Equity

Equity investing is basically purchasing stocks in companies to own a certain percentage of them, with the goal of either earning dividends or selling the stock to gain capital later. As an equity investor you also receive voting rights, which enable you to vote on candidates for the board of directors and even - if you hold a big enough share of the company - influence management decisions. Your capital invested can be used by the company to pay for its operation and therefore is a way of supporting industry players that you want to support and see succeeding.

Most equity can today easily be bought on the major stock exchanges when companies are publicly traded. Many early-stage companies are, however, privately owned and therefore harder to invest in. This is slowly becoming simpler though through other alternative routes such as crowdfunding where you can invest in early-stage start-ups.

Stocks can be divided into value and growth stocks. Value stocks have sizable cash flows in the present that stay stable or reduce over time. Growth stocks have little or no cash flow today, but are expected to increase them over time due to market adaption

Value stocks also often pay out dividends. The impact of high inflation often makes these stocks less attractive compared to during low inflation, due to dividends tending to not compensate for the inflation levels.

Equities perform well in a growth market with low inflation, but one can't generalize about inflation's impact on equities, as different groups of stocks seem to perform differently. In general value stocks perform better in high inflation periods and growth stocks perform better during low inflation. When inflation is on the upswing, income-oriented or high-dividend-paying stock prices generally decline.

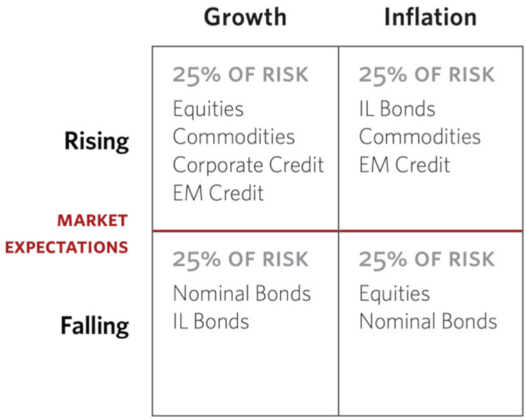

Chart 1 - Equity Risk Profile

But stocks overall do seem to be more volatile during highly inflationary periods and therefore can be seen to perform best in general in rising growth and falling inflation scenarios.

Publicly Traded Stocks

Stocks in publicly traded companies have been around for a while and most of us are familiar with them. They are simple to buy and have a proven past return.

By investing in stocks, you own a percentage of the company you are buying the stocks from. You can then either get a return when the value of the company increases and you sell your ownership stake or through dividends, which is your share of profit of the company and is paid out regularly to all shareholders.

Environmental Impact

The environmental impact of stocks really depends on what you invest in as you have the freedom to choose and pick companies that fit your decision matrix. The most obvious advantage of investing in stocks is that you know where your money goes. You might not know exactly every detail of what the company is doing, but you still get more insight than investing for example in a fund.

It is often hard to fully understand a company's impact though as the world we live in is getting more complex with every day. So often you will have to make decisions with imperfect data and with accepting that there are probably quite a few things that you don't know about the industry or company that you are investing in.

Take as an example Tesla. Tesla clearly can have a very positive environmental footprint and is heralded by many to be a game changer for the environment. But it depends a lot on the business model Tesla chooses. Replacing all the cars we own in the world with electric cars will just create another problem when it comes to resource extraction, of materials like Lithium for their batteries.

Tesla had the plan to offer a car sharing feature where people do not have to own cars but instead can order a pickup service like a taxi. It is hard to predict today if Tesla will decide to offer this service or just continue being another car manufacturer. This means that you are betting on a company strategy with the hope that it will not change in ways that reduce or even completely negate the positive impact of your investment.

This applies to most companies that you can buy stock of. Most existing companies need to change their business model to be a more sustainable enterprise. There are exceptions, such as investing in renewable energy companies. But most innovative companies with new business models are too early stage for you to be able to buy their stocks on the stock market. Thankfully there are other ways to invest in them nowadays which we get to later.

Social Impact

The social impact of stocks is like the environmental one. You must be smart in your choice of companies you decide to invest in to be positive.

Not all companies that have a positive environmental impact also have directly a positive social impact. Sometimes you could even argue the opposite. Take Tesla for example. They might in a perfect world with the right business model of driving as a service be a good environmental company. But the working conditions at Tesla factories have repeatedly been reported as non-humane or destructive to some - physically and psychologically. This clearly cannot be a positive social impact.

On the other hand, take United Natural Foods as an example. Not only are their products healthier and more sustainable than many competitors, they also actively try to have a positive impact on people's lives. Their employees are paid fairly, receive support in financially hard times, and can receive training and education. They also reduce their food waste by donating most of it to charities and are actively committed to racial equality of their staff. Which is a lot more than most other food retailers are even considering doing.

