

Impact Investments

Traditional paradigms of philanthropy are evolving. With a focus on creating impact, they are becoming more accessible, sustainable and effective. Families now view philanthropy as a long-term mission that is critical to educating future generations about social responsibility and the impact wealth can have on society.

Families are increasingly moving towards the longer-term and injecting wealth into sustainable and impact investing. According to The Global Family Office Report 2019 by UBS and Campden Research, 25% of family offices globally are engaged in impact investing. Over the last few years, family offices have become much more engaged in discussions about sustainable and impact investing. This is no longer seen as a 'side project' or preoccupation of the new generation or select members of the family, but a priority for the family as a whole. Many products are now recognised by family offices as fully-fledged investment tools that can generate good returns. And because of their ability to make large investments without some of the pressures faced by venture capitalists and other institutional investors, family offices may be uniquely positioned to make the shift to impact investing. In recent years, the investment opportunities and number of intermediaries in impact investing have increased, allowing for the creation of diversified impact portfolios with investments across asset classes that satisfy return requirements, in addition to generating positive social and environmental impact.

Most family offices and wealthy families in India have a certain threshold of capital dedicated towards traditional modes of philanthropy supporting causes such as education, healthcare etc. However, a planned investment approach which intentionally seeks to create financial returns and leave a positive social impact is still in its nascent stage. There could be several potential reasons for this reluctance, including lack of awareness or understanding of impact investing, a preference for making a difference via philanthropic means, and concerns about financial underperformance. For most Indian families today, impact investing still needs to evolve from a compelling concept into a sound strategy.