RISK, RETURN AND IMPACT:

Understanding Diversification and Performance Within an Impact Investing Portfolio

An ImpactAssets issue brief exploring critical concepts in impact investing

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This Brief offers impact investors a review of key considerations concerning risk, return and impact when constructing an impact portfolio. Various types of risk are identified along with a review of the "New Efficient Frontier" and the types of impact investing options that may be arrayed across a range of financial, social and environmental returns.

THE IMPACT INVESTING LANDSCAPE: FROM GRANTS TO EQUITY AND DEBT

Over recent years, a growing number of asset owners—among them, high net worth individuals, foundation trustees and pension fund managers—have asked a simple question:

Is it possible to do more than simply manage our assets for financial performance alone?

These individuals, and the institutions they represent, have pioneered an approach to asset management that seeks to move investment from what they feel is a "noun" (a thing one oversees) to a "verb" (something one puts into action and does). While many traditional investors would state they invest in an active manner as well, for the impact investor this action is focused upon not only attaining a level of financial return, but social and environmental impacts as well. Broadly speaking, the term impact investing has come to be defined as the active management of one's portfolio of capital investments to attain a level of financial return together with the creation of social and/or environmental impact(s). In a phrase, impact investing seeks to move from an "either/or" framework of asset management (wherein one either does good or does well) to a "both/and" investment approach that seeks both sound financial returns and the generation of positive social/environmental returns.

It seems clear the term impact investing not only resonates with an important segment of the investor community, but is developing a real track record of successful performance—both financially and in creating advancements in addressing critical "off balance sheet" issues of concern to investors.[1] Other documents are available to those interested in an introduction to impact investing.[2] This ImpactAssets Issues Brief will focus on one area of frequent discussion among those executing an impact investing strategy: The question of how best to understand risk, return (financial, social and environmental) and impact.

In the following pages, we will explore a number of related questions many have asked concerning impact investing, including:

- How may we best assess risk and return in the context of impact investing?
- Must investors assume a financial penalty for pursuing social and environmental impact through their investments?
- Are impact investing vehicles more risky than traditional investment options in the same or similar asset classes?
- In an evolving and dynamic market, how should asset owners manage appropriate risk exposure in fulfillment of their fiduciary responsibilities?
- How can we best measure the social and environmental impact of our investments?

Before exploring these and other questions, we must first have an understanding of the impact investing landscape and some initial concepts. A common approach to managing risk and return when allocating one's capital across the variety of investment vehicles available to all investors today takes into consideration three things:

- ***The level of risk present within any given investment opportunity***
- ***The potential financial return that opportunity offers and***
- ***The "risk appetite" of the investor whose capital is being allocated.***

In traditional investing, a central premise is that risk and return are related—that with growing levels of risk undertaken, one should expect to see a commensurate increase in the returns (the rewards) one receives as an investor. Accordingly, government underwritten bonds are viewed as low-risk investments, but they also offer investors much lower financial returns than those one would expect from a more risky investment such as in a private equity fund. Another example of this premise is the risk/return trade-off one would see when investing in publicly listed companies falling into the "blue chip" category as opposed to "small cap" stocks.

Risk and return must be considered at two levels: First, is the risk/return equation of the overall investment strategy and, second, the risk/return equation when considering allocations to any specific asset class.

At a level of overall investment strategy, for many impact investors there is a commitment to maximizing the total performance (financial and extra-financial) of the portfolio. These investors view impact investing as a broad, strategic investment approach to asset management with each allocation being specifically assessed with an eye toward how it may contribute to the financial and impact performance of the total portfolio under management. As one family office head stated, "I'm responsible for maximizing the total impact of our entire portfolio—regardless of how we decide to allocate our capital into specific, individual investments." In considering risk and return for impact investing, these investors understand it is less a question of whether one is a "finance first" or "impact first" investor than a strategic consideration of

risk and return the investor makes. This consideration than informs the investor's assessment of how the total assets should be managed, as well as how much capital should be allocated to any particular pool of funds within that portfolio. In this way, questions of risk and return are viewed with reference to a commitment to maximizing the total, overall performance of a portfolio on both financial and social/environmental terms.

Other investors[3] view impact investing as an asset class. In this case, they earmark a defined amount of funds to this category and leave the balance of their portfolio to be managed with traditional investment strategies and vehicles solely for financial performance, with no consideration of the overall mission or purpose of the investing institution.

