

Do my investments make the world rejoice?

In the context of the malaise which hangs over the global economy Reuben Coulter points out that our investment capital has the power to drive change and standards across industries, culture and communities. He introduces Faith Driven Investor, and the concept of a spectrum from traditional profit-driven investment, through Impact Investing, to Grants. He then outlines three steps to successful Impact Investing: Signalling, Stewardship and Financing. His conclusion is that as investors, philanthropists, governments and corporates we need to act cooperatively rather than competitively if we are to bring about real transformation for the common good and the glory of God.

Divided we fall

The news feels unendingly grim at the moment, whether it is the war in Ukraine, the cost of living crises in the UK or the malaise which hangs over the global economy. Last January, amid the opulence of the Davos conference, entitled *The Great Reset*, the conversations centred on inequality, environmental degradation and populism. As one of my colleagues at the World Economic Forum stated: *One of the pillars of trust in a society is the feeling that life is getting better, not worse. But in too many economies, there is a sense that opportunities for the next generation are dwindling rather than expanding.* 'The Great Reset' was discussed by the political and financial elite as a way to address the underlying causes of our current crises.

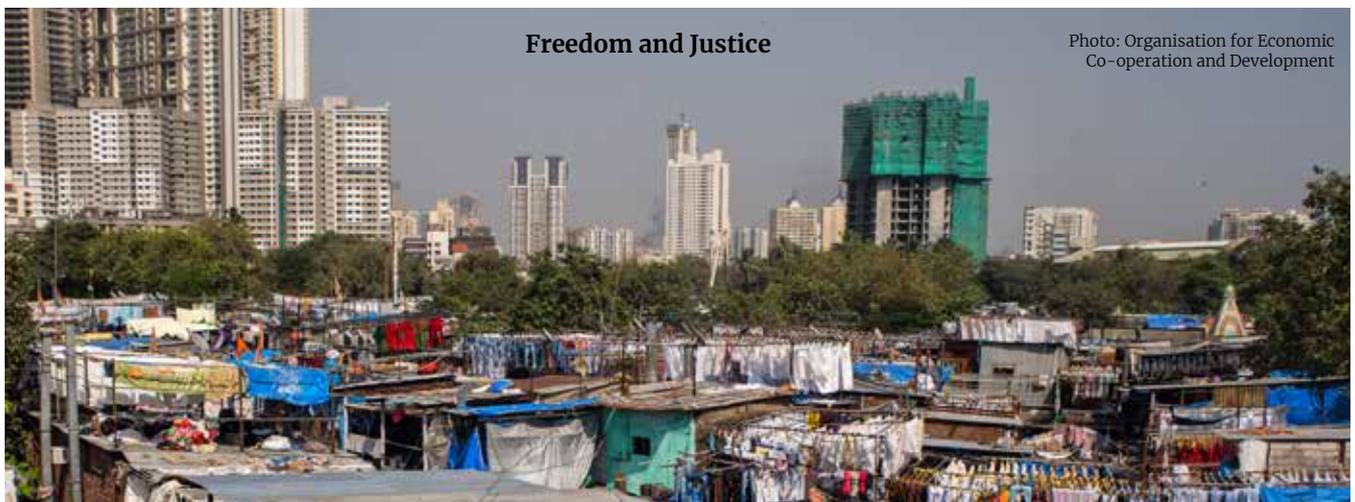
It has spawned many wild conspiracy theories but the reality is that those who led us into this crisis are unlikely to provide the solution.

Nothing left to lose

In the 1970s Milton Friedman wrote a seminal piece entitled *Capitalism and Freedom* in which he describes the connection between democracy and capitalism. He focused on the potential of capital to be a vehicle for freedom. This insight is powerful and yet limited, as he viewed this purely in individualist, economic terms. His statement that *"there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game"* has become a central tenet of

shareholder capitalism. But I would suggest his concept of 'freedom' or 'profit at all costs' capitalism is driving inequality, environmental degradation and the breakdown of societal cohesion. Many people feel they have nothing left to lose.

