THE GOOD GUIDE TO IMPACT INVESTING

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About Good With Money

Good With Money is a personal finance website with a difference: it focuses on ways you can get value with values or profit with principles from your savings, pensions, current accounts and even credit cards. Because deals that look after people and the planet, as well as your pocket, are SO much more rewarding for everyone.

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Introduction: What is impact investing?

The world of ethical and sustainable investment is – like the financial world at large – full of jargon and buzzwords. In addition to the two dished up above, we also have **responsible investment, social investment, socially responsible investment (SRI), environmental, social and governance (ESG)** and now: **impact**.

This can make even the seasoned Good investor's head spin and for the newbie, it can seem mystifying. However, if we think of Good investment as an ever evolving craft that begins with old fashioned ethics and gets closer and closer to the essence of doing Good, we'll find impact investment pushing at the vanguard.

The evolution of Good investing

CSR/ESG
Investing in companies paying positive attention to how they impact their staff and the communities affected by their activities and products.

Ethical
Not investing in companies considered bad; typically tobacco, arms, pornography, gambling and alcohol.

Socially Responsible
The same as ethical, though definitions will vary, and they may screen ‘in’ too.

Sustainable
Investing in companies that partially or fully meet certain sustainability criteria, often benchmarked against the UN Sustainable Development Goals (see page 11 for more).

Green/Climate
Investing in companies meeting carbon reduction goals, typically renewable energy or energy efficiency solutions.

Impact
Investing in companies whose products and activities have a direct, measurable positive impact on the environment and/or society.

Where ethical investment screens OUT companies and activities based on whether or not they are bad, impact investment screens IN investments based on whether they are Good. More than this, though, impact investment screens in companies and projects that are only doing VERY Good, and very Good in clearly quantifiable ways.

Whether it be reducing poverty through providing housing or access to healthcare, shrinking the equality gap by investing in companies providing childcare solutions, or giving developing communities access to safe, clean energy: a Good impact investment knows EXACTLY where it is putting investors’ money.

In a way, this makes impact investment perfect for the morally lazy: no longer do you have to decide where you stand on tobacco or pornography, for example: instead you can revel in the positive Good your money is making to people’s lives on the ground.

Where can I find it?

The evolution of financial reporting means impact is now spreading its wings across the investment universe. As little as five years ago the purist impact investor would have had to drop quite a money bomb into a direct project or unlisted company to make a real impact, but today the average Joanne can get involved for as little as £5.

Funds that invest in listed companies are often some of the best places to start for any investor, and it's no different in the impact world. However, those wanting to do Good will have to be a little more vigilant.

It is no secret that the Good money world has its fair share of so called 'greenwashers' and with younger investors increasingly demanding their money managers do better, this is only likely to become more of a minefield. We'll show you exactly how to sort the wheat from the chaff on pages 8 to 16.

Suffice to say, though, the Good name of a money manager is important. Companies that have historically come up against ethical and/or sustainable issues are typically going to be lumbered with more legacy issues than smaller groups, while specialists in the area almost always have the edge.

How do I know who's really making an impact?

Each impact investor has her own methods, however the most important thing is that she has a robust and measurable methodology. Increasingly, this might be to build and measure a portfolio against the UN's Sustainable Development Goals (SDGs).

A collection of 17 top level aspirations including ending poverty and providing access to clean drinking water for all, companies meeting one or more can be said to be having a Good impact on the world (providing, of course, it isn't pouring toxic waste into the ocean at the back end).

The UN has challenged global leaders to meet the SDG's by 2030, however recent research has shown there is a funding gap of around $2.5 trillion (£1.9 trillion) in just the developing world, which governments alone cannot meet. Indeed, according to the World Bank, 50 to 80 per cent of SDG funding will come from private investors.

In 2017, the Business & Sustainable Development Commission estimated that achieving the SDGs could open up $12 trillion (£9.3 trillion) of market opportunities in areas including food and agriculture, energy and materials, health and well-being and cities, creating 380 million new jobs by 2030.

This makes impact investing one of the biggest potential growth areas of the next two decades, and the SDGs the gold standard of benchmarking for impact funds (See page 11 for more on the SDGs).

Why should I be an impact investor?

This, perhaps, is the most important question any Good investor should ask himself. While most of us want to do Good on some level, it is important to think about why you want to have an impact with YOUR money.

For some, it will simply be because the idea of putting money into oil and gas, arms or tobacco makes them feel a little queasy; for others because they perhaps want to support a local community project.

Increasingly, though, it may be because you want to make more money than everyone else. Yes: finally after more than two decades of trailblazing investment, more and more data is popping up to show that investing for Good can actually make you MORE money.

Fundamentally, this is because companies that are doing Good things for society and the environment simply do better over the longer term. For these firms, there are no emissions rigging scandals or negligent oil spills waiting in the wings – only solid growth rooted in sustainable foundations.

And so it seems that investing to make a positive impact on the world is, in fact, a virtuous circle. Some call it karma, others 'what goes around comes around'. We just call it Good financial sense.

Finding the impact funds for you

Finding your perfect impact fund means taking control over the power of your money, but it does require a little research!

Three key things to bear in mind from the beginning are:

- **How much do you want to invest?**
- **How long do you want to invest for?**
- **What sort of return are you looking for?**

Then gear up to get into the details of different offerings so you can see past any green or 'impact' washing.

Thankfully, companies that group and rate funds have already done a lot of work in this area and these can be a good place to start your search.

Impact fund ratings and listings

3D Investing is a ratings agency and consultancy. It has analysed over 200 funds and rated them between one and five stars. The funds are judged on: social impact, avoidance of ethical controversy, quality of environmental and social governance, financial confidence and transparency.

Five stars means a fund has delivered the returns it was expected to and has really aced the positive impact criteria. One star means either the impact element or level of returns leaves 3D Investing with little confidence in the fund.

