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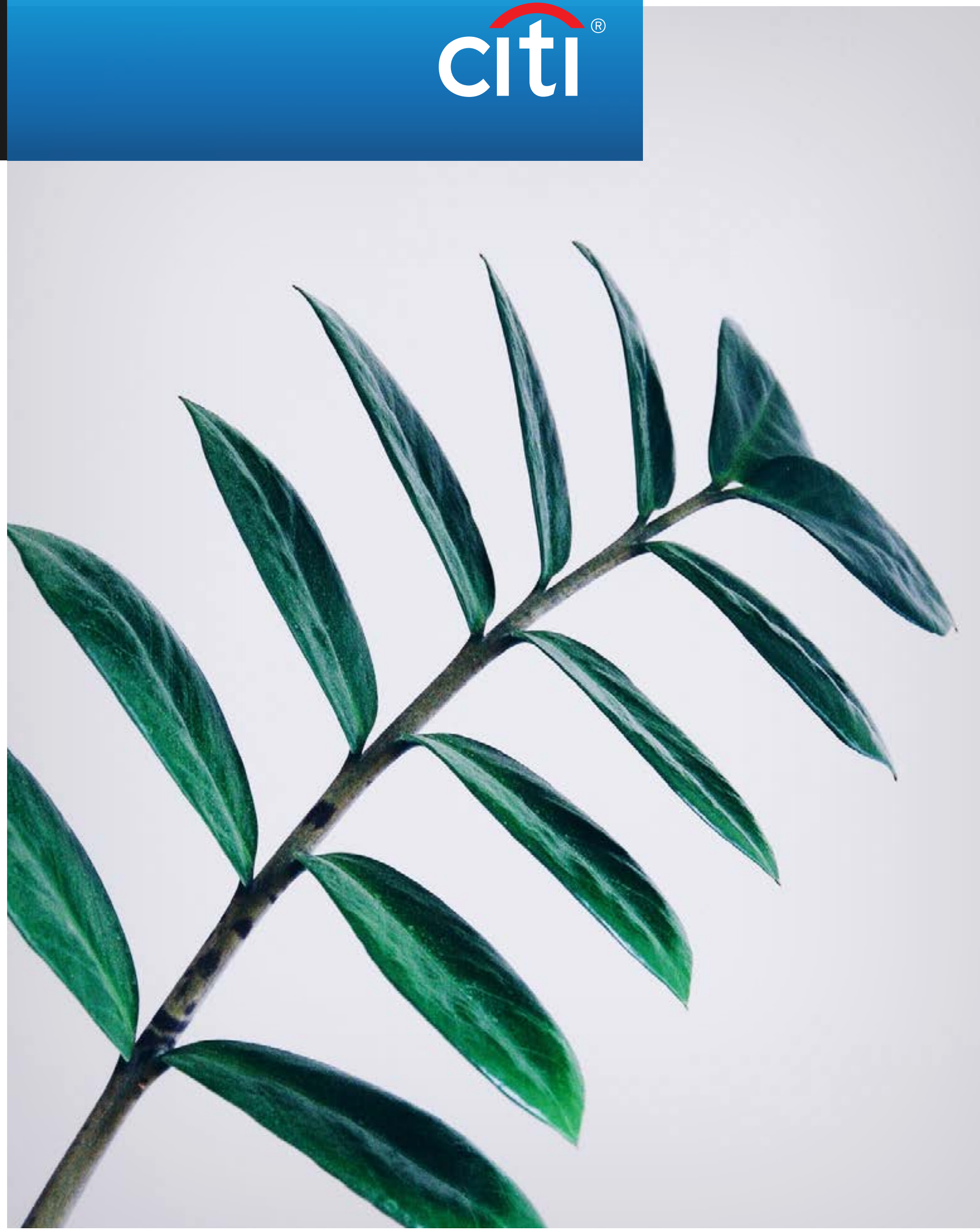
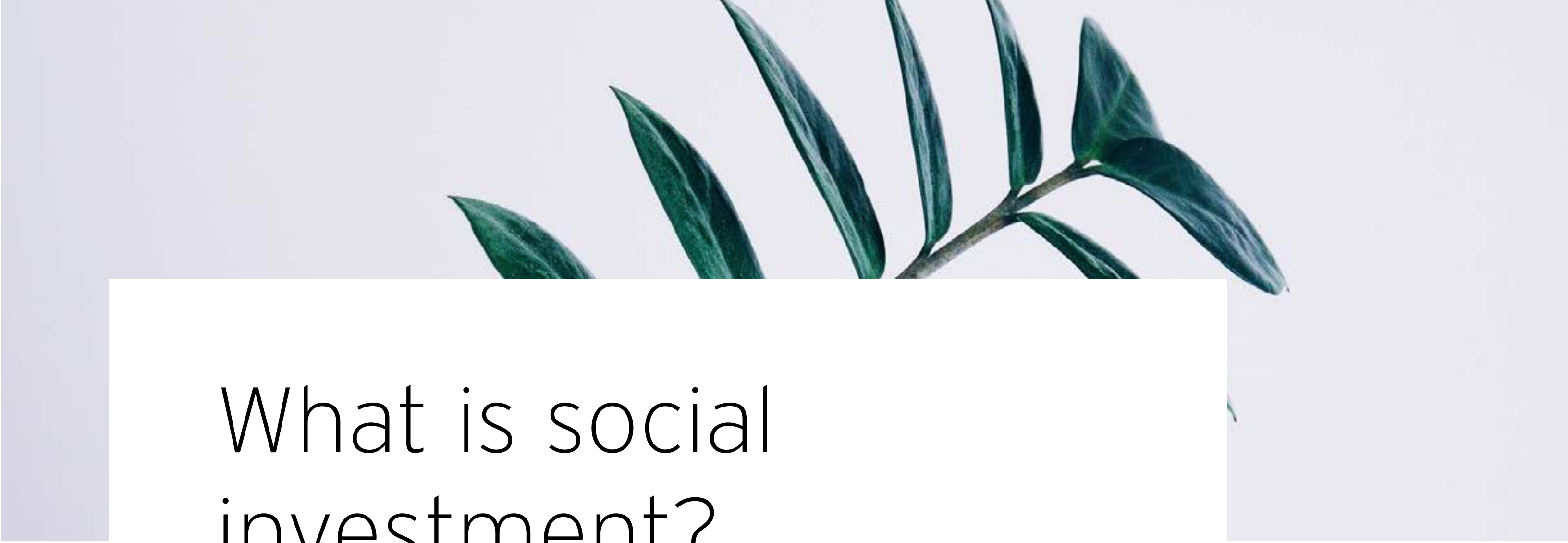


