HOLISTIC PORTFOLIO CONSTRUCTION WITH AN IMPACT LENS:
A VITAL APPROACH FOR INSTITUTIONAL ASSET OWNERS IN A CHANGING WORLD

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EXECUTIVE SUMMARY

A growing set of institutional asset owners (IAOs) are revising their portfolio strategies to respond to unprecedented global change. They know the consequences of climate change and social inequality can’t be ignored, and they seek new strategies that respond to this reality.

Holistic portfolio construction with an impact lens presents a powerful solution, allowing IAOs to adapt to change and improve their business model. A holistic approach means leaving behind siloed asset class allocations and adopting broad strategies that quickly respond to the market. The impact lens overlay recognizes that social and environmental factors can positively and negatively affect portfolio value, and the broader ways these factors are relevant to the interests of ultimate beneficiaries.

The impact lens goes beyond evaluating financial risks and opportunities. Instead, an impact lens means that an IAO seeks both financial and impact returns, providing opportunities for optimized yields. The impact lens also creates a broader view of what an IAO should offer its beneficiaries. In addition to protecting financial interests, an impact lens means considering the world beneficiaries live in, and proactively choosing investments that improve their quality of life.

Over the past three years the Global Impact Investing Network (GIIN) conducted a series of 24 roundtable discussions to engage 45 unique IAOs on their journeys to invest with an impact lens across their portfolios. This paper synthesizes observations from that work and emerging theory to offer a toolkit for applying a holistic portfolio construction approach that integrates an impact lens into IAOs’ investment processes.

Holistic portfolio construction

Over the past decade, several large pension funds, insurance companies and sovereign wealth funds have adopted a holistic portfolio construction approach. This means setting an overall investment thesis, rather than segmenting asset class silos. This all-inclusive view of the portfolio is intended to be more dynamic and flexible in capital markets that are increasingly complex, especially given elements like wars, social inequality and the climate crisis that may affect investment performance and the value of the total portfolio.

A holistic approach is uniquely suited for any asset owner, including IAOs, looking to pair market analysis with both financial and impact lenses. A portfolio’s investment philosophies and policies are informed by these lenses, along with a market analysis of external considerations such as inflation and interest rate scenarios that may affect portfolio value and liabilities over time. Investment philosophies and policies then inform mandates across asset classes. These mandates guide all portfolio decisions, including manager selection, discussions with existing managers, the investment selection universe, investment measurement and management and reporting back to the IAO. This approach of holistic portfolio construction with an impact lens fosters cooperation and allows the IAO to embed market complexities, anticipate future scenarios and address the needs of the ultimate beneficiary.

The IAO’s overall goals, paired with this approach, guide the creation of an investment thesis. The chief investment officer (CIO) is central to setting the investment thesis and synchronizing efforts with the IAO’s managers to achieve performance expectations for the portfolio. Within the investment thesis, the impact lens adds an impact thesis targeting a focused set of priorities. The impact thesis seeks to influence social or environmental outcomes by articulating how investors’ contributions generate positive outcomes across asset classes. The impact thesis, or impact theory of change, marries the portfolio’s overall commitment to meet its long-term liabilities with investors’ capacity to contribute to solutions — all in service of the end beneficiaries.

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1 For the purposes of this paper, “institutional asset owners” refers to the holders of the most significant volumes of long-term retirement savings, insurance funds and state-owned funds, being pension funds, insurance and re-insurance companies and sovereign wealth funds.

2 Investors’ contributions typically include capital, but may include other forms of support such as investment terms, timing, type and extent of engagement with the investee company, technical assistance and more. IAOs can deploy these methods as part of their terms when investing directly or via their fund managers.

3 A “theory of change” is a comprehensive description of the change needed to solve for an identified challenge. Specifically, each theory of change describes the logical series of inputs or interventions that lead to an expected set of outputs and outcomes. While this term has been used widely for social interventions, financial modeling is a similar approach of reasoning about what factors may influence results.

4 “Overall commitment to meet long-term liabilities” is used to describe an overall objective that includes both the capital preservation and growth necessary to preserve the long-term value of the assets (tangible and intangible) for the pension beneficiaries, insurance fund recipients and citizens whom sovereign wealth funds serve.

5 For those IAOs applying a “strategic asset allocation” (SAA) approach, the holistic portfolio construction strategies referenced in this paper can be equally applied.
With a holistic construction and impact lens approach, an IAO creates a portfolio intended to provide both impact and financial returns. The resulting impact philosophies and policies, and their mandates, guide asset managers to ensure that the total portfolio works in the long-term interests of the IAO’s beneficiaries, such as pension and insurance fund beneficiaries and clients, and governments’ partners and taxpaying shareholders.