You won't find all the rated funds on the 3D Investing website as not all of the fund companies pay for the licence to promote their star rating.

Another place to find funds listed by their non-financial goals is Fund EcoMarket, which lists over 400 funds and ready-made portfolios from the likes of EQ Investors, all of which are classified into 'SRI Styles' (SRI means Sustainable, or Socially Responsible Investing) to help you recognise their core area of focus. It allows you to search by criteria such as 'generates positive impact' and you can also narrow the search to funds available via an ISA.

Ethex is an absolute gem for impact investors. It offers its own products, but also lists products provided by other groups. On its funds list you can find the Triodos Sustainable Pioneer fund, as well as WHEB Sustainability alongside the much smaller funds offered by Resonance, which invest directly in local community projects.

You will also find a list of top rated fund managers and advisers at Good With Money's Good Egg page, where we list companies that have applied to us and passed our rigorous test for only the best ethical and sustainable firms.

Assessing an impact fund

Having seen the impact funds on offer you'll then need to dig into whether those funds do what you expect them to. If you want your money to go into a fund that has a measurable social or environmental impact, you can get on to that fund's website and check if they are systematically measuring and reporting on the impact they claim to make.

However, if you feel a little swamped by the fund group's glowing literature take a step back to **Morningstar** or **TrustNet**, which are good places to get fund facts laid bare. They will tell you how long the fund has run for, what the performance has been, what its goals are and will usually list the fund's top five or ten holdings. Alarm bells should ring if you are researching an environmental impact fund and find it has a scandal-ridden global oil and gas company in its top ten holdings!

On Morningstar you can also find a sustainability rating. A word of warning though: these ratings are not ideally suited to impact funds. The rating depends on companies behind the fund being able to provide comprehensive reporting data. This means the system favours funds investing in larger, listed companies that have better reporting capabilities, rather than impact funds, which tend to invest in smaller companies.

Know your goals

The United Nations' Sustainable Development Goals (SDGs) have entered common parlance in all types of sustainable investing. The 17 goals were designed to help channel the efforts of nation states towards overcoming the world's biggest challenges, like climate change and poverty, by 2030.

The finance sector has now appropriated them and woven them into fund strategies so it is well worth getting to know those goals.

They may also help you to pick an impact fund. If, for example, goal five on gender equality really strikes a chord with you and you find funds that state they aim to invest to meet that goal, then these could be a good choice for you.

Impact wealth managers and advisers

Wealth managers and financial advisers offer an easier way to diversify your portfolio as they will choose the investments for you. They will take you through a process to find out what impact you really want your money to have and how much risk you are willing to take. Of course there are fees for this service and you will need to balance the costs against the DIY options.

More and more financial advice firms are helping people move away from the harm caused by so many of the traditional investments, like oil, arms and tobacco, but few have impact investing at their core. However, Good Egg company **EQ Investors** does and you can open a savings account investing into the **EQ Positive Impact Portfolios** with a low minimum investment of £1,000 or from £250 a month.

For mid-level investors, **Castlefield** is a good option (they also have a range of funds) while **Tribe Impact Capital** offers impact investing services to high net worth clients with £1 million or more to invest, while **Investing Ethically** advises on impact investments alongside other sustainable options.

Without a comprehensive list of these types of firms the trick is to go directly to reputable brands and research them yourself. Don't be scared to ask the hard questions to really understand how they work and if you would get on with them as a client.

As well as our Good Eggs, check out the **Good With Money Directory** for a solid starting point.

The Good impact investing checklist

When looking at impact funds, here are some questions to consider:

- Have you heard of the brand before and does it have a good reputation?
- Is it clear how the fund, company or project makes a positive impact?
- Is the impact systematically measured and reported?
- What size of companies is the fund investing in and is that what you want? (I.e. big and listed or small and private)
- Does it offer the type of returns you would hope for?
- What is the minimum investment amount and does that suit you?
- Most funds have a risk rating attached to them. Are you confident the rating matches the level of risk you are willing to take with your money?

Individual projects and companies: focusing impact

As we've explored, investing in funds is a great way to access lots of Good companies at once, and if zealous fund managers oversee portfolios, you can be safe in the knowledge your money is doing Good – no matter how thinly it's spread.

Many investors, though, like to get a little closer to the action by putting their money directly into positive projects and companies. For them, deep diving into a company's mission, management and perhaps even annual reports is part of the thrill of investing for impact.

Investing in just one company is, typically, more risky that investing in lots of companies. However, your money may also have a bigger impact. In smaller projects – especially those in developing countries like Energise Africa's solar bonds – a few hundred pounds can make a big difference to communities, often enabling them to survive and thrive.

Unlisted companies and projects

As mentioned in our introduction, investing in small organisations not listed on main stock markets (unlisted) has become much more accessible in recent years, with platforms including Ethex, Energise Africa, Triodos Crowdfunding and Abundance Investment allowing investors to put money directly into small, impactful projects - some for as little at £5.

The types of opportunities on offer can range from small solar to huge hydropower projects, funding a local community centre or backing a sustainable brewery – the options are both diverse and wide reaching.

What is more, many of these investments are now eligible for inclusion in the Innovative Finance ISA (see page 20 for more), meaning investors can also keep their gains completely tax-free.

Those looking for even more of a tax advantage for bigger investments could also look to direct investments that are eligible for the UK government's Enterprise Investment and Seed Enterprise Investment Schemes, or Social Investment Tax Relief.

Designed to give a leg-up to small British businesses, these generous programmes allow investors to keep most gains tax free, as well as to offset investments and losses against income tax bills. To find out more see www.gov.uk.

As these types of investments are high risk, however, the Financial Conduct Authority (FCA) recommends investors do not put more than 10 per cent of their investable wealth into unlisted companies or projects in any one year.

Listed companies

While considered less risky by some, investing in larger, listed companies doing Good can be a little trickier. Often, what you gain in more developed corporate structures you lose in real world impact, while digging through lengthy financial and business reports is not easy for most.