What is important to acknowledge in the discussion of these two approaches is that regardless of whether one is managing for total impact of an overall portfolio or allocating funds into a discretely defined impact investing category there is no single "correct" answer. Each investor must understand what her overall goals are and then create the specific investment objectives she and her advisors feel have the greatest promise of meeting those goals.

All of which, of course, brings us back to the central question under discussion for impact investors:

Regardless of whether one is managing assets for total portfolio performance or within a single asset class allocation, what is the best way to weigh and assess the interplay between risk, returns and impact?

WHAT IS RISK?

Understanding risk and approaches to risk management are perhaps the central considerations for any investor. While a comprehensive discussion of the topic is beyond the scope of this Brief, at its core, traditional risk management considers a variety of inter-related factors such as financial risk, enterprise risk, market risk and so on. The Impact Investor is concerned with each of these aspects of risk, but is additionally concerned with how various aspects of risk play out within the context of impact investing. These might include:

- **Liquidity Risk:** *The ease with which an investor may enter or depart a given investment.*
- **Impact Risk:** *This speaks to the possibility that what may first be viewed as a "good thing" may actually end up being "not so good." For example, the controversy regarding palm oil harvesting for bio-fuels or job creation that acts to accelerate the movement of people out of rural areas and into already challenged urban centers.*

- **Manager Risk:** *Shorter track records in the impact space, with smaller asset bases and portfolio breadth, along with less robust compensation models that may lead to turnover of staffing*

- **Fund Development Risk:** *Due to various constraints of the impact segment for raising and investing capital, investors must also be able to assess any given manager's ability to close a fund at scale and not get caught in stalled funds or invest in funds that are unable or too slow in deploying the capital in suitable impact investments*

- **Measurement and Reporting Risk:** *Given the challenges and difficulties in measuring social and environmental impact, investors seeking to maximize impact as opposed to financial returns may be exposed to inaccurate assessment of social and environmental impact.*

- **Social Enterprise Risk:** *The type of underlying business venture that is linked to the investment vehicle and the level of risk carried by it. In addition, SE Risk would consider what a likely range of outcomes will be as they relate to not just the successful execution of the business, but also whether it will create the stated and desired social and/or environmental outcomes projected. This type of risk shares much in common with traditional enterprise risk, but is viewed through the lens of the ventures social commitments and orientation.*

- **Subordinate Capital Risk:** *Reliance on grants or other subsidy such as subordinate investments from concessionary funders and whether that added complexity is likely to yield either better results, or perhaps fail to materialize at necessary levels, therefore impairing the outcomes of any given investment strategy.*

- **Exit Risk:** *Since many impact investment alternatives are less established, smaller and more "specialized", impact investment fund managers face greater challenges in realizing investment returns in the future, be it through liquidity events to strategic buyers or through IPOs in public stock markets.*

With these aspects of risk under analysis, the Impact Investor should also assess his own Investor Profile relative to the risk he is willing to carry. In this regard the investor must answer such central questions as whether he will need access to this investment capital in the next three to ten years (to support grantmaking, distributions for previous commitments, etc.), his tolerance for actually losing invested funds due to failed ventures/ investments, the degree to which current investments under consideration will make the overall portfolio "un-balanced" with regard to its general risk exposure or other factors that should be considered when allocating funds to a longer term investment approach.

