
Rodin, Judith and Brandenburg, Margot – The Power of Impact Investing

Wharton, 2014 [Surrounding knowledge] Grade ★★★★★

Impact investing is similar to value investing in one crucial aspect: you either grasp its eloquent righteousness instantly or you don't. If you are one of the people who reflexively turn your back on concepts such as socially responsible investments (SRI), ethical investing or corporate governance focus, arguing it affects the ability to maximize total return from your investments – then this book ought to be your companion as you set out your investment goals for 2015 and beyond. *The Power of Impact Investing* is a passionate, engaging, concise and highly actionable book by two of the trailblazers in the arena of impact investing. Judith Rodin is president of the Rockefeller Foundation and Margot Brandenburg was formerly a senior director at Rockefeller.

The book only runs to about 130 pages, where each chapter begins with an illustrative real-world story of impact investing in practice. These anecdotes serve two purposes; it bridges the gap of impact investing from an almost philosophical attitude over to details of actual investments. But more importantly the stories also teach the reader about how quickly the broader area of sustainable investing is developing. Questions brought up in these chapters are among others “*What is impact investing*”, “*Who are the impact investors*” and “*A global movement*”. They are dealt with in a very non-patronizing way, instead wanting to open up the doors to a world that investors will need to learn more about, be it pushed from client demands or a societal drive in the wake of exploding income inequalities, or pulled from an inner willingness to differentiate.

That SRI has gathered speed lately is clear – things started expanding in the 1970s, at a snail's pace however. These days it more resembles that of Moore's Law on drugs. The truest form of impact investing is microfinance, shot to prominence in 2006 via Mohammad Yunus's Nobel Peace Prize. Then things garnered even more speed in the aftermaths of the financial crisis and subsequent to a paper from 2011; *Creating Shared Value* by Michael

Porter and Mark Kramer (highly recommended as an antidote to the Milton Friedman inspired Maximizing Shareholder Value concept). As of today, more than \$3,7tn is run within SRI mandates – in the US alone!

The natural segway to traditional asset management is of course the double meaning of sustainability. The true skill in long duration active investing is not only to identify businesses with a competitive advantage, but which businesses will possess a durable edge. In that sense, companies with a focus on sustainable business practices and disruptors of environmentally / socially / governmental unfriendly practices ought to be of utmost interest. “*Impact investing...is a means of using capital to drive financial value and social and environmental impact simultaneously*”. After all, isn't the core purpose of the financial sector to redistribute resources to the firms with the most ability to use them productively?

An incredibly valuable aspect of the book is the brim-full glass of references, suggestions for further reading and industry contacts. One aspect of a good read has always been the “number of notes and scribbles”. In my mind the inspirational aspect is as powerful. Making the reader dig more deeply into the particular topic of a book as his/her interest is piqued is an incredibly powerful aspect of literature. On that level, this book delivers a top score. As a direct result of *The Power of Impact Investing*, I have read four other books, countless papers, met with several people and made SRI an even more pronounced aspect of my daily work.

To return to the start of the review, another similarity that SRI shares with value investing is the willingness, or eagerness, to share ideas and knowledge among fellow practitioners, making this area constantly evolving according to at least some level of best practice. Take the opportunity to start your own journey by reading this book and becoming a contributor yourself!

Henrik Andersson, April 9, 2015