Exceptions lie, perhaps, in the investment trust space. Investment trusts are listed vehicles that – like funds – invest in a basket of companies. The difference is that they control the flow of money going in and out by issuing shares and being listed on the stock market.

This makes investment trusts ideal for renewable energy infrastructure, which requires long-term, reliable financing. Visit **www.good-with-money.com** to find out more about investing specifically in listed renewable energy trusts.

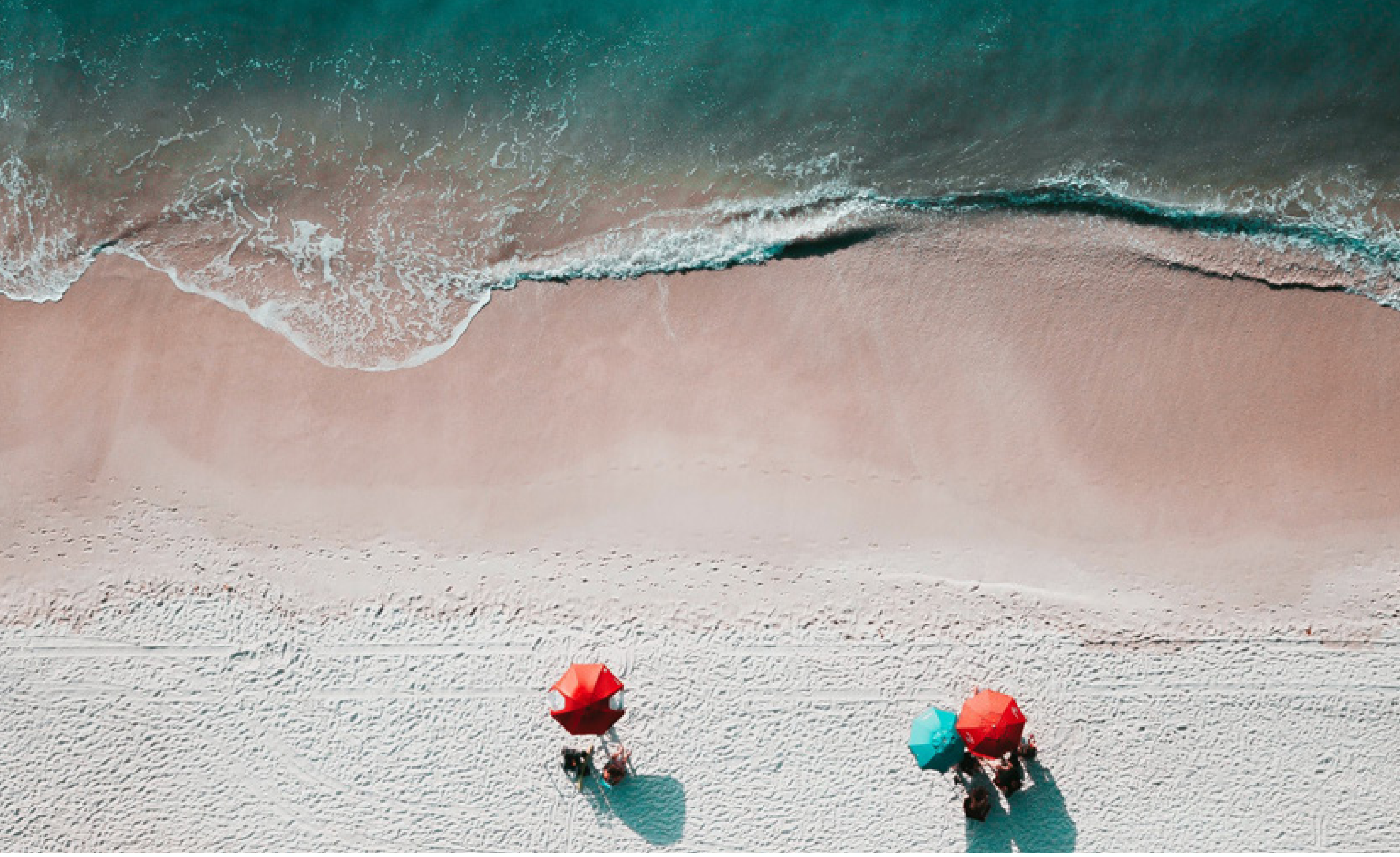
Mixing it up between funds and companies

Just as in any other area of investing, when investing for impact, diversification is key. In layman's terms, this means not putting all of your eggs in one basket, which as we all know, is only advisable if you are actually collecting eggs – in a basket.

Taking this approach means you don't have to choose between either impact funds or projects and companies – you can have exposure to all of these impact approaches in any number of different forms, helping you to spread your risk and potentially boost your return.

And again, this doesn't have to involve vast sums. One month you might put £50 into a fund, for example, the next £50 into a community energy bond or share offer and the next perhaps another fund, and so on.

This way not only will you have a well-diversified portfolio, but the investing process is likely to be far more engaging, if not – dare we say it – fun!



What are the ISA options for impact investments?

ISAs (Individual Savings Accounts) are tax wrappers for your money, designed by the government to get people saving and investing. A cash ISA is the most basic while a stocks and shares ISA allows you to invest in funds and individual companies.

The tax benefit of investing through an ISA is that any returns you get on your investments or interest you earn on cash savings is tax-free. Yep, tax free! Without the wrapper you pay income tax on interest and returns over an allowance of £500 per year for basic rate taxpayers and £1,000 for higher rate payers.

