



Impact Investing:

Why, what, how

2018

Arnerich Massena began researching, studying, and making ventures into sustainable and impactful investing back in 2009, when it was barely a blip on the radar for most investors. This marks the third white paper we've published on the subject: in 2009, we issued *Sustainability: Opportunities in a Green Market*, and in 2011, *The Profit in Sustainable Investing, Debunking the Myth: The opportunities in resource scarcity and demand growth*.

We're excited to see the concept take root and begin to attract widespread attention, as we saw then and continue to see compelling investment opportunities in this area. Impact investing is more than a buzzword; it's a lens through which we can make intelligent and forward-looking investment decisions.

In this paper, we'll look at the why, what, and how of impact investing.

Contributors:

Bryan Shipley, CFA, CAIA
*Co-CEO, Co-CIO, Managing Principal,
Senior Investment Advisor*

Ryland Moore
*Managing Principal, Business
Development, Investment Advisor*

Ben Larsen, CFA
Research Manager, Research Analyst II

Jillian Perkins
Director of Communications

Tony Arnerich
Founder



Impact Investing: Why, what, how?

Table of Contents

What is impact investing?.....	page 3
Why impact investing?.....	page 5
How can investors invest for impact?	page 10
Institutional impact investing	page 13
Measuring impact.....	page 13
Conclusion	page 16
Endnotes	page 17

What is impact investing?

The Global Impact Investing Network reports from their 2017 Annual Investor Survey that there is now at least \$114 billion of impact investment assets under management and that impact investing is growing by about 18% per year. The Forum for Sustainable and Responsible Investment (US SIF) Foundation found that SRI (socially responsible investing) assets have expanded to more than \$8 trillion in the U.S. In 2016, Morningstar started assigning sustainability ratings to mutual funds and ETFs, grading them on the environmental and social governance policies of their holdings. And MSCI has tripled its ESG-dedicated (environmental, social, governance) staff since 2010. Why is impact investing attracting so much attention and interest? We believe this is well worth looking

“IMPACT INVESTMENTS ARE INVESTMENTS MADE INTO COMPANIES, ORGANIZATIONS, AND FUNDS WITH THE INTENTION TO GENERATE A MEASURABLE SOCIAL AND ENVIRONMENTAL IMPACT ALONGSIDE A FINANCIAL RETURN.”

~ Global Impact Investing Network (GIIN)

into, examining what impact investing actually is and why investors should be paying attention.

Arnerich Massena began researching, studying, and making ventures into sustainable and impactful investments back in 2009, when it was barely a blip on the radar for most investors. We're excited to see the concept take root and begin to attract widespread attention, as we saw then and continue to see compelling investment opportunities in this area. Impact investing is more than a buzzword; it's a lens through which we can make intelligent and forward-looking investment decisions.

“DATA FROM THE GLOBAL IMPACT INVESTING NETWORK SHOWS THAT THE MAJORITY OF THE ESTIMATED \$15 BILLION IMPACT INVESTMENT MARKET PRODUCES MARKET RATE RETURNS.”

~ AlHusseini, Forbes





Impact investing can be divided into two primary categories:

Impact first: In which the primary aim is to generate social or environmental impacts with investment return a secondary consideration.

Finance first: Investments seeking market or better returns that also generate a social or environmental impact.

For us, impact investing is not philanthropy, nor is it about sacrificing return in exchange for a societal good, nor even about prioritizing social and environmental impact over generating wealth. We believe that investors can use their investment dollars to make a positive impact on the world while potentially enhancing the performance characteristics of their portfolio. Investing, by nature, is focused on looking toward the future, and impact investing is about

recognizing where the world is headed and what will be needed in that future. Impact investors understand the value of companies that make efforts to create the future we collectively want, build infrastructure, practice sustainable governance, and help to craft a better tomorrow. Our job is to seek out ways to deploy investor capital where it will have the greatest impact and serve the world's needs while generating growth.

Impact investing will look different for different investors, depending on their perspective, concerns, beliefs, goals, and objectives. We have some strategies and ideas for how investors can approach the process of incorporating impact investing into a portfolio, and how to build a complete portfolio centered around impact investing. In this discussion, we'll examine the different methods and approaches of impact investing, and take a closer look at specific thematic areas we believe merit focus.



There's a strong business case for sustainability in business. Businesses that incorporate sustainable practices are stronger and better prepared for the future, as well as more attractive to consumers.



As wealth transfers to the next generation, studies show that millennials have a deep interest in making an impact with their investments. The market will show the impact of this shift.



The global population is expanding rapidly. Sustainable, impactful businesses and practices are essential to our future, and "what we need" will drive our global economy.



