Back in the 1920’s, the Methodist church in the UK refused to invest in what they considered “sinful companies”. These included companies involved in the production of alcohol, tobacco and gambling. Pioneer fund, founded in 1928, was the first modern mutual fund employing screens based on religious traditions. These groups placed ethical constraints based on human welfare and non-violence that excluded firms engaged in alcohol, tobacco, arms and ammunition.  

Modern Sustainable Responsible and Impactful (SRI) investments can be traced back to the 1970s with the establishment of the PAX World Fund in 1971 that kept their portfolio free from the firms that dealt in arms and ammunition or any military related products during the Vietnam War. A substantial amount of SRI funds have been established since then, with the intention of incorporating investors’ desire to achieve ethical objectives beyond the profit motive.

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1 Schepers, 2003 and Bauer et al., 2005
2 Fowler and Hope, 2007
Sustainable Responsible and Impactful investments have grown tremendously over the past few years as they have experienced a sharp rise in both the increase in amount of assets under management and the number of investors as well. According to US Sustainable, Responsible and Impact Investing Trends 2014, an organization which is dedicated to socially responsible investment and corporate social and environmental responsibility, the total amount of assets under management in the US alone had grown by 22% from $3.07 trillion in 2010 to $3.74 trillion in 2012.

Figure 1: Growth of SRIs between 1995 and 2014 based on US SRI Funds
Data: EurekaHedge, Bloomberg
Growth of SRI 2005 - 2014

It is reported that in 2014, $3.31 trillion of the 2012 SRI total was held by 443 institutional investors, 272 money-managers and over 1,000 community investment institutions. These investors utilised Environmental, Social and Governance (ESG) screening criteria to construct their portfolios indicating a more active portfolio construction than general equity. ESG refers to the three main components of concern which developed as key factors in measuring the sustainability and ethical impact of an investment in a company or business.

Figure 2: Growth of SRIs between 2005 and 2014 based on ESG Incorporations, Shareholder Resolutions and a combination of strategies

3 USSIF 2014 discussion on community investing:
http://www.ussif.org/communityinvesting
In 2012, the SRI portion represented 11.2% of total investment in the US (total assets under management estimated to be $33.3 trillion in 2012). This notable growth was overshadowed by later gains made between 2012 and 2014, at a phenomenal 76% from $3.74 trillion at the beginning of 2012 to $6.57 trillion by 2014 (this includes all asset classes - equities, bonds and money market instruments), estimated to represent over 20% of all assets under management in the US alone.
Community Investing:
Investing in People Over Profit

Community investing is a traditional form of investment that often explains the ‘sustainable’ portion in SRIs. It is actually a form of financing that is provided for much needed services and development in an attempt to restore the inequalities and gaps arising from purely profit-driven motives. Public and private investment has successfully been directed to deserving communities with generally lower income levels with the objective of providing skills training, capital and overall job creation and stimulation for sustainable investment.

Community Investing Growth 1997 - 2014

The significant growth of community investment of over 54% between 2010 and 2014 indicates a strong awareness of the community plight and a conscious effort towards sustainable investment strategies taking hold in diverse communities across the US, where the largest SRI fund is domiciled.5

This form of investment has its roots informally as co-operative investing that is gaining popularity in communities globally.

Figure 4: Community Investing Growth between 1997 and 20144

Data: US SIF

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4 USSIF 2014 discussion on community investing: http://www.ussif.org/communityinvesting
5 Ibid
SRIs in the form of community investing have contributed to:

- Services in health, education, childcare and access to food;
- Job creation especially through employing locally for infrastructure development;
- Sustainable community development over the long term.

As community investments increase, thousands of lives are changed for the better where the sequence repeats itself and finance recipients become investors in a societal empowerment cycle.

Incorporating social and moral concerns into investment strategies is becoming popular as it is in line with what is referred to as "doing well while doing good". The basic notion behind this idea is that socially responsible investors can manage to earn higher returns even when they choose to invest responsibly. The evidence suggests that a firm that is not classified as socially responsible, releases negative news from irresponsible activity, the stock value would inevitably be driven down whilst socially responsible firms releasing similar news would not be affected.

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6 Hamilton et al., 1993
7 Ibid.