Interest and returns over this limit are classed as part of your income the same as wages and dividends. The income tax rates for the tax year 2019/2020 will be:

- **0 per cent on income up to £12,500**
- **20 per cent on income between £12,500 and £50,000**
- **40 per cent on income between £50,000 and £150,000**
- **45 per cent on any income over £150,000**

There are limits to how much you can save into an ISA each year, how much you can expect to earn and how long you should plan to hold money in each. Here are more details for each type:

The ISA Options

	Limit	Risk level	Interest/ return	Features
Cash ISA	£20,000 max	Low	Low <2%	Allows savers to deposit savings up to the annual limit in accounts covered by the Financial Services Compensation Scheme (up to £85,000).
Stocks and Shares ISA	£20,000 max	Low to high depending on type of fund.	Varies depending on risk level, performance and fees.	Can be mix of stocks and shares and cash, can be "flexible" so you can take money out and put it back in without losing the tax-free status of that bit of your allowance.
Junior ISA	£4,260 max (£4,368 from April 2019)	Low to high depending on type of fund.	Varies depending on risk level, performance and fees. Capital growth or interest (on cash).	Cash or stocks and shares or a combination of the two. In the child's name. The child can access the pot when they reach 18.
Innovative Finance ISA	£20,000	Medium to high depending on diversification/ interest rate.	Varies – around 5 to 9 per cent.	Introduced April 2016. Only one innovative finance platform per ISA per year. Can invest in a range of projects on the same platform to diversify. Can also invest in other types of ISA alongside, up to the maximum annual limit.
Lifetime ISA	Up to £4,000 of £20,000 max allowance.	Low to high.	Varies depending on type/ risk level, performance and fees.	Can hold cash or stocks and shares. Government will top up up to £4,000 with 25% contribution. You must be under 40 to be eligible and Government bonus paid to a maximum age of 50. Savings in LISA must be used either to buy a house or towards a pension. Pension can be accessed from age 60. Part of annual £20,000 allowance (giving £16,000 left over). Cannot use the bonus from a Lifetime ISA and a Help-to-buy ISA in the same tax year, although you can save into both.
Help to Buy ISA	Up to £2,400 (£3,400 in first year).	Low (cash only)	Low <2%. Cash accounts, return is interest.	You must use the proceeds to buy a first home worth up to £250,000. Government top-up of 25%. £12,000 max investment, starting deposit of £1,600 minimum to be elegible for bonus. Part of overall ISA allowance (giving £17,600 to invest in other types of ISA). Cannot use the bonus from a Lifetime ISA and a Help-to-buy ISA in the same tax year, although you can save into both

For the impact investor looking to make use of an ISA wrapper, there are a few ways to do it. You can:

- Go directly to a bank or similar provider set up to offer ISA products like Triodos Bank or Energise Africa
- Go to a wealth management or advice firm with expertise in impact investing such as EQ Investors. They will manage an ISA on your behalf using a specialised investment platform that has more options than a retail platform for DIY investors
- Use an ISA wrapper for investments you make through a platform (like AJ Bell or Hargreaves Lansdown)
- Use a robo-advice platform like Wealthify or Nutmeg, which will choose your ISA investments for you. One or two now have environmental, social or ethically themed options, but keep in mind these will most likely be 'tracker funds' and impact is unlikely to get much of a look-in.

The basic ISA

Through a stocks and shares ISA you can invest in investment trusts, exchange-traded funds (ETFs), bonds, investment funds and company shares. They are covered up to the lower amount of £50,000 by the Financial Services Compensation Scheme if the provider goes bust (though not if the fund or share you have chosen performs badly, sadly).

Although the basic is the most widely available type of ISA, if you want to make a positive impact with a ready made ISA, there are only a handful of options so far.

Triodos Bank: Offers ready made stocks and shares ISAs from the ethical bank's two investment funds: **The Triodos Sustainable Equity Fund** and the **Triodos Sustainable Pioneer Fund**. They also have a cash ISA.

EQ Investors: You can invest in the **EQ Positive Impact Portfolios** through a tax-free ISA or Junior ISA (on behalf of a child). These portfolios positively screen for social and environmental impact.

One Family: An **Ethical Equity ISA** invests your savings in listed companies with good social and environmental practices. One Family also makes grants to individual savers in need and to charity projects nominated by its customers.

Charity Bank: A Cash ISA is the only type offered by the bank, which makes loans to charities and social enterprises.

Ecology Building Society: The Foundations Cash ISA is currently closed for applications but may open again in 2019. The building society uses savers' funds to provide mortgages for projects that make a positive environmental and social impact.

Innovative Finance ISA

Also known as the Peer-to-Peer Lending ISA, an IFISA can bring with it a higher rate of return than investing in a cash ISA, but it also tends to come with more risk. IFISA eligible lenders use investor money to make loans in the form of bonds, typically to start-ups, which pay an annual rate of return.

To learn more about IFISA's in detail, check out the **Good With Money Guide to the IFISA.**

Providers include:

Triodos Bank: The IFISA is available only through the bank's crowdfunding platform. On there you can see all the bond offers available (impact investment opportunities only) and which ones you can put in an IFISA wrapper.

Ethex: As mentioned above, Ethex is another platform through which you can buy bonds in innovating, positively impactful companies and charities. Again, you select the bond you are interested in investing in and it will be labelled as being IFISA eligible or not.

Energise Africa: All of Energise Africa's solar energy bonds are IFISA eligible. People can invest from £50 in pioneering solar businesses that are installing life-changing solar systems in homes in Sub-Saharan Africa - bringing affordable clean energy and economic opportunities to families.

Abundance Investment: An IFISA with Abundance allows you to invest in UK green and social infrastructure projects, either at an early stage or in established projects and businesses.

The Lifetime ISA

The Lifetime ISA is designed to help people save either for their first house or for their retirement. Anyone aged between 18 and 40 can open one and the maximum you can contribute each year is £4,000. Each year, the government will top up 25 per cent of what you have saved until you are 50, after which the bonus stops. This means that, in theory, you could be earning an extra £1,000 a year (if you save the maximum £4,000) from the government for 32 years.

You can take the money out when buying your first house or from the age of 60. The budding impact investor opting for this product will have to choose funds on one of the large investment platforms (see next section) and put them in a Lifetime ISA wrapper themselves because as yet there are no ready made Lifetime ISAs made up of impact investments.