Meeting global needs will require the entrepreneurship and innovation of private business to drive solutions. There's a \$2.5 trillion funding gap that philanthropy alone cannot fill.

Why impact investing?

Before we dive into how an investor might approach impact investing, let's take a closer look at why we think this space is highly attractive and offers compelling opportunities for long-term investors. As we look toward the future and work to understand how emerging global trends will affect economic development, there are several key shifts that make an important case for examining what impact investing has to offer.

DEMOGRAPHICS

The global population is exploding — the United Nations estimates that we'll reach 9.7 billion by 2050 — and is experiencing several massive demographic shifts. Developed countries' populations are aging, while developing countries are seeing growth in their younger, working-age demographic. Economic growth in China, India, and other centers of manufacturing has resulted in a new and growing middle class with increasing consumption needs. Globally, human needs are going to increase, creating business opportunities providing and distributing necessities like water, food, and healthcare.

Technologies to improve efficiency, quality, and infrastructure, and to minimize supply chain risk, are likely to open up new markets and investment opportunities. "What we need" will become an increasingly important source of economic growth.

Energy is another fundamental necessity that will continue to be a focus in the future, as resource scarcity becomes a greater problem. Renewable energy technologies and resource efficiency will be areas that are likely to see significant

"THE TRANSFORMATION AHEAD REPRESENTS VAST OPPORTUNITIES IN A BROAD RANGE OF BUSINESS SEGMENTS AS THE GLOBAL CHALLENGES OF GROWTH, URBANIZATION, SCARCITY, AND ENVIRONMENTAL CHANGE BECOME THE KEY STRATEGIC DRIVERS FOR BUSINESS IN THE COMING DECADE. IN NATURAL RESOURCES, HEALTH AND EDUCATION ALONE, THE BROAD ORDER OF MAGNITUDE OF SOME OF THESE COULD BE AROUND \$0.5-1 TRILLION PER ANNUM IN 2020, RISING TO BETWEEN \$3-10 TRILLION PER ANNUM IN 2050."

~ World Business Council for Sustainable Development

"MILLENNIALS FOCUS MUCH MORE THAN PREVIOUS GENERATIONS ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE (ESG) FACTORS WHEN EVALUATING BUSINESSES THEY INVEST IN. PUT ANOTHER WAY, MILLENNIALS WANT TO DO MORE THAN MAKE MONEY; THEY WANT TO HAVE A POSITIVE IMPACT ON THE WORLD...THESE MILLENNIALS ARE INVESTORS, NOT ACTIVISTS. THEY DON'T PRACTICE PHILANTHROPY; THEY PRACTICE CAPITALISM."

~ Mohan, *The Boston Globe*

attention and growth, as we speed toward a future less dependent on oil but that can still meet the needs of an expanding population.

The unintended consequences of these demographic shifts include pollution, overcrowding, poverty, illness, and resource scarcity. It will become increasingly essential to address these issues. Now is the time to begin putting capital to work to help innovators develop the creative solutions of tomorrow.

MILLENNIALS' DEMAND FOR IMPACT INVESTING

We are currently witnessing the largest wealth transfer in history, as baby boomers pass along their accumulated assets to their millennial children and grandchildren. Estimates suggest that about \$30 trillion in assets will flow to heirs over the next 30 years in North America alone, as millennials become possibly the wealthiest generation of Americans to date. Millennials are already expressing an inclination toward using their investments to reflect their values and social conscience. For this generation, investing will be akin to activism, a way for investors to have an impact on the future. This cohort has grown up with an awareness of the problems and challenges the world is facing, and are interested in being part of the solution. They will be attuned to governance, to sustainable practices, and to measures of impact.

With wealth concentrated in the hands of millennials, more than half of them women, demand will increase for those companies that reflect millennial vision and values.

Millennials will be seeking opportunities to support innovation in world-changing technology and sustainable ideas and practices. This creates a virtuous cycle: consumers support companies making an impact by using and buying their products and services, those companies succeed, investors see a greater return from that success, and so the cycle continues. Millennial investors will understand how impact investing aligns not just with their values, but with their financial interests as well, as they see the results of their investments both in impact and in returns.

Millennials' views on investing

75%	of wealth holders under 40 say that driving social impact is very important.
45%	want to use wealth to help others and consider social responsibility a factor when making investment decisions.
29%	want their wealth managers to provide values-based investing.
36%	believe the purpose of business is to improve society.
87%	believe that the success of a business should be measured in terms of more than just its financial performance.
73%	believe that it is possible to achieve market-rate returns investing in companies based on their social or environmental impact.

