

IP Faith-based Investing Show 4

What is the primary trend and what makes for a successful company in the faith-driven space?

This is Investor Perspectives. I'm the host of Investor Connect, Hall T. Martin, where we connect startups and investors for funding.

In our new Investor Perspectives series entitled "Faith-Based Investing in a Post-COVID World", you'll hear about primary trends and what makes for a successful faith-based company.

As the COVID pandemic passes, we emerge into a new era. The faith-based investing space is now undergoing tremendous change as we shift to a post-COVID world. Faith-based investing takes precedence with many investors in the financial industry. We have investors and startup founders describe the changes coming up.

Our guests are:

1. [David Simms, Managing Partner and Founder, Talanton \[01:18\]](#)
2. [Andrew Stoner, Chief Investment Officer, Paradiem LLC \[03:28\]](#)
3. [Wes Lyons, General Partner, Eagle Venture Fund \[05:57\]](#)
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We hope you enjoy the show.

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[01:18] Our next guest is David Simms, Managing Partner and Founder at Talanton. Talanton is an impact investing organization that invests in values-driven, growth-stage enterprises in Kenya, Rwanda, and Uganda. They seek to partner with businesses that have \$500K to \$5M in revenue in sectors that provide jobs for those living in poverty. David, thank you for joining us.

Hall Martin: And so, what is the primary trend in faith driven investing today?

David Simms: Well, I'd say, that in days gone by, people thought that they could only invest to make a return, and they had to use charitable capital to have impact in the world. That's a very, very outdated model, and that certainly the younger generations now understand that there are ways that they want to deploy their resources to do things like tackle poverty, combat human trafficking, fight the refugee flight, or see girls have good opportunities for education and jobs. All of those things are possible, all of those things are actually exemplified by companies in our existing portfolio, and that trend is just playing out across many, many different sectors of the faith driven investing world today.

Hall Martin: And what makes for a successful company in the faith driven space?

David Simms: Well, if I answer from a Talanton perspective, we want to see a management team that is focused on something bigger themselves. They see a need in the marketplace, just like every business, but they want to create jobs or make life better for their employees, for their customers, or, for their suppliers. A company like Masaka, in our portfolio, it's a Rwandan company, where over half of their 40 some staff members are deaf, but everybody in the company speaks sign language. A third of all those children in Rwanda are physically and mentally stunted by a protein deficiency, but Masaka makes yogurt which is sold for school lunches. So somebody that's investing through us in a company like that one is having a huge impact on the lives of thousands of people in Rwanda.

[03:28] Our next guest is Andrew Stoner, Chief Investment Officer at Paradiem LLC. Paradiem redefines success for purpose-driven families and business owners by challenging social norms and balancing family and finance to build Kingdom impact and generational prosperity. Andrew, thank you for joining us.

Hall Martin: So what is the primary trend in faith driven investing in today's market?

Andrew Stoner: Yeah, when we first got exposed to faith driven investing, we noticed that there was a lot of focus on what we call negative screening, which is this idea of screening out

companies that violate certain faith driven values. And so, because of that, faith driven investing was primarily known for what it was against rather than what it was for. But recently, there's been a huge movement, and an intense focus on owning companies that are promoting excellence and making a positive impact in the world, and so, now the conversation is more focused on what we're for, instead of what we're just against. And so, I really love that, because there's certainly a place for both of those things.

Hall Martin: Great. So what makes for a successful company in the faith driven space?

Andrew Stoner: Yeah, at Paradiem, we actually have a five-criteria process of evaluating a company for its excellence. It's a nice little alliteration, it's innovation, impact, ideals, inspiration and infrastructure, and those five areas are pretty simple when you break them down. The first one, innovation – is this company really producing innovative products and services that are meeting the consumer needs, and looking forward, always having that mentality of, if it's not broken, break it, that kind of mentality. And the second one, impact – are they really making a positive impact in their employees' lives, right, because that makes a big impact with how the company functions and how consumers are being impacted as well, right, their experience with the company, are they making a positive impact in the environment and things like that, that all the stakeholders involved with the company as well. Positive ideals, that's the third one, right – are they promoting faith driven ideals. Inspiration is, are they driven by something bigger than just the bottom line, or is this a company that's willing to cut corners to make short term investment decisions and things like that, like, are these companies that are really driven by something greater than just the bottom line? And then infrastructure, is this company, does it have really good financial _____ is it set up to be able to operate in an ever changing economic and political environment.