What you want to look out for are companies that have socially responsible ingrained in their values and have a track record to show. They should actively offer transparency around their business practices and clear objectives or strategies on how they aim to achieve social sustainability.

Economic Impact

From an economic perspective, one advantage of stocks is that you don't have to pay any fees to a fund manager or similar as you are the one picking the stocks. This can seem little on an annual basis (0.5 - 1.5% p.a.) but it adds up over time. There might be trading fees via the stockbroker you are using, but if you are a long-term investor and do not plan to trade stocks frequently these costs are minor nowadays.

Stocks are also a highly liquid asset, meaning that you can sell them rather quickly while not incurring big fees when selling. This does not imply that you can sell them fast at any price of your liking, but you can liquidate them instantly during the opening hours of the stock exchange if you price them at or below current market value.

Historically, stocks have had about 8% return per year. If you diversify your portfolio into different geographies and industries, you can potentially expect similar returns over the long run.

However, you do have to manage your investment actively. Depending on the level of insight you want, you might want to do in-depth research about the companies you are picking. You might want to understand each companies' business and business model to truly be able to assess how they make their money and how sustainable they are.

You also will have to rebalance your stocks on an even more detailed level than, for example with funds. Assuming you spread your capital amongst many stocks, the redistribution of capital from stocks that perform to those that are not performing can become quite tedious. You end up doing the job of a fund manager and depending on your interest you might want to spend your time on other things and pay the fee for such funds.

Rating

Liquidity

Stocks are one of the most liquid assets that you can buy. You can sell them at any time if there is a buyer.

Additionality

Buying stocks does not have the highest additionality. You can of course buy stock of companies you deem sustainable. But the capital you use to buy the stock does not go to the company and its operations, but rather to its shareholders from which you buy the stock.

Environment

There are options that can have a positive impact. As the additionality is compromised, this asset class is rated between neutral and net positive.

Social

There are options that can have a positive impact. As the additionality is compromised, this asset class is rated between neutral and net positive.

Transparency

You do have some control over where your money goes and which industry you support. But in the end, as your money does also not go directly to the company nor a specific project, it is not the highest it could be.

Effort

Buying stocks is easier than it has been previously. But as you need to balance your equity stakes in the different companies and in your overall portfolio, it requires more time and effort from your end than investing in alternatives discussed later.

Risk

Stocks are most often invested in established companies and compared to other investment assets in this book are less risky. That does not mean that you could not lose your capital, but depending on the company whose stock you buy, this can often be relatively low risk.

Return

Over long-time public stocks have shown an average of 8% p.a. return.

Practical Examples

You could use one of the many sustainability rankings of companies out there to identify the most sustainable ones. However, these lists often focus on existing market players and include companies whose sustainability can be argued about. Such as the likes of H&M, Nestle or even oil companies.
So best is to focus on sectors that are more sustainable and try to pick sustainability leaders in those sectors.

Sustainable energy
As we need to shift to an economy based on renewable energy, this one is a no-brainer. Some examples are:

Tesla	TSLA	A solar installer and car manufacturer.	USA
Solar Edge	SEDG	A solar electricity provider.	Israel
Minesto	MINEST	An innovative wave electricity producer.	Sweden
SunPower	SPWR	A solar electricity producer.	USA
First Solar	FSLR	A global leader of photovoltaic solar solutions	USA
NextEra Energy	NEE	A global leader of energy output from solar and wind sources	USA
Scatec Solar	SCATC	An integrated solar power producer.	Norway

Sustainable transportation

Transportation being one of our major emission sectors, there is a clear need to enable this industry to become more sustainable. This can be done by either replacing fossil fuel cars with alternatives such as electric cars or new business models such as sharing cars instead of owning them.

Tesla	TSLA	A pioneer in electric cars	USA
Lyft	LYFT	Company promoting car sharing.	USA

You could also buy into the value chain of electric car manufacturers, such as Panasonic (one of the world's largest battery manufacturers), Albelmarle (one of the world's largest lithium mining companies) or automotive component producers such as Aptiv. However, the sustainability of the electric car industry is questionable to some extent as it has a huge environmental footprint. In the sustainable transportation segment, the jury is still out what makes sense to invest in. The best is to try to invest in companies that rather challenge the status quo of owning cars vs replacing one type of car with another type.

Special mention - NAI index

The "Natur-Aktien-Index" is a list of stocks that fulfil certain criteria of sustainable investing. It is not an index fund as such and rather lists stocks that you must choose and buy yourself.

The list uses in a first instance a negative screening method, removing any stocks that operate in the nuclear energy, arms production, discrimination of women and ethnic minorities, child labor, testing on animals, genetically modified agriculture, and production of environmental or health-damaging products.

