

Through impact investing, you can be a part of a larger movement to mobilize investment capital to address the world's most pressing social and environmental challenges.

From Niche to Mainstream

The field of impact investing has grown dramatically. Investors and entrepreneurs are driven to the field not only by the chance to tackle society's most pressing challenges, such as climate change or growing inequity, but also by the investment opportunities these efforts present. Once considered niche, impact investing has grown considerably in breadth, depth and sophistication to offer today's investors compelling opportunities to use their capital for the good.

Many of our clients are part of this movement. Our clients currently have over \$600 million invested in impact assets⁴ across a range of impact objectives, sectors, geographies, asset classes and approaches. We work with each client to optimize their portfolio to support the change they want to see while also finding the approach best suited to their personal financial and lifestyle goals.

Throughout this resource, we invite you to explore how you can contribute to the development of a more just and sustainable world for yourself and others through your invested capital.

How Can Your Investments Create Impact

Impact investing is an investment approach in which investments are made into companies, organizations and funds with the intention to generate social and environmental impact as well as a financial return. Impact investing approaches can be considered within – but distinct from – a spectrum from traditional investing to philanthropy, as shown below. A holistic investment approach may incorporate some or all of these approaches.

\$700 +billion

Over \$700 billion in impact assets globally and growing, with over \$200 billion in the U.S.¹

1/3

One third of all professionally managed assets in the U.S. are invested in impact strategies.²

~25%

2020 was a record year for capital flow to impact funds, representing almost a quarter of all net U.S. stock and bond mutual fund flows.³



Spectrum of Impact Investing Approaches

Traditional Investing	Responsible	ESG	Thematic	Catalytic Investing	Traditional Philanthropy
Prioritizing financial returns without regard to impact	Using personal values, preferences or biases to screen out investments	Evaluating material risks & opportunities presented by environmental, social and governance (ESG) factors	Investing in businesses with products and services that address fundamental social and/or environmental challenges	Prioritizing social or environmental impact gains first with financial returns as secondary considerations	Creating impact without financial return

The invested capital in turn can drive solutions across sectors such as health and wellbeing, renewable energy, affordable housing and education or sustainable agriculture, to name a few. It can also support broad impact objectives such as those shown below, which can be used to establish specific goals and align the overall focus of an impact investment portfolio.

Better Business Practices	Active Ownership
An equity fund might use criteria such as company's corporate governance and business ethics, employee benefits, corporate culture, stakeholder relations, supply chain or environmental impacts and other financially material considerations to identify high-quality companies that could outperform.	An equity fund might invest in companies that outperform on material ESG considerations and engage actively with companies to improve their ESG business practices over time.
Opportunity & Empowerment	
A private debt fund might provide financing and technical assistance to independent news and information businesses in countries with a history of media oppression.	
Conservation & Restoration	Climate Action
A private real assets fund might invest in timberland with high conservation value and employ sustainable forestry management practices that maintain ecological health and biodiversity.	An equity fund might invest in public companies that own, operate and develop renewable energy assets - such as wind, solar, biomass, hydro and geothermal power - and related infrastructure around the world.
Access to Basic Needs & Services	
A fixed income fund might focus on high quality U.S. government or municipal bonds that support affordable housing and community development for low- and moderate-income communities.	



Compelling Impact & Competitive Returns

We believe evaluating investments for impact can make strong financial sense and be additive to the investment process. Impact considerations such as climate change and social justice are increasingly relevant to asset pricing, creating many new investment opportunities and risks. Environmental, social and governance (ESG) considerations can provide a new perspective and reveal aspects of management quality, resource efficiency, human capital management, brand and reputation which, in turn, can affect financial performance. Other investment opportunities support products and services that directly address social or environmental challenges as the key driver of competitive financial performance.

Research has shown that integrating impact criteria into investment strategies can result in greater stability in times of market volatility, competitive financial returns with top-ranked funds in their respective categories, and can help to mitigate risk. The impact investment universe has developed significantly over the past decade and there is an ever evolving selection of new and attractive opportunities across both public and private strategies.

**Integrating
impact investments
into your portfolio
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returns.**

An Approach that Starts with You

We believe the best approach to providing financial advice on any topic begins with asking what you want your wealth to do for you – both now and over the long term. What does it take to support your lifestyle, who are you supporting with your wealth, what kind of legacy might you want to build? We start by helping you articulate and prioritize clear goals for your portfolio. We review the social and environmental challenges you hope to address and translate these into impact objectives which serve as the foundation for a customized impact investment strategy.

As with all of your other goals, we use your impact objectives as one additional consideration amongst many to develop a strategy and construct a portfolio that is optimized for all of your needs and goals. For some, it may be more appropriate to start by introducing a few broad-based impact investments into an otherwise traditional portfolio. Others might prefer to add opportunities that have more direct, targeted impact aligned with their specific impact objectives. We believe that, ultimately, many impact themes are interrelated and inextricably linked such that most of your impact investments may directly and/or indirectly contribute to your impact goals.

