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# IMPACT INVESTING RESONATES WITH INVESTORS

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Last week, while guest-hosting on behalf of Jeremy Schwartz, I had the pleasure of speaking with DeAnne Steele, Head of National Portfolio Management and Consultancy Practice with U.S. Trust. She brought a wealth of both experience and passion to the concepts of impact investing and looking at making investments with sensitivity to the gender lens.

*The critical theme: clients want to do good while also doing well. Some highlights that Steele brought to light include:*

## **On Impact Investing Broadly:**

- Assets under management related to sustainable, responsible and impact investing (SRI) rose from \$6.57 trillion at the start of 2014 to \$8.72 trillion at the start of 2016, a growth rate of 33% over that two-year period and a total that represents about one-fifth of all professionally managed U.S. investments.<sup>1</sup>
- Wealthy investors believe that they make an impact in a variety of ways, as studies have shown that 74% give financially to nonprofit organizations, 69% volunteer their time, skills or service, 27% serve on the board of a nonprofit organization or foundation, 17% invest in companies that support positive social and environmental policies and practices, 14% own a company that creates jobs and opportunities for others, 13% work for a nonprofit organization, and 7% engage in social entrepreneurship (i.e., own a company to provide social or environmental solutions).<sup>2</sup>
- Advisors are also cognizant of how impact investing can help bridge the generational divide and build connections with millennial investors.
- Steele emphasized that a factor that could contribute to the ultimate success of these types of investment approaches is how it further aligns the thoughts and feelings of clients with the success of their portfolios. The depth of the client relationship and an understanding of their values was of the utmost importance.

## **On Investing through the Gender Lens:**

- Today, women represent 5.4% of chief investment officers, 25% of executive/senior level officials and managers, and one fifth of board members.<sup>3</sup> Women in 1960 earned an average of 60 cents to every dollar men earned; in 2016, they made approximately 80 cents.<sup>4</sup>
- Notably, over a five-year period (2011–2016), U.S. companies that began the period with at least three women on the board experienced median gains in [return on equity \(ROE\)](#) of 10 percentage points and [earnings per share \(EPS\)](#) of 37%. In contrast, companies that had no female director as of 2011 experienced median changes of -1 percentage point in ROE and -8% in EPS over the study period.<sup>5</sup>
- We also emphasized diversity beyond simply talking about gender, and Steele brought a lot of different ideas to light that truly contribute to an inclusive culture within both her firm and more broadly.

Listen to the full conversation:

<sup>1</sup>Source: "Report on U.S. Sustainable, Responsible and Impact Investing Trends," US SIF (Forum for Sustainable and Responsible Investment), 2016.

<sup>2</sup>Source: 2017 U.S. Trust Insights on Wealth and Worth Survey.

<sup>3</sup>Source: "Women in S&P 500 Companies," Catalyst.org, 2017.

<sup>4</sup>Source: Census Bureau reports and data, 2016.

<sup>5</sup>Sources: "The Tipping Point: Women on Boards and Financial Performance," MSCI ESG Research LLC, 2016; "Diversity Matters," McKinsey & Co, 2015.

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## DEFINITIONS

**Return on Equity (ROE)** : Measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested.

**Earnings per share** : Total earnings divided by the number of shares outstanding. Measured as a percentage change as of the annual Index screening date compared to the prior 12 months. Higher values indicate greater growth orientation.