The companies on the list also must fulfil at the very least two of the following four positive screening criteria:

1. They offer products or services that provide solutions to environmental and social issues of humanity, such as:
    - Renewable energy production
    - Organic agriculture
    - Efficient water technology
    - Social and environmentally oriented research, financing, and consulting
    - Poverty alleviation

2. They are market leader in their industry regarding their product innovation:
    - Lifespan and efficiency
    - Product safety
    - Recyclability
    - Replacement of dangerous substances

3. They are market leader in their industry regarding the technical implementation of their production processes such as:
    - Reduction of energy and resource consumption
    - Environmental compatibility as a core of their business
    - Continuous improvement of their environmental performance

4. They are market leader in their industry regarding the social impact of their production processes such as:
    - Creation of jobs
    - Security and health protection in the workplace
    - Above average availability of further education of their work force
    - Special social benefits
    - Support of women, social and ethnic minorities

The NAI itself consists of stocks that

- Are spread amongst a diverse set of industries and geographies
- At least 75% of the stocks in the NAI from of companies earning more than 100 million EUR revenues per year
- Up to 25% of the stocks in the NAI are from companies that develop innovative products which have not yet reached 100 million EUR revenues per year.
- Are deemed to be profitable in the long-term

The NAI should show a long-term trend and be comparable with other international stock indexes. Furthermore, it must be provable that the companies fulfil the criteria set out above.

Stocks will be removed from the NAI if:

- The environmental and social criteria are not met any longer
- The trading of these stocks is put on hold

- There is need to make room for more innovative and profitable companies in the NAI

One the next page is the list of actual stocks on the NAI as of November 2023.

Company	Country	Industry	ISIN-Nr.
Aixtron	Germany	Semiconductors	DE000A0WMPJ6
Aspen Pharmacare	South-Africa	Pharmaceutical	ZAE000066692
Biontech	Germany	Pharmaceutical	US09075V1026
East Japan Railway	Japan	Railways	JP3783600004
First Solar, Inc	USA	Renewable Energy	US3364331070
Interface	USA	Floor coverings	US4586653044
Kadant	USA	Paper recycling	US48282T1043
Kingfisher	GB	Home improvement stores	GB0033195214
Kurita Water Industries	Japan	Water management	JP3270000007
Li-Cycle	Canada	Battery Recycling	
Mayr-Melnhof Karton	Austria	Packaging	AT0000938204
Molina Healthcare	USA	Health Insurance	US60855R1005
Natura & Co	Brazil	Cosmetics	BRNTCOACNOR5
NVIDIA	USA	Semi-conductors, AI	US67066G1040
Ormat Technologies	USA	Geothermal Energy	US6866881021
Pearson	UK	Education	GB0006776081
Potlatch	USA	Wood products	US7376301039
Ricoh	Japan	Office machines	JP3973400009
Scatec	Norway	Renewable Energy	NO0010715139
Signify NV	The Netherlands	Light systems	NL0011821392
Sims Metal Man.	Australia	Recycling	AU000000SGM7
Smith & Nephew	GB	Medical technology	GB0009223206
Steelcase	USA	Furniture	US8581552036
Steico	Germany	Insulation Materials	DE000A0LR936
Svenska Cellulosa	Sweden	Paper	SE0000112724
Tesla Motors	USA	Electric Cars /	US88160R1014

		Batteries	
Tomra Systems	Norway	Returnable Bottles Machines	NO0005668905
Umweltbank AG	Germany	Financial Sector	DE0005570808
United Natural Foods	USA	Ecological Food	US9111631035
Vestas Wind	Denmark	Wind Turbines	DK0010268606

While the companies on the list above vary in their sustainability and potential importance for humanity (cosmetics vs energy) this is a good list to start and pick several companies whose stock you wish to invest in. Looking at the criteria behind the NAI and the list of companies above you might also get a good feeling for how you could pick further stocks yourself.

Index Funds

Instead of investing in separate stocks yourself, you could simply choose to invest in a fund - in this example an index fund. Index funds are designed to follow certain rules depending on the fund structure. The goal is that the fund tracks a basket of underlying assets, such as following market indexes such as the S&P 500 or the Dow Jones.

These funds make up a big part (20%+) of all equity mutual funds in the US and have been adapted for various reasons.

Environmental and Social Impact

Let us talk about the elephant in the room. Index funds often follow the most well-established sectors. Which in the case of our current economy are most often unfortunately also the least sustainable sectors and companies. Couple this with the inherent non-transparency of such funds and you get an investment that can hardly be truly sustainable. There are potential exceptions to this, and we will talk about them later.

The environmental and social impact of index funds depends on what index funds you decide to invest in. The funds you choose should fit your investment criteria and have as stringent requirements as possible. However, index funds are broad on purpose which results in it being hard to truly understand what the fund is investing in. This makes them not the ideal asset if your aim is to invest as sustainably as possible with your investments.

