



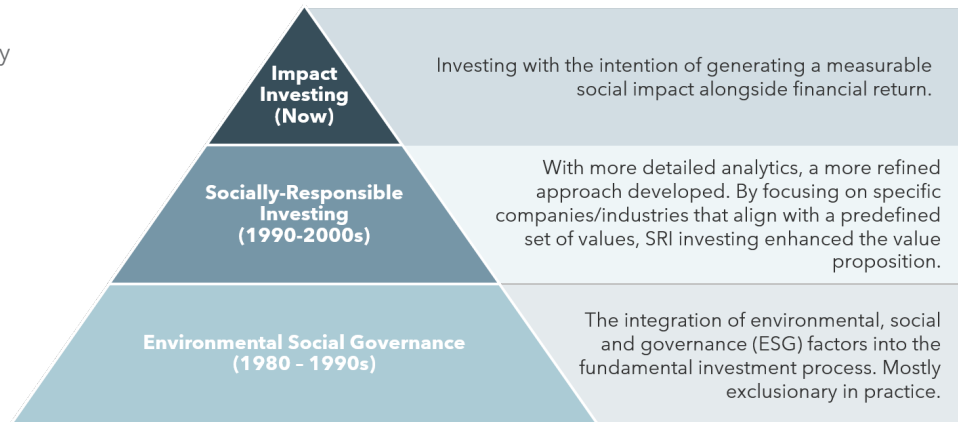
What is Impact Investing and How to Get Started?

To generate measurable social and environmental impact alongside a financial return.

In the 1980s and early 90s, before the term “impact investing” was coined, investors could use environmental, social or governance (ESG) filters to exclude portions of the capital markets they did not want to support, such as weaponry, tobacco or nuclear proliferation.

This mostly exclusionary practice evolved into a socially responsible investing (SRI) world where financial experts layered in more detailed analytics. They refined the approach to focus on specific companies or industries that aligned with a predefined set of values, and SRI investing helped to enhance the value propositions of those businesses.

Impact investing today looks at the way a company improves education, health, economic empowerment or environmental sustainability, and seeks to measure financial return and nonfinancial social impact. According to research from Morningstar, nearly three-quarters of Americans have moderate-to-high interest in sustainable investing.



Source: BakerAvenue, Morningstar

When BakerAvenue clients want to incorporate personal values and passions into their portfolios, we start by discussing their intentions for the investments.

In 2015, world leaders at a UN Summit adopted a set of goals as part of a new sustainable agenda.

SUSTAINABLE DEVELOPMENT GOALS

They will stimulate action over the next 15 years in areas critical for humanity and the planet.

One framework we use for these discussions is the United Nations’ 17 Sustainable Development Goals (UNSDGs) that were adopted by world leaders in 2015 at a historic UN Summit. In the past five years, there has been increasing alignment around using the SDGs as a common vocabulary to talk about impact investing and what clients hope to achieve.




For example, if their focus is the environment, that includes clean energy, climate change, and water. Or they may wish to support issues like equality, education, different types of sustainability for cities and businesses, etc. And although this is quite a comprehensive list, there are other purposes for which impact investing can be used, such as animal rights and welfare.

Data of impact potential for thousands of stocks

The data to analyze publicly-traded securities to align clients' portfolios with their values is now available. We can screen for factors like a governance rating, a board's diversity, greenhouse gas per unit of revenue, employee satisfaction scores, women in managerial roles, renewable energy projects, etc.

Plus we can review a company's returns and social results. For example, if they focus on women-owned businesses in the developing world, we will see their financial reports as well as their impact reports on the demographics of people they reach, what countries, how access to capital is improving, etc.

Examples of Public Investments

-  Governance Ratings
-  Environmental Ratings
-  Societal Ratings



Any suggestion of cause and effect or of the predictability of economic or investment cycles is unintentional. Past performance is never a guarantee of future performance. Baker Avenue Asset Management LP may currently own or have previously owned a specific stock or company referenced, and a list of our past holdings can be found at the [SEC website](#). [Click to view full disclosures](#).

Furthermore, we help clients understand the trade-offs of different types of bespoke strategy. They may be looking for market-rate competitive investments that are also impact-embedded. Or they might want something with an impact perspective that will be below market, and we will discuss potential implications for return or volatility.

The Private Markets

The following are a few examples (not specific endorsements) of private companies that are focused on impact / ESG investing.

Previously, companies like these would not have attracted market-rate capital. But with the surging interest in aligning investments with values, three of the four are now considered market-rate competitive.



MicroVest is a Fixed Income Fund focusing on short-term financing to micro-finance institutions. Microfinance is financing opportunities typically in developing countries, although not exclusively, for very small start-ups. They tend to focus on women-owned businesses to provide capital for aspiring entrepreneurs to start and grow businesses.



MAP is a real estate fund investing exclusively in renewable energy and on-the-ground conservation. MAP funds projects that are directly replacing energy generated from fossil fuels where the projects add access to clean energy through a real estate strategy, which can be financially competitive.



Impact Engine is a private equity firm that seeks investment opportunities that have the potential to drive both competitive financial returns and sustainable, scalable social or environmental impact. The firm looks at companies that directly improve education, health, economic empowerment or environmental sustainability.



UNICEF has a bridge fund, through a donor-advised fund, with below-market rates offering a very low interest rate. It's a line of capital, immediately available and replenished over time, for distributing supplies as quickly as possible in the event of a disaster.

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Standardizing data

The financial services industry is moving closer to a consistent standardization of analytical screening, metrics, ratings, scoring, and other data to evaluate how a specific goal such as access to education can, or can't, be achieved through a specific investment.

There are now standards bodies, including the Suitability Accounting Standards Board (SASB) and International Financial Reporting Standards (IFRS), that are helping to frame and align the disclosures companies need to provide, similar to the Financial Accounting Standards Board's (FASB) guidance on accounting.

How to start making an impact

- Understand what you already own, e.g., what are the exposures, are there areas you want to add exposure to, are there areas you want to avoid?
- Know what you want to achieve based on your financial needs and goals.
- Think about your personal values and what you'd like to accomplish.

Our role is to help incorporate those values into your broader, longer-term financial plan. We've found that encouraging action around the dynamics you're looking for is a good way to think about responsible investing. Investments in companies that look to the future - such as improving carbon efficiency or using sustainable sourcing strategies for supply chains - will help people and the environment alongside financial return.

If you would like to learn more visit bakerave.com/impact-invest or to get started, contact us at bakerave.com/contact.

Helping you embrace life's transitions.

Since 2004, Baker Avenue has guided clients through personal and professional life transitions. Our firm provides comprehensive wealth management and investment expertise for high-net-worth individuals, families, trusts, and foundations. Driven by our purpose, we strive to make a positive impact on society alongside financial return. We're headquartered in San Francisco with offices in New York and Dallas.

For more information, please contact us at 415.986.1110 or visit us at bakerave.com.

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