Executive Summary

Impact investing assets are growing at a rapid pace, as investors are beginning to realize the compelling opportunities available, and to discover that investing to generate an impact doesn’t mean giving up return. We believe that investors can use their investment dollars to make a positive impact on the world while enhancing the performance and diversification characteristics of their portfolios. While impact investing will look different for different investors depending on their objectives, we approach the process for all investors by seeking market or better returns while also creating lasting positive change.

Why impact investing?

We are forward-looking investors, and looking at how emerging global trends may affect economic development, we see several key shifts that make an important case for why investors should consider impact investing:

Demographics and population growth: The global population is exploding, the middle class of developing countries is expanding, and the population of developed nations is aging. These trends mean: increasing consumption needs, growing healthcare needs, and a need to improve our distribution infrastructure. Investing in “what the world needs” will drive our global economy.

Millennial wealth transfer: Over the next 30 years, $30 trillion in assets will shift to the next generation. Millennial investors look at investing differently; they want to align their portfolios with their values. Capital will flow to those businesses that are generating solutions, that are building sustainable practices, and that are creating jobs.

Business case for sustainability: Research shows that companies that structure themselves with balanced and sustainable governance practices have an ever-greater edge over those that do not. With consumer awareness rising, sustainability is becoming essential to long-term success for businesses.

Private capital needed: We are faced with a range of unintended consequences of an economic system based on perpetual growth. Philanthropy alone is not adequate to cope with environmental damage and global survival needs. Private capital is needed to fund innovative solutions to our global problems.
How can investors invest for impact?

Impact can be achieved through a variety of investment channels ranging across a broad spectrum of investment methods and opportunities. We divide the overall impact investment opportunity into four main categories:

**Divestiture:** Divestiture, or divestment, has a long history of use; this is when a fund or portfolio eliminates investments in particular industries such as tobacco or oil companies. Divestiture isn’t geared toward making a positive impact, but toward minimizing negative impact.

**Investing for social impact:** This category includes CSR (corporate social responsibility) and ESG (environmental, social, governance) investments; investors are becoming more familiar with these terms and concepts, and the market is developing widely used ratings scales to assess opportunities based on impact criteria.

**Thematic investing:** Thematic investing looks strategically at future trends to identify areas and themes of potential growth and impact, and then focuses investment efforts in those areas. A thematic approach allows investors to actively participate in impact-oriented opportunities.

**Mission-based investing:** Mission-based investing focuses on specific issues, often with a local or regional focus. Mission-based investing might address problems like affordable housing, education, gender equality, or job creation, for example.
We believe there are currently several themes that present significant opportunities for impact investors, as they offer tremendous potential growth and are ripe for innovation:

**Water**: A growing population will require access to clean water to sustain life, yet we are facing increasing scarcity. Technologies for improving efficiencies in water treatment, distribution, and sourcing offer opportunities for investors.

**Food/agriculture**: Agriculture will need to improve in efficiency and output to sustain the population. Investors are offered potential in agricultural technologies, farmland, and food distribution.

**Renewable energy/technology**: It’s essential that we explore alternative types of energy, ways to increase energy efficiency, and technologies for renewable energy. There is remarkable work and innovation being done in these areas.

**Life sciences**: Life sciences and healthcare innovations are areas of significant opportunity, including biotechnology, gene therapy, innovations in medical devices, and pharmaceuticals.
**Impact Investing with Arnerich Massena**

Arnerich Massena is bringing together our long history of successful investing and manager selection and a decade of intensive research in impact investing. Our research team has developed a complete multi-asset class strategy focused on impact investments, and we offer a menu of impact-oriented investments to fit different investor profiles and portfolio needs. Our Impact Portfolios and Impact Sleeves are constructed with the world-class research and due diligence that defines Arnerich Massena’s award-winning process, along with the thoughtfulness and discipline our team is known for.

Talk to your Arnerich Massena advisor to learn more about Arnerich Massena’s Impact Portfolios and Impact Sleeves and how they can become part of your long-term investment strategy.

Visit our website to read the full paper: **Impact Investing: Why, What, How?** and learn how we can help you **make an impact today**.

www.arnerichmassena.com