What you want to ensure is that the fund restricts their investment solely to sustainable alternatives and has no loopholes that allow them to invest otherwise. You should check the companies they currently invest in as that gives you a good idea of what they fund might invest going forward.

It must be noted that index funds are not a perfect fit for a sustainable portfolio as they are by nature passive. The advantage of low fees can only be provided due to this passive nature of index funds. But by doing so, index funds cannot employ an active screening method as doing so requires resources and time. At the best, they apply a negative screening method - which as we learned earlier has a lot of potential loopholes and disadvantages. The more sustainable you want your portfolio to be, the less index funds you should invest in due to their focus on a general market.

Economic Impact

Purely economically speaking index funds are a pretty good choice.

Most index funds have low fees, often below 0.5% p.a. Due to their design of tracking an index, investments within the fund rarely change, so there's little work for portfolio managers to charge you for, which makes them attractive from an economic perspective. If you invest $10,000 in an index fund with a 0.1% fee, you would pay only $10 per year, versus the $100 you'd owe annually if you invested in an actively managed fund with a 1% fee. And these fees will add up over time.

Not only do they have low fees. They also have competitive returns. Even the smartest portfolio managers cannot beat most index funds. Only a bit above 20% of actively managed funds generate a higher return than index funds - while having higher costs as well. You not only get higher returns, but you also pay less for those higher returns.
Index funds reduce your time spent on picking stocks and diversifying your portfolio. As they follow a certain pre-set rule you can invest an up-front amount and/or make regular investments in many different stocks. This aspect makes them a rather hands-off and simple investment asset.

Related to the time saving, index funds also provide immediate diversification. Indexes that track the S&P 500 for example spread your capital amongst 500 different investments. This diversification acts as a risk and volatility reduction.

Index funds follow simple rules which make them hands-off for investors. The downside of this is that you have little control over where your money is going. Even from the perspective of diversification, you could have the knowledge that certain companies in an index are overvalued, but you do not have the ability to act on that knowledge and decrease your exposure to these companies - besides selling parts of the index fund. There is also no guarantee that the fund will be following the chosen index 100% of the time as there is a possibility of tracking errors. In such cases you might lose or make money compared to the market index.

Rating

Liquidity

Index funds are one of the most liquid assets that you can buy. You can sell them at any time if there is a buyer.

Additionality

Index funds do not specifically follow a certain sustainability criterion, but rather try to follow an index as closely as possible. As they are also managed passively, they do not employ active screening methods.

Environment

Index funds often follow a market index and therefore their impact is like the general market. Even if the fund has a sustainable focus, their investments often are in companies not driving a huge impact, e.g., tech giants or banks.

Social

Like the environmental impact, index funds do not necessarily bring with them tremendous social change and justice.

Transparency

You have mainly control of what index you want to pick. There is a level of transparency in terms of what the index fund wants to focus on, but as this is a passive investment instrument, your control is limited.

Effort

Buying index funds or funds in general is a lot easier than previously. Compared to stocks, you only need to balance a few index funds. Therefore, it is one of the assets that requires the least time and effort from your end.

Risk

Index funds are one of the least risky investments as they follow the general indices of the market. If an index fund loses value, generally the segment of the market that the fund tried to follow also loses value. That does not mean that you could not lose your capital, but depending on the company whose stock you buy, this can often be relatively low risk.

Return

As they invest in stocks, index funds show a similar return over long time horizons with an average of an 8% p.a. return.

Practical Examples

Below are some funds that aim at offering sustainable index funds.

Öhman Etisk Emerging Markets A (Sweden) Fee: 0.40%

An index fund that invests in emerging markets with a sustainable focus. The fund uses positive screening and sustainability aspects are crucial to the choice of company they invest in. Companies financed through the fund can however still gain up to 10% of their revenue

through the fossil fuel industry.
The fund however has a lot of holdings in Chinese companies, which can be seen as highly doubtful sustainable assets due to their impact on the climate.

Öhman Global Marknad Hållbar A (Sweden) Fee: 0.40%

An index fund that invests in global markets with a sustainable focus. The fund uses positive screening and sustainability aspects are crucial to the choice of company they invest in. Companies financed through the fund can however still gain up to 10% of their revenue through the fossil fuel industry.
The fund has more than 50% in American tech companies and financial institutions such as Visa.

First Trust ISE Global Wind Energy Index Fund (FAN) Fee: 0.62%

FAN tracks the ISE Global Wind Energy Index, an index following the performance of companies focusing on the wind energy industry.