PERCEIVED VERSUS REAL RISK

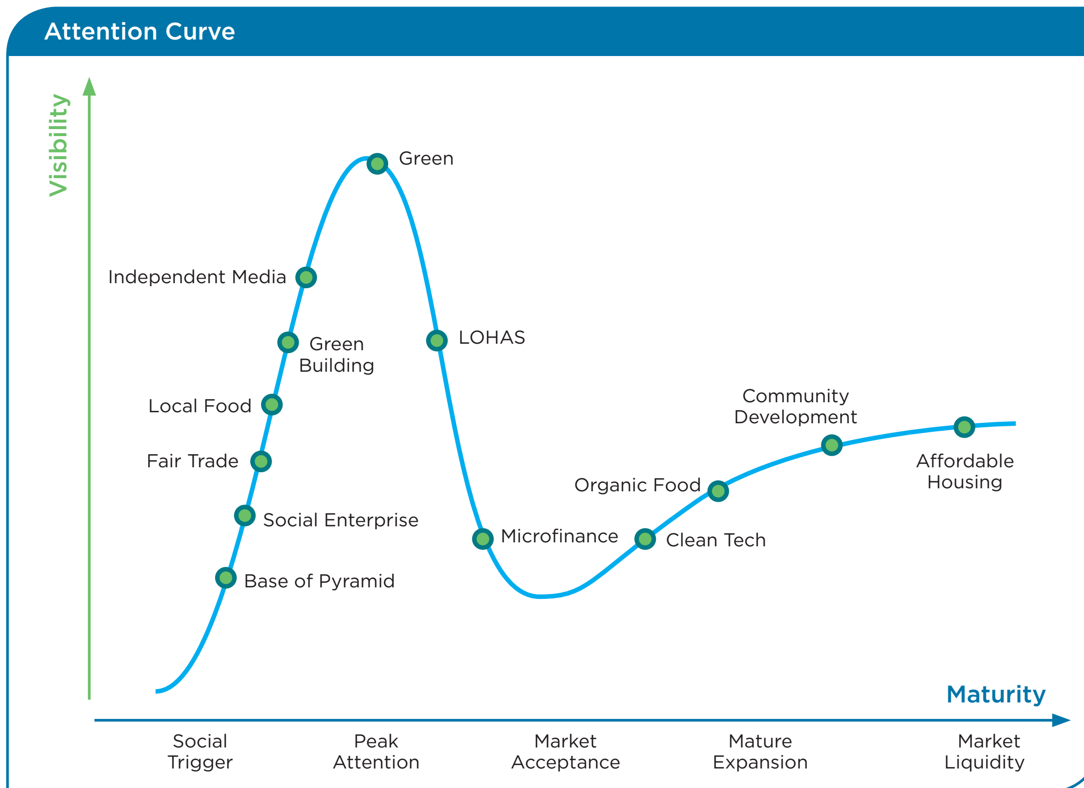
With these considerations in mind, the investor should also assess the degree to which the risk of an investment is real versus perceived. Within traditional investing investment advisors (as well as many investors themselves!) are most comfortable with what is known as "conforming assets." A conforming asset is an investment vehicle that looks like, performs like and has the same risk profile as other investments in the same category—it conforms to other investments with the same name and characteristics. Most mainstream investors and investment advisors are not familiar with either the field of impact investing or the history of various investment products or funds within that field. Therefore, they may be quick to either dismiss such investments as "too risky" or simply say that the level of underwriting and due diligence required to properly assess a potential impact investment opportunity are too high relative to the potential financial return the investment may offer and is therefore not worth assessing. The bottom-line is when something that is different or new is viewed as increasing one's investment risk—regardless of whether the underlying investment is or is not actually "risky."

Of course, this is one of the reasons impact investing is a challenging topic to explore with mainstream wealth advisors—and why while some advisors may view it as a threat others see it as an opportunity to expand their client services. Much of the current interest in impact investing is clearly being driven by those wealth advisors who see an opportunity to either "build, buy or borrow" the capacity to integrate Impact Investment offerings within the toolbox with which they work. The reality is that many within the existing generation of wealth advisors are simply best positioned to evaluate those investment vehicles they know and understand as opposed to investments outside their direct area of expertise or interest. And those not moving to offer a competence around impact investing may continue to simply conclude client discussions on the topic with the phrase, "...these are still too new and too risky for us to consider at this time."

One of the striking elements to observe with regard to the evolution of impact investing is the rapidity with which the concept and practices have moved from fringe approach to fad and on to sustained trend. The Attention Curve presented below is an interesting reflection of this process of market acceptance and adoption. As various new investment categories (referred to as thematic areas) are developed and introduced to mainstream markets, they move through stages of awareness, acceptance and expansion as investors adopt them—as they come to be viewed as conforming—over time. This process is a good example of how investors address the challenge of learning how to distinguish perceived risk from true risk in creating a portfolio of impact investments.

