

ALTIOREM EXPERT GUIDE

Total Impact Portfolio: Constructing an investment portfolio with an impact lens

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Introduction

A Total Impact Portfolio (TIP) is an investment strategy that intentionally evaluates and manages risk, reward and impact to help investors achieve both financial returns and positive social or environmental impact. This Expert Guide outlines the fundamentals of a TIP, explores practical ways to integrating an impact lens into an investment strategy, and explores incorporating impact as a core pillar alongside risk and reward in an investment portfolio.

This guide provides a comprehensive overview of how to design and implement a Total Impact Portfolio (TIP) in practice. Building on the core definition of a TIP, it explains how investors can move beyond traditional approaches that focus solely on financial risk and return and instead embed impact considerations across every asset class. The guide outlines the rationale for TIPs in today's global context of rising environmental and social risks, growing responsible investment markets, and increasing stakeholder expectations. It introduces the concept of double materiality, clarifying how TIPs differ from standard ESG integration, and presents practical tools and frameworks to assess, classify, and measure impact. Step-by-step, it walks investors through setting objectives, conducting portfolio impact analysis, integrating target impact classes into asset allocation, selecting investments, and monitoring performance.

This guide is designed for asset owners, foundations, family offices, institutional investors, and values-aligned individuals seeking to align their capital with both financial goals and meaningful real-world outcomes.

* This guide is for informational purposes only and does not constitute professional, financial, or investment advice.



Key insights

1. **A Total Impact Portfolio (TIP) embeds impact across all asset classes:** Unlike impact allocation approaches, TIPs assess every investment in a portfolio for its impact, utilising multiple responsible investment strategies across public and private market investments to integrate the consideration of impact.
2. **TIPs align investment decisions with both financial and impact objectives:** TIPs balance risk, return, and impact, ensuring that financial performance is not compromised while generating positive environmental and social outcomes.
3. **Double Materiality differentiates TIPs from ESG integration:** TIPs go beyond ESG integration by considering not only how ESG risks affect the financial performance of the investment but also how the investment impacts people and the planet.
4. **Investors do not have to sacrifice returns for impact:** Data from RIAA, GIIN, and Aii demonstrate that impact investments meet or exceed financial benchmarks, dispelling the misconception of concessional returns.
5. **Impact measurement is critical for TIPs:** TIPs use frameworks like Impact Frontiers' Five Dimensions of Impact (What, Who, How Much, Contribution, Risk) and GIIN's IRIS+ System to ensure rigorous impact assessment.
6. **Investor contribution strategies strengthen impact outcomes:** Investors can drive change by signalling that impact matters, engaging actively, growing underserved markets, and providing flexible capital, influencing corporate and market behaviour.
7. **Diversification is key to TIP success:** TIPs leverage alternative assets (private equity, real assets, green bonds) to enhance portfolio resilience and impact while mitigating unsystematic risk.
8. **Greenwashing and impact-washing require vigilance:** Robust impact due diligence and third-party verification and certification programs (e.g., RIAA Responsible Investment Certification, Bluemark Fund ID) help mitigate misleading sustainability claims.
9. **TIPs are the future of sustainable investing:** As regulatory expectations rise and investor demand grows, TIPs offer a scalable approach to advancing the integration of impact into mainstream investing without compromising financial objectives.

What is a Total Impact Portfolio?

Every investment produces impact which could be either positive, negative or neutral impact. According to , a “total impact portfolio **assesses impact across every investment in an investment portfolio**, adopting a range of approaches to managing impact, from investment screening through to impact investing. In practice it involves asset owners applying a ‘target impact class’ to each asset type, in much the same way they would use a strategic asset allocation”.

A TIP is designed with the intent of not only achieving financial returns but also optimising the positive impact generated. At a minimum, it aims to avoid any negative environmental or social impact. This is a stark departure from the traditional approach to investing where the focus has been on financial risk and reward with little to no concern for the environmental and social consequences of investment decisions.