The fund includes both wind power companies as well as companies that have a broader business model of which a part is focusing on wind power. It uses a blended strategy, investing in a mix of growth and value stocks of the wind energy sector in developed markets. Its biggest investments are in Siemens Gamesa, a Spain based provider of renewable energy services, Vestas Wind Systems, a manufacturer of wind plants in Denmark and Orsted, a renewable energy firm from Denmark.

iShares MSCI Global Impact ETF (SDG) Fee: 0.49%

SDG follows the MSCI ACWI Sustainable Impact Index, which focuses on companies that generate at least half of their revenues from products and services that solve environmental and social challenges. It excludes companies that fail to meet minimum ESG standards. The fund's main target is large-cap companies from developed markets. To do so it employs a blended strategy of investing in both growth and value stocks. The fund's biggest investments are in Tesla, an electric car manufacturer and renewable energy company, NIO, an electric car manufacturer from China, and Vestas Wind Systems.

iShares MSCI Denmark ETF (EDEN) Fee: 0.53%

EDEN tracks the MSCI Denmark IMI 25/50 Index, which focuses on the Denmark's equity market. The index contains 45 assets and covers about most of the free float-adjusted market cap of the Danish equity market. Similarly, the fund holds a total of 45 separate investments from the Danish equity market. It is not exclusively focused on ESG stocks, but still has a AAA MSCI ESG Rating and a MSCI ESG Quality Score of 9 out of a possible 10.

The fund’s biggest investments include Novo Nordisk, a Danish pharmaceutical company, DSV Panalpina, a transport and logistics company, and Orsted.

Actively Managed Funds

The environmental and social impact of active funds depends - you guessed it - on what your fund invests in. Active funds are a better fit for a sustainable portfolio as they have educated investment managers that pick investments on your behalf based on the agreed upon criteria. Important for this to be relevant is that the fund uses an active screening method to select possible investments. By doing so you benefit from the active management of the fund in terms of increased sustainability.

Due to their active management style these funds can use a positive screening method, which allows them to find investment opportunities that are more sustainable than the market benchmark. This also means that they can be additional by providing capital to market leaders in the sustainability field.

It is important to not get “tricked” by fancy names. Many funds might have “ethical” or “sustainable” in their name, but you really need to look underneath the hood to see how strong these values are integrated in the fund. You might be surprised when you analyze some funds and see that some of them were not strictly following the sustainable investing mandate, but rather have it as a nice to have. Often, they can have exceptions to invest in companies that earn revenue from fossil fuels, if this revenue is not higher than a certain percentage. Often ethical funds also invest in companies such as Nestle or H&M which are at the very best questionable in their ethical practices and which have business models that are not aligned with a sustainable future with reduced consumption.

What you want to ensure is that the fund’s restrictions for their investments are aligned with your values and focus on sustainable alternatives without possible loopholes that allow them to invest otherwise. You should check their investment portfolio and the companies they currently are invested in as that gives you an idea what the fund might invest in the future. If you find companies that you do not believe should be in a sustainable fund, avoid investing in that fund.

You often can find this information on the fund’s data sheet under sections such as selection criteria. You will also find the assets under management on such a sheet, which shows you the top investments taken by the fund.

At the other end of the spectrum are actively managed funds which are - as the name suggests - actively picking the equity investments that match their investment strategy. These funds have therefore one or several fund managers which are rebalancing the portfolio and assessing new potential investment strategies. Generally, actively managed funds are more aligned with a sustainable fund portfolio, as they are less focused on the status quo of the market.

Environmental Impact

The funds that you invest in should have clear rules ensuring that they are not investing in companies that create part of their revenue with fossil fuels. This is important as there are numerous funds out that claim to be sustainable while still allowing companies that make a small share of their revenue with fossil fuels to be part of their investment portfolio. To be sure that this is the case you will have to take a detailed look at the investment strategy of the fund and what their rules are.

The best idea is also to invest in funds that have a positive screening approach. This ensures that they focus on market leaders or innovations rather than companies that often index funds cover as well as part of their investment strategy.

Social Impact

The social impact of active funds depends on the fund's investment criteria and screening methods. In the end this is like the impact of stocks as most active funds focus on stocks of companies matching their criteria.

Many sustainable funds are still investing in companies such as Amazon, whose social impact can at the very least be questionable, more realistically quite simply negative.

What you want to look out for are funds that have social screening criteria built into their investment process and preferably have a clear investment focus that includes social impact. Thematically focused funds are easier to assess in their impact focus than more general sustainable investment funds as they have a clearly defined investment mandate.

Economic Impact

Actively managed funds have higher fees than index funds, which reduces their potential economic return. Since they are actively managed, they do have to employ investment managers and alike to keep the fund operating. These fees can often be above 1%, which is charged no matter if the fund is profitable or not. As mentioned before, these fees add up over time.