Source: Jacquier

THE BUSINESS CASE FOR SUSTAINABLE PRACTICES

Companies that structure themselves with an awareness of balanced and sustainable governance practices have an ever-greater edge over those that do not. Consumers and investors alike are beginning to pay closer attention to organizations' internal policies and practices, and whether they adhere to a responsible platform. It matters already, and we are beginning to see organizations of every kind focus more on creating and communicating their ideological foundations. Demonstrating an appearance of responsibility is becoming ever more important to a company's long-term success.

But appearance is not the end of it. Responsible practices and policies have been shown to serve corporations better in the long run, strengthening their ability to meet the needs of their customers

"100% OF THE ACADEMIC STUDIES AGREE THAT COMPANIES WITH HIGH RATINGS FOR CORPORATE SOCIAL RESPONSIBILITY (CSR) AND ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) FACTORS HAVE A LOWER COST OF CAPITAL IN TERMS OF BOTH DEBT AND EQUITY... 89% OF THE STUDIES WE EXAMINED SHOW THAT COMPANIES WITH HIGH RATINGS FOR ESG FACTORS EXHIBIT MARKET-BASED OUTPERFORMANCE."

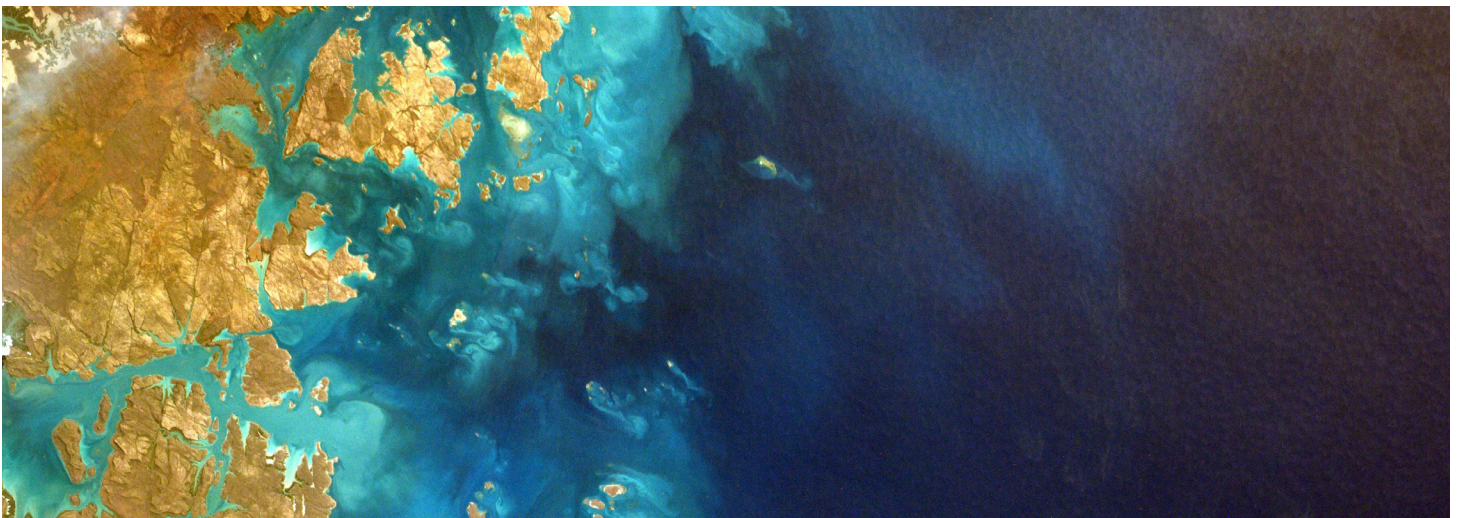
~ Deutsche Bank Group

"IN TODAY'S GLOBALIZED AND INTERCONNECTED WORLD, INVESTORS, CREDITORS, AND OTHER STAKEHOLDERS HAVE COME TO RECOGNIZE THAT ENVIRONMENTAL, SOCIAL, AND GOVERNANCE RESPONSIBILITIES OF A COMPANY ARE INTEGRAL TO ITS PERFORMANCE AND LONG-TERM SUSTAINABILITY."