The biblical concept of freedom is far broader and deeper than this view. It is not only about individual liberty but deeply connected with a just society. God reveals the deep brokenness of our world and sets out a new vision of human flourishing – *"Behold, I am making all things new"* (Revelation 21:6). The prophet Isaiah expresses God's anger at the injustice in Israel: *"Justice is far from us, and righteousness does not reach us. We look for light, but all is darkness; for brightness, but we walk in deep shadows"* (Isaiah 59:9).



He uses the Hebrew word *tsedeq* to combine justice (a system of equality and fairness) and righteousness (personal morality). In the Old Testament, God revealed his desire for social, economic and spiritual justice to the nation of Israel through the Mosaic Law. In every generation, the principles of Jubilee were intended to ensure that the poor and marginalised had an opportunity to be freed from their debt and have their land restored. In the New Testament, Jesus reaffirmed the importance of the call to justice and his purpose to fulfil the law (Matthew 5:17). He saved his harshest words for the Pharisees who claimed great knowledge of God but neglected 'the more important matters of the law – justice, mercy and faithfulness' (Matthew 23:23).

Redemptive Imagination

A new vision for a flourishing society is needed – one in which the economy serves the people and not the other way around. People desire communities with strong relational bonds, jobs which give dignity and certainty about the future. Instead, they often live in polluted and fragmented neighbourhoods with zero-hour contracts and no ability to save. In Judaism, this concept of transformation is known as 'tikkun olam'. It roughly translates as 'repairing the world' and in the rabbinic tradition it is 'the establishment of godly qualities throughout the world'. Interestingly, it is also linked to the overcoming of idolatry. Jesus said 'You cannot serve God and Mammon' (Matthew 6:24). It is widely thought that the Aramaic word Mammon is used with the dual meaning of 'wealth' and 'a Syrian deity, god of riches'. As Christians we need to free ourselves from our subservience to money and rethink the purpose of capital as an instrument for freedom and justice. Our desire as individuals is for freedom but when we elevate our sovereignty above all others it becomes selfishness and greed. When we seek national

or ethnic sovereignty at all costs it becomes racism or imperialism. Only when we are grounded in Christ's sovereignty do we experience true freedom as individuals, societies and for all creation or 'shalom' – true peace. As the old hymn goes 'Make me a captive Lord and then I shall be free'. Our responsibility as investors and businesspeople is not only to our shareholders, but to all stakeholders and ultimately the Creator of all things. The Church needs to reclaim its prophetic voice and be a witness to a world in desperate need.

Capital = Influence

Sadly, most of the time our investment approach and portfolio as Christians looks no different to anyone else's. I remember setting up my pension fund and asking my Christian pension adviser if he could recommend an ethical pension. 'What's that?' was his response. Despite the majority of his clients being Christians, no-one had ever asked him this question. Too often our conversation as Christians focuses on the small percentage we give away and neglects the enormous amounts that we invest. Just like the servants from the Parable of the Talents in Matthew 25, God has placed gifts, resources, and talents in our open hands. These things we have are gifts from above and are to be used for God's glory. Knowing this creates a sense of urgency around the influence we have been given. God owns it all.

Capital can have enormous influence. Our investment capital has the power to drive change and standards across industries, culture and communities alike. There are many problems that we face today: lack of access to clean water, polluted air, difficult jobs, diseases like cancer and Alzheimer's, infections like coronavirus, educational systems that can warp students' minds, misinformation and confusion in the media. Every one of these problems could be fixed through institutions, specifically virtuous businesses and a strong church. These are the sleeping giants that we can

enable through our investing and participation. Right now, all of us need to deploy our capital in positive ways to shape the world for the good.

Investment which makes the world rejoice

At Faith Driven Investor, we believe that faith-driven investing is an approach, not an asset class. It is not prescriptive but rather it asks, in the words of the prophet Micah, 'What does God require of me?' (Micah 6:8). This question can be applied across all asset classes, from public markets to venture capital to impact investing; and across the return continuum, from market-rate returns to concessional or philanthropic. For some investors it may be applying an Environmental, Social and Governance (ESG) screen across all their investments, while others might focus on innovative green technology or investing in infrastructure in Africa, and for others it might be investments which enable evangelism to unreached people groups. The answer may look different for each investor.

