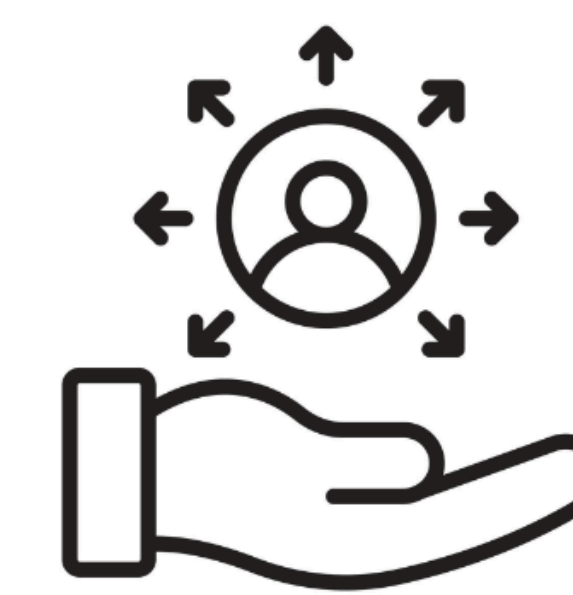
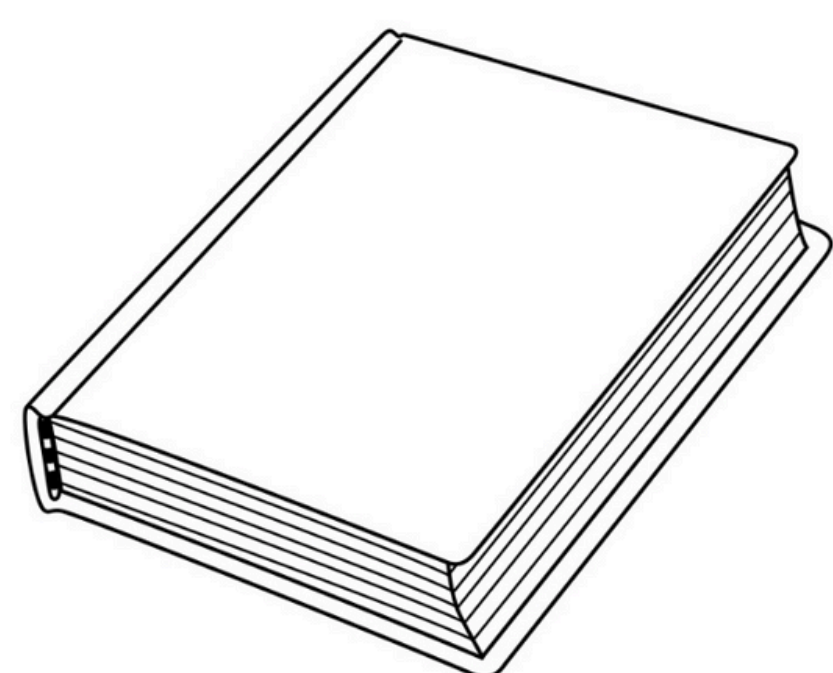


Acknowledgements	Abstract	What is Place-Based Investment?
<p>I would like to express my deepest gratitude to the Laidlaw Scholars Foundation for their generous support and belief in the importance of this research. My heartfelt thanks go to my research advisor, Caue Dobbin, whose guidance, especially through the Poverty and Inequality class, has been a profound source of inspiration and has steered me toward the study of economic mobility. I am also deeply grateful to the Georgetown University Laidlaw Scholars Program and the Georgetown Center for Research and Fellowships for providing the resources, platform, and community that have enabled me to pursue this study with rigor and passion. This project would not have been possible without the collective support and encouragement from these remarkable institutions and individuals.</p>	<p>This project explores the potential of place-based investment strategies to deliver competitive risk-adjusted returns while promoting economic mobility in underserved communities. Drawing on existing literature, the research highlights the increasing integration of Environmental, Social, and Governance (ESG) factors into investment decision-making processes and the growing emphasis on impact investing as a tool for advancing social and environmental outcomes. Through a detailed case study, this research examines how geographic and socio-economic factors influence the cost and availability of capital, highlighting the importance of considering people and place in investment decisions. In addition to secondary research, I drew upon firsthand experience from my time working at Lafayette Square, where I was actively involved in the firm's investment strategies. By analyzing the intersection of place-based strategies, ESG integration, and economic mobility, I aim to contribute to the ongoing discourse in the field of impact investing, offering practical insights into the potential for aligning financial returns with meaningful social outcomes.</p>	<ul style="list-style-type: none"> • Definition: Place-based investment is an investment strategy focused on deploying capital in specific geographic areas to achieve both financial returns and meaningful social impact. Unlike traditional investment models that prioritize profit alone, place-based strategies consider the needs of local communities, often addressing economic inequalities in underserved regions. • Key Features: • Focuses on the economic and social health of particular locations. • Aligns with Environmental, Social, and Governance (ESG) principles, ensuring investments consider social equity and environmental sustainability. • Invests in local businesses and infrastructure, creating a ripple effect that stimulates job creation and boosts regional development.