For example, many investors would be leery of investing in a pool of debt issued to nonprofit organizations due to the misperception that nonprofits are operated poorly, have few

underlying assets to secure the debt and carry significant reputation risk to the investor (after all, what investor wants to be the one who calls the note on a local church or homeless shelter?). In reality, the performance of many funds offering low-interest debt to nonprofit organizations has been excellent in well-managed funds. As one investor commented, "They may not have a ton of assets to secure their debt, but they can point to 20 years of consistent bill paying and sound credit management. Why wouldn't I want to invest in that?" Yet for many mainstream investors, the perception of risk remains.



Source: Collective Intelligence, produced for Good Capital, 2007.

ASSET CLASS RISK VERSUS THEMATIC AREA RISK

Two inter-related considerations of risk for the Impact Investor are that of asset class versus thematic area. In terms of asset class, as outlined above, different investment instruments are grouped into asset classes which each carry varying levels of risk and financial return; for example, fixed income debt having a lower level of risk and return than private equity investing.

In addition to asset class risk, there is also thematic area risk. The category of sustainable agriculture (often included in what is called "real assets" since one can see, touch and feel such assets) may have a lower risk assessment than investments in Renewable Energy or Health Research. It is important to understand that a debt instrument structured through a fund making short-term, cash flow loans to nonprofits with state contracts (which often are paid back over months—yet are secured with government contracts) may be structured as the same debt offered to an inner city, small business development fund—but the risk potential of small businesses operating in the open market is much higher than that of nonprofits awaiting payback on government service contracts. Impact Investors must therefore consider both what type of investment vehicle is being presented as well as how the particular vehicle's thematic area effects one's assessment of an investment's real risk.

THE FLIP SIDE OF THE COIN: DEFINING INVESTOR LEVELS OF RETURN

To discuss risk without exploring the concept of return only gets you half the story! And, when discussing investing strategies, the whole point of investing is not to have your capital returned at some point in the future, but also to have used those funds to create incremental value. While in the past the social capital markets[4] offered little in the way of options for securing a financial return, today's markets have seen a significant increase in both the categories of investments available to impact investors and the levels of financial return offered.

The diagram on the next page, a modified version of an asset allocation chart presented by Rockefeller Philanthropy Advisors, shows how across a variety of thematic areas impact investors and their advisors may find investment instruments offering financial returns competitive for that impact investing asset class.[5]

ILLUSTRATIVE LANDSCAPE OF IMPACT THEMES WITH ASSET CLASS EXPOSURES

SOCIAL, ENVIRONMENTAL, OR BLENDED IMPACT THEMES	ASSET CLASSES								
	Liquidity	Income and Wealth Preservation			Capital Appreciation and Wealth Growth			Inflation Protection	
	Cash/Cash Alternatives	Notes/ Other Debt Obligations	Bonds	Absolute Return/ Low Equity Correlated	Public Equity	Equity Long/Short	Private Equity	Real Estate	Commodities, Timber and other Real Assets
Climate Change	Green Bank Deposit		Tax-exempt Green Bonds	CO2 Trading	Positive and Negative Screening		Clean Tech Venture Capital	Green REITS	
Energy			Screened Corporate Bonds	Alternative Energy Project Finance	Exchange Traded Funds (ETFs)	Renewable Energy	Energy Efficiency Venture Capital		Sustainable Feedstocks
Water			Corporate Infrastructure Bonds	Water Treatment Project Finance	Unit Investment Trust, Closed End Funds	Water Funds	Water Technology Venture Capital		Water Rights
Community Development	Community Bank CD's	Foreclosure Repair		Microfinance Institutions Debt	Shareholder Proxy Voting		Community Development Venture Capital	Transportation – Smart Development Funds	
Social Enterprises	Social Bank Deposits	Social Enterprise Credit			Micro-Cap Listed Social Companies		Small and Medium Enterprise	Conservation/ Ecotourism	
Health and Wellness				Structured Public Note			Consumer Product Venture Capital	Organic Farming	
Sustainable Development	Trade Finance Guarantee/ Deposit		Smart Growth Municipal Bonds	Blended Debt/ Equity Hybrid Structures	Thematic Screening			Ranch Land Agriculture	Timber
Education	Linked Deposit/ Guarantee		Charter School Bonds				Education Private Equity	University Green Building	

Source: Rockefeller Philanthropy Advisors, Solutions for Impact Investors, 2009

The discussion of what constitutes "market rate" financial returns was a much easier one to have prior to the capital markets melt down of 2008. Until that time, indeed since the last Great Depression, mainstream market investment returns held to historical performance within defined boundaries for a given investment category. Generally speaking, bonds looked like bonds and equity provided "equity-like" returns. The capital markets crisis created surreal situations wherein one could have discussions with an institutional investor team in which the commercial market investment officer would be describing losses of twenty, thirty or even forty percent while the social investment officer across the table would be reporting consistent returns of four percent or more (in fact, in the case of micro-finance, some investors achieved 7% returns throughout the down turn).