Why family offices are increasingly exploring social investment opportunities

Global Family Office Group, Citi Private Bank

Contents



What is social investment?

Is it possible to invest for financial gain while simultaneously trying to serve the greater good? Traditionally, these two goals were considered mutually exclusive. In recent years, however, the interwoven approach of 'social investment' has grown significantly in popularity. Having started out as a niche activity, social investment has moved into the financial mainstream over the last decade. Despite this, investors are often unsure of what it really means and the wide variety of approaches it entails.

To understand the different approaches that social investment encompasses, it helps to think in terms of a spectrum of opportunities – **figure 1**. At the more indirect end of this spectrum is responsible investing. This seeks out investments that integrate a positive theme or a set of specific environmental, social, and governance (ESG) standards. Among other things, this means looking at how companies and projects affect the environment, how they treat employees, customers, and their communities, and how ethically and fairly an organization is run. An example of this approach would be screening for stocks involved in clean energy or resource efficiency.

Figure 1. Spectrum of capital[1]

Focus on financial benefit ⟷ Focus on social benefit

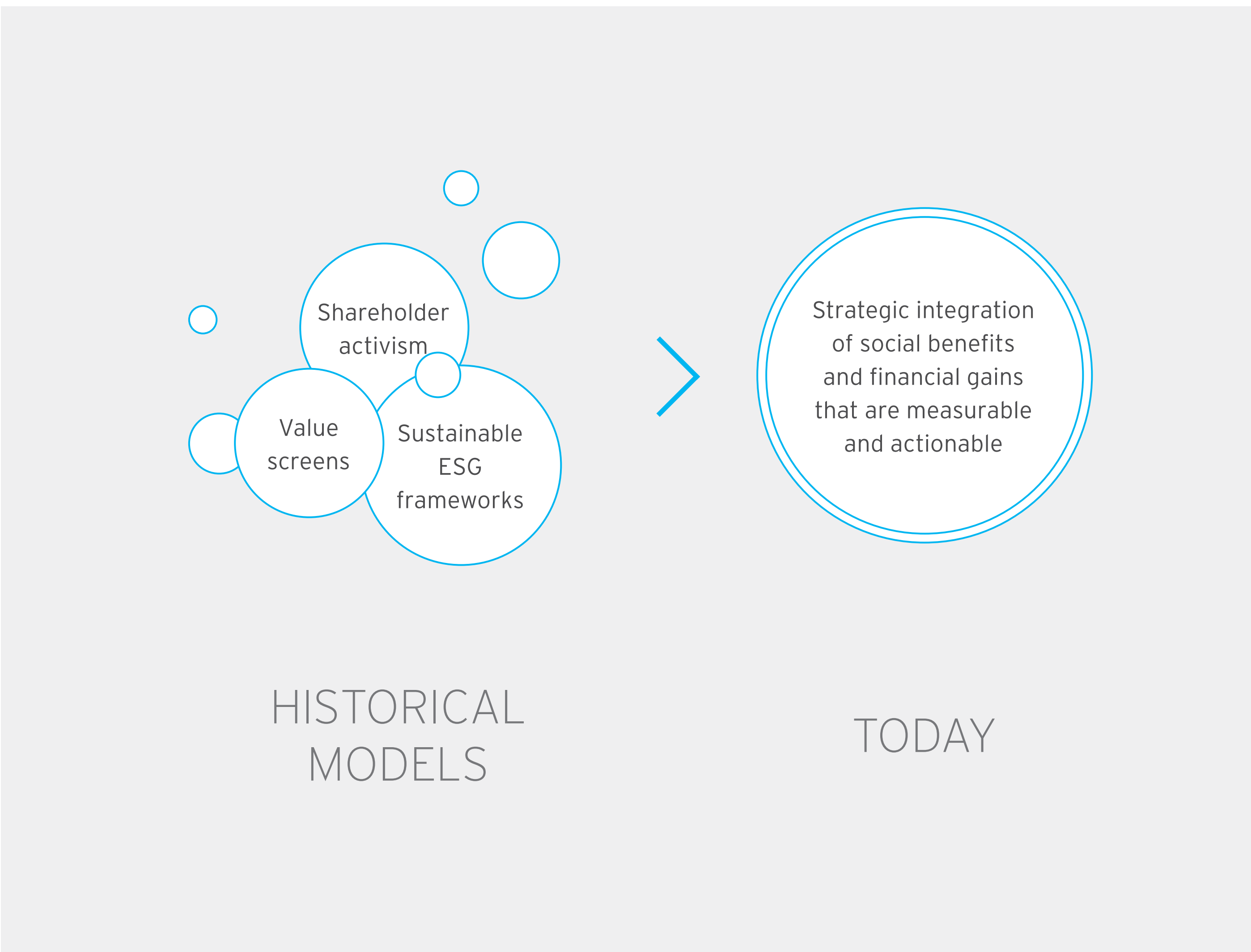
	Out of scope	In scope			Out of scope
	Financial only	**Responsible**	**Sustainable**	**Impact**	**Social only**
		> Exclusion of objectionable investments	> Exclusion of objectionable investments	> Exclusion of objectionable investments	Philanthropy
			> Integrates ESG factors with traditional finance considerations	> Integrates ESG factors with traditional finance considerations	
				> Intention to generate a measurable social or environmental impact	
Investment profile	No or little consideration to ESG or social factors	*Negatively screening firms based on sustainability criteria such as ethical or ESG factors, thus excluding these securities from the investable universe (ie. guns, tobacco, gambling, adult entertainment etc).*	*Evaluating firms both on their traditional financial metrics as well as their level of adherence to accepted ESG principles.* *Focuses on positive screening or selection of best in class securities.*	*The most direct form of investing where there is a focus on accelerating environmental and/or social change.* *Can be made through thematic strategies.* *Thematic strategies accessing public markets may emphasize financial benefits more, while thematic private investments have an equal or greater focus on social benefits. The latter is often measured by the 'double bottom-line' and more often called impact investing.*	A donation to a cause without expectation of financial benefit