Often we can get hung up on definitions of what faith-driven investing is or isn't. The definition I like best comes from Eventide Asset Managers, 'Investment which makes the world rejoice'. Do employees rejoice when they go to work every day? Do customers rejoice when they use the goods and services? Does the world rejoice and flourish because this business exists?

It starts with our heart

At Faith Driven Investor, we believe that faith-driven investing is not only about aligning one's capital with one's values but a radical shift in our understanding of capital and our relationship with money. No longer should we serve money but rather it should serve God, and as investors, we need to prayerfully discern how we can use the assets with which we have been entrusted to bring about 'shalom'. It's a heart issue.

We've identified some helpful principles to help us on our discipleship journey



Faith Driven Investor

A FAITH DRIVEN INVESTOR IS...

- Identified in Christ
- The Servant of One Master
- Attuned to God's Word
- Aware of the Power of Money and Markets
- Known for What They're For
- Reflecting Creation
- Redefining Return

THEREFORE THEY...

- Find Beauty in Broken Things
- Think Differently About Risk
- Seek Collaborative Community
- Work Locally and Globally
- View Investments as Partnerships
- Pull from One Pocket
- Focus on Eternity

For investors who want to go deeper with their peers on what it means to be a Faith Driven Investor, we have created a short discipleship course which you can sign up for:-

<https://www.faithdriveninvestor.org/investor-groups>

Redefining risk, return and impact

Across their portfolio, investors need to decide what they have been called to

achieve and weigh up their return, risk and impact profile. In some cases, there may be a trade-off between return and impact. Those who continually question whether or how one may achieve “competitive” or “market rate” returns on impact capital are skating on the surface, as opposed to delving into the greater possibilities of how we might optimise the total performance of capital in the fullest sense of the term. Our concept of ‘time horizon’ begins to

embrace an eternal perspective. Rather than exclusively focus on individual investments we begin to engage in the transformation of the systems of injustice. We explore if our investments are additive or extractive and if the risks and rewards are fairly shared between all stakeholders (investors, entrepreneurs, employees, suppliers and communities). The answers to these questions are not straightforward but as Christians we must wrestle with them.