Against this backdrop, current discussions of what constitute "market rate returns" and "risk" are challenging at best! Regardless, as previously discussed, today's impact investor has available to her an array of investment vehicles which increasingly offer financial returns consistent for their asset class. The investor concerned with "doing well while doing good" will find she can, in fact, do just that.

What has been most interesting to observe over the past five years in particular is the

number of impact investors coming to the table saying, "My measure of 'return' is not what the market may deem as an appropriate financial return, but rather a defined level of financial performance integrated with measurable social and environmental value creation. I AM the market and I will determine what appropriate rate of return I should seek." In fact, a recent survey of investors in the United Kingdom found 39% of investors surveyed would consider accepting a "below market" financial return on investments with a demonstrated social and/or environmental value creation potential.[6] Increasingly, impact investors are finding that they are indeed the market and a blending of financial with social/environmental returns is not only acceptable, but a significant driver for their investment decisions.

THE ISSUE OF IMPACT: DEFINITIONS OF EXTRA-FINANCIAL PERFORMANCE

All of which brings us to a core consideration for Impact Investors:

In the same way traditional investors cannot consider risk in the absence of return, Impact Investors must assess a trifecta of risk, return and impact.

At its most basic level this is simply a question of adding one more set of considerations for an investment: social and environmental, in addition to those of risk and return. However, adding just "one more" consideration to a traditional two-dimensional framework is challenging for many; we are quite simply used to thinking in two-dimensional terms and not on a holistic, blended basis. One either makes money or gives it away; one goes into business or works for nonprofits; you're either a poet or a "quant."[7] To ask us now to add a third level to this very simple, dualistic understanding of the world can be challenging!

That reality aside, within this two-dimensional world, investment opportunities are arrayed across a range determined by where they fall on this "risk return trade-off." The "best" investment is the one that maximizes total performance—on both a risk and return basis. The arc which describes this two sided framework wherein the balance between risk and return is maximized is called the Efficient Frontier. The traditional Efficient Frontier is what one would have if the Impact side of the graph below was eliminated and it is this traditional two-sided framework that most of today's capital is managed against.

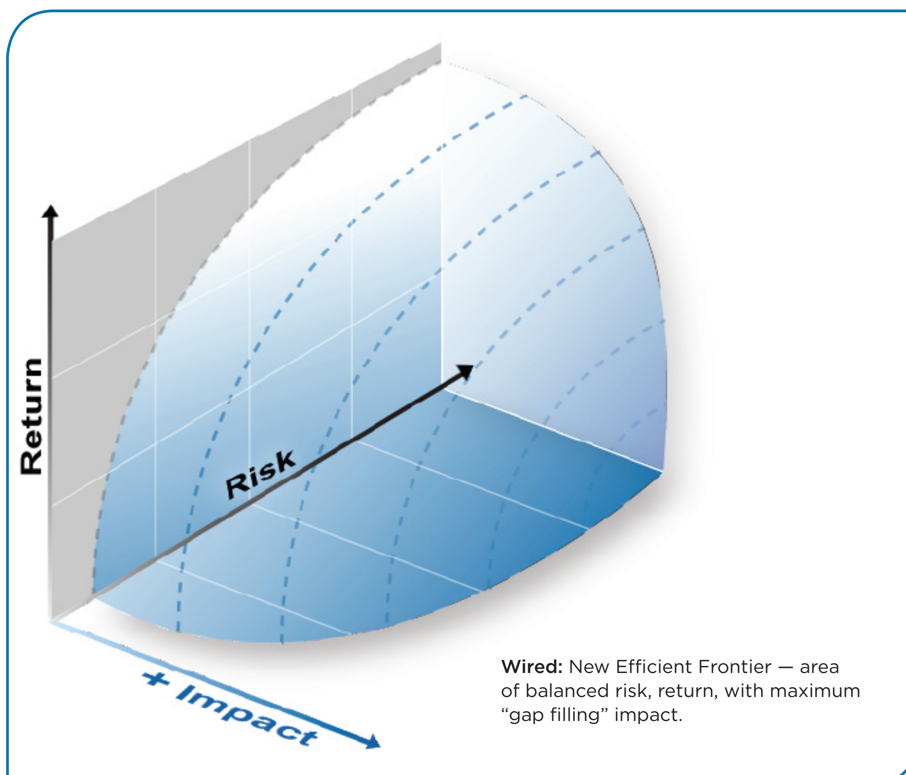
However, by simply adding the consideration of Impact, one may create a new way of understanding overall risk and return; this addition of Impact builds upon our historic thinking of risk and return, creating a New Efficient Frontier that is not bifurcated, but rather is spherical, whole and more complete.