[05:57] Our next guest is Wes Lyons, General Partner at Eagle Venture Fund. Eagle Venture Fund invests in world-changing entrepreneurs who are tackling tough problems like modern-day slavery, combatting malaria, and building technologies that help people and many other companies. Wes, thank you for joining us.

Hall Martin: So what is the primary trend in faith driven investment today?

Wes Lyons: The primary trend is 20 years ago, you had – I also bring background, my CFP background and building portfolios. So I look also at the public markets, and 20 years ago, you had basically, Timothy funds, and they were just doing negative screening. And since then you've added GuideStone and Inspire, and then Eventide, and what you're seeing is, over the years, it really was biblically responsible investing was what it was called, and it was primarily known as negative betting. It was, take a portfolio and cut things out that that are “sin stocks” but which has some redemptive purpose, but we're seeing a growth to say, yes, that's a really useful tool to avoid things that you disagree with, where we're seeing a really strong growth into, but advocating with company to see the change you want to see in the world, and also really embracing redemptive ideas. So you see one of the best examples of that in the public markets is Eventide, and then you're seeing more of the Sovereign's Capitals and Eagle Capitals

and Talenton, where more and more seeking out truly companies and portfolios that really express the values of faith driven investors, more than yesterday or 10 years ago might have just been kind of cut out things that you disagree with. That is amazing tool that is really used effectively. We're just kind of adding tools to the tool belt, and there's a lot of passion around something like combating modern day slavery, people tend to get really fired up about, where there's some passion for getting things out of the portfolio that you disagree with, and I do feel that passion, there's all, it kind of multiplies when you start bringing in the positive as well.

Hall Martin: Great. So what makes for a successful company in the faith driven space?

Wes Lyons: A successful company, really amazing companies have amazing _____ in both impact and profit. We like to talk about at Eagle that profit is like breathing, it's necessary for survival; and the harder you breathe, the harder you run, the harder you breathe, but it is a terrible reason to live. So really amazing companies are making a huge difference in their sector, and they're growing fast and producing fruit, and fruit is profit, fruit is impact, fruit is impacting the lives of the people, the process, and the product of what they're doing. So we really look at every, at the way people touch the culture internally of their business. We really look at the product that they produce, and then the impact that they have on the world while they're going to produce that profit. So the Holy Grail companies are building deeply redemptive products, like one company in our portfolio that we kind of think of as quintessentially redemptive is they're building healthcare products that are saving people's lives. They're doing – they've built a distribution platform. So they're creating jobs, and an incredible culture in the internal process, and then – so they're creating jobs, they're saving lives, and so they're touching the outside world in a really incredibly positive way. They're touching their internal culture and their product is deeply redemptive.

[09:15] Our next guest is Michael Arrieta, Founder and CEO at Garden City Companies. Garden City Companies is a purpose-driven, evergreen holding company that acquires and permanently holds family-owned service companies with \$2-10M EBITDA. Michael, thank you for joining us.

Hall Martin: And what is the primary trend in faith driven investment today?

Michael Arrieta: So in terms of trends, there's been a couple of things that have been happening. One is that there's a lot more funds being raised, so committed funds in regards to a lower middle market, that's what we focus on, right, buying small to mid-sized companies, right, as I mentioned, that are highly profitable, they've been around for many years now. So there's other investors who are driven by their faith launching similar funds. One of my investors' name is Henry Kaestner, and he runs a company called Sovereign Capital. Another friend of mine, Brent Beshore, he runs a company called Permanent Equity. Right? So other friends of mine, they run certain accelerators and incubation labs, right, like Praxis, or other venture firms like Eagle Fund. Right? And so, there's a lot of different trends happening both in the venture space,

but where I see it the most, is this microcap lower middle market, small business acquisition space.

Hall Martin: Great. So what makes for a successful company in the faith driven space?

