REYL
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MARKET INSIGHT

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NATACHA GUERDAT
HEAD OF RESEARCH
IMPACT INVESTING

"Asteria's ambition is to propose an offering that covers both liquid and illiquid asset classes."

1 A marketing technique intended to create a misleading image of environmental responsibility
2 https://ec.europa.eu/info/files/190618-sustainable-finance-teg-report-using-the-taxonomy_en_en

THE TIME HAS COME FOR POSITIVE IMPACT FINANCE

Positive impact finance aims to put private capital to work alongside both public resources and philanthropy, to meet the most pressing global challenges.

More so than ever, by including positive impact finance in their investment decisions, investors can constructively contribute to creating a fair society and a habitable planet. The sustainable development goals (SDGs), defined as a political agenda, are gradually being used by companies to guide and prioritise their sustainable development strategies.

As such, there are numerous investment opportunities. Conservative projections estimate that SDG-linked commercial opportunities will amount to $12,000 billion by 2030. By investing in contributing companies, investors increase their exposure to growth companies with an attractive economic outlook.

Asteria Investment Managers is a subsidiary of the REYL Group that was launched in October 2019, and is fully focused on social and environmental impacts. Its role is to accelerate capital mobilisation to achieve a successful transition to a sustainable society.

ESG AND IMPACT INVESTING, SAME, SAME, BUT DIFFERENT

Financial players now offer a diverse range of products integrating environmental, social and governance (ESG) criteria in the selection of underlying assets. Most often being based on relative sector scores, the level of constraint applied differs widely from one product to the next, and does not factor in impact objectives.

Impact investments are investments made with the **intention** of generating a positive and **measurable** social and environmental impact, as well as a financial return. An essential feature, aside from the intent, is the investor's commitment to measuring and reporting on the social and environmental performance and the progress of the underlying investments.

New acronyms flooding the sustainable investment market have largely led to confusion among the uninitiated. Regardless of the asset class, ESG integration strategies, or the responsible, thematic or impact products, many investors have a hard time making the difference and decry a form of greenwashing[1]. This has occasionally resulted in legitimate queries arising regarding the actual impact of considered sustainable development issues when making investment decisions.

There are currently no best practice rules that enable investors to select the right products with peace of mind based solely on its name. The burden of proof still lies with the investor or their advisor.

Part of the solution will likely be regulatory. The European Union has been drawing up a common taxonomy for the past two years, and is now proposing a reference framework that should come into force in 2022. This framework puts forward a list of six economic activities that make a substantial contribution to the following environmental issues: climate change mitigation, climate change adaptation, the sustainable use of water and marine resources, the circular economy, pollution prevention and the protection of healthy ecosystems[2].

This classification only covers part of the investment universe as it only covers the "E" in ESG.

FILLING THE FINANCING GAP

Vast amounts of capital are needed to achieve the SDGs, with some estimates calling for investments of over USD 2.5 trillion per year. However, in the spring of 2019, the Global Impact Investing Network (GIIN) estimated the current size of the global impact investing market at approximately $500 billion, 60% of which came from the United States.

Although the definition is not intended to be restrictive, impact investing is often dominated by illiquid asset classes, particularly in microfinance, private debt and venture capital.

As a dedicated impact investment management company, Asteria's ambition is to fill this gap with an offering that covers both liquid and illiquid asset classes. We believe it is essential to integrate economies of scale into the financing of innovative solutions and services that have a real impact. We also cannot overlook the need to continually support and transform existing companies, whose business models and operating practices need to change to become more sustainable.

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