



SLINGSHOT MEMPHIS
INVESTOR LETTER
Q2 - 2017

What if you could GIVE as smart as you invest? In the second quarter of 2017, Slingshot Memphis, Inc. has made tremendous strides toward making this possible for our stakeholders. Our mission, to permanently disrupt poverty in our community and break the generational cycle that keep so many of our neighbors from thriving, is becoming a reality.

By applying investment principles to the charitable-giving landscape, we are equipped to carry-out our core mission - monetizing poverty-alleviating outcomes. Overtime, we hope our analyses will help both nonprofits and investors better identify which interventions are the most impactful per dollar of costs. This work, we believe, will put all of us in a better position to invest our limited resources in the most effective manner possible. The gravity of challenges surrounding poverty in our city mandates that we - nonprofits and donors - begin working in unison to double-down on poverty alleviating solutions that generate the highest return.

Update

While our Board of Directors has been working to refine processes that will sustain our venture philanthropy platform for years to come, our staff has been laser-focused on generating benefit-cost ratios on behalf of our first four nonprofit partners. To that end, we have begun creating “dashboards” which show relevant metrics about their performance and value-added. Headline figures like the estimated benefit-cost ratio are joined by return on investment (ROI) and internal rate of return (IRR). By constructing these measures, we are implicitly reframing our partners and the work that they do - from charities to investments.

Recognizing the need to adapt Robin Hood’s model to accommodate local conditions, we have also spent a considerable amount of time designing and building what we call the Universal Algorithm. The genesis for this project came from our early recognition that we needed a streamlined version of the one hundred sixty-three algorithms we adopted from Robin Hood, one that could accommodate any intervention. Among other benefits, we believe this tool will allow us to simplify and therefore scale our work without sacrificing accuracy.

Our Partners

Our data-driven approach to disrupt poverty in Memphis hinges upon our ability to successfully pinpoint nonprofit partners with the evidence or capacity to generate the most effective poverty-alleviating solutions. To date, we have made great progress in this aspect of our mission. For several reasons, our first nonprofits are proving to be invaluable partners.

First and foremost, their poverty-alleviating interventions work. Slingshot continues to unearth quantitative evidence substantiating the impact our first four partners are having on some of our most under-resourced neighbors. Consider Advance Memphis, which focuses on job training and placement. Upon entry in their job-training program, most enrollees report no labor market income. This year, the average wage paid to Advance Memphis graduates is \$10 per hour, which is nearly a living wage. As we are learning, there is much quantifiable evidence that the interventions at Advance are indeed creating stepping-stones out of poverty and into financial security.

Second, our nonprofit partners' willingness to share information and provide feedback is informing our own model and approach. The Purdue Center of Hope stands as an example of a truly generous partner. Their willingness to meet with us, give us data, show us their progress and opportunities for growth, has been instrumental to our work. In this way, they are investing bandwidth to help slingshot us, themselves and many other nonprofits we will be serving in the future. Given their ongoing investment in Slingshot, it comes as no surprise that they have created the gold standard for raising families from homelessness and into stable, productive lives.

Thirdly, we value our first partners because they embody the holistic approach needed to disrupt poverty in Memphis. Our partner, Communities in Schools of Tennessee at Memphis, is just such an organization. Communities in Schools surrounds students with a network of support, empowering them to stay in school and achieve in life. They are a part of the national Communities In Schools network, known as the leading and most effective dropout prevention organization in America. Among other quantifiable benefits, Communities In Schools is highly scalable and operating in a space where there is tremendous need in our city. Their potential reach and impact in Memphis is phenomenal.

Another one of our partners affiliated with a national network, Nurse-Family Partnership, is having a huge impact on the lives of first-time mothers living in poverty and their babies. In addition to their successful track record, we are fortunate to have three decades of their research conducted right here in our community. Such longitudinal and granular third-party research is providing us a standard against which to compare and improve our work.

We've spent countless hours learning from our first four partners and have made much progress in monetizing their outcomes. Although we remain ahead of schedule, we have much work to do. As we expand our portfolio of nonprofit partners in 2018, we will be much informed by what we are learning from our inaugural cohort. We believe that our work at Slingshot, over time, can

help numerous nonprofits increase their overall impact by increasing efficiencies in operations, providing analysis that informs a reallocation of resources, and if appropriate growing the scale of these organizations. This will be due, in large part, to our first four partners.

Next Steps

For the remainder of 2017, we will complete Phase 1: Building The Portfolio. Specifically, we will continue measuring and providing support to help our first four nonprofit partners maximize impact, recruiting investors to join our Impact Fund, and allocating Impact Fund dollars to start generating a portfolio with the best possible return on investment. Among our top priorities for the remainder of the year are:

- Completing and publishing the Universal Algorithm
- Continuing to refine our dashboards, to better monetize impact and inform decisions
- Advancing a research agenda to ensure that our assumptions are thoroughly vetted
- Raising more money for our Impact Fund
- Creating practical and robust tools to simplify and promote meaningful data collection
- Developing and implementing our own internal strategies to take on more partners
- Helping our partner organizations collect more accurate and relevant data

Conclusion

As we continue to develop our methods for monetizing our partners' outcomes, and raise money on their behalf, we want to encourage all Memphians to consider donating to our Impact Fund. We recognize that our community has many needs, and that there are so many other nonprofits in our area that are doing amazing work. So, should you invest your charitable contributions exclusively in Slingshot? **Of course not.** Should you keep directly supporting nonprofits that are fighting poverty in our city, including nonprofits in our portfolio? **Absolutely.** But here are some reasons you might also consider investing in our Impact Fund.