1 Ci

‘Sustainable’ or ‘ethical’ investing, by contrast, involves avoiding certain companies, sectors, or countries owing to conflicts with ESG principles. For example, it could mean high-level screens that filter out tobacco companies, firearms manufacturers, or firms whose production processes cause environmental damage.

The more direct end of the social investment spectrum is impact investing, where investments are made that directly tackle social or environmental challenges. Whereas both responsible and sustainable investing are typically measured in terms of their financial return alone, impact investing has a ‘double bottom-line’, where the social and environmental impact is as important as the financial return.

Having started out as a niche activity, social investment has moved into the financial mainstream.



The Global Impact Investing Network (GIIN) is a nonprofit organization dedicated to increasing the scale and effectiveness of social investing around the world. The GIIN conducts an annual survey of social investors including family offices, fund managers, foundations, pension funds, and other financial institutions. Their 2017 survey found that respondents managed $114 billion in social investments.[2] The market is even larger when all the different impact investing funds and actors are taken into account.

Social investment also enjoys growing support from governments around the world. In an age where public spending is under intense pressure in many countries, the use of private capital to fund socially-beneficial initiatives is appealing to cash-strapped authorities. As a result, some governments are seeking to incentivize social investment.[3]

As an investment category, we define social investments as those that seek financial gain while simultaneously seeking to benefit particular social and environmental problems. Social investing as a concept has evolved from screening out companies when selecting investments to the creation of or support for firms and investment vehicles with social impact in their DNA.

Many family offices have progressed from asking what social impact investment is to asking how they can get involved.

Wealthy families – and their family offices – are among the prominent investors who are now showing much greater awareness and interest in social investment. According to Beth deBeer, founder of iImpact Consulting Network – a global impact and development consultancy – many family offices have progressed from asking what social impact investment is to asking how they can actually get involved. Not only does her firm note greater awareness, but also the availability of more social investment opportunities becoming available.

To gain a better understanding of the field, this paper will explore the attractions of social investment for wealthy families, as well as some of its most popular themes, approaches, and investment vehicles. We also address some of the common misconceptions about social investment. Finally, we provide some important recommendations on best practices for family offices.

2 The Global Impact Investing Network, "2017 Annual Impact Investor Survey", 2017 https://thegiin.org/assets/GIIN_AnnualImpactInvestorSurvey_2017_Web_Final.pdf

3 Citi Private Bank, "Social Investment: Investing for gain and the greater good", Outlook 2015 https://www.privatebank.citibank.com/outlook2015/docs/GreaterGood.pdf

Why family offices and social investment?

For family offices who serve families with social or environmental goals, the attractions of social investment are clear. It enables them to bring their investment activities into line with deeply-held beliefs and values. Rather than assessing investment performance solely in terms of risk-adjusted returns, these family offices often now measure the 'double' or even 'triple bottom-line' of their activities: financial return, social impact, and environmental impact.

The desire among wealthy individuals and families to invest in line with personal values is a global phenomenon. In a study by Campden Research, a provider of research and data on family offices, ultra-high net worth individuals (UHNWI) in the Asia-Pacific region (APAC) have shifted their investment portfolio allocations from philanthropy towards social impact investing. Estimates show that impact investing will account for 44% of APAC UHNWI investment portfolios' 'doing good' allocations in 2018.[4]

> Family offices often now measure the 'double' or even 'triple bottom-line' of their activities: financial return, social impact, and environmental impact.

