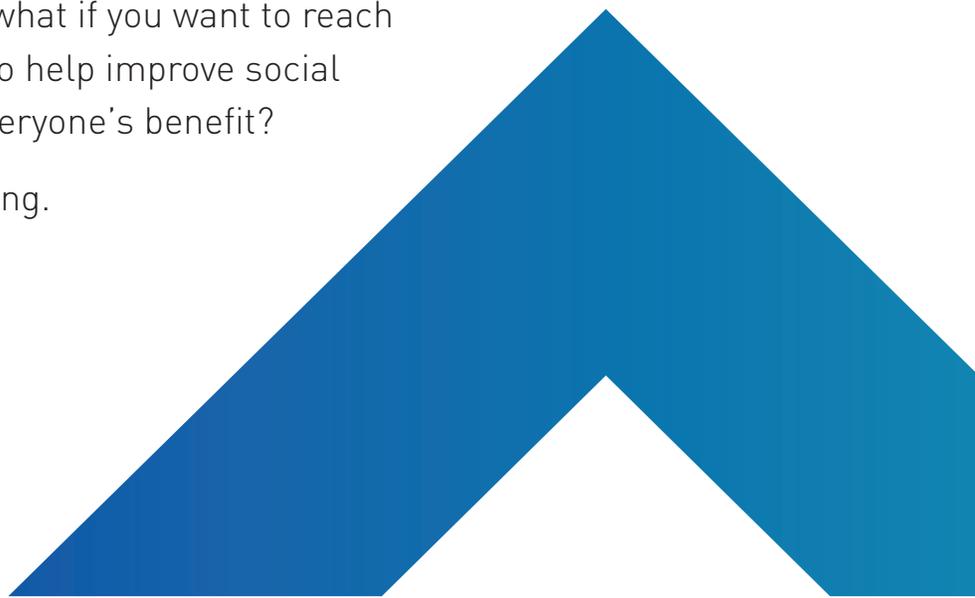


HOW TO MAKE AN IMPACT

with your investments

We all have goals we hope to achieve through our investment success. A new home, your child's education, a comfortable retirement. But what if you want to reach beyond your personal sphere, to help improve social and economic conditions for everyone's benefit?

You can, through impact investing.



IMPACT INVESTING EXPLAINED

Impact investing offers the opportunity to shape the world around you.

It can help reduce poverty, provide food security, build low-cost housing, mitigate the effects of climate change, improve access to education and healthcare, push for gender equality, and more. Impact investors are able to do all that through their personal portfolios – without limiting their progression toward their financial goals.

Impact investing is more than simply *intending* to make an impact and hoping for the best. According to the Global Impact Investing Network:

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return... A hallmark of impact investing is the commitment of the investor to measure and report the social and environmental performance and progress of the underlying investments.

Just as you review your portfolio returns over time to determine how you are advancing toward your financial goals, impact investment reports measure and quantify your contribution to positive change.

IMPACT vs ESG

Impact investing falls under the umbrella term “responsible investing” (along with “thematic” and “ethical” investing, among other terms). While the evaluation of environmental, social and governance factors is at the root of responsible investing, ESG evaluation is not the same as impact investing. But there is a relationship.

The purpose of ESG evaluation is to reduce risk and uncover opportunities to improve investment outcomes by assessing a company’s non-financial performance. Impact investing, according to the Principles for Responsible Investment, “focuses on business models and the products and services these companies produce. In this sense, impact investing aims to positively impact society *beyond* ESG-related compliance and investing.” (Italics ours.)

FOLLOW THE MONEY

The Responsible Investment Association says in its latest impact investing report that from 2014 to 2017, Canadian assets in impact investments nearly doubled, from just over \$8 billion to almost \$15 billion. The Association also says investors “overwhelmingly reported that performance has met or exceeded their expectations.” Finally, they note 89% of respondents expect “moderate to high levels of growth” in impact investing over the next two years.

Put simply, the demand for impact investments that can help Canadians achieve their financial goals is rising – *fast*.



CHOOSING THE RIGHT SOLUTION

Here are three questions to ask yourself as you get started with impact investing:

1. What are the main social and environmental problems I would like my investment to help solve?

Whether you'd like to see more companies run by women, less pollution, or better access to education, there is likely to be an impact solution driving change in that area.

2. What proof can I get that my money is making a difference?

The best impact solutions will measure and report on progress toward the stated objectives. As an investor, you should have access to that information.

3. How will this affect my portfolio?

Like all investment decisions, your choice of impact solution should be made in the context of your goals, time horizon, and tolerance for risk. You always want to be comfortable your portfolio is well suited to your financial circumstances. From a portfolio standpoint, impact investments have the potential to reduce risk and improve returns through diversification. Of course, that's in addition to the positive social and environmental impact they're intended to have.

THREE EXAMPLES OF IMPACT INVESTING IN ACTION

Gender equality

The World Bank has issued a US\$4 million sustainable development bond to address the importance of investing in women. Proceeds from the sale of this "gender-linked" bond will help accelerate economic development, reduce poverty and build sustainable societies.

Source: Impax Asset Management.

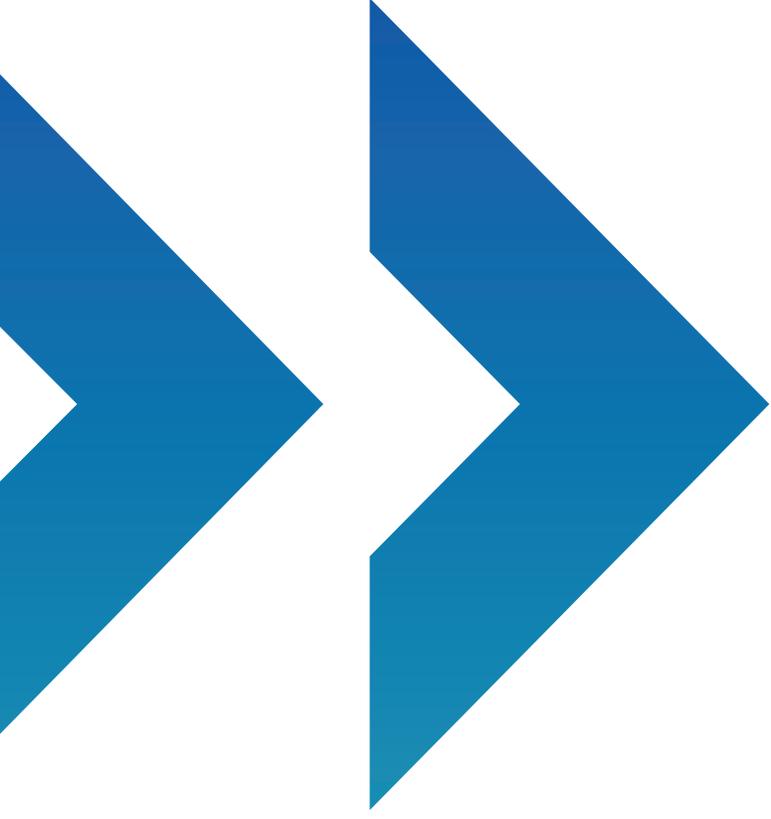
Housing

French bank BNP Paribas is investing approximately \$1 million in Belgium's first social impact bond, "to house and provide workforce training to 133 young adults at risk of becoming homeless."

Source: Impact Alpha, March 9, 2020.

Environment

NEI Environmental Leaders Fund invests in shares of companies at the forefront of "resource optimization," specifically in the areas of water, waste management, food, and energy. These companies are located all around the world and operate in many different industries.



**Talk to your financial advisor about
impact solutions from NEI Investments.**

NEI

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