Figure 1 illustrates the model of an impact lens in a portfolio construction process. In this model, the IAO conducts a routine market analysis, considering external macro factors that may have the potential to affect portfolio performance, and the provisions required to meet the long-term needs for beneficiaries. Against this assessment, the IAO ordinarily models high-level financial outcomes that must be achieved, allowing for identified risks and economic drivers such as inflation. This is the essence of a financial lens, that informs investment philosophies, policies and objectives. The model introduces an impact lens, where the IAO similarly postulates the high-level positive impact outcomes that could be achieved allowing for the long-term beneficiary interests. This lens also informs investment philosophies, policies and objectives.

Figure 1: An impact lens as part of a holistic portfolio construction approach

Source: The Global Impact Investing Network (GIIN), 2023, Holistic portfolio construction with an impact lens
EXAMPLE SCENARIO: TEACHERS’ PENSION FUND

An emerging market pension fund providing retirement savings for public service teachers may be aware that many of their beneficiaries cannot afford housing either while employed as teachers or during retirement. Evidence on affordable housing in the region suggests a low supply of suitable options and limited bank loans for teachers to purchase existing housing stock.

The pension fund’s conventional investments portfolio includes retail property and well-capitalized financial institutions. Further, the pension fund trustees committee has appointed their asset manager to evaluate investments against an environmental, social and governance risk matrix to preserve value. Using this matrix, the asset manager has favored including shopping centers that install solar power to avoid retail downtime due to an unreliable electricity supply in the fund’s property portfolio, and has weighted investments in financial institutions that follow governance procedures to manage fraud and capital adequacy.

The fund knows that home ownership builds personal wealth and measurable well-being for its beneficiaries. If teachers had access to decent, affordable housing, they may be less inclined to draw down on their pension capital or pivot out of teaching to other higher paying professions to acquire this personal asset. Sensitivity to the needs of the pension fund’s beneficiaries beyond retirement fund value preservation allows trustees to avoid the risk of unanticipated or early capital withdrawals. Therefore, the pension fund includes in their mandate their impact theory of change which supports a specific goal: to enhance the availability of affordable housing in areas where retirees are likely to live. This goal and its theory of change provide a path to an investible universe and a rationale for inclusion of a group of investments.

The appointed asset manager may then include investing in affordable housing stock, a relatively easy shift from their retail property holdings. With this mandate, the asset manager could also consider investing in the construction companies that build affordable housing stock to fulfill diversification expectations included in the mandate. Further, the pension fund or the asset manager may engage with the banking institutions in their listed portfolio to develop an affordable property loan offering. With investments informed by an impact lens, and through measuring and managing that impact, the trustees of the pension fund see their impact intention and financial return expectations realized over time.

The impact landscape for IAOs

Significance of IAOs

IAOs include the world’s pension funds, insurers and sovereign wealth funds. Their significant capital holdings and the capital allocation decisions made by their stewards make them vital, immense players in the global economy. IAOs often have long-term investment horizons and “universal ownership” of all asset classes across sectors. Key beneficiaries are challenging IAOs to consider the planet and society alongside financial returns, and to move beyond a singular lens of financial risk and opportunity. In response, IAOs are beginning to consider investment opportunities that contribute to systemic solutions for a more resilient and sustainable world for all. They are also recognizing that beneficiaries want to see IAOs contribute to progress on issues of concern even as they generate required financial returns.

This shift is playing out in the context of increasing regulations, such as sustainability reporting standards and disclosure requirements of social and environmental factors that may affect long-term valuations. These reporting and disclosure requirements provide greater transparency for the investing and taxpaying public who trust their savings and fiscal contributions to IAOs.
Rethinking IAOs’ duties to beneficiaries

By nature, IAOs must responsibly steward their assets. They have traditionally done so with a singular focus on meeting their long-term financial liabilities, such as pensioners’ or insurance beneficiaries’ financial interests or anticipated claims. The evolving guidance model for IAOs’ fiduciary care is now expanding to include a beneficiary’s future quality of life through balancing an overall commitment to meeting long-term liabilities and contributing to the broader interests of the beneficiary.

