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# IMPACT INVESTING DRIVING ADVICE GROWTH

BY KERRIE SYDEE

**D**emand for impact investing is expected to rapidly increase as a growing number of retail and institutional investors search for investments that provide both monetary and social returns.

In the last five years there have been 96 reported impact investments in Australia, 36 of those were made in FY15 alone, with green bonds dominating a sharp increase in the \$1.2 billion dollar industry. For financial advisers, understanding client interests and drivers will not only be essential for providing holistic advice but will also open new service avenues for advice practices.

Global Impact Initiative chief executive, Giles Gunsekera, says a database such as the Global Impact Investing Network offers financial planners and retail investors the ability to find impact investments that best suits their portfolio.

"Investors can already invest in Social Responsible Investments and ESG options. This is one way of ensuring that your values are translated into your investment portfolio. Many dealer groups and family offices already have SRI/ESG model portfolios that have demonstrated positive social outcomes with exceptional performance," Gunsekera says.

Vice president, scientific active equities and member of BlackRock's global equity research team, Joanna Nash and her colleagues recognise the opportunity that lies in aligning purpose and performance and provide retail and institutional investors with a dedicated platform.

BlackRock Impact allows clients to invest to personal objectives via three sustainable investing segments: exclusionary screens, ESG factors and impact targets.

"The idea is that we will build that platform out over all asset classes, at the moment we've got products in the fixed income and the equities space, we have some infrastructure investments as well but we're slowly building it out as demand continues to grow," Nash says.

BlackRock also offers a listed equities impact investing product that targets both financial returns and social outcomes. For Nash, the main difference between this product and those that incorporate ESG integration or screens is that BlackRock reports the social metrics to investors.

"Clients see how their portfolio is performing in not only the financial space but also the social space," Nash says.

"Impact investing in the listed equity space is not going to be able to achieve those very high impact type outcomes like social housing, because companies aren't set out like that. What we try and do is identify companies through the products they make, the way they make those products or the way they interact with their local communities. Thinking about these other environmental and social aspects of the company allows us to tilt the portfolio to try and achieve some of those outcomes."

Super fund for the health and community services industries, HESTA, was a pioneer on the impact investing front and in 2015 made the biggest commitment by an Australian fund to the local impact investing market.

HESTA partnered with Social Ventures Australia and made a \$30 million commitment to the group, \$6.7m of which was an investment in Horizon Housing. Horizon Housing is a community based housing provider in Queensland and Northern NSW that works to increase the supply of social and affordable housing by help low income earner achieve home ownership.

Chief executive at HESTA Debby Blakey emphasises that for the fund impact investments must deliver a financial return and as a result the fund has a highly selective approach for both assessing the risk profile of an asset but also the social impact the investment will make.

"We do expect to deliver a financial return in line with similar types of investment and I think that's very important. It's not philanthropy, we do have a fiduciary duty to act in the best interests of our members and these investments are the same," Blakey says.

"It's not just about feeling good about it, it's actually about being able to measure that we are making some sort of impact socially."

While HESTA members cannot choose to directly invest in an impact option, Blakey has noted the fund's members are extremely supportive of the fund continuing to move in this direction.

Blackrock's Nash agrees that interest in impact investing has seen a sharp increase over the last five years, with clients now making targeted enquiries into the space. **FS**

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