[4] Campden FB, "A Roadmap for Generational Wealth in Asia: Asian Philanthropy: An Evolving Landscape", 2015 http://www.campdenwealth.com/article/roadmap-generational-wealth-asia-asian-philanthropy-evolving-landscape

Several factors help explain why family offices are increasingly exploring whether social investments are appropriate for the families they serve. The five main ones are:

1. **Social investments have become viable alternatives to 'traditional' investments**
Increasingly family office executives and principals now see social investments as capable of matching or outperforming returns on traditional investments, regardless of the type of family they serve. This changing mindset has catalyzed other family offices to take a closer look at increasing their allocations to social investments.

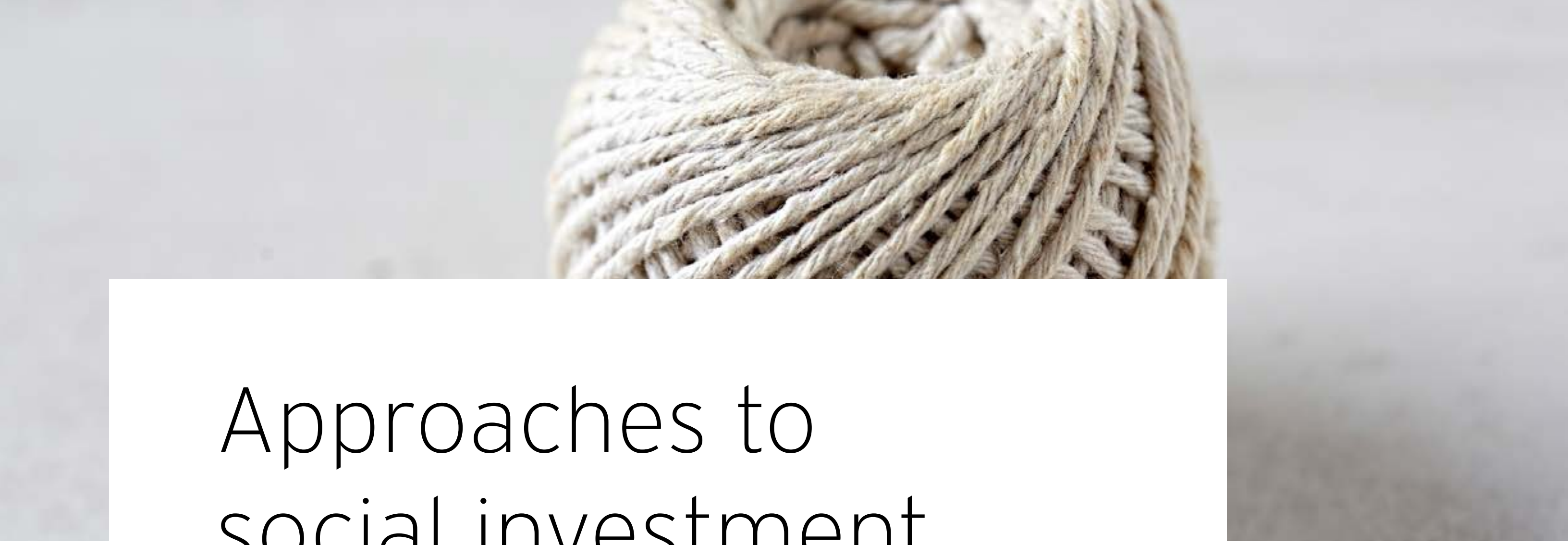
2. **There are many more social investment options**
Family offices tend to have a wider range of opportunities and greater freedom to invest than retail investors. This makes them more similar to institutional investors, such as endowments, pension plans, insurance companies, and foundations. As a result, family offices are typically able to make investments based upon both quantitative factors – such as alpha and liquidity – and qualitative factors – such as social mission and next generation engagement. As the breadth of investment possibilities has expanded, so too has the attraction of social investing. This is because family offices are now better able to fulfill a family's requirements as to liquidity, risk diversification, and geography, while also targeting social goals. Moreover, family offices have been able to assume leadership in new social investment products that have entered the market, encouraging other investors to follow suit.

3. **Structure, flexibility, and innovation**
Family offices tend to have greater autonomy and innovative ability in their investment decision making, as well as more opportunities to align values and vehicles than retail investors or other institutional investors do. For example, institutions may be constrained by strict governance measures – such as a board or investment policy statement – whereas family offices do not typically have similarly strict restrictions. Family offices' larger size enables them to be more institutional and also to access private markets more easily than retail investors, but still have the flexibility of retail investors to make quick decisions without strict governance mechanisms. They can therefore exploit their nimbleness and pioneering nature in order to realize the mission and vision of their families.

4. **Attitudes, preferences, and engagement of the next generation wealth holders**
A key driver of the increasing appetite for social investment is the growing influence of the next generation of wealth holders. Millennials are more likely to invest in alignment with their values than previous generations. This is consistent with their attitude toward business in general. According to Deloitte's Annual Millennial Survey, 76% of millennials believe business provides an opportunity to create positive social impact.[5] Regardless of how long ago family wealth was originally generated, a discussion of social investment is likely to arise as next generation family members begin to take part in investment decisions. In addition, family offices are finding out that social investments can help build family cohesion and enable wealth to sustain multiple generations. Individuals in their 20s and 30s are typically more interested in social investing than their older family members. So, family offices can use this passion as a way to engage the younger generations and get them more involved with investment strategy and execution.