	Total Impact Portfolio (TIP)	Impact investing
Definition	Aligns financial & impact goals across all investments.	Invests directly in high-impact projects or businesses.
Focus	Portfolio-wide impact integration (double materiality).	Targeted impact creation in specific sectors.
Investment Strategy	Mix of strategies: screening, stewardship, thematic & catalytic investing.	Direct funding of impact-driven ventures.

The case for TIPs: Why they matter now

Recent trends on responsible investment: Global context

As per the [Global Sustainable Investment Review 2022](#), in 2022 sustainable investments accounted for USD\$21.9 trillion in assets under management (AUM) across Europe, Canada, Japan, Australia and New Zealand. This figure constituted 37.9% of total AUM in 2022 and reflected a 20% increase from USD\$18.2 trillion in 2020. Upon including US, sustainable investing AUM stood at USD\$30.3 trillion in 2022. Sustainable investments as defined by [Global Sustainable Investment Alliance \(GSIA\)](#) are 'investment approaches that consider environmental, social and governance (ESG) factors in portfolio selection and management across various strategies of sustainable or responsible investment. Seeing its members refine their methodologies for regional assessments of responsible investment practices, GSIA postulates that the responsible investment industry is firming up.

Key highlights on global responsible investing trends

- Corporate engagement and shareholder action, overall, was the most prevalent sustainable or responsible investment approach globally in 2022. This was followed by ESG integration and negative screening. Notably, Canada showed a greater preference for ESG integration over corporate engagement and shareholder action, indicating regional differences.
- The [Global Impact Investing Network \(GIIN\)](#) defines impact investments as investments “made with an explicit intention to generate positive, measurable social and environmental impact alongside a financial return.” As per GIIN’s [Sizing the Impact Investing Market 2024](#) study, the estimated size of the global impact investing market was found to be USD\$1.571 trillion.

Australian context

As per the [Responsible Investment Benchmark Report Australia 2024](#), the responsible investment market in Australia grew in 2023 with an average of 86.6% Assets Under Management (AUM) invested responsibly as compared to 80.9% in 2022. 2023 showed an increase in the number of responsible investment managers and stronger commitments among investors towards the adoption of responsible investment practices.

TRADITIONAL INVESTMENT		RESPONSIBLE & ETHICAL INVESTMENT						PHILANTHROPY
		ESG INTEGRATION (including shareholder engagement & voting)	NEGATIVE SCREENING (& norms based)	POSITIVE OR BEST-IN-CLASS SCREENING (& norms based)	THEMATIC/ SUSTAINABILITY THEMED INVESTMENTS	IMPACT INVESTING		
						MARKET RATE	CONCESSIONARY RATE	
FOCUS	Limited or no regard for environmental, social and governance factors	Consideration & analysis of environmental, social and governance (ESG) factors as part of investment decision making	Industry sectors or companies excluded/ divested from to avoid risk or better align with values	Investments that target companies or industries with better ESG performance	Investments that specifically target sustainability themes eg clean energy, green property	Investments that target social and environmental impact and deliver market rate financial returns	Investments that target social and environmental impact and deliver below market rate returns	Grants that target positive social and environmental impact with no financial return
IMPACT INTENTION	Agnostic	Avoids harm	Benefits stakeholders					
			Contributes to solutions					
FEATURES	Delivers competitive financial returns							
	Manages ESG risks							
	Pursues ESG opportunities							
	Intentionality: delivery of impact is central to underlying asset/investment							
	Impact of investment is measured & reported							

Source: RIAA's Responsible Investment Spectrum from RIAA's **2018 Australian impact investor insights**

Key highlights from the RIAA 2024 Benchmark report

- The most widely adopted strategies in 2023 included ESG integration followed by stewardship. In 2023, 99% of AUM was allocated toward ESG integration and 98% was allocated toward stewardship.
- Negative screening was the third most favoured strategy in Australia with 81% of AUM allocated towards it. It was noted that compared to negative screening, other types of screening witnessed greater uptake by investment managers in terms of percentage of AUM in 2023. Positive screening grew from 12% to 18% of AUM in 2023 while norms-based screening went from 32% to 40% of AUM and thematic screening went from 29% to 30% of AUM. Impact investing was covered by 8% of AUM in 2023.