For example, when the health outcomes of contributors degrade because of deteriorating access to preventative healthcare, this will affect a pension fund’s long-term liability planning. Pensioners may also be concerned about the lack of access to adequate health screening. Or, when radical changes in the intensity of weather patterns result in unprecedented loss of life or damage to property, this may affect the liquidity provisions of an insurance fund. In addition, these changes in weather patterns affect where clients may live. Similarly, pandemics that radically disrupt socioeconomic development will have direct impacts on sovereign wealth funds and their beneficiaries. For the wealth funds, this may mean reduced returns, and for citizens, the multiple of factors that diminish quality of life. These examples illustrate the diverse aspects of beneficiary interests that trustees should consider.

IAOs have both the rationale and capacity to address social and environmental challenges to improve the lived experience of the end beneficiary. More recently, IAOs have demonstrated an appetite for directing more capital toward impact investing strategies. Recent research on the allocations, activity and performance of impact investors indicates that pension funds and insurance companies provide some of the fastest growing sources of capital for asset managers seeking risk-adjusted market rate returns for impact investments.

Environmental factors are a clear example of this thinking among IAOs. Concerns about climate change are influencing IAO allocation decisions because they pose an existential threat to their assets’ value. Climate change has affected the cost for the underlying companies that IAOs hold in their portfolios. IAOs now need to consider this cost in portfolio valuations. At the same time, IAO beneficiaries have a substantial interest in an improved social and environmental condition. This is most often accepted in emerging markets, where domestic pension funds and sovereign wealth funds are significant contributors to addressing regional social challenges with investments in affordable housing, transport infrastructure and clean, reliable energy solutions.

At the same time, IAOs feel constrained. They understand the logic of investing in climate and social solutions. But they are uncertain how to interpret this logic against their perceived understanding of fiduciary duty.

Regulations on IAOs

Evolving regulatory frameworks add an additional layer of complexity. In Europe, for example, the European Green Deal and the Sustainable Finance Disclosure Regulation (SFDR) require certain disclosures for asset owners and their managers when offering a sustainable product.

The influence of SFDR is not limited to Europe, because the threads of European investments reach widely into other jurisdictions. The regulatory trend toward investment transparency and social and environmental accounting is likely to prevail well beyond Europe. In some emerging markets, similar regulation predates the European regulatory development, because domestic pension funds and sovereign wealth funds are holders of significant assets that can be deployed toward economic upliftment. Globally, IAOs consider it inevitable that governments will be forced to drive energy transition through regulation. If this is not planned for now in IAO portfolios, it may compromise value preservation and limit the investable universe.

Looking ahead

Many IAOs experience challenges in balancing commitments to financing solutions, risk, liquidity and the needs of their beneficiaries over the long term. Yet this group of investors has already introduced broad responsible investing practices, especially around climate, and incorporated social factors into their asset allocation strategies, because a failure to do so is insensitive to the interests of their beneficiaries. Thus, a holistic portfolio construction process with an impact lens allows for a more dynamic, encompassing approach that is increasingly relevant for beneficiaries.

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9 The International Sustainability Standards Board (ISSB) is developing standards that will result in a global baseline of sustainability disclosures for companies on their sustainability-related risks and opportunities. The intention is that the ISSB standards will be part of the broader body of International Financial Reporting Standards (IFRS), distinguished from the financial accounting standards issued by the ISSB’s sister body, the International Accounting Standards Board (IASB).

10 Some emerging market countries, notably South Africa and Namibia, have introduced legislation for pension funds to increase the allowable asset allocation to unlisted infrastructure and social- or environment-oriented investments aligned to the national socioeconomic development agenda.
WHAT IS IMPACT INVESTING?

The term “impact investing” was coined in 2007 to describe an ex-ante investment strategy to achieve positive impact returns together with financial returns. The GIIN was formed in 2009 to formally grow the impact investing ecosystem and build the tools and infrastructure required to help investors deepen their impact investing practice, especially around measuring and managing impact performance.

Early proponents presented impact investing along a continuum from financial returns to impact outcomes. They considered impact investing as an emerging asset class seeking to proactively achieve positive environmental and social outcomes. This encouraged erroneous thinking of a tradeoff between financial and impact returns, rather than an integrated approach across asset allocations. Now, impact investing is widely understood as an investment approach or strategy that can be used across all asset classes.

Impact investing is distinct from other responsible investing strategies, such as managing for factors that pose a financial risk or screening for risks to value or reputation. Instead, impact is a dimension of an investment’s performance. Through capital contributions, engagement and investment terms an investor can pursue impact returns toward an ex-ante impact thesis. Measurement of impact performance alongside financial performance is key to realize that thesis.

