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## What strategies should faith-consistent investing develop to be fully faith-consistent?

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How we can understand how to identify our values and then create investment strategies

In order to better understand faith and the strategies that can be adopted to support it, we often think a good starting space is in better understanding what we mean by faith (which may sound a little elementary given the audience but is an important step in helping to create strategies that really work). As we all know, faith is the complete trust or confidence in someone or something and we know that faith is informed by beliefs, most of which are defined and set by the time we enter our teens. Beliefs are contextual - they arise from learned experiences, resulting from the cultural and environmental situations we have faced, whether individually or collectively. They are informed by historical experiences and can often be negative. We use historical contexts to inform ourselves as to what we think the future consequences will be. Our beliefs form the bedrock of our values and, therefore, our faith. It's useful to note here that while values unite, beliefs can sometimes divide.

So if faith is formed by a set of values, and they in turn are set by our beliefs, what are our beliefs **and** our values and how do they manifest in strategies for investing?

Regardless of whether we are an individual or a collective of individuals wrapped up in the skin of a business, an organisation or a movement, we all have values. Sometimes there may be values conflicts where there is more than one individual's values at play. So, trying to reach some sort of consensus can be challenging. However, where organisations and movements based on faith are concerned, these values are often clearly understood and embraced if not always clearly articulated.

In order to be fully faith consistent with our investments, it is important that we understand our values, and revisit them where we feel some gentle editing for 21<sup>st</sup> century life may ultimately benefit us. This is especially important given we know that beliefs are formed through historical context and not present. Simply revisiting our values can often help us uncover unhelpful beliefs that may inhibit our ability to be either be relevant in modern society or in some cases functional.

So what do faith based strategies look like? I'll use myself as an example here, as it's probably the easiest and non-selective way to bring this to life. The **first thing** I need to do is to define my values and, therefore my faith/s. As an example, I BELIEVE that nature creates all people equal, it is only the rule of humans, not nature, that sets some people apart. This BELIEF informs my VALUE of democracy (regardless of the decisions that can sometimes lead to that I may not agree with). Now that I know one of my beliefs and the value it informs, I can easily extrapolate that **EQUALITY** is one story I would like to see reflected in my wealth. I have a clear direction of travel.



Given I want to invest through the lens of equality, the **second thing** I now need to ask myself is to what level do I want to invest in equality – what level of impact strength am I looking for? And what does true equality look like? It's here that the UN Sustainable Development Goals offers a framework through which I can better understand equality and the strategy I want to adopt; whether its gender, economic, ethnic, ability related equality and whether I'm comfortable with a more diffuse high level strategy focusing for example on businesses with good representation at senior levels or whether I want to dive into more granular strategies, really dialling up core engagement through product and service that can lead to real system shift and deep impact. This framework enables me to say "Ok, I want to deep dive, for example, into gender equality and I know I want to create a granular strategy to ensure real system shift with regards sustainable economic growth that in turn has a knock on impact on other areas of interest for me".

So given this knowledge, I then map the extent to which I want to go. In this case, I want to promote economic empowerment in all forms, so I'm looking at businesses with deep engagement with their female workers through maternity policies, talent development programmes, as well as equality at leadership levels, but I'm also looking at products and services that specifically target women, for example microfinance, the provision of toilets in rural communities in frontier markets, and feminine hygiene products preferentially priced for women in emerging economies. Now that I have these reference points, I can look to the global investment universe to see where these are reflected.

I know, for example, that I'm potentially looking at opportunities like the microfinance funds or some of the new publicly listed social bonds, as well development impact bonds (DIBS) and social impact bonds (SIBS), all of which to date have been designed to reduce the economic divide in society, with microfinance specifically targeting women. I may also further investigate companies dedicated to gender equality in their operations and core product – for example, Westpac Banking Corporation with its strategic focus on gender diversity in the business (a 2017 target of 50% leadership, as of 2016 this was 48%) and supporting access to banking for rural women in Australia. This impact matrix that I have created enables me to look at the global investment universe through the lens of gender equality and find the opportunities that may interest me in terms of thematics and impact achieved.

The **third thing** I then need to do is to reflect the above impact based preferences against the financial backdrop of my investments. What is my risk appetite? What level of return am I hoping to achieve and over what period? Knowing these means I can create my own unique jigsaw puzzle of investments that reflect my values (and therefore my faith) whilst ensuring I continue to steward my wealth in a fiscally responsible manner.

The **fourth thing** is to then review. And continue to review to ensure values alignment and financial performance.

I can do this over and over again – defining my values and creating strategies to reflect the depth to which I want these to be reflected in my wealth. Using our values is the difference between a negative approach to investment (e.g. ethical screening) and a proactive, positive approach (sustainable investing). Understanding our values creates a framework through which we define the colours of our own unique stained glass windows and then hold that up in front of the global universe of investment opportunities and look for those colours to be reflected. Our values become the open window to our investment universe, not some redaction. Being clear on our values and our faith is the equivalent of providing ourselves with our own impact wealth matrix.



The Alliance of Religions and Conservation (ARC) International Meeting on Faith in Switzerland, Oct 30-Nov 1, 2017, [www.arcworld.org](http://www.arcworld.org), AMY CLARKE, TRIBE

There are no right or wrong answers here; following the 4 stepped process I've outlined above **will** help us all identify our strategy/ies, which in turn will reflect where we are now on our journeys. It will also help us identify where we may choose to be in a few years' time and further down the line.

The beauty of this approach is it is not redactive. You are looking for your colours to be reflected. Think of it as your stained glass window that you hold up to the global universe and are looking for those colours to be reflected back at you.

## Tribe Impact Capital

Tribe Impact Capital was set up wholly dedicated to investing to create a positive impact on society and the environment. It has committed to directing 20% of its profits to its own impact foundation to support very early stage high impact businesses. It seeks to align the financial needs of its clients to their beliefs and values to create a positive impact on society and the environment. It is a B Corp.