Michael Arrieta: But we look for companies that have a good culture. We look for companies that have good leaders. We look for companies that are highly profitable, and had at least double digit margins. Right? So they could ride it through difficult times. And we're okay with cyclical companies that are exposed to the cyclicity of our economy, because we buy and hold forever, and we also use little to no debt. Right? So we don't care about cyclicity. But in terms of what makes a good company to the faith driven space, it's really the same thing as any other space, as any other investor, except for the one thing I will add is that we really have a lens of saying, kind of, can we partner with these people to build in an environment where people could thrive, prosper and flourish, or, is this environment in one of which the management team is not for that, they do not want to partner with us in that, which we haven't often seen.

[11:40] Our next guest is Josh Wilson, Principal Broker and Owner at Kingdom Syndicate. Kingdom Syndicate focuses on syndicating private investment deals putting people and deals together. Active investors are made up of family offices, private equity groups, special purpose acquisition companies etc., and their partners are made up of service providers and organizations that look to them to establish and expand on strategic business relationships. Josh, thank you for joining us.

Hall Martin: And so, what do you see is the primary trend and faith driven investing today?

Josh Wilson: Man, I think a trend is in social media, right? In social media and in publication and in press, right, where a big tech company could just go, hey, we don't want to release what you said about your views on the Bible or on abortion or on religion or prayer in school, or whatever the case may be. So there's censorship happening, or you might get kicked off a platform or something. So I see a lot, and we're getting a lot of deal flow, and a lot of opportunities in front of us for platforms, where people can have uncensored press or uncensored speech. So I'm seeing a lot of that happening right now, especially through our podcast shows, a lot of people are reaching out saying, hey, I have this message, but I keep getting shut down off these platforms. So I think that's a trend that you're going to see more and more is uncensored platforms.

Hall Martin: Cool. And so, what makes for a successful company in the faith driven space?

Josh Wilson: If you just said what does it look like, what does a successful investment look like, right, money in, money back, right? Cash on cash return, IRR, all those acronyms. Faith base is, you know, we have a different measuring stick sometimes. What about impact? What about like, if we're investing in a business and it's ending childhood sex slavery, right? I might not get all this money back, but man, look at how many, if I put money in, and all these kids are being

saved, was that a good return? Heck yeah. Right? So what does success look like in that space? I think it depends what your measuring stick is, like, what metrics are you measuring. And if it's dollar-dollar, that's fine, that's great. But sometimes, you got to – and I think that this is the cool thing about investing, you get to choose what you measure, you get to choose what success looks like.

[13:58] Our final guest is Bill Wichterman. Bill is co-founder of Wedgwood Circle, an angel investment network driving investment into arts and entertainment that seeks to renew culture. He is President of Faith & Law, a ministry to congressional staff seeking to integrate their faith with their calling to the public square, and he is Chairman of the Board of the political arm of the March for Life. Bill, thank you for joining us.

Hall Martin: So what you see is the primary trend in faith driven investing today?

Bill Wichterman: Well, I think the trend, it's interesting, because for a while, in the faith driven investing space, it was all about what was happening out of family offices or foundations, and people were thinking about how they use their philanthropic capital for impact investing. And I think now, the next step is, how about all of your capital, why do we need to confine it just to what you're doing out of your foundation or your donor advised fund, but why not think about it for your entire portfolio. So my wife and I, the last two years, have been just going through every part of our portfolio, let's say, where can we move this, both with a negative screen to make sure that we're not investing in things we don't believe in, but also a positive screen to think about things, what we would call a redemptive edge – so some way that it actually better the world, because of the existence of whatever business we're investing in.

Hall Martin: Great. And so, what makes for a successful company in the faith driven space?

Bill Wichterman: So being successful is a big part of the metric for that, but also, you're going to think about what impact it's having on the culture and the society. I mean, look, I look at this as there'll be certain of our investments where I'll just be thrilled to get our capital back. That will be a success for me, but knowing that along the way we're providing skills and job training and middle class income for a lot of these folks that has multiplying effects across the culture. So obviously, we want to think about the social impact that it has, introducing western style contracts and negotiations, and a mindset about time and work that I think are really important. So I actually, when I think about poverty alleviation, and really what I like talking about is poverty prevention in the developing world, I think business has an outsized role to play in a way that nonprofits simply can't. And so, it's one thing to proselytize, evangelize, and extend your faith – that doesn't necessarily change some of the underlying cultural problems in the way that business has that opportunity to do.

Thank you for joining us today.

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