~UN Global Compact & International Finance Corporation

in a sustainable manner. Studies are beginning to show that being aligned with environmental, social, and governance factors may also contribute to a strong bottom line because it reflects smart decision-making and a forward-looking approach. "According to the UN Global Compact, 93% of CEOs consider sustainability key to success and an engine for innovation and growth." (Jacquier)

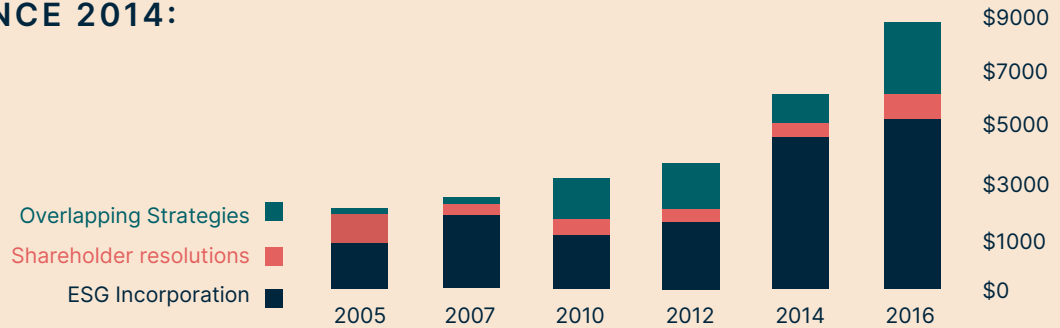
Non-profit organization B Lab in Pennsylvania has created a legal structure for companies that put their focus as much on doing good as they do on profits. "B Corps," as member firms are dubbed, are certified to meet the rigorous standards of B Lab in social and environmental performance. The goal of the organization is to redefine success in business, and it's working. There are nearly 2,500 B Corporations in more than 50 countries, demonstrating that business, consumers, and investors are interested in making a difference.



Sustainable Investing Growth in the United States (billions) 2005 - 2016

SUSTAINABLE INVESTING GROWTH SINCE 2014:

33%



Source: US SIF Foundation

The US SIF Foundation’s Report on U.S. Sustainable, Responsible, and Impact Investing Trends identified \$8.72 trillion in total assets under management (in the United States) at the end of 2016 using a responsible or sustainable impact investing strategy. ESG refers to using environmental, community, and other societal and corporate governance criteria, and shareholder resolutions refer to using shareholder engagement to encourage responsible business practices and allocate capital for social and environmental benefit.

THE WORLD NEEDS PRIVATE CAPITAL

Our economic systems, built on an unsustainable platform of perpetual growth, leave us faced with a range of unintended consequences. Nearly 90% of city dwellers globally are breathing air that does not meet World Health Organization (WHO) air quality guidelines and at least 12.6 million people die each year because of preventable environmental causes. (*The Lancet*) Moving forward, capital needs to find ways to actively reverse the damage we’ve caused to our habitat. Fortunately, “pollution mitigation and prevention can yield large net gains both for human health and the economy... in the USA, an estimated US \$30 in benefits has been returned to the economy for every dollar invested in air pollution control since 1970, which is an aggregate benefit of \$1.5 trillion against an investment of \$65 billion.” (*The Lancet*)

Meeting future global needs will require the entrepreneurship and innovation of private

business to drive solutions that are affordable and efficient. Corporations have advantages that governments, NGOs, and philanthropic organizations don’t have, and can often work faster and more effectively. Whereas grants or donations may be able to alleviate temporary suffering or solve immediate needs, private businesses are more likely to develop solutions that address the deeper cause and have a greater impact over the long term.

The United Nations has laid out 17 Sustainable Development Goals to end poverty, protect the planet, and ensure prosperity for all. It hopes to achieve those goals by 2030, but experts and policymakers estimate that there is a \$2.5 trillion funding gap that philanthropy alone cannot fill. They suggest a solution of “blended finance” — in which private capital is incentivized with active public support and regulations. “Providers of official development assistance, working in partnership with the private sector, can play a key role in underpinning commercially viable, sustainable, and scalable solutions. They

can use public funds strategically to provide, for instance, de-risking instruments; these instruments can incentivize private finance for investments with strong social and development benefits that would otherwise not materialize due to higher actual or perceived risk.” (World Economic Forum) Having active support of government organizations creates a strong tailwind for impact-driven investment with tax

incentives, reduced regulatory burdens, and new instruments for investment, adding to an already-strong investment thesis.

It is easy to see the depth of the need for private capital to invest for change, but while social conscience may bring investors to the table, growth potential is likely to be the reason they stay.

Types of Impact Investing



Bonds, Equities

**Alternatives, Hedge funds,
Private equity**

How can investors invest for impact?

How does impact investing work in practice? Impact investing, as a term, covers a broad spectrum of actual investment opportunities and methods. Investors interested in making an impact with their investment dollars have a variety of options to accomplish it. We divide the impact investing spectrum 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. Traditional divestiture funds typically excluded investments in coal, petroleum, oil, alcohol, tobacco, and weapons, but divestment is expanding to become a method by which an investor can build a portfolio that will reflect their values and vision. Now, divestiture has broadened out as an investment thesis and can be adapted to an investor's particular interests or concerns. For example, investors concerned about climate change and the environment may choose to divest from carbon fuels. As an investment decision, it makes sense: HSBC Global Research estimates that global carbon regulations or the

discovery of alternative energy sources could result in fossil fuel companies losing 40–60% of their market capitalization. (HSBC, 2013) Other investment screens investors are exploring include: companies that test on animals, defense & weapons companies, gambling, genetic engineering, and pharmaceuticals.