5. **Alternative to pure philanthropy**
Family offices often keep their philanthropic strategies distinct from their investment strategies. They seek to maximize wealth creation via family operating companies and through traditional investment vehicles and then make separate donations to philanthropic organizations. However, families are now increasingly able to align their portfolios with their values to create a direct impact through their investments. By focusing on potentially profitable social investments, family offices are able to achieve sustainable impact beyond what a 'single-use' donation could accomplish. This is not to say that donations and philanthropy will be replaced by social investing. Instead, family offices can look holistically across their portfolios and utilize philanthropic capital to support investments and vice versa. Lastly, family offices use social investments to satisfy the legacy desires of principals while also seeking financial returns.

[5] Deloitte, "The Deloitte Millennial Survey", 2017
https://www2.deloitte.com/content/dam/Deloitte/global/Documents/About-Deloitte/gx-deloitte-millennial-survey-2017-executive-summary.pdf



Approaches to social investment

Values-based approaches to investing can take many forms. Two factors largely influence both the choices families often make and the investment strategies available to them.[6]

The first factor is the degree to which families wish to achieve ‘mission impact’. Some families seek to maximize the impact of all of their investments while seeking a financial return. For example, the Omidyar Network – a foundation and impact investment firm created by the founder of eBay – foregoes annual tax deductions so that it can combine grant-making and investing outside the legal structure of a foundation. This enables it to function much like a venture capital fund but with a focus on providing seed capital, bridge financing, loans, and equity capital to entities that aim to do good, while also seeking financial success. The Omidyar family has also set up foundations strictly for grant-making purposes.

The second factor is the extent to which families want their investments to align with their values. Many families separate wealth management decisions from their philanthropic interests or social passions. Families that want their investments to be values-driven must decide how much of their financial capital should be allocated to values-based investments rather than more traditional investments. Some families strive for 50%-75% exposure to social investments, while others restrict exposure to a small fraction of their portfolio, often their foundation investments.

Of course, these choices are neither binary nor static. Family members may decide to dedicate their time and capital to support a single cause for extended periods. Others are content knowing that although they may not have influenced major social problems, they have provided financial support through their investment choices to causes that are meaningful to them. The choice is one to be made by the family, and should be reviewed from time to time.

> “Aligning a client’s portfolio with their values, is not about a ‘feelgood’ approach. It’s about clarifying how you are investing for them and creating greater client engagement. You can quickly turn a client away from this approach by only finding opportunities that compromise on return to deliver social value. There are ample investment opportunities today that in fact increase return and better diversify risks in a client’s portfolio.”
>
> **Anna-Marie Wascher**
> Founder and CEO, Flat World Partners

[6] Stephen Campbell, Citi Private Bank, "Four Fundamental Modes of Values-Based Investment Behavior", 2018

Value-based behaviors

There are four fundamental modes of values-based investment behavior.[7]

1. **Impact agnostic**
   Impact agnostic families have not yet formulated a social investing strategy and are largely focused on business, family, and wealth creation matters. Some may have established a multi-generational family foundation but do not play an active role or have a strong personal connection with it. Many impact agnostic families will make financial contributions to social, religious, and/or environmental causes, or participate as volunteers or board members for particular causes or organizations. Frequently, such commitments are viewed in the context of social or business networking. To these families, social investments are of very little interest, may be misunderstood, or even have negative connotations because of misconceptions about their investment returns.

2. **Impact following**
   Impact following families are involved with specific social impact causes that they, close friends, or social networks deem important. These families are often called on for fund raising for social or environmental causes by their friends, acquaintances, or peers. Impact following families may have an interest in social and environmental causes, but they do not necessarily act on these via social impact investing or establishing a family foundation. Impact following families are seen as potential social investors as they are not yet wedded to a particular type of social investment vehicle, and are not focused on a single social or environmental issue.

> Whereas impact passionate families may value social impact results equally or more than financial gains, impact ready families have not yet fully subscribed to that belief.

3. **Impact ready**
   Impact ready families share a common vision or purpose and are frequently well known for their work in one or two areas of philanthropy. These can include a range of social and environmental causes from education to conservation. Such families will typically avoid investments that overtly conflict with their values, such as holdings in tobacco makers, firearms manufacturers, or companies that do not adhere strictly enough to child labor laws. They may invest in social investment funds of a general nature, screening out unsuitable holdings, while limiting their exposure to avoid dedicating too much wealth to this strategy.

   In essence, impact ready families are less willing to trade off potential investment gains in pursuit of social goals. Whereas impact passionate families – see below – may value social impact results equally or more than financial gains, impact ready families have not yet fully subscribed to that belief, but may do so in future. As a result, they favor use of their own foundation grant-making or donor advised vehicles to express their values and pursue social goals.

4. **Impact passionate**
   The most vigorous support for values-based investing comes from impact passionate families. They are characterized by a powerful shared vision of social or environmental need, a high degree of values-centric action, and devotion of substantial time and capital to social or environmental causes. Their investment portfolios will typically contain a larger proportion of social investments relative to other families, perhaps even as much as 100%. Their holdings often include both direct investments and funds, and will often include novel vehicles, demonstrating these families' willingness to be pioneers. Many will have active, well known family foundations. They are often active in peer networks, and their behavior serves as a model for others.

