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YOUR MONEY

With an Eye to Impact, Investing Through a ‘Gender Lens’

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Wealth Matters

By PAUL SULLIVAN

ELLEN REMMER had wanted to align her investments with her values for years, seeking to put her money into stocks and bonds that would have an impact beyond the returns. For her, this meant investing in organizations that either improved the lot of women and girls or helped the environment.

Doing so took longer than she expected. Even though it was her money, it was held in trust. She said it wasn't easy to persuade the trusts' advisers to change their investment policies.

"I kept bringing it up, but I really got just no good response," said Ms. Remmer, a managing partner of the Philanthropic Initiative, a philanthropy advisory service. "They were doing the classic, 'We invest for the highest financial return.' They subscribed to what I think of as a myth, that you're going to have a lower return if you do impact investing."

Three years ago, she finally took a third of her money and invested it as she wanted.

Ms. Remmer's experience typifies the struggle of many wealthy people who want to make impact investments in a particular area but fear their money will not earn as much as traditional investments. Worse, they worry that family, friends, even hired financial advisers will dismiss what they're doing.

After all, impact investments are complicated. They fall under the do-no-harm mantra of socially responsible investing. But they also aim to bring about positive social change as well as a financial return.

"Most people don't know that impact investing is even a possibility — despite the enthusiasm in our circles," said Amit Bouri, chief executive of the Global Impact Investing Network, a nonprofit advocacy group.

One of the areas Ms. Remmer is interested in, so-called gender lens investing — investing that considers the benefits to women and girls — has gained considerable popularity within the impact-investing world.

In its annual survey, the Global Impact Investing Network found that a third of all respondents were interested in making investments that promote gender equality and women's empowerment through both debt and equity investments in the United States and emerging markets. Some investors seek out female entrepreneurs and give them money. Others invest in companies like those that provide clean-burning cook stoves to women in Africa and Latin America.

Patricia Farrar-Rivas, a partner at Veris Wealth Partners, a wealth management firm that invests $800 million on an impact basis, said gender lens investing is now the most popular of its five impact strategies. (The others are aimed at environment and climate change, community and economic development, sustainable food systems and agriculture, and "sustainable mind-set and mindfulness" — or companies that take their time making investments.)

Despite this increased interest, gender lens investment can seem hard to do. "It's an area where it's difficult to gauge supply and demand because much of the demand doesn't know the supply exists," Mr. Bouri said.

Still, Jackie VanderBrug, a pioneer in gender lens impact investing who is now a senior vice president at U.S. Trust, said gender lens investing was a strategy whose time had come.

"People said impact investing is really hard and you're making it harder by imposing a limitation," she said. "This is a lens and not a limitation. A gender lens helps you see opportunity and mitigate risk."

Ms. VanderBrug said she had stressed that gender investing was a strategy, like putting money into hedge funds, not an investment class, like stocks and bonds, and as a strategy it can be done in different ways.

According to Mr. Bouri, people have three options when making gender lens investments. They can make money available to enterprises owned by women, focus on employment for women or invest in companies that provide products and services that help women.

Some of the options are not all that different from traditional investments. Mr. Bouri says that 130 of the 300 funds that his network tracks have a gender lens. There are traditional funds like Pax World Investments' Ellevate Global Women's Index Fund. The fund's criteria for investing includes the number of women on a company's board of directors and in executive roles and whether the firm has signed on to a set of guidelines called the women's empowerment principles.

But there are also options for impact investing that will probably have lower financial returns — like supporting companies that get water-purification systems to rural areas — but a greater connection to what the money is accomplishing.

Opponents of impact investing say these investments require people to sacrifice returns. That can be the case. Najada Kumbuli, who leads a gender investing initiative at the Calvert Foundation (which is separate from the mutual fund company Calvert Investments), said the foundation had a $20 million fund that allowed the 900 investors in it to pick the length and return of their investments. A one-year investment will return one-half of 1 percent, while a 10-year investment will yield about 3 percent a year.

"Paying back investors full principal and interest is important," she said. "But so, too, is the data. It's not just that we lent to 10 organizations but also, how are we shaping the sector and how are we investing in women?"

Proponents say comparable returns can be achieved, and when they are — and even when they’re missed — there is the added benefit of helping an organization trying to achieve a goal beyond maximizing profit.

Ms. Farrar-Rivas said she had a client who had invested nearly $20 million in impact investments.

Some of the client’s investments are expected to return 6 percent over seven to 10 years, while others may be closer to 1 or 2 percent — and require much more time to manage.

Yet the client still believes that comparable returns can be achieved, Ms. Farrar-Rivas said. To test a hypothesis, the client created a $9 million “women’s inclusion portfolio” that is evenly divided among index funds, public stocks and bonds, and direct, private equity-like investments.

The problem with impact investing is often that there are not enough opportunities for direct investment or the ones that are available are small and take a lot of time to assess.

Benjamin Schmerler, a director of Root Capital, which has been investing in small agricultural businesses in Latin America and Africa, said it had made $900 million in impact investments since 1999. The money, in some 1,800 deals, has reached 5.2 million households and 570 borrowers. But to do this, the firm employs over 140 people.

Its specific women’s initiative has reached 172,000 women since 2012, he said. “This work is very rewarding but incredibly difficult,” he said. “This is one area that is certainly going to take a village to improve the lot of women.”

And for the novice, mistakes are easy to make. They usually come from moving too quickly and not getting the right information.

“It’s easy for you to go online and look at any company’s board and see who is on the executive team here,” Ms. Farrar-Rivas said.

But that can be misleading. Are those female executives really leading the company, or are they shut out? Are women earlier in their careers given a clear career path at that company? How are they paid?

"It's hard to get the equal-opportunity information," Ms. Farrar-Rivas said. "Companies have to report it, but they don't have to disclose it."

Ms. Remmer said she has had success. The third of her money designated for impact investments is now with various wealth managers. And it has had the comparable market return she hoped for.

"I wanted the investments to be all market based," she said. "I wanted to convince my family and my husband, too, even though it's my trust."

She added that one of the more obstinate investment advisers at the multifamily office her family used to use had changed his views.

"The investment guy that I worked with who was our account person just moved to a new multifamily office that has a specialty in impact investing," she said. And he has been calling to urge her to make some impact investments through his new firm.

Perhaps nothing more validates a new investment strategy than an adviser pushing a product he once dismissed.

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