CLIMATE AND RESILIENCE
Case Study- Banking on Tigger: Giving the Gift of Impact

Most impact investing to date has focused on the high-net-worth or ultra-high-net worth communities. Even the most retail orientated strategies often have a minimum investment size, or a minimum net worth requirement, that are beyond the scope of most individuals.

Every year, individuals give hundreds of millions of dollars – sometimes in the form of charitable gifts given in the name of others. And every year millions of individuals have cause to give a monetary gift. Historically financial products such as savings bonds, or (in the UK) premium bonds, have leveraged this giving and investor base to valuable effect.

Could there be a way to apply the same approach to organizations that are seeking to save the environment and conserve the habitats and animals that live on the earth through tapping into individuals desire to give the gift of investing in the future of the planet?

Imogen's nephew Julian will turn eight in December. Imogen, who does not have a broker dealer account or an investable net worth in excess of $1 million, would like to give a gift of $1,000 to her god son Julian to vest in 10-years' time when he is 18 years old. She would like that $1,000 to make a small amount of interest and be relatively risk free, and during the 10-years that it is invested she would like that money to be put to work saving the planet, through charities like the World Wildlife Foundation. And she would like her godson Julian to know how his money is being used to save animals like Tigers and Rhinos and Elephants and their habitats around the world. A Tiger Bond, perhaps.

What would a potential product look like?
Is a bond the right approach?
Would some kind of "Tiger Bank" or annuity be more effective?
Who are the stake holders that would need to come together to create such a product?
What are the obstacles to success?

Case Study-Keeping Up with the Joneses: Constructing an Environmental Portfolio

Your clients, Mr. and Mrs. Jones, have inherited a $500 million trust from Mrs. Jones recently deceased grandfather Mr. Smith. The trust was run along traditional investment lines, with a portfolio of stocks, bonds and alternatives with a significant exposure to fossil fuel and high-carbon assets including investments in oil and gas focused private equity funds.

Mr. and Mrs. Joes are committed to impact investing specifically focused on tackling climate change, renewable energy and climate resilience. They want to move their investment portfolio to zero climate emissions as quickly as possible. They also wish to invest in clean tech and renewable investment opportunities and explore areas where their investment dollars will have the greatest impact on climate change, climate resilience and environmental justice.

The Joneses are also considering turning their trust into a family foundation, where 5% a year will be given out to charitable causes connected to their stated issues. The Jones wish to preserve as much of their capital as possible, they require a conservative, diversified investment portfolio. They want an institutional quality investment portfolio.

How would you advise the Joneses?

Case Study- The Group of Six: An Institutional Investment Approach

You have been approached by a group six institutional asset owners, with assets under management varying from $500 million to $6 billion. They would like you and your team to develop a strategy in which they can invest up-to $250 million of capital, and which can be marketed to other institutional investors.

This group is seeking to create a fund that will drive as much institutional money as possible into clean and renewable energy strategies, while also seeking to have the largest positive impact on the environment and producing an attractive (above market) risk adjusted rate of return.

In addition to mission aligned investors, this group of six want to bring in large institutional investors, sovereign wealth funds, pension plans, foundations and endowments, that are only return seeking – and do not have a stated interest in impact investing or climate change. These outside investors have indicated a reluctance to invest in a first-time fund and need to see a track record before they will commit capital. They maybe be willing to overcome this reluctance if other factors are particularly persuasive.

The group of six is strategy agnostic – the fund could be in private equity, real assets, real estate, private credit, venture capital, growth equity or, even, public equities. But it must be an attractive investment opportunity with high risk-adjusted returns. They are also extremely concerned about fees and have expressed concern that impact-investing will result in higher costs. Some of the core group have threated to pull out if the fees are not on a par, or better than, equivalent non-impact investment opportunities.

The group includes foundations, who could use program related investment (PRI) capital to seed a potential investment. PRI capital could also possibly be used to de-risk investment opportunities or offset fees.

The group has been approached by a large investment management platform interested in incubating a new impact business, the investment management firm has experience in alternative investments but no background in impact.

How would you advise this group of prospective investors? What is the best investment strategy for them to pursue at this time? Should they try to invest in a stand-alone fund or on an investment platform? Is a fund-of-funds approach worth considering? What skills and experience do a team need to build an effective fund?