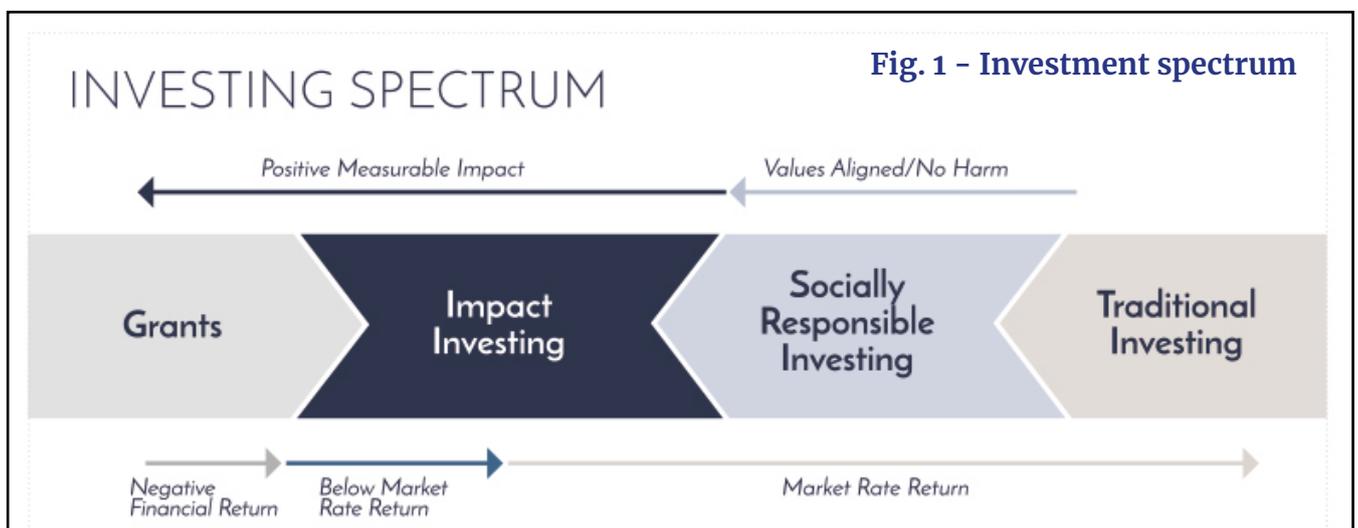
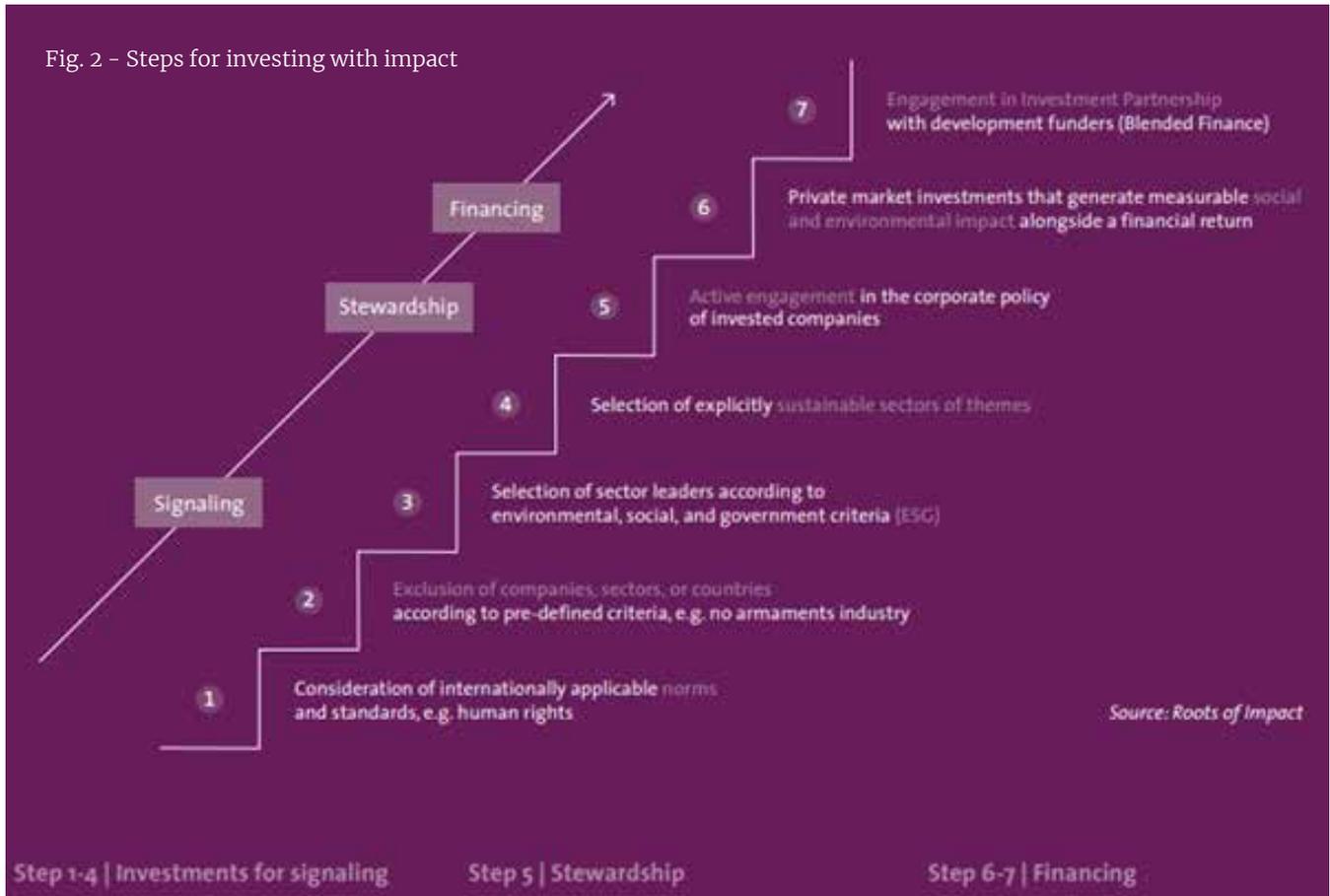


Fig. 2 – Steps for investing with impact



Strategies for Investing

Faith-driven investors can allocate their capital and create impact in a variety of ways. Below we have given a brief overview of the most common strategies for achieving impact.

