Private Bank

# Impact investing

BARCLAYS

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## Overview

- Investing for both financial returns and societal impact is becoming increasingly popular and possible
- Investors are using this approach to protect and grow their assets as much as to avoid or address societal issues with their wealth

## A new perspective

Historically, we may have been unaware or agnostic about the impact our investments generate. Impact investing reframes our thinking to make it an important, additional consideration in our investment process. Investors incorporating impact are seeing how to invest through a novel, and useful, perspective. On one hand, considering impact can help spot investments that carry less obvious risks – as we've seen in scandals that have hit a range of sectors in the last few years from energy to textiles to auto manufacturers. On the other, such approaches can uncover investment opportunities that address social or environmental challenges – for example, serving the needs of aging populations in the developing world, or providing adaptation and mitigation solutions for climate change.

## Proliferating options

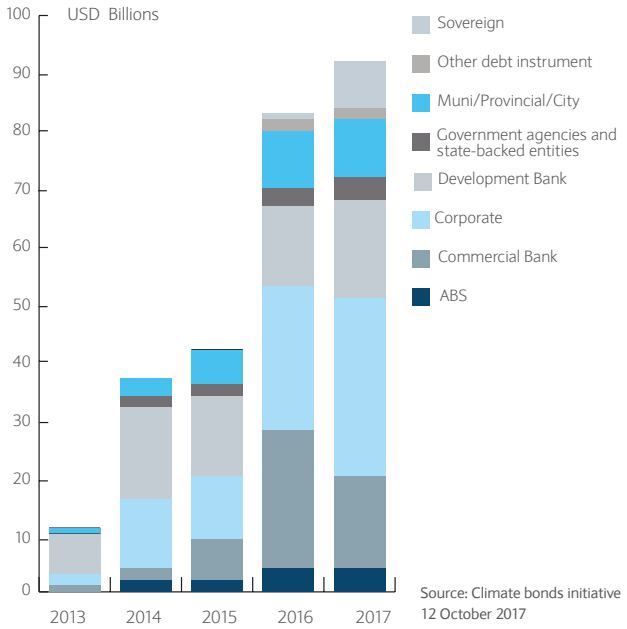
Across asset classes and sectors, investors have a variety of options to invest with impact. For example, green bonds are credits issued generally by supranationals and large corporations to fund projects that have positive environmental and/or climate benefits (Figure 1). Private equity and debt funds are deploying longer-term capital for business models providing impact solutions in sectors like education, healthcare, sustainable cities, or agriculture. Even in traditional listed equities, including impact considerations will help reveal whether companies are effectively priced. Is the company in question managing risks due to climate change, or labour rights in their supply chain? Are they generating revenue through products and services that address trends such as the circular economy or healthy living and well-being?

## Core not satellite…

A growing number of investors are making impact investing their primary approach when taking investment decisions. In the 2017 edition of the Financial Times Investing for Global Impact Report, a Barclays sponsored publication, 45% of the family offices active in impact investing reported using it as the "core portion of our investment portfolio" rather than simply a satellite investment or portfolio.

In the end, part of the concept of impact investing emerged from a recognition that global imbalances and environmental degradation need to be addressed. Capital markets have a role to play in either perpetuating or resolving some of these urgent challenges. However, happily it is no longer just about trying to "do good." Now proliferating investment options offer new possibilities to more effectively deploy capital for potential of both financial returns and positive outcomes.

**Figure 1: Growth of green bonds**




Source: Climate bonds initiative 12 October 2017

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