[7] Stephen Campbell, Citi Private Bank, "Four Fundamental Modes of Values-Based Investment Behavior", 2018

Allocating to social investment themes can be achieved in many ways. It is important for family offices to understand the most common varieties of social investments as they explore opportunities. Anna-Marie Wascher, Founder and Chief Executive Officer (CEO) of Flat World Partners, an impact investment advisory firm focused on sustainability across all asset classes, believes that there are four common nomenclatures associated with social investment that family offices should be aware of:

Environmental, social, and governance (ESG)
Investing based upon environmental, social, or governance principles. An ESG approach is most common in publicly traded equities, but can be applied within a broad range of asset classes. Investments are assessed based on a set of ESG criteria and those that do not meet a certain threshold of ESG standards are excluded.

Socially responsible investing (SRI)
SRI is sometimes used interchangeably with ESG to denote investment strategies focused on 'socially responsible' investments that are usually identified via positive or negative screening. Focusing on businesses such as clean energy companies is an example of positive screening, while excluding tobacco companies from consideration would be an example of negative screening.

Mission-related investments (MRIs)
MRIs are specifically associated with foundations that seek both social impact and market-rate returns. These investments form part of a foundation's total assets, called its endowment or corpus. MRIs are often accomplished through a combination of ESG, SRI, and impact investing.

Program-related investments (PRIs)
A type of social impact investment private foundations make that must meet certain criteria established by the IRS (US tax authorities). As PRIs utilize a foundation's 'program' dollars instead of its corpus, PRIs must align to the stated mission and focus areas of the foundations' programming. Target returns are typically below market and usually count towards the foundation's requirement to distribute 5% of its average endowment every year.[8] PRIs tend to be impact investments.

Focusing on businesses such as clean energy companies is an example of positive screening, while excluding tobacco companies from consideration would be an example of negative screening.

[8] Anna-Marie Wascher, Founder and CEO of Flat World Partners
http://www.flatworld-partners.com

Investment themes and vehicles

Once families have defined their values-based behaviors, they can decide the best investment themes and vehicles for meeting their objectives. A selection of some of these themes based on the United Nations' Sustainable Development Goals is shown in **figure 2**. Themes include obvious examples such as clean energy, housing, access to water, and gender, but also increasingly themes such as cybersecurity and sustainable infrastructure.

The investment vehicles that families can use to gain exposure to their chosen themes include direct loans to social causes and mutual funds that adhere to social principles. There are also an increasing number of more innovative possibilities. One example of these are theme bonds, where funds are raised in the public markets to address one or more specific social issues.[9]

Examples of social investment vehicles include:

Social impact bonds: loans made from private funders to a social service provider. The loan is then repaid with interest from the performance payments. Although they are called social impact bonds or development impact bonds, they are actually not structured like a traditional fixed income instrument. They typically do not have predetermined coupon payments, with returns instead reliant on an outcome of a social service intervention.

The first social impact bonds were issued in the UK in an attempt to reduce recidivism among prisoners. They were structured such that the government would pay out a return to bondholders if the rate of reoffending among participants in a rehabilitation scheme dropped by a certain percentage. Many other such products are now in the pipeline around the world, addressing a range of issues including early-years education, schooling for girls, and malaria eradication.

Figure 2: Examples of social investment themes[10]

9 Citi Private Bank, "Social Investment: Investing for gain and the greater good", Outlook 2015 http://www.un.org/sustainabledevelopment/sustainable-development-goals/

10 United Nations, www.un.org. 2018

Loans: Community development finance institutions (CDFIs) and social banks provide affordable loans to individuals, businesses, and social enterprises in disadvantaged communities. Investors receive a yield on their deposits similar to other cash-equivalent investments.

Theme bonds: Developmental agencies, corporations, and public-sector bodies are commissioning theme bonds to bring about improvements in areas such as health, education, and the environment. This gives investors who are interested in specific issues the opportunity to make fixed income investments that are aligned with their interests. The green bond market in particular is growing rapidly and becoming more liquid in the process.

Listed equities, indices, and exchange traded funds (ETFs): Listed equities offer more possibilities for social investment than ever before, allowing investors to target their activities even more precisely. Investors can purchase individual equities by performing screens that either select or exclude companies according to their personal values. Numerous social indices now exist, particularly in relation to ESG/SRI principles. Prominent examples are the Dow Jones Sustainability Index and the FTSE4Good series. Straightforward exposure to these indices can be gained via ETFs.

Mutual funds: Investment managers are increasingly incorporating ESG factors into their analysis of both debt and equity markets. Several empirical studies show that responsible investments can perform similarly to conventional investment strategies, and possibly outperform them.

Direct investments: Direct and co-investments that seek to achieve significant social impact are gaining in popularity. Investments range from more established companies to earlier stage startups that have a social investment focus. For example, impact investments in the education sector have been made to target outcomes such as early childhood learning or graduation rates with charter schools. Moreover, some social investment-themed venture capital and private equity funds are augmenting their investments with non-profit entities that serve to promote their mission and support their portfolio company ecosystem.

Rich Tafel of Raffa Social Capital Advisors suggests that investors should apply the same and sometimes more rigorous levels of due diligence afforded to more traditional direct investments because of the personal appeal of social investment opportunities. As an example of some of the extra steps on diligence, he suggests that family offices employ a 'pre-investment' strategy that includes coaching of social investment startups, a review of their financials, and an examination of potential regulatory and public policy concerns related to all social enterprises.[11]

Business school programs: In the last decade, there has been growth in the popularity of various forms of social entrepreneurship contests led by non-profit and for-profit entities. Business schools have recognized this and created opportunities for students and alumni to support social entrepreneurship. While not strictly an asset class, these contests have provided opportunities for family offices to get involved in social investing.