This is the efficient frontier sought by the Impact Investor.

First enunciated by Brian Dunn (at the time, with Aquillian Investments) the Impact Investor assesses performance not against the simple two-dimensional realms of risk and return, but rather with this added third dimension of Impact.[8]

When viewed in this light, investing and the performance potential of capital are viewed within a holistic framework wherein investors are not asked to embrace an artificial trade-off between doing "good" and "well" but rather assess various investments with regard to their real or potential performance across three axis of simultaneous blended value creation. As shown in the diagram below, various investment opportunities (both traditional and impact investment) may be placed within this sphere with the investor determining what total portfolio performance she seeks and how best to attain that overall performance through the construction of her portfolio of individual holdings.

There are two aspects to consider in locating financial firms and their investment vehicles within this performance sphere to assess where they rest along the New Efficient Frontier: Strategic Placement and Performance Placement. Strategic Placement means as one engages in the process of developing a portfolio of impact investments, consideration must be made with regard to where the investment should sit relative to its anticipated place along the risk, return and impact axis. In this case we are asking the question: What do we think the performance will be and does that fit within our overall strategy? By contrast, Performance Placement refers to an assessment of where any given investment actually does sit relative to actual performance and documented impact/return relative to whatever risk the investment was felt to carry in advance of making the investment. Here we are answering the question, "How did the investment actually perform and did it create the level and type of impact we thought it would?" This distinction is important because it allows us to move from a strategy for impact investing to the actual management of impact investments—namely, we move from a process of



Wired: New Efficient Frontier — area of balanced risk, return, with maximum "gap filling" impact.

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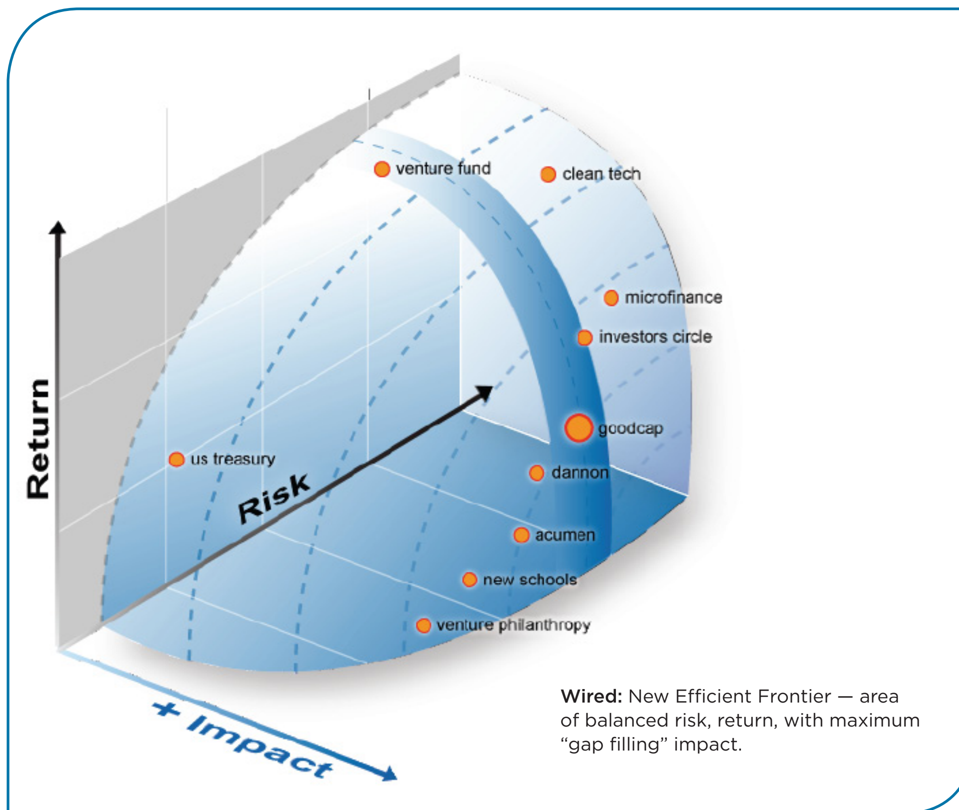