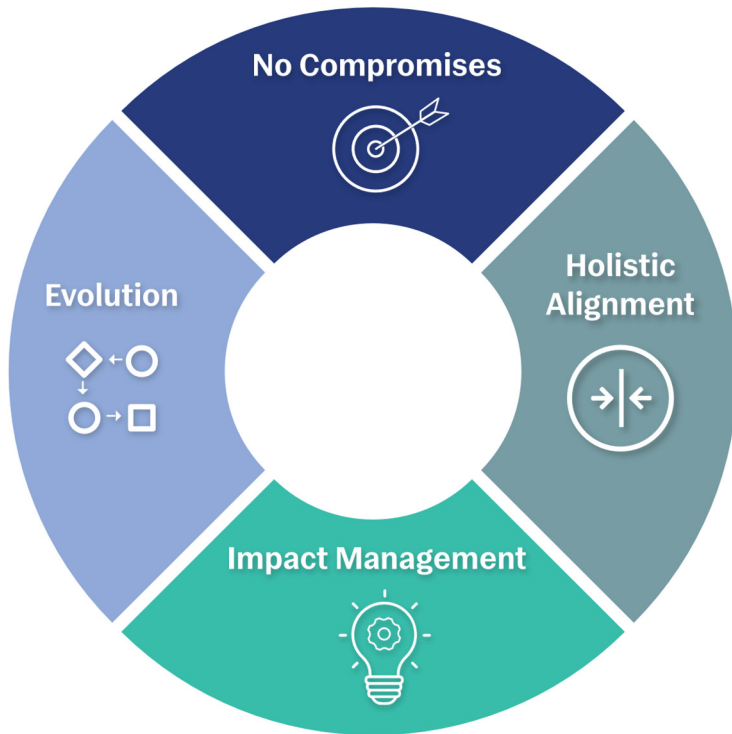
For those motivated to drive a particular outcome, we can guide you in developing a theory of change to bring to life how various solutions can work together holistically in support of a desired change. By clarifying how a desired change is expected to happen, we can help you more effectively deploy all of your resources, not only investment capital, in service of impact.

Putting It All Together

With your financial objectives and impact objectives clearly defined, our team will then help you to construct your portfolio aligned with both your financial and impact priorities. As fiduciaries, our focus is on finding you opportunities capable of authentic impact and competitive returns, that work together to bring you the best of both worlds.



We have no in-house products, rather our dedicated investment team benefits from an open architecture approach to build a robust and ever-evolving pool of impact investments and can pursue niche or custom opportunities where appropriate. In building and managing your portfolio, we abide by the following five key principles:



- 1. No Compromises:** We believe that impact investing does not require an investor to accept a sub-par risk/return profile but, rather, can serve to reduce risk and/or enhance returns.
- 2. Holistic Alignment:** We look for impact alignment throughout the value chain looking at business practices and operations and how investment decisions are made and by whom. This commitment to alignment extends to our own firm and operations and how we seek to create shared stakeholder value.
- 3. Impact Management:** Impact metrics should be used to manage and improve impact and financial performance over time. We seek to deepen our influence and collective impact by using our investor voice to support progress.
- 4. Evolution:** We do not believe in making the perfect the enemy of the good; rather, we believe in getting started and pushing to broaden and deepen impact as the market and the investment opportunity set develops over time.

Once invested, you can see your capital at work at any time. You will receive customized reporting that offers specific impact metrics, tells the impact story behind your investments and illustrates progress toward your impact goals. As you learn more about your impact objectives and the opportunities available, our team of experts can help you to refine and deepen your impact strategy over time.

A Social Justice Advocate

One individual is committed to addressing civil rights and inequality through investments in non-extractive business models that share value amongst all stakeholders. She invests in companies that implement ESG best business practices within her public equity portfolio, and complements this work with key investments targeting justice and equality. She files and co-files shareholder resolutions related to board and executive team diversity and pay equity to bring material concerns directly to corporate management.

Working Together with An Aligned Partner

LNW has been advising clients on impact investing for well over a decade, making us one of the most experienced impact-focused financial advisors. We work alongside our clients and collaborate with other impact leaders to build



a thoughtful impact offering that supports our clients in finding deeper value meaning from their wealth. Our team is committed to enacting environmental, social and governance and diversity, equity and inclusion practices across our firm and our broader stakeholder groups and taking action to support our networks and industries in deepening our collective impact over time. If you are interested in exploring how we might partner together in your impact journey, we welcome you to reach out and connect with our team to continue the conversation.