Divestment works on two fronts; it eliminates unwanted industries from your portfolio so that your dollars are not actively supporting that industry, but if a large enough group of investors engage in divestiture, it can also serve to undermine the overall economic and political power of those industries. Divestment campaigns have been successful as vehicles for legal and regulatory change. For example, the apartheid divestment campaign in the late 1970s had little economic effect, but sparked a national movement.

Divestiture is a possible way to dip a toe in the water of impact investing without jumping in too deeply, but it has its limitations. By nature, it is not investing in something, but avoiding investing in certain areas. Any positive impact it has is in *not* contributing to negative influences. A divestment strategy may be used across most instruments, including bonds, equities, and alternatives.



Investing in “what the world needs”



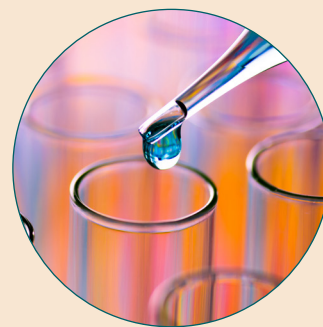
WATER



**FOOD/
AGRICULTURE**



**RENEWABLE
ENERGY/
TECHNOLOGY**



**LIFE
SCIENCES**

INVESTING FOR SOCIAL IMPACT

This category includes CSR (Corporate Social Responsibility) and ESG (Environmental, Social, and Governance) investments, as well as most of what can be termed sustainable investing. Investors are becoming more familiar with these terms and concepts as demand for them has increased. In 2016, Morningstar instituted its Sustainability Rating to help investors evaluate mutual funds based on how they are meeting environmental, social, and governance challenges. It's becoming easier for investors not only to evaluate funds by these criteria, but to find funds built specifically around these criteria, or that are using them as fundamental elements in their stock selections. The different flavors becoming available to investors are expanding: investors can find fixed income products based on sustainability, options for gender-lens investing, and a wide variety of CSR and ESG mutual fund options.

The increasing demand and supply is the result of investors recognizing the tailwinds behind these factors, and discovering that they can

stay aligned with their values without sacrificing return.

THEMATIC INVESTING

Thematic investing is the next level up for investors who are interested in reaping the potential returns impact investing offers. Thematic investing is an approach that looks strategically at future trends to identify areas and themes of potential growth and impact, and then focus investment efforts in those areas. A thematic approach is a way for investors to actively participate in opportunities arising in areas of impact.

Investing thematically requires a strategic approach, identifying areas of specific opportunity and then seeking out vehicles that are finding unique and innovative ways to invest in those opportunities. Investors can build an equity portfolio with a thematic approach, or select a portion of their equity portfolio to invest thematically. Alternative investment vehicles and private equity may be the best avenue for thematic investors, allowing one to focus in very

specifically and find companies that represent best thinking in broad thematic areas.

We have dedicated research particularly into thematic impact investing, as there are currently several themes that we believe present significant opportunities for investors, identified below. Based on the demographic shifts discussed earlier, these areas offer potential growth and are ripe for innovation. Our research shows there is the potential for well-placed investment to make a profound impact and generate return in these areas.

Water: Water resources are becoming ever scarcer, but a growing population will require access to clean, potable water in order to sustain life and manage agriculture. Technologies for improving efficiencies in water treatment, distribution, and sourcing may be the next frontier for innovators, offering opportunities for investors.

Renewable energy/technology: The world's dependence on oil and natural gas has had

devastating consequences for the planet, and the growing demand for energy has the potential to exponentially expand the problem. It's essential that we explore alternative types of energy, ways to increase energy efficiency, and technologies for renewable energy. There is remarkable work being done in these areas, with great potential for investment.

Life sciences: Particularly in the Western world, as the population ages, life sciences and healthcare innovations are areas of significant opportunity. Biotechnology and gene therapy, for instance, are new frontiers of healthcare technology with massive investment and impact potential. Innovations in building medical devices and developing pharmaceuticals also offer promise.

Food/agriculture: Along with water, energy, and healthcare, food is fundamental to survival. To sustain the population expansion, agriculture will need to improve in efficiency and output. There are abundant investment opportunities in agricultural technologies, farmland, and food distribution.