For example, New York University's Stern School of Business has awarded over $800,000 in startup money to innovative social ventures.[12] The Skoll Centre for Social Entrepreneurship at Oxford Said Business School has the Skoll Scholarship program, which provides tuition support and exclusive opportunities to meet with world-renowned entrepreneurs, thought-leaders, and investors.[13] Columbia Business School's Social Enterprise Club - established in 1981- received generous funding in 2015, allowing for the launch of the Tamer Fund for Social Ventures, expansion of the Loan Assistance program, and further funding of social ventures at the Startup Lab.[14]

The Stanford Graduate School of Business has created a Center for Social Innovation to help social impact enterprise-focused students with research support, social innovation classes and curriculum, and a social entrepreneur 'boot camp' and coaching. The GSB established its Center for Social Innovation more than forty years ago and its work includes curriculum development, personalized coaching and network formation, experiential programs like the Social Entrepreneurship Bootcamp, and incentives to real-world action like the Social Innovation Fellowship for social entrepreneurs.[15] Stanford University also publishes the Stanford Social Innovation Review, which disseminates social innovation-related research and practice-based knowledge.[16]

11 Rich Tafel, Raffa Social Capital Advisors

12 New York University Stern School of Business - W. R. Berkley Innovation Labs, "Social Venture Competition", http://www.stern.nyu.edu/experience-stern/about/departments-centers-initiatives/centers-of-research/berkley-center/programs/social-entrepreneurship/social-venture-competition

13 The Skoll Centre for Social Entrepreneurship at Oxford Said Business School, "The Skoll Scholarship", https://www.sbs.ox.ac.uk/faculty-research/skoll/skoll-scholarship

14 Columbia Business School, "Tamer Center for Social Enterprise", https://www8.gsb.columbia.edu/socialenterprise/about

15 Stanford School of Business, "Center for Social Innovation", https://www.gsb.stanford.edu/faculty-research/centers-initiatives/csi

16 Stanford Social Innovation Review, https://ssir.org

Misconceptions

Given the ongoing evolution of social investment, there are numerous misconceptions as to what it actually entails and what it does not.

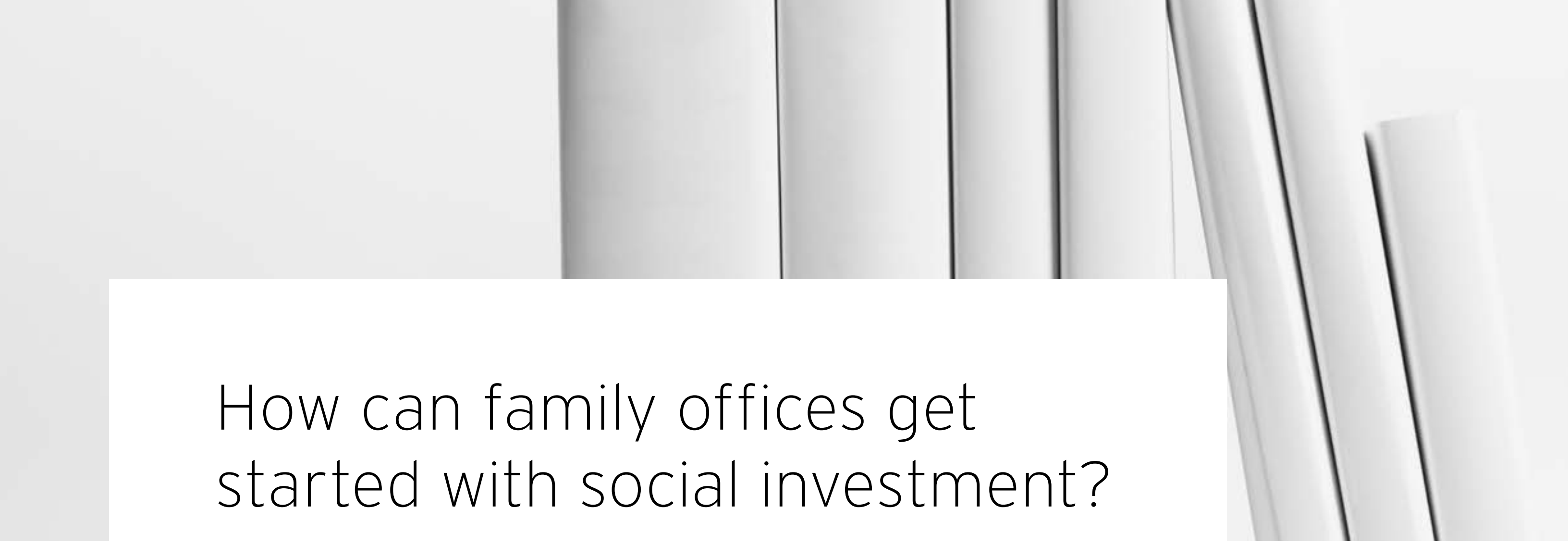
1. **'Social investing is just philanthropy'**
   Social investments lie along a 'return and impact' spectrum. Philanthropy – often in the form of grant-making with no expectation of a financial return – lies on the very far right end of this spectrum. Philanthropy is therefore distinct from social investing, which seeks both a financial and social return.