The best platforms for impact investing

Welcome to the jungle that is the investment platform market and the seemingly infinite fund universe!

Hopefully, you will have narrowed down what sort of funds you want to invest into and if you want to use an ISA tax wrapper or not. If the answer is 'not' then your options are a bit broader, however but this guide will look specifically at platforms for impact investing through a tax-efficient ISA.

Platforms can be behemoths with billions of pounds of customer money invested through them, or peer-to-peer lending start-ups working on a much smaller scale.

Either way, they will need to be regulated by the Financial Conduct Authority. Peer-to-peer lending platforms are not covered by the Financial Services Compensation Scheme (FSCS) but with traditional investment platforms like Hargreaves Lansdown your money will be covered by the FSCS up to £50,000 should the platform go bust (again, not if your investment doesn't perform, though.)

If you are going to be investing a lot more than that, you may want to consider using more than one platform. You can ask your peer-to-peer platform of choice if they operate reserve funds, which cover what you have lent in the event the borrower goes into default. Even if they do operate reserve funds your capital is still at risk.

Fund availability

By far the largest fund platform out there is Hargreaves Lansdown, which holds £94 billion of client assets, which is about as much as all the next six biggest platforms combined, according to figures from consultancy Lang Cat.

For an impact investor scale is important because a larger platform is more likely to have the funds you want. In this guide we have focussed on those with around 2,000 to 3,000 funds available.

Once you have established a platform is a good size, it's time to look at whether it offers the funds and/or the type of ISA you are looking to use.

Good With Money has done a search on five of the largest platforms to see if they enable investments in to a small selection of impact funds. These are: Hargreaves Lansdown, Interactive Investor, Fidelity Personal Investing, Barclays Stockbrokers and AJ Bell Youinvest.

The funds, which we have chosen at random are: WHEB Sustainability, Hermes Impact Opportunities, Baillie Gifford Positive Change and Threadneedle UK Social Bond.

Of the five platforms, only Hargreaves Lansdown, Fidelity Personal Investing and AJ Bell YouInvest had all four funds available to invest in. This means you may need to balance your fund selection with other deciding factors when choosing a platform.

Shareholder voting rights

One such factor might be your shareholder voting rights. If you do choose to hold shares directly in a company it is handy to know if the platform will make things easy for you as and when you get a chance to vote on how that company is run or what direction it takes. See the table below for more.

How platforms score on impact

	Hargreaves Lansdown	Interactive Investor	Fidelity Personal Investor	Barclays Smart Investor	AJ Bell Youinvest
Total funds on platform	Over 2,500	Over 3,000	Over 2,000	Over 2,400	Around 4,000
Annual fee for Stocks and Shares ISA	0.45%	£90/year	0.35%	0.2% (minimum £4 and maximum £125 per month)	0.25% for shares and funds inside portfolios valued up to £250,000. The fee falls in stages until 0% after £2m.
Cost of fund trades	£0.00	£22.50 trading credits then £6 per trade for the first 3 months, £10 after	£0.00	£3.00	£1.50
Hermes Impact Opportunities	yes	no	yes	no	yes
WHEB Sustainability	yes	yes	yes	yes	yes
Baillie Gifford Positive Change	yes	yes	yes	yes	yes
Threadneedle UK Social Bond	yes	yes	yes	no	yes
Shareholder voting rights	HL has a service where clients can either call HL's helpdesk, email or send a secure message and Hargreaves Lansdown will place the vote for clients.	Customers sign up to Interactive Investor's voting and information service, which enables customers to receive shareholder materials and electronically vote on decisions directly affecting UK registered shareholdings.	Fidelity allows shareholders to vote through its online share dealing service if they hold qualifying assets within an ISA.	Smart Investor facilitates proxy voting for clients on the client's request.	Where resolutions could have a significant effect on a customer's shareholding (ie EGMs, special resolutions at AGMs) AJ Bell alerts customers via their account and enables them to vote online. For standard AGM resolutions unlikely to have a material effect on the customer's shareholding customers can request to attend the meeting to vote or vote by proxy.

Fees and charges

The layers of costs you encounter when using one of the large investment platforms can be overwhelming. There are the **platform fees** (also called customer fees) and these can change depending on whether you are using an ISA and then by the type of ISA. This fee also tends to go down if you hold over a certain amount of money on the platform.

From the table below, you can see Interactive Investor has a flat fee of £90 per year which is expensive as a proportion of a £20,000 ISA, but makes more sense the more money you have on the platform.

Next are **trading fees**, which are usually less for trading a fund than for trading company shares. Be sure to check for **transfer out fees** too. Hargreaves Lansdown charges nothing for trading funds within an ISA but does charge £25 for transferring out of the ISA and into cash.

You will also be charged a separate **fund fee** and this varies across funds and – just to make things more confusing – often across platforms too. An example is the Hermes Impact Opportunities Fund, which costs 0.9 per cent on AJ Bell Youinvest and 0.95 per cent on Fidelity Personal Investor. This fund doesn't have an **initial charge** but some do so that is another possible fee to add to the list.

The value of investments can go down or up, but despite all the aforementioned fees, returns will generally grow a stocks and shares pot over time. And if you have found the impact funds for you, then you'll know they are working in line with your values too.

Going direct

Bypassing the investment platforms and going straight to a provider like [Triodos Bank] is simpler when it comes to fees as you just have the initial, annual service and ongoing charges to account for. They are 0.5 per cent, 0.4 per cent, and 1.27 per cent respectively for the [Triodos Sustainable Pioneer Fund].

[EQ Investors] does not have an investment platform as such, but it does allow you to invest online in an ISA, general investment account or pension into its ready made [EQ Positive Impact Portfolios]. It charges a bundled fee of 0.99 per cent for investments up to £99,999 in a balanced portfolio plus an annual charge of around 0.72 per cent per fund.