MISSION-BASED INVESTING

Mission-based investing focuses in on very specific issues or problems, often with a local or regional focus. Investors who want to be closely involved in their investments, or see firsthand the impact their investment is making, may

MISSION-BASED INVESTING

Affordable housing

Developing markets infrastructure

Education

Financial inclusion

Gender equality

Job creation

choose to engage in mission-based investing. The “mission” in mission-based investing can be nearly anything the investor is passionate and concerned about.

Because mission-based investing is highly specific and frequently focuses on regional or local issues, it may be best implemented through private debt, private equity, or other alternative vehicles.

Institutional impact investing

Impact investing is not driven solely by individual and private investors. Institutional investors are also beginning to see why impact investing is a long-term attractive choice, and this trend is growing. Institutional capital will be critical in filling the gap to meet the United Nations impact goals, and governments are building in incentives for institutional investors to participate.

For instance, in 2015, the Department of Labor made it easier for retirement plan sponsors to incorporate ESG factors when selecting funds for a participant menu. “Investing in the best interests of a retirement plan and in the growth of a community can go hand in hand,” said then-U.S. Secretary of Labor Thomas Perez. The new guidance suggested that ESG factors “may have a direct relationship to the economic and financial value of an investment” and are therefore proper components of a fiduciary’s analysis of competing options, provided other performance and risk characteristics

are relatively equal. In December 2017, the Department of Labor published *Environmental, Social, and Governance (ESG) Investment Tools: A Review of the Current Field* to help institutional investors better understand the current state of ESG investing, how it relates to retirement saving, and the tools available. “ESG investing is a growing segment of America’s investing landscape. Public pension funds and private retirement plans (7% of corporate defined benefit plans and 24% of corporate defined contribution plans) now include ESG investments in their portfolios.” (DOL)

Demand from constituents is likely to increase, whether that is from donors who want to see endowments include impact investments in their portfolios, or from retirement plan participants asking for an ESG investment option in their plan. Although impact investing may be unfamiliar territory to many institutional investors, there is a growing amount of resources available to help assess the unique risks, identify evaluation and measurement tools, and build an institutional-quality impact investing strategy.

“TURNING A SYMBOLIC COMMITMENT TO ESG INTO DAILY PRACTICE WILL NOT BE EASY. BUT FACED WITH RISING STAKEHOLDER DEMAND FOR MEANINGFUL ACTION, THERE IS LITTLE CHOICE. INSTITUTIONS THAT GET OUT IN FRONT OF THE GROWING WAVE WILL BE THE FIRST TO REAP THE BENEFITS OF SOUND ESG INVESTING: BETTER RETURNS, LOWER RISK, AND — SHOULD THESE IDEAS BE WIDELY ADOPTED — A MORE SUSTAINABLE WORLD.”

~ McKinsey & Company

Measuring impact

To date, there is no one universally accepted, standard measure for evaluating impact investments. Because the impact marketplace is relatively new, standards and tools for quantitative and qualitative evaluation are still evolving, and we expect they will become more

"IN THE 2017 GIIN ANNUAL IMPACT INVESTOR SURVEY, MOST IMPACT INVESTORS SURVEYED BY THE GIIN EXPECT NON-CONCESSIONARY, MARKET-RATE RETURNS ON A RISK-ADJUSTED BASIS AND 87% OF IMPACT INVESTORS TARGETING MARKET-RATE RETURNS REPORTED THAT THEIR EXPECTATIONS WERE EITHER MET OR EXCEEDED."

~Global Impact Investing Network (GIIN) Initiative for Institutional Impact Investment

