

**BREAKING** Social Security checks will get a 1.6% increase in 2020



How 3 big US businesses reacted to Chinese anger over Hong Kong...

Social Security checks to get a 1.6% boost in 2020

Trump justifies allowing offensive against Kurds: 'They didn't...

U: Se

**FIXED INCOME STRATEGIES**

# A fixed-income investor's guide to impact investing

PUBLISHED MON, SEP 10 2018-9:59 AM EDT    UPDATED TUE, SEP 11 2018-11:18 AM EDT

Beth Braverman, special to CNBC.com

SHARE

## KEY POINTS

The first step for impact investors is to think about issues or causes important to them so that they can craft an investment strategy in line with their values.

There's significant research that shows sustainable investing doesn't mean sacrificing returns.

Last year 85 percent of companies published a sustainability or corporate responsibility report — up from just 20 percent of companies who did so in 2011.

As impact investing continues to grow — and into a nearly [\\$9 trillion market](#), at that — many investors still remain focused on the equity side of their portfolios when it comes to aligning their holdings with their values.

That doesn't mean there aren't opportunities for investors to be impactful with their fixed-income capital, as well. Private debt currently comprises more than 40 percent of the capital in the impact investing market, [according to the Global Impact Investing Network](#).



MARKETS



WATCHLIST



CNBC TV



MENU

**BREAKING** Social Security checks will get a 1.6% increase in 2020

Of course, not every investor has access to private debt markets, but mounting interest in impact investments across all allocations has created more accessible options for investors.

“No sectors or businesses grow without leverage,” said Gil Crawford, CEO of MicroVest. “I think there was so much buzz around the high-tech side of impact investing, and those investors, almost by their nature, are not sensitized to the important role that debt plays in growing not only companies but also entire economies.”

## Lining up investments, values

The first step for impact investors, regardless of asset class, is to think about which issues or causes are important to them so that they can craft an investment strategy that’s in line with their values.

“If you’re looking at traditional corporate bonds, then instead of investing in a company totally based on its credit rating, you can also incorporate ESG [environmental, social and governance] into your screens,” said Avi Deutsch, principal at Vodia Capital. “That makes sense for a lot of reasons.

“We think that ESG ratings are a great way to reduce earnings volatility, and there’s a growing body of research that directs this.”

There’s also significant research that shows sustainable investing doesn’t mean sacrificing returns. It’s possible to invest responsibly and make a profit on your investments. A [recent Barclays study](#) found that bond portfolios comprised of investments with high ESG scores outperformed the index, while those with lower scores underperformed.

### More from Fixed-Income Strategies:

[Protecting your fixed-income investments from inflation](#)

[Forgot to take your RMD? How to avoid a penalty](#)

[3 advisors on how to build a better portfolio](#)

In addition to third-party ratings, companies themselves have become far more transparent about their practices



MARKETS



WATCHLIST



CNBC TV



MENU

**BREAKING** Social Security checks will get a 1.6% increase in 2020

income holdings.

Investors who'd prefer to buy bond funds rather than hold individual bonds also have options. The number of funds with ESG criteria has [grown by 29 percent](#) per year since 2010.

“As the demand for impact investing grows, especially among mainstream and retail investors, fund managers are starting to develop new products that reach new audiences,” said Abhilash Mudaliar, research director at the Global Impact Investing Network. “So we’ve seen significant growth on the public side, and we expect that to continue going forward.”

## Other options

Another option for fixed-income investors looking to make an impact are green bonds. Issued both governments, organizations or corporations to fund specific, sustainable projects that adhere to specific environmentally focused projects, green bonds not only promise to meet their debt obligations according to the bond, but aim to do so while adhering to specific sustainability commitments.

Green bonds have grown so much since their launch a decade ago that they’ve become fairly liquid and easy to trade. Global issuance of green bonds in 2017 reached \$155.5 billion, an 87 percent increase over 2016, [according to the Climate Bonds Initiative](#).

SIGN UP FOR OUR NEWSLETTER

## YOUR WEALTH

Weekly advice on managing your money

SIGN UP NOW

Get this delivered to your inbox, and more info about our products and services. By signing up for newsletters, you are agreeing to our [Terms of Use](#) and [Privacy Policy](#).

“What’s happening now, at this stage of the game, is you’re starting to get a more coherent definition of what a green bond is, and there are some new product offerings,” said George Gay, CEO of First Affirmative Financial Network. “There are some green bond ETFs now, where there weren’t any two years ago.”

Following on the success of green bonds, issuers have begun to bring to market SDG bonds, aligned to one or more of the United Nations Sustainable Development Goals. While SDG bonds remains a relatively niche market for now, many consider it poised for growth.

“The development of SDG bonds could really open up the market for fixed income,” said Gavin Power, a chief of sustainable development and international affairs at Pimco. “The 15-year time horizon for the SDG goals and the project orientation of the bonds creates a lot of opportunity.”

MARKETS WATCHLIST CNBC TV MENU



**BREAKING** Social Security checks will get a 1.6% increase in 2020



**TRENDING NOW**



Trump defends allowing offensive against Kurds: 'They didn't help us in the Second World War'



It's been a crazy 12 hours for US-China trade news — here's what we know



Suze Orman keeps exactly \$170 in her wallet—here's why



Social Security checks will get a 1.6% increase in 2020



Chinese anger over Hong Kong ensnared 3 big US businesses — and critics say they bent to Beijing



MARKETS



WATCHLIST



CNBC TV



MENU

**BREAKING** Social Security checks will get a 1.6% increase in 2020



## Plans

Yahoo Search

### Wells Fargo \$400 Welcome Bonus Offer. Learn More

Wells Fargo - Member FDIC

#### MORE FROM CNBC

**Why so few teenagers have jobs anymore**

**'I had sent my money to a thief' — hackers are coming for homebuyers. This man lost \$150,000**

**Your iPhone can now send spam calls directly to voicemail — here's how to set it up**

**Here's why NBA players make more money than MLB and NFL athletes — both on and off the court**

**Here's where the jobs are — in one chart**

**Why au pairs make \$4.35 per hour**



Subscribe to CNBC PRO

Join the CNBC Panel

Advertise With Us

Digital Products

#### FROM THE WEB

by Taboola

**5 Years From Now, You'll Probably Wish You Grabbed These Stocks**

The Motley Fool : Sponsored

**Man Who Called NVIDIA's Rise Makes Bold 5G Prediction**

The Legacy Report : Sponsored

**People Who Retire Comfortably Avoid These Financial Advisor Mistakes**

SmartAsset : Sponsored

Licensing & Reprints

Supply Chain Values

Closed Captioning

Terms of Service

**BREAKING** Social Security checks will get a 1.6% increase in 2020



Site Map

Podcasts

Contact

Careers

Help



**News Tips**

Got a confidential news tip? We want to hear from you.

GET IN TOUCH



**CNBC Newsletters**

Sign up for free newsletters and get more CNBC delivered to your inbox

SIGN UP NOW

Get this delivered to your inbox, and more info about our products and services. [Privacy Policy](#).

© 2019 CNBC LLC. All Rights Reserved. A Division of NBCUniversal

Data is a real-time snapshot \*Data is delayed at least 15 minutes. Global Business and Financial News, Stock Quotes, and Market Data and Analysis.

Data also provided by



MARKETS



WATCHLIST



CNBC TV



MENU