They do reduce your time spent on picking stocks and diversifying your portfolio. As they follow a certain pre-set rule you can invest an up-front amount and/or make regular investments in many different stocks. This aspect makes them a rather hands-off and simple investment asset. Your capital is diversified in numerous investments when you decide to invest in an active fund. This ensures that it is very difficult or close to impossible to lose the full value of your investment.

As index funds, actively managed funds do make all the investment decisions in the fund. You have little control over where your money is going, besides the general focus of the fund. This can mean that the fund invests in industries that are slightly misaligned with your focus. Related to the lack of control, investing via actively managed funds is often not very transparent. There are exceptions to the rule, but generally you must trust the fund to be making investment decisions that are aligned with your values.

Rating

Liquidity

As with any fund, actively managed funds are highly liquid assets. You can sell them at any time if there is a buyer.

Additionality

Active funds employ active screening methods. By doing so, they can ensure that your money does good.

Environment

The right active fund can ensure that your capital is being put to good use and has a positive environmental impact. Due to the lower additionality this still is not a 100% rating though.

Social

Funds with the right screening methods can ensure that your capital is being put to good use and has a positive social impact. Due to the lower additionality, it is only 4 stars though.

Transparency

Investing in actively managed funds does give you more control over where your money goes as they themselves enact stricter rules on what to invest in. If those rules are in line with your investment strategy, you have a good control over your capital.

Effort

Buying funds in general is easier than previously. Compared to stocks, you only need to balance a few funds. Therefore, it is one of the assets that requires the least time and effort.

Risk

Active funds are slightly riskier than index funds as a fund manager makes decisions over what to invest in. That means they can underperform compared to the market. They do however spread the risk of your investment into many assets, which gives you a good diversification of your capital.

Return

Active funds are most of the time not outperforming the market and therefore on par with the other equity options discussed so far. Be aware of the often-higher fees though that can eat into your return. Due to these higher fees active funds are slightly downgraded in their rating here.

Practical Examples

Unfortunately, it is hard to give a full overview or understanding of how to find sustainable funds. It requires a lot of research and Googling. With the aim of giving, you a broad overview of several sustainable funds, here is a list of examples in different regions.

Handelsbanken Hållbar Energi (Sweden) Fee: 1.5%

A fund that globally invests in companies that develop technologies (mainly renewable energy) to minimize the impact of global warming.

CB Save Earth Fund (Sweden) Fee: 1%

A fund that invests in stocks of companies that actively work in renewable energy, water supply, clean tech, and other related industries.

Nanuk New World Fund (Australia) Fee: 1.2%

The Nanuk New World Fund is a long-only equity fund that invests in listed companies exposed to the broad theme of environmental sustainability and resource efficiency. The Fund invests globally in companies involved in the areas of clean energy, energy efficiency, industrial efficiency, waste management, pollution control, food & agriculture, advanced & sustainable materials, water, and healthcare technology.

Domini Sustainable Solutions (USA) Fee: 1.4%

A globally diversified equity portfolio that plans to keep its holdings to fewer than 50 and limit turnover. It will look for companies with strong ESG credentials that are developing products and services that are helping address the SDGs. Examples include renewable energy, electric vehicles, new medical technologies, healthy food, and financials that support underserved communities.

Triodos Pioneer Impact Fund (EU) Fee: 1.8%

Triodos Pioneer Impact Fund aims to generate positive impact and competitive financial returns from a concentrated portfolio of small- and mid-cap companies pioneering the transition to a sustainable society. This is a relative high-risk fund as it invests in early-stage companies but has a potential of a high return.

Triodos Global Equities Impact Fund (EU) Fee: 1.6%

Triodos Global Equities Impact Fund aims to generate positive impact and competitive returns from a concentrated portfolio of equities issued by large-cap companies offering sustainable solutions.

Triodos Energy Transition Europe Fund (EU) Fee: 1.95%

The fund invests in wind farms, solar photovoltaic and solar thermal installations across Europe. Typically, these installations are privately owned and/or operated by a special-purpose vehicle.
The fund invests through equity but also through debt investments.

Privately Listed Stocks

Private-listed stocks are shares sold by companies not trading on an official stock exchange (yet). Instead, they raise funds through tools such as equity crowdfunding.

Equity crowdfunding is a relatively new phenomenon. It is fairly similar to buying stocks on a stock exchange, with the main difference being that through equity crowdfunding you can invest in young start-up companies that are not yet publicly trading. This is something that previously was only available to sophisticated investors such as venture capital funds or angel investors which could invest bigger amounts of money. Due to its low entrance investment amounts, equity crowdfunding in contrast is accessible to most people that are investing some of their income.

There is clearly a higher risk in investing in early start-ups, however the upside is also bigger than compared to traditional publicly traded stock companies. For a younger investor putting some money aside for these high-risk assets makes sense due to the possible high return in the medium-term and their clear sustainability impact (if chosen wisely).

