investment, we have aligned our economics with our social impact. 100% of our annual bonus is based on this score, and 10% of the partners' carried interest is, as well. Here's how we did in 2020.

SECTION	OVERALL SCORE	MEASURE	WEIGHTING	SCORE
QUALITY	40%	Ai) Cost Savings; Aii) Wealth Creation; Aiii) Risk Mitigation/ Stability (Choose one for each company)	40%	11.6
		B) How well do the portfolio companies align with FHN's Compass Principles, relative to their market benchmarks?	20%	10.5
		C) How connected are the portfolio companies with external impact stakeholders?	20%	6.9
		D) How well do the portfolio companies deliver on 'other' (i.e., more indirect/long-term) value (LTV) to people?	20%	6.5
SCALE	40%	A) How many people do the portfolio companies serve?	50%	12
		B) Are we reaching the lower-income people we care most about?	50%	8
ALIGNMENT	20%	Ai) Revenue/Savings Correlation; Aii) Impact Thesis (Choose one for each company)	50%	7.5
		B) Does each company in which Core is on the board track an impact KPI?	50%	8.8

2020 SCORE:

93.9

CORE INNOVATION CAPITAL

ABOUT CORE

Core Innovation Capital is a mission-driven venture capital franchise forging better financial futures for everyday Americans. Core leverages deep expertise in financial services, technology and regulation to deliver aligned returns for investors, portfolio companies, and their customers. Core's 60+ portfolio companies have served over 25 million people, saving them \$67 billion since its inception. Investments include Ripple, NerdWallet, Mosaic, Bestow, PayJoy and HealthSherpa. Follow Core at [@TheRealCoreVC](https://twitter.com/TheRealCoreVC) and online at www.corevc.com.