To explore the latest trends across other countries or regions, some helpful resources include:

- [2024 Canadian Responsible Investment Trends Report](#)
- [US SIF Trends Report 2024/2025](#)
- [Responsible Investment Benchmark Report for Aotearoa New Zealand 2024](#)
- [Benchmark on Responsible Investment by Pension Funds in the Netherlands 2024](#)

Escalating environmental and social risks



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The **Global Risks Report 2024** ranks extreme weather, biodiversity loss and ecosystem collapse among the top 10 global threats. The goal of limiting warming to 1.5 degrees Celsius, as set by the Paris Agreement, is increasingly at risk. **Prolonged exposure to global annual average temperatures** exceeding 1.5 degrees Celsius could trigger multiple climate tipping points. Studies suggest that some of these tipping points could have already been breached.

The **Living Planet Index 2024** reports a 73% decline in global wildlife populations since 1970, driven by habitat loss, overexploitation, and climate change, threatening ecosystem stability.

On the social front, global inequalities continue to widen. Rising **food insecurity, displacement due to climate events**, and lack of access to basic services disproportionately impact vulnerable populations. Only **12% of Sustainable Development Goal (SDG) targets** are on track, while nearly 50% are weak or insufficient. **Meeting the SDGs**, for instance, requires an estimated \$4trillion, a gap that urgent capital reallocation must fill.

Economic instability and geopolitical conflicts further widen these gaps, highlighting the need for investment solutions that address both environmental and social boundaries. Kate Raworth's **Doughnut Economics** provides a useful lens for understanding these dual challenges. The outer ring of the doughnut represents planetary boundaries – the ecological limits we must not exceed – while the inner ring defines the social foundation -the minimum conditions needed for human well-being. A well-constructed Total Impact Portfolio (TIP) can help ensure that investments operate within these safe and just boundaries, supporting solutions that both restore the planet and promote social equity.

Alignment with organisation objectives

Retail investors

According to a **survey** conducted by Morgan Stanley in 2023, 77% of the respondents expressed an interest in sustainable investing. 54% of respondents intended to increase sustainable investments in their portfolio in the subsequent 12 months. Factors contributing to increasing interest in sustainable investing included inflation, new climate science research, the financial performance of sustainable finance and evolving market developments. Individual investors would like to pursue investments that not only meet their financial expectations but also minimise harm and advance positive impact.

Charitable foundations

Bound by their purpose of creating public benefit, charitable foundations primarily act on their mission through activities such as grant making. These grants come from the returns generated by the foundation's **investment portfolio**. Historically, charitable foundations have focussed on sustaining or increasing their investment portfolio by predominantly focussing on financial outcomes. This approach could inadvertently negate the benefits that charitable foundations aim to create through their grant dollars.

Recognising that a traditional investment approach could undermine their charitable purpose, . According to 126 Australian not for profits, charities and philanthropic foundations, 43% of the respondents intended to strengthen their commitment towards responsible investment in the subsequent months. In the context of foundations, 97% of foundations were focussed on responsible investing and 44% expected to grow their commitment to responsible investment in the subsequent months.

Globally, foundations have been **advancing responsible investment strategies**, with pioneers like the Heron Foundation in the U.S. committing 100% of its assets to mission-aligned investing. Similarly, major institutions like the Ford Foundation and the Esmée Fairbairn Foundation have dedicated



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significant portions of their portfolios to impact-driven investments, reflecting a broader international shift towards aligning capital with purpose.

Family offices

According to PwC's [Global Family Office Deals Study 2024](#), in the first half of 2024, impact investments comprised 55% of global family office deals by volume and 56% by deal value. This proclivity towards greater adoption of impact investments is in part driven by the “next gen” of family offices. This next generation or younger family members are cognisant of and possess stronger motivation to address environmental and social concerns through the inheritable investment portfolio.

Institutional asset owners (IAOs)

For IAOs, expanding fiduciary duty beyond the [achievement of targeted financial obligations](#) has increasingly been gaining traction. Integrating environmental and social impact issues relevant to beneficiaries in the investment objectives enables IAOs to better align with the interests of their beneficiaries. Through this approach, IAOs are better positioned to improve the overall quality of life of their beneficiaries. For example, a pension fund might find it prudent to consider the environment where its pensioners are likely to spend their savings.