Capital allocated to impact investing strategies is continually increasing; in 2022, the GIIN estimated the total market size to be $1.164 trillion. This is a relatively small share of capital allocated to broader responsible investing strategies markets, at approximately 3%. Despite this, there are marks of significance and relevance of the market that cannot be ignored: the 2022 compound annual growth rate of impact assets under management was 18%; an increasing number of organizations hold impact assets; and $1 trillion in assets allocated to impact investing strategies was exceeded.

SEVERAL CORE CHARACTERISTICS DEFINE IMPACT INVESTING:

First, impact investors have an impact intent, normally expressed in an overarching, articulated theory of change to arrive at quantitative impact objectives. The theory of change is ideally embedded in the investment policy statement.

Second, impact investors’ inputs, such as capital, engagement terms and investment terms (either directly or as directed via their asset managers) reliably and deliberately contribute to investment outcomes. This suggests extending routine asset allocation and portfolio management to help an investor evaluate and learn which inputs can be reasonably associated with which impact and financial outcomes and adjust their allocations and investment decisions.

Third, impact investors measure investment outcomes, both during and after investment, to consider the scale of the impact achieved, the pace of change achieved and the efficiency of each financial unit of investment relative to the impact achieved. Together, these three characteristics create a virtuous feedback loop, providing those allocating assets with the next iteration of intention, investor contribution and measurement, to continuously and incrementally improve both financial and impact returns.

11 This percentage draws on estimates from both the United Nations Principles of Responsible Investments (UNPRI) and the Global Sustainable Investment Alliance (GSIA) of capital allocated to responsible investing strategies.
Applying an impact lens

Applying an impact lens involves introducing the core characteristics of impact investing within the portfolio construction process. When this occurs at an early stage, it ensures that impact is a routine part of construction, even though not every resulting investment will be an impact investment. By applying an impact lens as part of the portfolio construction process, IAOs as universal owners can play a meaningful role in building sustainable capital markets.

Benefits of an impact lens

With an impact lens, IAOs can evolve their investment strategies to ensure that they not only meet the long-term financial interests of IAOs’ beneficiaries in a scenario where value can easily be eroded by climate change and social injustice, but also include a focus on:

- beneficiaries having both the financial means and a meaningful context for retirement — thriving communities, clean air, a sustainable environment, financial access, healthcare, education and affordable assets for prosperity;
- beneficiaries being able to make claims against an insurance policy and having meaningful provisions left after receiving paid claims;
- tax paying citizens benefiting from strong national infrastructure development for economic growth and vitality; and
- “future-fitting” a portfolio to readily adapt and be resilient to existential crises such as climate change and, more importantly, to invest in solutions to address those challenges.

Most IAOs are incentivized to act conservatively. Systemic drivers for IAOs to remain conservative include risk-aversion relative to perceived and actual idiosyncratic and macro risk; requirements for long investment horizons despite underlying financial performance benchmarks that drive short-termism; and the specific legal boundaries many IAOs must operate in. Working toward a holistic approach, where an impact lens is integrated across the portfolio, does not contradict the need for IAOs to act conservatively. Rather, layering in an impact lens and adopting a holistic portfolio construction approach in an evolutionary way may help align the need to solve wider social and environmental challenges likely to affect beneficiaries in the long term with the required interests of preserving and growing value for retirement savings or insurance claims.

The impact lens model

An impact lens informs the pursuit of a consistent set of impact returns from investments across the whole portfolio, using a logic model of inputs, outputs and outcomes. This model requires an impact thesis, or theory of change, that defines the social or environmental priorities an investor intends to address. Impact investors typically plot the path to achieve that change with science-based inputs that could lead to social and environmental outputs and positive change outcomes.

IAOs can use this model at varying degrees of granularity; some IAOs apply it broadly, while others use it more specifically. At its core, an impact lens that informs a theory of change designed to solve for an identified problem includes understanding the IAO’s contribution through capital, engagement and investment terms, in addition to the contribution of the investee enterprise to the intended outcome.

