

Impact investing

Seeking to generate both social change and a return on capital

For those looking to make the world a better place, but not wanting to sacrifice returns or profits, impact investing aims to support a positive social or environmental impact as well as looking to achieve compelling financial returns at the heart of sustainable investing.

The term 'impact investing' was first coined in 2007, although the practice developed over years beforehand. It seeks to generate both social change and a return on capital and ends the old dichotomy where business was seen solely as a way to make a profit, while social progress was better achieved only through philanthropy or public policy.

NOT A RECENT PHENOMENON

Socially responsible investing is not a recent phenomenon – it can actually be traced back several centuries. Early initiatives were all based on the exclusion of controversial sectors such as tobacco or armaments rather than on investing in businesses which have the power to do good. That's what impact investing is seeking to achieve, and it has begun to gain traction.

The upward swing of impact investing is being led by millennials. This type of investing considers a company's commitment to corporate social responsibility (CSR), or the sense of duty to positively serve society as a whole, before becoming involved with that company. This societal impact differs depending on the industry and the specific company within that industry, but some common examples include giving back to the community by helping the less fortunate or investing in sustainable energy practices.

SOCIAL AND ENVIRONMENTAL THEMES

Once the preserve of the super-rich, individuals and families would come together to identify

promising opportunities to make money and do good at the same time. But, increasingly, investor impact strategies are now covering a broader range of social and environmental themes and, in many cases, harness the latest technology or pioneer delivery systems to gain efficiencies and reach those most in need.

Impact investments can be made in both emerging and developed markets and target a range of returns depending on an investor's strategic goals. The growing impact investment market provides capital to address the world's most pressing challenges in sectors such as sustainable agriculture, renewable energy, conservation, micro finance, and affordable and accessible basic services including housing, healthcare and education.

CHALLENGING PREVIOUS LONG-HELD VIEWS

Impact investing challenges the previous long-held views that social and environmental issues should be addressed only by philanthropic donations, and that market investments should focus exclusively on achieving financial returns.

The impact investing market directs capital to enterprises that generate social or environmental benefits, and offers diverse and viable opportunities for investors to advance social and environmental solutions through investments that also produce financial returns. ■

LOOKING FOR THE POTENTIAL TO GENERATE POSITIVE OUTCOMES?

Impact investing provides the opportunity to make investments that not only deliver financial returns, but also have the potential to generate positive outcomes that address some of the most imperative challenges that we face as a society, such as climate change and poverty. To find out more, call us to arrange a meeting or to simply ask a question. We look forward to hearing from you.

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