Signalling

Investment approaches such as negative or positive screening (best in class and ESG integration) can signal to the market that some investments are considered more or less desirable depending on their business practices. Such mechanisms have limited investor impact, given that they only invest in the secondary market.

As a minimum, Christian investors should apply negative screening to their portfolio. This is the process of excluding companies that fail minimum ethical standards. This may be due to their involvement in certain industries which the Fund considers to be harmful (e.g. tobacco, gaming, sex industry) or because of particular behaviours or incidents that the Fund

considers to be significant ethical violations (e.g. human rights abuses, environmental destruction).

Positive screening is the process of investing more heavily in companies that endeavour to have higher social and environmental impact in their business. This would include funds or businesses which:

- Integrate sustainability into their business models and strategies.
- Report on and follow up their sustainability work based upon, for example, their codes of conduct and other guidelines and commitments.
- Adhere to international regulations designed to protect human beings and the environment and also take action to correct faults and shortcomings. Companies should utilise their abilities to influence throughout their entire value chains.
- Make positive contributions economically, environmentally and socially to affected communities. Limit their negative effects on

the environment and act with consideration for the current and coming generations by, for example, using the best available technology and reducing their use of natural resources while at the same time protecting them.

ESG investment market has grown to US\$25 trillion in 2021. Most large financial institutions can provide a range of screened investment opportunities. However, caution is needed as there have been recent criticisms that much of it is 'greenwashing', whereby assets are being re-branded as environmental or social without demonstrable impact.

In the USA an approach called 'Biblically Responsible Investing (BRI)' has emerged as a form of screening aligned with Christian values. The Christian Investment Forum, estimates that US\$260 billion are invested in alignment with biblical principles, but very little information going beyond estimations of the total sums exists as of yet. Interestingly, nearly a quarter



of the approximately 90 biblically responsible investing funds in the USA have been launched after 2015. Timothy Plan, Inspire Investing and Praxis Mutual Funds are just some of the examples of BRI fund managers.

Stewardship

Active owners can try to positively influence company behaviour through dialogue or proxy voting. This can be a long and complex process and can typically only be achieved via large fund managers who own sufficient stock to have influence. Some examples of where this has been used successfully include:

- In 1977, during apartheid in South Africa, Rev. Leon Sullivan, a minister and board member of General Motors, authored the Sullivan Principles which required all employees to be treated equally and in an integrated environment, both in and outside the workplace, and regardless of race, as a condition of doing business. This led to institutional investors disinvesting in many South African companies and so contributing towards the end of apartheid.
- In 2021, an activist hedge fund, Engine Number 1, unseated at least two board members at Exxon Mobil in a bid to force the company's leadership to reckon with the risk of failing to adjust its business strategy to match global efforts to combat climate change. This builds on a decade of pressure from other activist investors including the Church of England's pension fund.

Financing

Investing in private markets can allow the investor to create a positive impact by financing companies and enabling them to grow. This may be done directly into a company or via a private equity, venture capital or real estate fund. Typically private investing is only available to accredited investors, who have sophisticated financial knowledge and sufficient assets. Direct investment in a business may allow more influence in advising and shaping the company.

Here are some examples of direct investments and funds. Each of these has a completely different risk, return and impact profile and so investors need to be clear about what they are trying to achieve.

- Grab, one of the most successful tech companies in South East Asia. It began as a taxi-platform and was able to outcompete Uber in the market. It is renowned for treating its drivers well and helping them flourish. It has grown to become a super app and serves millions of people with mobility and financial services.
- Flutterwave was founded by Nigerian entrepreneur Iyinoluwa Aboyeji who wanted to build a payments infrastructure to connect Africa to the global economy. In 2019, Flutterwave processed 107 million transactions worth \$5.4 billion.
- Sovereign's Capital is a venture capital (VC) fund investing in the best Christian tech entrepreneurs in the US and South East Asia.
- Ten Senses Africa (TSA) is the world's first fair trade certified macadamia

nut exporter. They connect 30,000 smallholder farmers to high-value export markets and represent 10% of the Kenyan market. Farmers have seen their livelihoods improve by up to 35%.