As with all other assets you should diversify your investments - even more so with early-stage equity funding. Which is why you should be mindful about your investments in this very early-stage equity investment.

Environmental Impact

While one could argue that the companies on the public stock market are in general not moving the needle much on status quo of sustainability, the start-ups raising capital in this way are often having the most innovative business models and products, also in terms of sustainability. You support an active change in our economy due to providing capital to these change agents.

Without your support the start-up would have to seek finance in other places, which can prove to be more difficult and less successful. Therefore, your action is not only sustainable, but also highly likely to create additional impact. Your investment and the start-ups you support can have true ripple effects in the economy that also nudges other entrenched market players to follow-suit and adopt similar practices to stay relevant.

The environmental impact of investing into start-ups depends on what kind of companies and on which platform you decide to invest. It is complex to give a furrow overview, but I will try to give some simple examples below of companies that can be seen as a positive investment.

You want to ensure that the company you invest in is tackling a problem related to climate change or sustainability in general. This can be either by providing a product that is made with sustainable materials, has a longer lifetime, or simply replaces existing products that are unsustainable. Best case it also has a sustainable business model that is not based on profiting from consumption, but rather profits from creating a closed loop or a more effective use of existing resources such as a subscription model or similar.

As you know exactly which company you are supporting it is a rather tangible and transparent asset class as you often get detailed insights into the company's operations.

Social Impact

You also should be as certain as possible that the start-up you are financing is actively working against any negative social impact, be it gender equality or poverty. The advantage with start-ups is that you can pick companies that are highly innovative in this field. Not all start-ups that are strong on the environmental impact side contribute to a strong social change.

However, often these two go together as the mind-set needed to go and start a company that is environmentally positive is very similar to the one needed to make a social impact.

In some cases, it is relatively clear that a company wants to bring social justice and equality to its market. If the product or service, the company sells has that element built in. This would be the case if you invest in a start-up that wants to innovate education and bring it to non-privileged parts of society. The company could also mention that it plans to pay its employees fairly or have a gender-balanced leadership.

In other cases, it is not as clear, and you need to either trust that the company will aim to minimize any negative social impact on society and that the environmental commitment already makes the company more conscious about social issues or you need to pick another investment opportunity instead.

Economic Impact

Start-ups are a high risk, high reward investment. As you are acting as an early-stage investor you can make high returns if the start-up is successful. However, most of the companies you invest in will likely fail as 9 out of 10 start-ups don't make it. This highlights the need for diversification even more. You will likely want to invest in a few dozen companies to ensure that the few that succeed will off-set the losses of the others. At the end of the day one good method is to keep your overall exposure to a level that you are comfortable losing completely in a worst-case scenario.

Hence why these investments are more time-intensive than others. You need to actively find investment opportunities that fit your investment criteria, often on different websites, in different currencies and with different levels of detail. You then need to either do a more thorough assessment of the business case or just invest in companies whose values align with yours and whose product or service you would buy yourself. Depending on your portfolio size and how much you are willing to invest in early-stage start-ups this might be too much considering your everyday responsibilities.

The advantage is that you do have ultimate decision power on where your money is invested and what it does support in the economy. With early-stage companies, there could be a change of the chosen business plan (as start-ups often do need to change course but at the time of investment you are clearly supporting a cause that you believe in. As a shareholder you often get regular updates on business progress and get relatively deep insights into the workings of the start-up. If they do change course in a direction that you do not believe, you sometimes do have the chance to sell your shares on second-hand markets - more on that later.

Rating

Liquidity

As with any fund, actively managed funds are highly liquid assets. You can sell them at any time if there is a buyer.

Additionality

Investing in start-ups and unlisted companies often means that you invest in an innovation that has potential to bring change on a massive scale. Your capital will most of the time also go directly to the company instead of its shareholders.

Environment

Like other investments, it depends on what companies you invest in. But as start-ups often are bringing in innovations, they can have a tremendous environmental impact.

Social

Here it also depends on what companies you invest in. There might be less investment opportunities that are socially impactful, but generally their potential is tremendous.

Transparency

Part of your investment is often a clear description of what your funds are intended for and what the company plans to do in the coming 6-18 months.

Effort

Investing via crowdfunding platforms can quickly take a lot of your time as the investment process has several steps and is not as straight-forward as most other ways of investing. Managing a portfolio of crowdinvestments can be a challenge.

Risk

Investing in early-stage companies comes with a high risk, high reward. These companies often have not proven their business model, nor are they cash flow positive.

Return

Investing in early-stage companies comes with a high risk, high reward. Most will fail, but the ones that are successful can be valued at a multiple of what they were worth when you invested in them.