Crowdfunding platforms like Ethex, **Energise Africa** and Abundance Investment rate highly on simplicity of fees as they typically don't charge anything to invest through an IFISA. You can choose an investment based on the loan term, the returns or the impact, but there is typically no market to trade investments with other lenders.

The exceptions are Ethex and Abundance, which allow customers to trade shares and bonds with each other. This is a real bonus as it allows you to effectively invest at the launch of a project or at a later stage, permitting a bit more of that all important diversification.

The platform world of impact investing is innovating. Groups are trying to make the process much simpler and more affordable so watch this space for launches of new platforms like the Big Exchange, linked to The Big Issue, which is planned to go live in 2019.

Triodos Bank: Impact investors must quicken their pace.

As a stream of 'sustainable' fund options continues to flow into the investment market, it can be challenging for advisers and customers alike to establish what a fund labelled as 'green', 'ethical' or 'responsible' actually offers.

Yet with the UK's ethical investment market reaching a record high, now is the time for the industry to act – not only to ensure that its funds stand up to scrutiny, but also to lead the way in a transition toward a sustainable system that respects our planet's ecological balance and works for the benefit of all.

The sector could look more closely at the environmental and social implications of its investment decisions. Environmental, Social and Governance (ESG) and exclusion-focused funds make up the overwhelming majority of the market's options and eliminate companies according to different criteria to be left with 'no harm done' or 'best-in-class' portfolios.

It's encouraging to see that appetite for this kind of responsible investing through listed equities and bonds is growing and that investors are beginning to look beyond purely short-term results. However, if we are to meet the UN SDGs and the Paris climate goals, ESG is no longer good enough.

The sustainable investment community needs to deepen its accountability and quicken its pace. It is not enough to invest in ESG best-in-class companies that, within their sector, may just be the least damaging.

We need to call upon fund managers, advisers and investors to not just eliminate the 'bad guys', but also to focus first and foremost on including the 'good guys'. By doing so, we go beyond responsible investing, and really start to invest with impact through listed equities and bonds.

By Erik Breen, Head of SRI Funds at Triodos Investment Management

Triodos Bank

We understand that this change will not happen overnight. Instead it requires simple steps to help change the economic system from an exclusion-based approach towards investing exclusively for positive change.

While the EU continues its important work to develop a classification of activities and assets into 'sustainable' and 'non-sustainable', we have to consider how we invest in companies that demonstrably make a positive contribution.

Triodos Investment management, for example, has developed seven 'Sustainable Transition Themes', in line with the **UN SDGs**:

1. Prosperous and healthy people
2. Social inclusion and empowerment
3. Sustainable food and agriculture
4. Sustainable mobility and infrastructure
5. Innovation for sustainability
6. Circular economy
7. Renewable resources

You can find out more about these in our 2018 white paper: **'Impact investing through listed equities and bonds'**.

At the same time, strict negative screening can be applied, sifting out any companies that have a harmful impact on people and planet. These include those with products and services related to arms, fossil fuels, tobacco, gambling and animal testing.

As far as we are concerned, there is no such thing as a neutral investment. For a truly sustainable future, we must invest solely in companies that actively contribute to a healthy planet and sustainable societies.

Triodos Bank UK offers socially responsible investment (SRI) funds that invest in stock market listed companies providing solutions to sustainability challenges. You can invest in the Triodos SRI funds directly or via the tax-efficient Triodos Stocks & Shares ISA.
*Visit **www.triodos.co.uk/ethical-investments***

"The sustainable investment community needs to deepen its accountability and quicken its pace"

Energise Africa: We can all have a big impact with small money

The end of 2018 was when many of the arguments about the need for urgent action on climate change and sustainability came home to roost.

First, the Intergovernmental Panel on Climate Change said in October that global warming could still be limited to 1.5°C but "rapid, far-reaching and unprecedented changes in all aspects of society" would be needed by governments around the world within the next 12 years.

The second moment came when the UN's Emissions Gap report was published just before COP24, the UN climate change conference in Poland, in December. This concluded that all governments must triple their efforts after emissions increased in 2018 following three years of stability.

Finally, the World Economic Forum highlighted that genuine inclusive economic growth still remains elusive and that the 17 Sustainable Development Goals (SDGs) – which outlined a global strategy to transform the world – didn't have a tactical plan for execution, as well as a $2.5 trillion annual funding cap.

Add to this a catalogue of climate change weather disasters including hurricanes, flooding, ferocious fires and – most recently – the shifting of an icy polar vortex that cost the US more than $133 billion in damages, you could be forgiven for thinking political leaders would be galvanised to take action. In reality, though, political inertia remains.

People power

Increasingly, it seems it may be up to the likes of you and me to step up to the challenge and use modest amounts of our own money to deliver the social and environmental impact that is so desperately needed.

Helping people to do this is what Energise Africa is all about. The brainchild of two of Europe's leading impact investing platforms, Ethex

By Rachel Mountain, Head of Marketing and Communications, Energise Africa (Lendahand Ethex)

ENERGISE AFRICA

and Lendahand, Energise Africa enables investment for as little as £50 directly in to pioneering businesses that install life-changing solar systems in homes in sub-Saharan Africa. These accelerate universal access to affordable, reliable and clean energy for all – addressing UN Sustainable Development Goal seven.

People who invest in these pioneering solar businesses provide them with the low-cost working capital they need to provide pay as you go solar to low income families. The collective impact of our community of investors has, in only 18 months, so far mitigated 66,000 tonnes of CO2 annually from the atmosphere.

It has also given more than 275,000 people access to affordable solar energy in countries including Mali, Uganda, Burkina Faso, Mozambique, Uganda, Kenya, DRC, Cameroon and Tanzania, where energy access rates can be as low as 17 per cent.

But these investments aren't just about solar electricity; the additional benefits for families include health and educational benefits, income generating opportunities, financial inclusion, poverty alleviation and gender equality.