Literature Review Overview	Case Study: Lafayette Square	Challenges and Opportunities
<p>ESG Integration and Impact Investing: The literature emphasizes the increasing integration of Environmental, Social, and Governance (ESG) factors into investment strategies. More general and limited partners are embedding ESG into their due diligence processes, seeing it as a necessary step for aligning investment with social and environmental outcomes.</p> <p>Place-Based Investment Strategies: Place-based investing targets specific regions to drive both financial returns and local economic development. Research shows that investors with local ties tend to have better risk assessments and deeper community connections, allowing them to generate more impactful results. This strategy addresses the challenges of traditional impact investing by focusing on measurable community outcomes.</p> <p>Challenges in Measuring Impact: A key theme in the literature is the difficulty of consistently measuring the social impact of investments. Although there are frameworks like IRIS, the lack of standardized metrics complicates comparisons between different investments, regions, and approaches. This is a major barrier for institutional investors looking to allocate capital toward place-based strategies.</p> <p>Gaps in the Research: The current literature highlights two significant gaps:</p> <ul style="list-style-type: none"> ◦ The lack of empirical evidence on whether place-based and ESG-focused investments yield competitive risk-adjusted returns compared to traditional investments. ◦ The need for more long-term studies that track financial and social outcomes to provide conclusive data on the effectiveness of these strategies. 	<p>Overview: Lafayette Square is a prime example of place-based investment in action. The firm deploys capital to middle-market businesses located in low-to-moderate-income (LMI) communities and Opportunity Zones, areas typically underserved by traditional financial institutions.</p> <p>Key Results:</p> <ul style="list-style-type: none"> • Lafayette Square has created over 17,000 jobs as of Q2 2024, with 7,000 jobs directly benefiting individuals from LMI communities. By 2030, the company aims to create or retain 150,000 jobs, with at least 100,000 of those targeting LMI regions. • The firm's investments also aim to promote economic mobility, reducing poverty and creating sustainable growth in regions often overlooked by larger financial players. • Investment Thesis: • Lafayette Square focuses on first lien senior secured loans to businesses in essential sectors like business services, healthcare, and transportation. • The firm's place-based approach takes advantage of market inefficiencies, offering capital at competitive rates in regions that are often considered too risky by other investors. This approach has led to strong net returns, targeting 11-14%, while also contributing to social good. 	<p>Challenges:</p> <ul style="list-style-type: none"> • Impact Measurement: One of the primary challenges in place-based investing is the lack of consistent and standardized metrics to measure both financial returns and social impact. This makes it difficult for investors to evaluate long-term performance and overall effectiveness. • Limited Research on Risk-Adjusted Returns: There is a gap in the literature on whether place-based investments yield competitive risk-adjusted returns. Many of these strategies are still new, and long-term data is scarce. <p>Opportunities:</p> <ul style="list-style-type: none"> • Growing Popularity: As more institutional investors begin to integrate ESG factors into their investment decisions, place-based investing is gaining traction. Investors see the potential to align financial objectives with social impact, creating a win-win for communities and shareholders alike. • Scalability: As place-based strategies prove successful in generating both financial and social returns, there is significant potential for scaling these efforts. New technologies, such as Lafayette Square's proprietary platform Potomac, help identify and target overlooked opportunities in underserved regions.