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portfolio construction to that portfolio and investment management.

In the diagram above, one can see a progressive increase in returns as one moves out along the risk axis progressing from venture philanthropy to various potential investment firms/funds offering differing levels of financial return to the investor. One can also observe how the relative degree of impact increases as we move from a bond offered by the U.S. Treasury to traditional venture investing and finally then to clean tech or microfinance investing.

While various advisory firms are working with proprietary frameworks to assess the "relative impact" of different investment options, the field of impact investing as a whole has not as yet embraced a single framework for projecting impact or an integrated framework to assess all three elements of performance as a tool to assist investors and their advisors in allocating funds into investments across asset classes. In lieu of such an industry wide framework, advisors work with clients to assess such factors as intent (whether the investment is structured to intentionally create impact and if so how, or whether impact is a by-product of traditional business practices), participation in such initiatives as the United Nations Principles for Responsible Investing, and so on. Together with an understanding of how the particular investment is structured and the degree to which it offers financial return, its level of risk and its projected impact, investor and advisor may then discuss how any given portfolio may be constructed to potentially generate the total, integrated returns sought by a particular investor.

That said, with the introduction of the Global Information Impact Reporting System (GIIRS—an impact performance reporting framework currently being applied by a number of leading impact investment funds), the emerging work taking place to apply "integrated" sustainability reporting systems in assessing corporate

performance and the growing popularity of the B-Corp system for certifying companies and investment groups, over coming years it will become increasingly possible for investors to track actual individual impact investment performance as well as overall performance of an impact portfolio. This will enable investors to track impact and the integrated performance (the performance of investments along the three axis when taken as a whole) of their investment portfolios.

While some have expressed frustration with regard to the challenge of assessing investment impact, it should be remembered that current financial metrics and investment practices did not evolve whole cloth, but rather emerged in the years following the Great Depression and have been continually revised over time—and that those very metrics and investment practices in which we placed such great trust did not in the end function to protect mainstream investors from the deceptions leading to the crisis of 2008. Therefore, we should be comfortable with the reality that developing complementary impact metrics to use in concert with our traditional financial metrics will indeed take time to evolve. We should understand that the metrics being applied today are significantly more advanced from those we were using only five or ten years ago, and they will continue to improve over the years to come.

Finally, in discussing the issue of assessing the relative impact performance of different investment vehicles it is important to acknowledge that within the field of impact investing there is a perhaps un-stated bias toward direct investments (investing directly into companies or into funds which then manage a direct investment process) as opposed to investing in publicly listed companies along the lines of the investment practices of traditional responsible or sustainable investment (which manage investments into shares of publicly traded firms with consideration of social/environmental factors when making such investments). This bias has to do with the assumption that for your average investor without the option of taking a significant position in a company or taking a board seat, such direct investing has greater, more immediate impact than investing in publicly traded companies. This is because for investors buying publicly listed shares, one's capital is co-mingled with that of thousands of other investors who may or may not share one's own interest in sustainable, impactful business practices. The impact investor not only is interested in advancing sustainable business practices, but also in the use of such practices to expand economic opportunity to disadvantaged segments of society or the integration of environmental considerations into a publicly traded company's business model and practices. Therefore, many impact investors have a focus upon more direct investing opportunities offered through angel, venture or private equity funds, and fixed income notes offered by community investment organizations such as community development banks or funds.

Caution is called for in operating within this bias. It is certainly fine for any and all investors to manage their investments as they best see fit. And for those investors seeking a more

direct engagement in the development of their portfolio, investing in venture and growth funds or directly into firms at earlier stages of development can offer a meaningful sense of creating direct impact. However, the fact is the operating risks of such investments are in many ways significantly greater than that of investing in existing publicly traded companies and—more importantly—the potential of a Wal-Mart, Interface or other public firm to create “impact” via modification of its sourcing practices, internal human resource policies or other aspects of firm operation can have significant and direct impact on the lives of thousands of employees and their communities around the world.