2. **'Returns must be sacrificed in order to generate a social impact'**
   Despite the large body of evidence to the contrary, a belief persists that social investments are inherently prone to below-market or 'concessionary' returns. GIIN explored this in its 2017 Annual Impact Investor Survey, finding that 66% of impact investors were already pursuing and expecting market-rate risk-adjusted returns for their impact investments.[17] More than 90% of such investors were achieving financial performance that met or exceeded their expectations. While family offices represented a small part of the sample size addressed in this report, more than 80% of family offices self-identified as 'market-rate investors.'

3. **'Social investing is only available for private equity (PE) or direct investment deals'**
   Social investing vehicles are diverse and are certainly not limited to private equity and direct investment opportunities. According to the 2017 GIIN Annual Investor Impact Survey, nearly 50% of participants' assets under management were deployed in non-PE and non-direct investment opportunities.[18]

4. **'Social investing opportunities are primarily concentrated in emerging markets'**
   Social investing is not limited to opportunities in developing economies. The US and Canada are home to 40% of global assets under management for impact investments across asset classes. In second place is Western, Northern, and Southern Europe with 14% of global social investment assets.[19]

[17, 18, 19] The Global Impact Investing Network, "2017 Annual Impact Investor Survey", 2017
https://thegiin.org/assets/GIIN_AnnualImpactInvestorSurvey_2017_Web_Final.pdf



How can family offices get started with social investment?

Next steps for family offices

Before making a first commitment of capital, family offices should develop a thorough roadmap for social investments. A roadmap helps ensure an alignment of values, engagement, goals, and metrics of success. All families can differ in their starting points and paths when creating their roadmaps. So, it is important to review them continuously and evolve roadmaps over time, taking any changes into consideration.

Seven best practices for family offices to consider are:

1. Listening to the family's interests via a brainstorming session

Family offices should examine the key characteristics of their current investments and philanthropic activities. They could hold a meeting to talk through their families' collective areas of impact interest, geographic focus, and the percentage of assets to invest accordingly. To facilitate a productive dialogue, family offices should consider engaging a third-party expert – such as an advisor – who can guide the conversation.

An advisor can help family members articulate their values and the impact themes and sectors that they care about both individually and as a family. Many families make the mistake of not taking such brainstorming sessions seriously, treating them in a perfunctory way. Family offices should seek to avoid this outcome, as it will mostly likely lead to the creation of ineffectual plans or the abandonment of the social investment strategy after a short period of time.

2. Creating a social and financial mission

Family offices should consider creating an overall portfolio mission statement that explains what their families hope to accomplish financially and socially. They should make sure that the mission is not too broad. Missions with a narrower focus but greater conviction behind them are generally easier to measure and have greater chances of long-term success.

When taking this step, family offices should use the values identified in the brainstorming exercise from the previous step to answer important questions such as:

- How do we envision the future and what resources do we need to deploy today to help make that a reality?
- Whom would we like to help? Is this specific to a certain geography, population, or demographic?
- What kind of outcomes do we expect, both in the short-term and the long-term?
- Why is this important to our family, and how is it consistent with the family legacy?
- Have we engaged a financial professional to understand the liquidity and risk requirements that the family wants met over time?

"Measuring the outputs or activities of an investment such as number of customers or products sold is a good place to start, and with the adoption of technology it has become easier to track and verify this in real-time, but the longer term impact or outcomes (change in lives or environment) often requires years and a leap of faith."

Tracy Barba
Independent Consultant,
Impact Investing Initiatives and Partnerships

3. Choosing appropriate thematic and sector focuses

Family offices should help families refine general areas of interest such as 'education' or 'equality.' They should then map these interests to impact investing benchmarks such as the United Nations' Social Development Goals. Family offices should select metrics that families find meaningful for investment selection, management, and evaluation.

4. Amending or developing an Investment Policy Statement

Family offices should consider creating or amending investment guidelines and governance systems to accommodate social investments. They should decide how active and in what manner various family members should be engaged, as well as how much of and in what ways the portfolio should be allocated to ESG, SRI, and impact investments.

5. Building a portfolio

Family offices should work with external professional financial advisors to develop a portfolio that aligns with family social and financial objectives. They should also ensure that they are engaging partners who understand both the social impact and financial components of portfolio management.

6. Tracking progress

Family offices should always track their social investments against key financial and social performance indicators, reporting back to their families on a regular basis. They should adjust their strategy and revisit mission/values periodically and during significant changes in the family.

7. Continuing education

Family offices can keep themselves up to date by attending social investment conferences and seminars to hear from experts, and to build a network of experienced contacts. They can also keep their knowledge current through independent research and coursework, and participation in knowledge-sharing networks and collaboration/co-investment platforms. Family offices may also meet with other family offices engaged in social investment to share ideas and research.

Examples of organizations that family offices can explore include TONIIC, NEXUS, GIIN, The Impact, SoCap, and Confluence Philanthropy.

Conclusion

"Impact investing provides an opportunity for families to deploy their money with meaning. It enables families to reflect on what drives long-term value, and use their capital to build a future that is in line with their visions and beliefs."

Beth deBeer
Founder, iImpact Consulting Network

Thanks to the development of social investment in recent years, today's investors no longer have to choose between generating investment returns and benefiting society. Pursuing profits alongside principles is more possible than ever before. The field of social investing is poised for continued growth and evolution. Therefore, it is crucial for family offices to understand and engage with this theme, and ensure they are supporting the families they serve to the best of their abilities.

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Disclosures

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