

# **The performance of impact investing – a market comparison**

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Bachelor Thesis for Obtaining the Degree

Bachelor of Science

International Management

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## Affidavit

I hereby affirm that this Bachelor's Thesis represents my own written work and that I have used no sources and aids other than those indicated. All passages quoted from publications or paraphrased from these sources are properly cited and attributed.

The thesis was not submitted in the same or in a substantially similar version, not even partially, to another examination board and was not published elsewhere.

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## Abstract

This research is concerned with the emerging investment strategy of SDG investing within the area of sustainable finance. These investments are conducted with a second goal, next to gaining solely financial profit, the investors want to generate a positive impact on society and/or environment. The aim of this research is to determine how public equity investments proposed by TONIIC, a US based group of impact investors, perform compared to the broad market. Further, the investments have to be in line with at least one out of the 17 United Nations Sustainable Development Goals. The investment period is seven years, from May 2012 until May 2019 and the broad market is represented by the S&P 500 and the MSCI World as benchmarks. For the portfolios, two different asset allocation strategies (naïve & value-weighted) are implemented and analyzed on a monthly basis based on 84 observations for each strategy. The key findings are that both portfolios significantly outperform the benchmarks with the naïve strategy achieving the highest sharpe ratio of all. Furthermore, the results indicate a more desirable relationship of return and risk for the portfolios constructed compared to the market benchmarks. Overall, the study concludes that investors can achieve both, a better financial return and a desirable impact by preselecting their investments according to the UN Sustainable Development Goals.