When applying an impact lens, each asset class offers differing opportunities to contribute to solutions required to address the identified challenge. Using an impact lens, an IAO can construct a series of investments across their portfolio that contribute to the outputs and outcomes identified in the theory of change. The IAO’s contribution, outlined in asset manager mandates, can be adjusted over the investment’s life to achieve the intended outcomes. At all times, the office of the CIO at the IAO directs managers to dynamically balance financial and impact risks, financial and impact returns, and liquidity and resource capacity. This isn’t an either-or approach but rather an opportunity to balance these levers so the portfolio remains relevant in both the current context and the future.
Figure 2 represents how impact and financial lenses inform impact priorities, across a portfolio in a variety of asset classes, to generate solutions that address an identified area of change. Over time, an impact lens could expand to all segments in the portfolio as an integrated strategy rather than an allocated sleeve or dedicated carve-out.

Figure 2: Applying an impact lens

As explained earlier, lenses, including an impact lens, inform investment philosophies, policies, objectives and asset allocations (proportions and exposure limits). In applying an impact lens, asset managers distill the IAOs’ theory of change focusing on a specific challenge to a pipeline of viable investments across asset classes and measure results. Some IAOs, as part of their initial foray into impact investing strategies, may choose to carve out a part of their portfolio to test out the strategy with a specialist asset manager. Ultimately, investment results, including integrated impact performance results from across the portfolio, contribute to IAOs’ priorities and targets. Naturally to achieve this end, investments are actively managed to achieve the overall impact objectives of the IAO.

It is worth noting that application of an impact lens, in this phase clarified by the focused set of prioritized impact themes, does not mean that every investment is an impact investment. While the impact lens is a deliberate ex-ante application in the IAO investment process, not every investment will contribute to the impact outcomes the IAO has prioritized. With the use of an impact lens, the contribution choice is conscious and made knowing the implications for beneficiaries.

The impact lens toolkit

For many IAOs that participated in the GIIN’s roundtable discussion series, it’s intuitive to take a holistic approach to managing their portfolio. But how to proceed is often unclear. The task for IAOs to fully engage impact investing strategies as a crucial part of portfolio construction may seem daunting. The learnings provided from IAOs in the GIIN’s roundtable series, as well as the literature referenced in this paper, provide a potential solution for a journey to a total portfolio approach where the impact lens and financial lens are integrated with the investment thesis.

Shifting asset allocation strategies are likely to evolve over time. Typically, the shift from a siloed portfolio construction approach to a holistic one will require courageous leadership from trustees or a significant change agent within the IAO. This shift has the potential to shape existing asset manager relationships and forge new ones.
As depicted in Figure 3 below, following a prerequisite step of prioritization, four key phases are proposed for IAOs to aid this evolution.

Figure 3: Phases to reshape portfolio construction

1. **EXAMINE THE PORTFOLIO**
   - Key questions that help identify which assets best support the impact lens overlay:
     1. What assets are owned by the IAO?
     2. Are these assets congruent with the financial and impact lens?

2. **CREATE AN IMPACT THEORY OF CHANGE**
   - What is the logic model informed by market analysis consideration and an impact lens?

3. **THEMATIC IMPACT CATEGORIES**
   - Driving an increasingly granular application of a theory of change.
   - Several impact themes are identified to align with the IAO’s social and/or environmental priorities.
   - IAOs test with impact carve outs as a step toward incorporating an impact lens across the portfolio.

4. **APPLY AN IMPACT LENS ACROSS A PORTFOLIO**
   - Impact is routinely incorporated as a part of IAO portfolio construction.
   - Construction includes overarching application of an impact lens and an ex-ante articulation of theories of change to achieve performance targets.

**THE JOURNEY**
- Intentional portfolio alignment.

**RESHAPING PORTFOLIO CONSTRUCTION**
- Reshaping portfolio construction to embed an impact lens in a series of phases.

**THE DESTINATION**
- Impact lens incorporated as part of the investment thesis.

**PREREQUISITE STEP**
- IAOs identify social and/or environmental priorities where they want to have a positive impact by design.

PREREQUISITE STEP

Before applying an impact lens to portfolio construction, IAOs consider the context12 their pensioners, insurance clients and citizens live in, and future environmental and social conditions. This context helps identify social and environmental priorities they want to impact by design rather than by default. IAOs’ priorities are likely influenced by the need to meet long-term financial interests of beneficiaries and contribute to a meaningful context for retirement for pensioners, provisions for insurance clients and strong domestic infrastructure for citizens.

The outcome of this prerequisite step is a focused set of impact priorities through which investment strategies are considered.