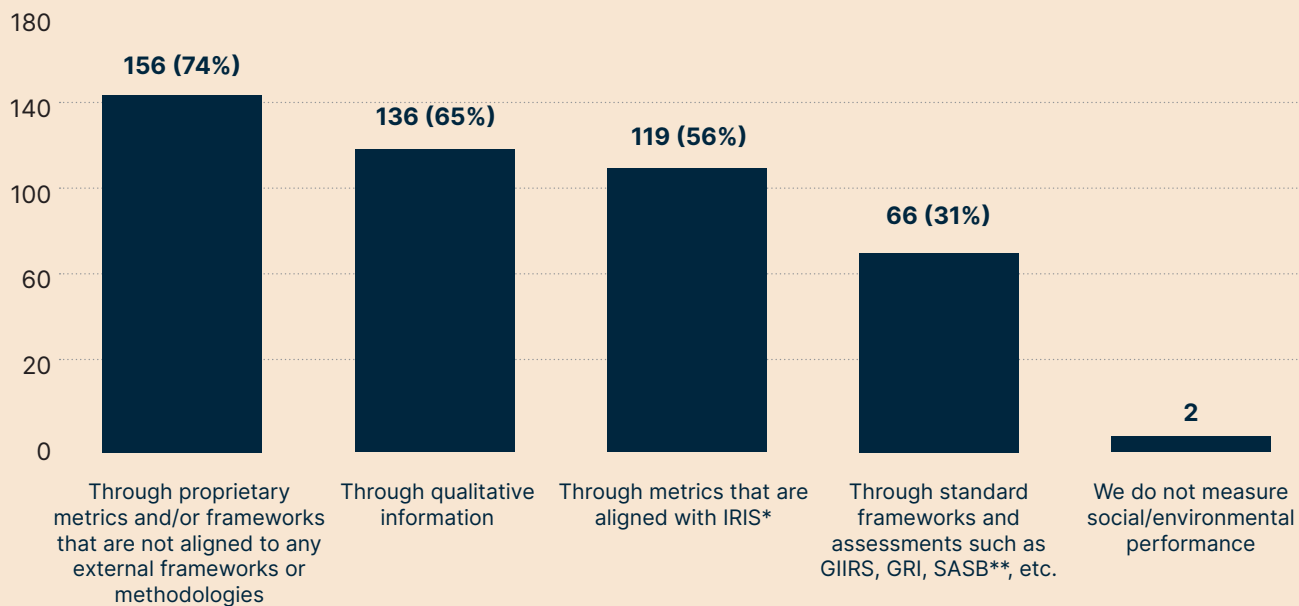
refined over time. With different layers of impact investing, each focused differently, evaluation tools should look at the appropriate measures for each. For instance, a divestment approach would not fit the same measures as a thematic approach.

There are a number of existing measurement and rating tools in the industry. For instance, Morningstar has created its sustainability ratings,

evaluating funds based on a Sustainability Score from Sustainalytics, a company that researches how well companies manage their overall ESG issues relative to industry peers and delivers ESG scores. The Global Impact Investor Network has built IRIS, meant to serve as a catalog of generally accepted performance metrics used by impact investors to measure and manage the return on their investments. And there are others, including the MSCI ESG Fund Metrics, Bloomberg ESG disclosure score, Oekom Corporate Rating Reports, ISS QualityScore, and more. There are also several indexes focused on sustainability and ESG, including the Calvert Responsible Index series, the Dow Jones Sustainability Indexes, and MSCI ESG Indexes.

These rating systems and indexes are not necessarily evaluating the same metrics or

How Social/Environmental Performance is Measured



Source: 2017 GIIN Annual Impact Investor Survey, which is based on an analysis of the activities of 209 of the world's leading impact investing organizations, including fund managers, foundations, banks, development finance institutions, family offices, pension funds, and insurance companies.

* IRIS is managed by the Global Impact Investing Network to serve as a catalog of generally accepted performance metrics used by impact investors to measure and manage the return on their investments.

**GIIRS: Global Impact Investing Rating System, GRI: Global Reporting Initiative, SASB: Sustainability Accounting Standards Board

UN Sustainable Development Goals



criteria, so it is difficult if not impossible to use them as a basis for comparison. And while they evaluate quantitative metrics of ESG or sustainability, they don't necessarily inform the investor of the scope or range of impact the investment has on the community, region, or globe.

We see some potential for a strong evaluation metric in measuring investments relative to the UN Sustainable Development Goals (SDGs). The SDGs include 17 goals applied globally across a wide range of governments and institutions targeting some of the world's most pressing issues. The goals include, for instance: ending poverty in all its forms; ensuring healthy lives and wellbeing for all; ensuring access to affordable,

reliable, sustainable and modern energy for all; and building resilient infrastructure — see the above graphic for all of the UN SDGs. Companies focused on making an impact in the world are likely to be working in one or more of the areas covered by the SDGs. A few data providers are beginning to track and report on companies based on their participation in business activities aimed at accomplishing the SDGs, giving investors more transparency into where their investment dollars are making the biggest impact. This reporting may prove groundbreaking in the measurability of impact investments, making it possible for investors to really connect with the companies that are making the biggest differences in the fields they feel passionate about.

Conclusion

While the world faces some tremendous challenges, we are fortunate as investors to have the ability to participate in the solutions, while at the same time reaping the financial rewards of a forward-looking approach. Impact investing is not a temporary fad or momentary interest. It requires a long-term outlook and long-term approach, with wide-ranging opportunities for thoughtful investors. We are excited to be at the forefront of this movement, and to offer our clients vehicles for participating that are based on the same depth of research and analysis for which Arnerich Massena is known.

