

# What Exactly Is Impact Investing?

Impact investing goes by many names, and you may have run into many of them depending on which stakeholder, client type, or investment strategy is being discussed, but fundamentally all of these names describe the same thing: Impact investing is an investment approach intent on generating positive environmental, social, and/or governance (ESG) outcomes alongside a financial return. These strategies generally pursue two goals:

1. **Protecting and enhancing long term value by addressing environmental or social risks – or by investing in solutions to environmental or social challenges.**
2. **Protecting, enhancing, or otherwise positively impacting the long-term health of the environment or society through expressing environmental or social values.**

## Clients' motivations for investing for impact

Investors incorporate environmental and social considerations into their decisions because they seek opportunities to manage risks, recognize the potential for outperformance of companies that effectively address environmental and social issues, and/or want to align their portfolio strategies with their own values.

## 3 primary impact investing approaches

Investors typically adopt one or more of three core approaches to investing for impact:



### ALIGN

Aligning a client's investments with their values by minimizing exposure to companies or industries whose business practices conflict with those personal convictions.



### INTEGRATE

Integrating ESG factors into investment decisions to identify and emphasize investments in companies or industries with positive ESG practices or that solve specific ESG challenges and to limit exposure to those with poor ESG performance.



### ALLOCATE

Allocating investments within portfolios to target environmental or social objectives, as a complement or alternative to philanthropy.

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