People who invest in projects via Energise Africa are connected to their money and can see the social and environmental impact that their investment is having on the ground, as well as tracking their financial returns – which typically target 6 per cent annually.

As with any investment, however, investors should be aware that their capital is at risk and returns are not guaranteed and investments of this kind are not covered by the Financial Services Compensation Scheme (FSCS).

What platforms like Energise Africa, Ethex and Lendahand are providing are real alternatives for people to take collective action on the main issues affecting our society today.

We don't need to wait for governments to act – everyday people can use the power of their money to drive real and lasting change right now.

To find out more about Energise Africa's latest projects, visit **www.energiseafrica.co.uk**

"Platforms like Energise Africa provide real alternatives for people to take collective action on the main issues affecting our society"

EQ Investors: How to have a positive impact: EXACTLY

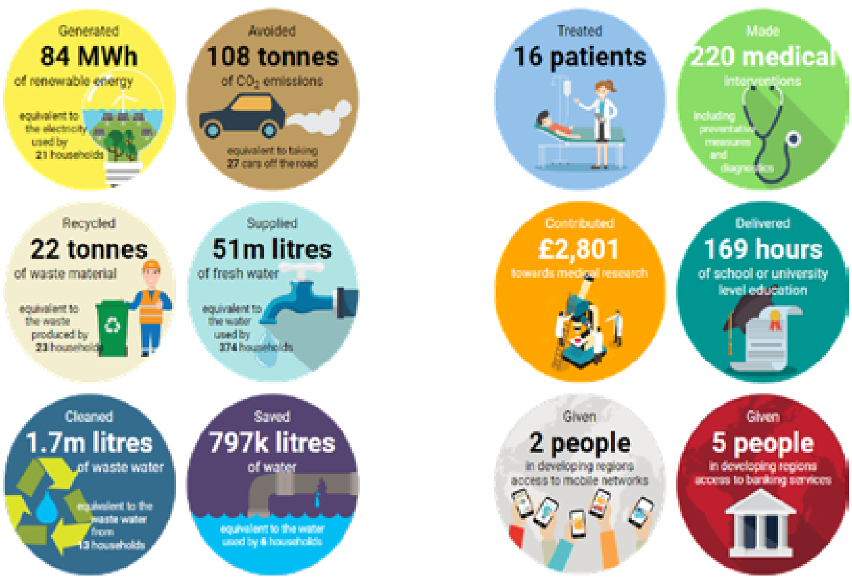
By Damien Lardoux, Head of Impact Investing at EQ Investors

Impact has become a popular term recently, with increasing numbers of people claiming to be making it: from fund and bank managers to Bono – there has never been so many seemingly making a good impression on the world. There are far less, however, who can point to their actions and say "this is EXACTLY how much good we're doing." (With the exception of Bono, perhaps, for whom no feat is likely too great).

In the investment industry especially, this is a big problem. Ten years on from the scandals of the global financial crisis, the money world still has a major PR issue and trust remains low, especially among younger, more environmentally and socially minded investors. And as the industry rushes to embrace impact to please this demographic, the danger is that it is just PR. Burned once, these savers and investors are unlikely to take kindly to being burned twice.

This is why we at EQ Investors launched our Positive Impact Portfolio reporting tools. From our [online calculator] to our in-depth [annual impact reports], we lay out – in detail – exactly how investors in our range of Positive Impact Portfolios are helping both the environment and society.

Environmental Impact *Social Impact*



The SDG roadmap

Like many other impact investors, our thematic investment process is mapped directly onto the UN's set of 17 global Sustainable Development Goals. As keen readers may have already spotted, these are considered by many to be the gold standard for impact investors and have become one of the world's most important sustainability frameworks since their introduction in 2015.

Number six of these goals is to ensure the availability and sustainable management of water and sanitation for all. As the UN identifies, access to clean, safe water is one of the foremost hurdles for developing communities across the globe, with 29 per cent of the global population lacking access to safe drinking water and 61 per cent without access to adequate sanitation.

Through the funds we hold in our Positive Impact Portfolios, we invest in a number of companies providing solutions to this global problem, including Suez, Xylem and Beijing Enterprises Water Group. And through our online calculator, savers can see just how far their investments in these and other companies has gone toward meeting the UN's goal.

For example, had an investor saved £20,000 – their full annual ISA allowance – into our Adventurous Portfolio in 2018, our calculator shows they will have cleaned 72,000 litres of water - equivalent to the waste water from an entire household. For those that saved £100,000, their investment alone would have cleaned a staggering 360,000 litres of water.

And it's not just water. With £120,000 in our Adventurous Portfolio, our theoretical investors will have collectively contributed to the prevention of 23 tonnes of CO_2 being emitted into the atmosphere, equivalent to taking six cars off the road. Moreover, they would have made 43 medical interventions, generated enough renewable energy to power five households for a year and delivered 41 hours of school or university level education to help advance communities across the globe.

For some investors, this alone might be all the good feeling they need. However, for the rest of us, it is equally important that our money helps us, too. Thankfully, more and more evidence shows that companies that do good, produce good returns. As investors can see from our reporting,

"Our Positive Impact Portfolio calculator shows investors exactly how much impact their money is having, down to the last drop of water cleaned"

our Adventurous Positive Impact Portfolio has consistently beaten its benchmark every year for the past six years (to August 2018), delivering an average annual return of more than 10 per cent.

A number of completely unfounded myths still pervade the impact investing space: that ethical and sustainable fund managers are all boring, data obsessed, sandal-and-socks-wearing hippies, for example. However, the idea that it is impossible to track the real, genuine impact that every, single investor's money is having on the world is no longer one of them; nor that they have to choose principles over profits.

To try out EQ Investors' Positive Impact Calculator, or download their annual impact report, visit ***https://eqinvestors.co.uk/positive-impact/***

Risk warning: Past performance is not a guide to future performance. The value of investments and the income derived from them may go down as well as up, so you could get back less than you originally invested.