Arnerich Massena's 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. We will continue to increase our capabilities

in the impact arena, building well-diversified investment portfolios of impact investments for investors dedicated to a comprehensive impact investing approach, as well as creating an "impact sleeve," intended to serve as a portion of a greater portfolio for investors who want to incorporate impact as a part of their strategy. Our Impact Portfolios and Impact Sleeves are constructed with the world-class research and due diligence that defines Arnerich Massena's proprietary process, as well as ten years of researching impact and sustainable investments, and can be customized to an investor's goals and objectives.

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.



ENDNOTES

"10 Reasons Why You Should Consider Impact Investing," by Ibrahim AlHusseini; *Forbes*; April 13, 2017

"Annual Impact Investor Survey 2017, the Seventh Edition" by Abhilash Mudaliar, Hannah Schiff, Rachel Bass, and Hannah Dithrich; Global Impact Investing Network; 2017

"A Short Guide to Impact Investing" by Sean Greene, The Case Foundation; October 2015

"Catalyzing Wealth for Change: Guide to Impact Investing" by Julia Balandina Jaquier; 2016

"Corporate Governance: The Foundation for Corporate Citizenship and Sustainable Businesses," UN Global Compact & International Finance Corporation; 2009

"Environmental, Social, and Governance (ESG) Investment Tools: A Review of the Current Field," U.S. Department of Labor; December, 2017

"ESG Monitor 1Q18: A quick update on the latest trends and developments in ESG integration," by Dan Nielsen; Great Lakes Advisors; April 2018

"Impact Investing: A Guide to this Dynamic Market," Global Impact Investing Network

"*The Lancet* Commission on pollution and health," *The Lancet*; October 2017

"Making money and doing good: Impact investing is catching on," by Jim Boulden; CNNMoney; June 27, 2017, <http://money.cnn.com/2017/06/27/investing/impact-investing-growth/index.html>

"Millennials drive growth in 'impact investing'" by Isvari Mohan; *The Boston Globe*; January 17, 2017

"More Evidence of Impact Investing Growth - And What It Means for Social Entrepreneurs" by Anne Field; *Forbes*; January 31, 2017

"Morningstar Sustainability Rating," Morningstar.com; August 24, 2016

"Oil & carbon revisited: Value at risk from 'unburnable' reserves" by Paul Spedding, Kirtan Mehta, and Nick Robins; HSBC Global Research; January 25, 2013

"Report on US Sustainable, Responsible, and Impact Investing Trends," US SIF The Forum for Sustainable and Responsible Investment; 2017

"Sustainable Investing: Establishing Long-Term Value and Performance," DB Climate Change Advisors, Deutsche Bank Group; June 2012

"Sustainable Investing: Why It Matters Now," by Joshua Schroeder; See It Market; July 22, 2013

"Sustaining sustainability: What institutional investors should do next on ESG" by Jonathan Bailey, Bryce Klempner, and Josh Zoffer; McKinsey & Company; June 2016

"The Case for Fossil Fuel Divestment at Stanford University," Fossil Free Stanford; Stanford University

"The Facts about Fossil Fuel Divestment," gofossilfree.org

"There's a \$2.5 trillion development investment gap. Blended finance could plug it," by Gavin E.R. Wilson; The Business and Sustainable Development Commission; World Economic Forum; July 18, 2016

ENDNOTES (cont.)

"Vision 2050: The new agenda for business," World Business Council for Sustainable Development; 2010

"World population projected to reach 9.7 billion by 2050," United Nations Department of Economic and Social Affairs; July 29, 2015

"Why Millennials Care About Social Impact Investing" by Sarah Landrum; *Forbes*; November 4, 2016

CONTRIBUTORS



**Bryan Shipley, CFA,
CAIA**
*Principal, Co-CEO,
CIO, Managing
Principal, Senior
Investment Advisor*



Ryland Moore
*Managing Principal,
Business Development,
Investment Advisor*



Ben Larsen, CFA
*Research Manager,
Research Analyst II*



Jillian Perkins
*Director of
Communication*



Tony Arnerich
Founder

© 2018 Arnerich Massena, Inc. All rights reserved.

This material is provided for informational purposes only to clients and prospective clients of Arnerich Massena, Inc. It is drawn from third-party sources believed reliable but not independently verified or guaranteed by Arnerich Massena. We do not represent that it is accurate or complete, and it should not be relied on as such. It does not constitute investment advice, which would need to take into account a client's particular investment objectives, financial situation, and needs. Opinions expressed are our current opinions as of the date appearing on this material. Past performance does not guarantee future results. Investments and strategies discussed herein may not be suitable for all readers, and you should consult with a legal, tax, or accounting professional before acting upon any information or analysis contained herein. The information, ideas, and context expressed herein are confidential, proprietary, expressly copyrighted and may not be sold, reproduced, republished, or distributed in any way without Arnerich Massena's prior written consent.