- 1) Slingshot has the potential to become the most effective way to positively impact giving and receiving behaviors in Memphis, via more informed donors, increased transparency, and the power of analytics.
- 2) Based on the Robin Hood Foundation's work, Slingshot is positioned to attract dollars from outside our community that would not be invested in our city otherwise.
- 3) Aside from helping our partners secure additional streams of revenue, we help them maximize impact via the analytical tools we are creating. This is the core of our work.
- 4) It is proven that solving problems in community by aggregating dollars is very effective and provides high levels of donor satisfaction.
- 5) Because the needle of poverty is hardly moving, and that needs to change.

Ultimately, while our team at Slingshot Memphis is enamored with data and algorithms, we want to use those skills to make our community a better place to live. Our goal as givers should not be merely to make a change in our city, but to make the most effective change possible. It is not enough to be smart when we invest - we must also be smart when we give.

Investors, Board of Directors, and Staff

We are proud to name the people and organizations whose support is making our work possible. We are deeply grateful for their involvement in Slingshot Memphis, and we look forward to growing this list of names.

Founding Seed Funders - The following persons, alongside our Board of Directors, are committed to covering all operating and fundraising costs. Their investment guarantees that every cent of every dollar invested into Slingshot's IMPACT FUND will directly impact our city's highest-performing poverty alleviating programs.

Katherine & John Dobbs

Tommie & Billy Dunavant

Linda & Frank Smith

Impact Funders - Knowing that our nonprofit partners require additional, ongoing streams of revenue to maximize poverty alleviating outcomes, the following investors have joined our mission. This fund allows us to aggregate community dollars, mobilizing every level of donor, from 1 dollar to \$10 million.

Sarah & Howard Benz

Miller & Hunter Cowan

Liz & Ross Glotzbach

Peggy & Pat James

Ellen & William C. Losch III

Lynn Ryan

Kyle Slatery

Carey & Brad Snider

Kelly & Blake Bourland

Angie & Will Deupree

Jimmy Gould

Rubye & James Knight

Brandon & Joe Morrison

Melanie & Doug Schrank

Karen Smith

Anne & John Stokes

Boyle Investment Corporation

Mary Lou & Robert Fenton

J.R. Hyde III Family Foundation

Stinson Liles

Lauren & Andrew Patterson

Claudia & John Sims

Susan & Chuck Smith

Elizabeth & Josh Trapp

Board of Directors

Harriet McFadden, Board Chair

Gretchen McLennon, Board Secretary

Will Thompson, Board Treasurer

Roshun Austin

Thomas Latkovic

Staff

Justin Miller, Chief Executive Officer

Yoan Anguilet, Chief Data and Strategy Officer

Doug Campbell, Chief Knowledge Officer

"Tommie joins me in being totally excited about the impact Slingshot can and will have on Memphis. We are behind this endeavor 150%." Billy Dunavant, Community Leader & Seed Funder

"Slingshot is working quickly and very aggressively to match the sense of urgency I work with when I see my students failing, illiterate in third grade, due to outside factors and a lack of support for their families' struggles. My kids families need support that is caught up in bureaucracy, so thank God Slingshot is changing the game and working so efficiently to get them help and get it now." Lynn Ryan, Teacher & Impact Funder

"We are amazed not just with Slingshot's expertise, but the passion behind it all. These guys truly are brilliant in what they do, but it's their commitment and dedication to making our city better that continues to bless us in our partnership. We truly know that we as The Salvation Army are better because of their work, and so is Memphis!" Captain Zach Bell, Memphis Area Commander, Salvation Army of Memphis

"It has been a pleasure working with the Slingshot team! Their expertise, in addition to the time they took to really grasp our mission and the context we serve, has been priceless to me as the database manager. It makes our work more valuable to our staff as we see how our efforts impact the neighbors we serve - and as a result helps us to serve our neighbors better. I am grateful for this partnership and look forward to seeing where this road leads." Ann Brainerd, Accounting and Database Coordinator, Advance Memphis

"In order for us to be successful in our efforts, we must align our work with key community wide initiatives designed to help change the trajectory for students in our schools. Through their intentional focus on data-driven outcomes, Slingshot has helped to increase awareness of our local efforts and the need to strengthen community level engagement in school turnaround efforts." Sonji Branch, Executive Director, Communities in Schools of Tennessee at Memphis

"Slingshot Memphis is working very hard and diligently to align strategies that will benefit and make the most impact on our vulnerable population in the community" Sandra Madubonwu, Director, Maternal-Child, Nurse-Family Partnership

"Slingshot equals VALUE! The Slingshot staff is validating the hard work of Advance's staff, participants (South Memphis neighbors), and volunteers through their quantitative analysis and a genuine care and concern for us and the people we serve. It is extremely important to Advance that we have a reciprocal listening and learning relationship with Slingshot and we do! Grateful! Thanks Slingshot!" Steve Nash, Executive Director of Advance Memphis

"There is so much work to do in the fight against poverty and precious few resources for this work. I've come to believe we have a moral obligation in putting our limited personal capital into programs that are proven to generate the most return in alleviating poverty - treating these investments like other financial investments. I am thrilled to join Slingshot - and my hometown of Memphis - in this approach to disrupt the way we give, and to disrupt poverty itself." Paul Tudor Jones