1 PHASE ONE: EXAMINE THE PORTFOLIO

In this phase, IAOs ask: “What do we own?” The question is initially assessed with an understanding that their priorities might change due to shifting social and environmental conditions. As a matter of routine, portfolio construction involves setting out scenarios such as inflationary or recessionary economic conditions that may affect the long-term value of their assets. As stewards of these assets, IAOs recognize the need to respond adequately and nimbly in the way they invest their portfolio. IAOs can then ask whether the stocks their portfolio owns fit the set of environmental and social priorities they care about, and find new funds that better suit these priorities, if needed. Answering this initial question establishes a base of knowledge to consider strategies for change.

2 PHASE TWO: CHOOSE STRATEGIES THAT DRIVE AN EVOLUTION TOWARD A HOLISTIC APPROACH

In this phase, IAOs use one or many strategies to iteratively evolve their portfolio approach. To drive an evolution toward a holistic approach that integrates impact and financial lenses, IAOs need to understand how their contribution influences impact performance. The nature of capital (its volume, proportion and efficiency), the types of investee engagement (shareholder engagement, proxy voting, management engagement and technical assistance) and the terms of investment (type of facility and timing) are all elements involving investor contribution. An IAO’s understanding of these contributions helps inform investment philosophies and policies, which then inform manager mandates.

In phase two, IAOs develop the theory of change that describes the inputs, including their investor contribution, required to achieve the intended impact outputs and outcomes they seek from their investment.13 This is the initial formation of an articulated theory of change. Together with a financial lens and market analysis considerations, this phase is a vital part of portfolio construction, as seen in Figure 1.

At this stage, IAOs may rotate some holdings to better serve the interest of their impact lens. At the same time, new investment opportunities may arise from having identified priorities and a theory of change. These shifts to re-orient the portfolio must be executed with due process and carefully timed to retain the targeted financial performance of the portfolio.

3 PHASE THREE: ALIGN IMPACT THEMATIC(S) THAT MATTER

In the third phase in this evolution, IAOs align one or more impact themes that fit with the theory of change and the investment philosophy. IAOs may initially choose a more conservative approach, carving out a portion of their capital for impact investing. This allows the IAO to test the approach without placing the full portfolio at risk — real or perceived. However, a carve-out should be a stepping stone toward an integrated approach across the portfolio. Lessons learned from this carve-out, such as new investment pipelines or structures, investing across asset classes, specialist managers and impact measurement and management tools, should provide a launch pad for including the lens across the portfolio. Additionally, these lessons may offer a wider investable universe, unlocking previously unseen investment opportunities that solve for the identified social or environmental challenge aligned to the IAO’s priorities.

4 PHASE FOUR: APPLY AN IMPACT LENS ACROSS A PORTFOLIO

In this final step, the impact theory of change comes into fruition, and impact is intentionally integrated across the portfolio, as envisioned in Figure 2. IAOs ask their managers to make investments that deliver measured impact and manage impact performance against targets, as they do for financial performance. Impact priorities and goals are set, likely using global standards such as the Sustainable Development Goals and universal data sets to understand the context for investable opportunities. After that, specific impact performance targets can be developed using impact measurement and management frameworks, like IRIS+.14 Managers are then asked to track and benchmark their performance and report back to their IAO client, in the same way they might report back on their financial performance.

12 “Context” in this instance means the nature and situation of the communities, demographics, geographies and environments that affect the quality of the lived experience of the ultimate beneficiary.

13 For further details on theories of change, and a checklist to create one, see the IRIS+ Simple Theory of Change Checklist: https://iris.thegiin.org/theory-of-change-checklist/

14 IRIS+ offers investors an impact measurement and management taxonomy and evidence-based core metric sets that inform a theory of change. For more information on IRIS+, click here.
Conclusion

A growing number of IAOs recognize the complex and volatile factors that affect their ability to both preserve the value of their portfolio, and meet the shifting needs of the ultimate beneficiary. This recognition is increasingly appreciated by beneficiaries. To take action, IAOs must move toward a holistic and nimble approach to portfolio construction, one that applies the relevant financial and impact lenses to address long-term economic, social and environmental scenarios and interests. Constructing a portfolio in this way preserves overall value and serves beneficiary well-being.

The demand to do so from pension fund members, insurance clients and broader society is now clear and must be acted upon. The approach outlined in this paper can improve both the lives of beneficiaries and the outlook for the world. IAOs can and must integrate an impact lens to adapt to a changing world and respond proactively to ensure that the value of their portfolios remains relevant to the needs of their beneficiaries.
About the Global Impact Investing Network (GIIN)

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world. The GIIN builds critical infrastructure and supports activities, education and research that help accelerate the development of a coherent impact investing industry. For more information, see www.thegiin.org.

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