- Waymaker Fund invests in multi-family housing but integrates a community strategy and chaplaincy service. By serving and connecting residents it builds relationships. This, in turn, helps improve the community's financial performance through online reputation, resident satisfaction, and retention.
- Talanton is an impact investment fund focused on emerging market small and medium-sized enterprises which are creating social and spiritual impact.

Catalytic Capital

There is a particular need for additional impact-first (or catalytic) capital. Impact-first capital is patient, risk-tolerant, and concessional in ways that differ from conventional investment. It is an essential tool to bridge capital gaps and achieve both breadth and depth of impact, while complementing conventional investing. For example, Talanton deploys impact capital which allows it to invest in high-impact enterprises which are perceived as 'too risky' by more traditional investors. In the UK, the Wonderborn Media group creates incredible Christian video content for children. This aspect of their work is highly impactful but less profitable. Currently only 5% of total impact investment is concessional while the rest is seeking 'market rate' returns.

Faith Driven Investing in the UK

At present, the market for faith driven investing in the UK is small and fragmented, but the good news is that it's growing fast. There are many Christians who have been pioneering new models of ESG and impact investment, and increasingly there is demand for specific Christian investment opportunities. There are many ways to get involved.

Via Public Markets

Most of us have a pension fund and that can be invested in an ESG screened fund. The organisations Making my Money Matter and Pensions for Purpose both work to engage the pension industry and help individuals find a suitable fund.

Via Private Funds

There is an increasing diversity of funds which have impact integrated in them. Many of these are managed by Christians. Some of our favourites are:

- Snowball - a multi-asset fund focused on social equity and environmental sustainability
- Resonance - a social impact property manager which provides life changing homes and solutions for people and communities facing crisis.
- Truestone - a private equity manager which invests in high impact companies in frontier markets
- Opto Impact Ventures - a venture capital fund investing in high impact businesses in the UK.

Via Direct Investor or Mentoring

It is also possible to support start-up or early stage companies by providing seed capital or sharing your expertise.

UK Christian Angel Investors – You could join a community of Christians who are investing in early stage businesses in the UK. It shares investment opportunities and facilitates collaboration. Only open to individuals who are looking to deploy more than £20k per year. This network is run by Chorus Angel Network.

Mentor via Creo Ventures or Impact Central - If you have start-up experience or specific business skills then perhaps you could become a mentor via the accelerators, Creo or Impact Central.

The Good News

The world will face enormous social and environmental challenges in the coming years and is in desperate need of God. The good news is that Christians are slowly reawakening to a principle that much of the rest of society has already embraced: all investing is impact investing. Every dollar we put to work has impact, positive or negative, on the world around us. In 2020 global wealth reached US\$418 trillion. An estimated 31% of the world's population is Christian and if they allocated only 10% of their total assets towards impact it could channel US\$13 trillion

towards transforming our world. It is encouraging to see the green shoots of these new approaches beginning to appear. Christian investors should be acting prophetically, demonstrating a higher risk appetite for the sake of impact and pioneering new investment models, if we are to see widespread societal transformation and impact. And we can't achieve it in isolation. As investors, philanthropists, governments and corporates we need to act cooperatively rather than competitively if we are to bring about real transformation for the common good and the glory of God.

Get involved with Faith Driven Investor

Faith Driven Investor is a global movement of Christian investors who are seeking God and stewarding their capital to bring about spiritual, social, environmental and economic transformation. There are a number of ways to connect:

- Media - Listen to stories of pioneering investors through podcast and video
- Marketplace - Discover the best faith driven funds and deals from around the world. NB: This is only available to Accredited Investors.
- Discipleship - Journey with other Christian investors to integrate your faith and investing. 



Reuben Coulter is a Director of International Strategy at Faith Driven Investor. He advises and equips Christian investors and fund managers around the world to live out their values in their investment strategy. He is also a Trustee of Bristol City Funds, a pioneering investment fund in the UK. Prior to this, he was CEO of Transformational Business Network, a global impact investment network, and a Fellow and Associate Director for Africa at the World Economic Forum in Switzerland. He was also the founding CEO of Tearfund Ireland, an international development organisation and Chair of the Irish Humanitarian Committee.