Practical Examples

Equity in start-up stocks is available via investment platforms such as the below. They often do not differentiate much between each other, but you will have to go through an on-boarding process on each of them. To get started, you might want to test a few instead of creating accounts on all of them. To help you choose here is an overview of the most common ones.

Seedrs (UK)	2 billion GBP invested	seedrs.com

Seedrs is a “traditional” equity platform. You can pick the company you want to invest in yourself, or you can setup an auto-investment function that picks companies according to your preferences, such as sectors and number of investors. They frequently have sustainable companies on the platform, such as the previously mentioned Sustainable Accelerator, Sono Motors (shared electric car company), and fairafric (fairly traded chocolate that is produced in Africa with renewable energy).

You can also sell your shares in companies on Seedrs on a secondary market later. This is a bit unique as not all platforms over this kind of feature. It means you don’t have to wait for an IPO of a start-up or any other exit event, but you can sell the shares you own freely whenever you want if you find a buyer.
On Seedrs you can invest equity in start-up, invest in a fund (such as the Sustainable Accelerator) or invest in convertible loans that either convert into equity or are going to be paid back with interest.

Crowdcube (UK) 1 billion GBP invested crowdcube.com

Crowdcube is fairly like Seedrs (even though they would not want to admit that), however lacks some features such as the mentioned secondary market or the auto invest function. They do however have sustainable investment choices frequently, such as Uniti (electric car company), Polysolar (solar PV windows) or hiyacar (car sharing).

WeFunder (USA) 1 billion GBP invested wefunder.com

WeFunder is the US counterpart of the platforms mentioned above. You can invest equity in start-ups that fit your profile, amongst them also sustainable ones such as World Tree (we will talk about them a bit more later).

Green Rocket (EU) NA greenrocket.com

Green Rocket is a bit special in the sense that they specialize in investing in sustainable start-ups. Anything from solar energy to sustainable food is on their website. Having a sustainability focus makes their platform an ideal first start to invest on if you want to get many opportunities to invest capital in companies that fit your focus.

OnePlanetCrowd (EU) NA oneplanetcrowd.com

A Dutch platform where you can invest in sustainable companies, mainly from the Netherlands. They often have innovative companies raising equity, loans, or convertible loans. Some examples are Fairphone (sustainable and modular smartphone) or Snappcar (peer to peer car sharing platform).

Sustainable accelerators

Instead of picking individual start-ups you can invest money in a sustainable accelerator or angel investment fund, often via equity crowdfunding platforms. That way your money gets spread amongst several start-up investment opportunities, but under a clear sustainability angle.

This is like an actively managed fund, with the main difference that the accelerator supports only early-stage companies that fit the investment criteria – in this case sustainability.

They come with very much the same advantages and disadvantages as actively managed funds. One of the main differences is that some of them do not charge fees on the capital you invest, which makes them a highly attractive investment option. They aim to generate most of their return from the exits of some of the start-ups that they invested in. They also focus on early-stage companies and have a clear additionality compared to funds that finance the existing corporations on the stock market.

Investing in an accelerator fund enables you get a diversified portfolio with a one-time investment while the accelerator spreads your capital into several start-ups.

Some examples of accelerators are:

- Sustainable Accelerator https://www.sustainableaccelerator.co.uk/
- Future Planet Capital - https://futureplanetcapital.com

Start-ups with a clear sustainable product or business model

I mentioned a few names above, but which companies could you find on the platforms mentioned above? Here is a brief overview of some:

- Uniti - New mobility concept with an electric car - https://uniti.com/
- Etergo - Sustainable transport with an electric scooter - etergo.com/
- Abundance - Sustainable investment platform - https://www.abundanceinvestment.com/
- Sono Motors - New mobility concept with an electric car - sonomotors.com
- Riversimple - Hydrogen car company - https://www.riversimple.com/

- Fairafric - Fair and in Africa produced chocolate - https://fairafric.com/
- Oddbox - Making food out of rescued vegetables and fruits - https://www.oddbox.co.uk/
- Listnride - Bike rental company - https://www.listnride.com/

Projects with a clear sustainable focus

You can also attain equity in more specific projects if you deem supporting a company is still too broad. This is a bit more of a niche sector which means there are not (yet) as many options available as with the ways of investing equity mentioned above.

You gain even more clarity around where your money goes as you are supporting a very specific use of your funds. This also obviously relates to a higher decision power where you put your money due to that limitation.

However, it is even harder to find these kind of suitable investment opportunities as it is not common to raise equity from the public for specific projects. That means you also have less opportunities available, leading to a bigger risk if you want to invest a sizable amount of your portfolio in this segment.

One of the examples of such an equity investment (with more details being mentioned later in the reforestation chapter) is World Tree, where you invest in a certain area of trees that are being planted to produce high quality wood. It is not necessarily equity, but also not debt, as it is paid back based on the return on the trees that you own. https://worldtree.info