A Family United Against Climate Change

A family uses impact investing as a tool to empower their children to serve as responsible stewards of both their wealth and their values. Their overarching objective is to address the challenges presented by climate change, which offers a myriad of investable solutions for their children to evaluate and to align the wealth they will receive in a future trust. By engaging the next generation as stewards of their wealth now, they hope to pass on deeper appreciation of and responsibility for the inheritance and the opportunities that come with it.

1. 2020 Annual Impact Investor Survey. Global Impact Investing Network. June 11, 2020. <<https://thegiin.org/assets/GIIN%20Annual%20Impact%20Investor%20Survey%202020.pdf>>
2. Report on US Sustainable and Impact Investing Trends. US SIF. Accessed March 2021. <<https://www.ussif.org/files/US%20SIF%20Trends%20Report%202020%20Executive%20Summary.pdf>>
3. Data from Morningstar Direct as of 12/31/2020. Includes Sustainable Funds as defined in Sustainable Funds Landscape Report, Feb 2020. Includes funds that have been liquidated; does not include funds of funds
4. *Data as of July 31, 2022.*



ABOUT THE AUTHOR



Justina Lai
Chief Impact Officer

Justina Lai is Chief Impact Officer LNW. She leads the firms' impact investing strategy, guides efforts to create shared value for all stakeholders (clients, owners, employees, communities and the environment) and spearheads diversity, equity and inclusion initiatives. Justina also supports the client service teams as they develop effective impact investment strategies and integrate impact investments across client portfolios.

Justina holds an MBA with certificates in Global and Public Management from Stanford University's Graduate School of Business and a B.S. in Finance and International Business, summa cum laude, from New York University.

The investment team at LNW is comprised of 12 analysts and strategists working together to design and implement investment solutions for client portfolios. Six analysts at the firm hold the Chartered Financial Analyst® designation, with expertise spanning macroeconomics, public and private asset classes across the global capital markets, and impact investing. Collaborating with each other and with client advisors, the investment team's overarching goal is to help clients and their families preserve and grow their wealth over many generations.

DISCLOSURE

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All investments involve a level of risk, and past performance is not a guarantee of future investment results. The value of investments and the income derived from them can go down as well as up. Future returns are not guaranteed, and a loss of principal may occur. All investment performance can be affected by general economic conditions and the extent and timing of investor participation in both the equity and fixed income markets. Asset allocation, due diligence, and diversification do not guarantee a profit or protect against a loss.

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A benchmark is an unmanaged index, and its performance is not subject to any advisory fees, transaction costs or other charges that may be incurred in connection with your investments. Indices are statistical composites and are shown for informational purposes only. It is not possible to invest directly in an index. Any benchmark whose return is shown for comparison purposes will likely include different holdings, a different number of holdings, and a different degree of investment in individual securities, industries or economic sectors than the investments and/or investment accounts to which it is compared. Comparisons of individual account or portfolio performance to an index or benchmark composed of indices are unreliable as indicators of future performance of an actual account or portfolio. Actual performance presented represents past performance net of investment management fees unless otherwise noted. Other fees, such as custodial fees or transaction related fees may not be reflected in the actual performance results shown.

Impact investing is associated with the broad consideration of actual and potential non-financial risks of Environmental, Social, and Governance (ESG) factors, and how those factors may affect the financial performance of a company and its securities. For example, environmental changes and extreme events associated with climate change could increasingly affect companies' financial performance. Similarly, poor labor relations or discriminatory practices could lead to financial liability, employee turnover and understaffing, and damage to companies' reputation.

ESG investing generally seeks to avoid these risks, and increasingly also aims to achieve certain positive impacts through investing in key areas believed by the investment manager to be positively impacted by corporate investment and, in some cases, related shareholder advocacy. Avoiding risk and achieving positive impact are different objectives. Since the field of ESG/impact investing continues to develop, it remains to be seen how effective investment managers will be, especially in the area of impact. ESG ratings of companies are often based on subjective measures, and may include corporate self-reporting, different and inconsistent third-party rating systems, as well as data points that are associated with positive or negative outcomes but where causation has not been established. It is also possible that companies that do have positive impact in the areas identified, or that successfully avoid some or most of the ESG risks noted, will not have favorable financial returns. Accordingly, their stock prices could underperform their peers despite alignment with ESG objectives.



LNW will generally use third-party managers, including mutual fund or exchange traded fund managers, in constructing portfolios focused on impact consideration. While LNW will review these managers' own policies and practices with respect to ESG/impact investing, LNW is highly dependent on their self-reports. As noted above, these managers are, in turn, likely relying on corporate self-reporting, as well as evolving industry standards. No investment approach or strategy can guarantee a positive return or that losses will be avoided.

Certain information herein has been obtained from public third-party data sources, outside funds, and investment managers. All data presented is current only as of the date shown. Although LNW believes this information to be reliable, no representation or warranty, expressed or implied, is made, and no liability is accepted by LNW or any of its officers, agents, or affiliates as to the accuracy, completeness or correctness of the information herein contained.

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