As we have argued, the opportunity before us is not whether one opts to engage in impact investing through direct or indirect investing, but rather how one manages one’s total capital resources in order to maximize overall portfolio performance.[9] This performance will have different aspects depending upon the particular investment vehicle and asset class in which one invests—but our goal should be to maximize total performance in the pursuit of creating the greatest level of blended value possible through one’s investment management practices. After all, at the end of the day, impact investing is about maximizing impact and creating a portfolio of investments that generates the greatest total returns possible for investors and stakeholders alike.

In conclusion, we began our discussion reflecting on a host of questions often asked by those considering an impact investing strategy. These include issues regarding financial performance, levels of risk and degrees of impact. Today, growing numbers of investors are finding they are not only comfortable with these questions as they relate to an emerging investment opportunity, but that they are forging new answers to these questions—new ways to think about the nature of capital performance, the way risk may be viewed relative to the various returns investors seek and the variety of impacts one can manage that capital to create. While some will debate whether impact investing will continue to evolve into its own asset class with defined performance benchmarks against which investors and fund managers may both assess relative performance and returns, it is clear impact investing will continue to find its place among its peers in investment strategy—generating blended value and returns for investors and stakeholders alike.

FOOTNOTES

[1] "Off Balance Sheet" refers to those factors which may affect a company's performance (and thus its returns to investors) but are not reflected on the company's traditional financial reporting documents, such as the balance sheet or income statements.

[2] While some debate remains regarding how best to define impact investing and its various elements, as well as to understand its relationship to traditional investing and related investing strategies such as sustainable investing or traditional socially responsible investing, such debates lie beyond what we can cover in this short Brief. For those interested in that discussion, ImpactAssets Issue Brief #1 provides a short introduction to impact investing while the forthcoming book, impact investing: Transforming How We Make Money While Making a Difference, offers an in depth review of the topic. Other papers have also been released in recent years, links to which may be found on the ImpactAssets web site.

[3] Most notably, many of those foundations involved in the U.S.-based More for Mission Campaign, but there are certainly many examples of individual impact investors who operate within this perspective as well

[4] By which we mean, those financial "markets" represented by philanthropy and other socially motivated capital.

[5] As previously discussed, some investors use impact investing as a lens to look at all asset classes while others view it as a discrete allocation to an asset class. Either way, the following discussion applies to both understandings of impact investing.

[6] NESTA, Investing for the Good of Society: How and Why Wealthy Individuals Respond, 2011, **http://www.nesta.org.uk/library/documents/BSFFGoodofSocietyprint.pdf**

[7] "Quant" being a short hand reference to "quantitative" and those financial analysts who rely primarily upon pure number crunching to identify "gaps" between historic performance and today's pricings/valuations.

[8] Modern Portfolio Theory—with a Twist: The New Efficient Frontier, Brian Dunn, Aquillian Investments, 2006. Indeed, while Brian was the first we can find who actively published on this topic, the basic ideas have been around for some time. In fact, Fran Seegull of ImpactAssets wrote an HBS paper on many of these same ideas in 1998!

[9] For more on this point, please see ImpactAssets Issues Brief Number One, as well as the chapter on Total Foundation Asset Management in impact investing: Transforming How We Make Money While Making a Difference.

This ImpactAssets Issue Brief was authored by Jed Emerson, IA's Executive Vice President for Strategic Development. As part of ImpactAssets' role as a nonprofit financial services group, Issue Briefs are produced to provide investors, asset owners and advisors with concise, engaging overviews of critical concepts and topics within the field of impact investing. These Briefs will be produced by various ImpactAssets staff as well as collaborators and should be considered working papers—you're feedback on the ideas presented and topics addressed in IA Issue Briefs are critical to our development of effective information resources for the field. Please feel free to offer your thoughts on this Issue Brief, as well as suggestions for future topics, to Jed Emerson at **JEmerson@impactassets.org***. Additional information resources from the field of impact investing may be found at the IA website:* **www.ImpactAssets.org***. We encourage you to make use of them.*