Sponsor profiles

Triodos Bank

"Invest in a brighter future"

Triodos Bank is one of the world's leading sustainable banks. It has been operating in the UK since 1995. All of the investment types Triodos offers – from socially responsible investment (SRI) funds to direct investment and offers via the Triodos crowdfunding platform – are working for social, environmental or cultural change.

They are completely transparent about all investments, so you can see that your money is working for people and planet. You can view a complete list of companies in the SRI funds, or you can select an organisation you'd like to support with direct crowdfunding investment. Either way, by investing through Triodos you'll join a strong and growing community of people and organisations working for a more sustainable future.

The Triodos SRI funds invest in stock market listed companies that are providing solutions to sustainability challenges. Invest in the Triodos SRI funds directly or via the tax-efficient Triodos Stocks & Shares ISA. The funds are managed by Triodos Investment Management, who are part of Triodos Bank.

Typical rates of return: The Triodos SRI funds 5-year cumulative returns are 61 per cent for the Triodos Sustainable Equity Fund and 45 per cent for the Triodos Sustainable Pioneer Fund (as of January 2019 assuming income is reinvested). See website for latest performance.

Minimum opening amount: SRI funds invest from £1,000. Crowdfunding from £50 upwards depending on the bond offer.

Charges: SRI funds initial charge is 0.5 per cent and the ongoing charges are between 1.33 - 1.67 per cent.

Investments should be regarded for the long term (e.g 5 years +) as they can go down as well as up in value and you may not get back the amount you originally invested. The benefits of an ISA depend on your individual circumstances and tax rules may change in the future.

Sponsor profiles

Energise Africa

Energise Africa is brought to you by Ethex and Lendahand, two of Europe's leading online impact investing platforms. Energise Africa enables UK-based individuals to start investing in bonds issued by pioneering solar businesses that install life-changing solar systems in homes in Sub-Saharan Africa.

Energise Africa makes it possible for people to start investing from as little as £50, providing solar businesses with the low cost working capital they need to provide 'pay-as-you-go' flexibility to low income households, accelerating clean energy access to families otherwise dependent on kerosene, whilst aiming to generate up to a 7% annual return for investors. Capital at risk and returns not guaranteed.

To find out more about Energise Africa visit www.energiseafrica.co.uk

EQ Investors

EQ Investors (EQ) is an award-winning, boutique wealth manager providing financial advice, investment management and employee benefit services to individuals, small businesses and charitable endowments. We are a Certified B Corporation – the international standard for companies committed to meeting the highest standards of social and environmental performance, transparency and accountability.

Making a positive contribution to the wider community and helping people less fortunate than ourselves is a core part of our business philosophy. Our **Positive Impact Portfolios** are a unique proposition for individuals who care about how and where their money is invested.

For more information about EQ Investors, visit www.eqinvestors.co.uk or follow us on **Twitter** - @eqinvestors

The final word from Good Money Girl

By Rebecca Jones, Editor of Good With Money

As keen readers will know, we at Good With Money have been jabbering on about sustainable investment for some years now, believing – as we do – that it is the answer to many of the world's ills. With government's reluctant to rock the corporate boat, climate change and world poverty are simply not going to solve themselves – we all need to roll up our sleeves and get involved.

As we highlighted in our introduction, there is a $2.5 trillion (£1.9 trillion) gap to fill if the world is to meet the UN's Sustainable Development Goals (SDGs). And these goals aren't just a nice idea: according to the UN, the elimination of poverty, the transition to clean, safe energy, the equality of women, access to clean, safe, water, healthcare and education for all – among other targets – are all essential if the world is to avoid slipping backwards in terms of peace and prosperity; or indeed survive at all in the face of global climate change.

Accessible impact investing provides a solution to this funding gap. Once an area open only to 'sophisticated' or 'high net worth' investors, the emergence of products allowing all of us to put our money EXACTLY where our morals are is crucial to getting that 80 per cent of private funding the World Bank says the SDG's need.

Of course, £1.9 trillion is a lot of money; but £2,617 from every European would do it. If we get the US involved, that falls to £1,819 each – or £5 per day saved over one year.

Impact investment is highly attractive for private investors as it allows us to directly fund companies and projects doing real, genuine, measurable good on the ground. This is crucial for many who have – until now – avoided investing in a system they see as ultimately corrupt.

This is especially true of millennials, most of whom came of age during a global financial crisis that wiped $4 trillion from global GDP, drove 61 million people into unemployment, poverty and hunger, and for which not a single major bank or prominent banker or trader – the architects of the disaster – was sanctioned or jailed.

As Good as it is, though, impact investing isn't charity. As we outline in this and our many guides on ethical and sustainable money, this is sound financial planning. Since 2014, numerous studies have shown that investing for Good can potentially make investors more money than investing in companies that either actively or passively hurt people and the planet.

These include an MSCI study, which showed that between 2007 and 2015 investors could have bagged anything between 8 and 16 per cent extra by applying environmental, social and governance (ESG) filters to their portfolios. Or a report from Harvard Business school the previous year, which found that the share prices of more sustainably focused companies performed up to 4.8 per cent better than their less sustainable peers.

The time for change, it seems, has finally come. The sustainable investment industry is hoovering up assets – with the Investment Association reporting that sales of ethical funds rose to £1.3 billion in 2018. This is up 250 per cent on 2015, when sales were £371 million. Over the same period total fund sales in the UK are down -124 per cent, with 2018 the first year for negative sales for more than a decade.

The world over, savers and investors are waking up to the power they have in a system that relies on their capital to thrive. Those seizing that power are reversing that flow, putting money into the hands of people and projects that have a positive impact on society, the environment and our collective future.

It is a truly exciting time.

"Savers and investors are waking up to the power they have in a system that relies on their capital to thrive"

Contact details

Want to get in touch with us, or any of the providers in this guide?

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