In the case of insurance firms, investing in health-related impact themes do not only fulfil their mission but also enable insurance firms to deliver value to their clients. Sovereign wealth funds investing in infrastructure projects can drive development and address social challenges including clean energy and transportation.

Challenges and barriers of TIPs

While TIPs present a compelling investment approach, several barriers hinder widespread adoption. Below are some of the most common challenges, though others exist depending on market conditions, investor strategies and regulatory frameworks.

The myth of concessional returns

One significant barrier to Total Impact Portfolio (TIP) adoption is the perception that considering impact necessitates sacrificing financial returns. However, multiple studies contradict this belief:

- **RIAA's Responsible Investment Benchmark Report 2024** – This report details the size, growth, depth and performance of the Australian responsible investment market, comparing these results with the broader Australian financial market.
- **GIIN's 2023 GIINsight series** – This series offers a comprehensive overview of the impact investing industry, with actionable insights on impact investing activity and impact measurement and management practice.

By embedding impact across asset classes, TIPs can balance competitive returns with sustainable impact outcomes, offering a risk-adjusted, market-rate return rather than a trade-off model.

Misconceptions about portfolio construction

Another challenge arises from misunderstanding what a TIP entails. Some investors assume that a TIP is comprised of 100% impact investments, which may limit diversification or introduce unnecessary constraints. However, this is not the case:

- A TIP is a diversified investment portfolio that includes multiple asset classes and utilises a range of responsible investment strategies to achieve different depths of impact while delivering on investors' financial objectives.
- Not every investment within a TIP is an impact investment, but the portfolio embeds impact considerations across all investments.
- TIPs use multiple responsible investment strategies—such as investment screening, shareholder engagement, thematic investing, impact investing, and catalytic investments—ensuring both financial and impact objectives are met.

This differentiates TIPs from traditional ESG integration, which focuses on financial materiality rather than real-world impact.

How to construct a Total Impact Portfolio (TIP)

Each investor's path toward **constructing a TIP** depends on their stakeholders, portfolio composition, and investment objectives. Some investors may transition from a traditional investment portfolio to a TIP in a single leap, others may begin with an Impact Allocation approach, dedicating a portion of their portfolio to impact investments. Although the latter can allow for testing strategies and build leadership buy-in, it should be seen as a stepping stone rather than an endpoint. An Impact Allocation approach may not fully align all capital with an investor's mission or values. There may also be some investors that elect to start a portfolio as a TIP from scratch.

Impact is considered across the entire portfolio in a TIP. Impact considerations are embedded throughout the investment process, from strategy development to performance monitoring, for every investment in the portfolio.

Portfolio construction and management: Incorporating an impact lens

Objective: Define the investment objectives

Why it matters

Clear objectives ensure the portfolio is deployed to meet financial goals, impact ambitions and stakeholder priorities.

Practical actions

Establish financial and impact objectives for the investment portfolio.

- Articulate financial objectives (e.g., target returns, risk, liquidity) and impact objectives
- Use the frameworks and guidelines of **Impact Frontiers** to help define the impact objective for the portfolio

Objective: Conduct portfolio impact analysis

Why it matters

A baseline allows an assessment to be undertaken of how an existing portfolio currently aligns with the investor's stated impact objectives, helping identify potential misalignments and opportunities for improvement.

Practical actions

Establish an impact baseline

- Assign an impact class to every investment in the portfolio following frameworks like the Impact Frontiers **ABC of Enterprise Impact** and Aii's **Impact Spectrum** – May Harm, Avoid Harm, Benefit People & Planet, Contribute to Solutions, or Catalyse and Contribute

- Assess alignment of current impact with articulated impact objectives
- Define actions to optimise alignment of the impact of the portfolio with the impact objectives



Source: Aii 'Impact Spectrum' (adapted from Impact Frontiers "ABC" of impact)

Helpful tools/resources

- [Impact Management Project, A Guide to Classifying the Impact of an Investment](#)
- [UNEP FI impact analysis tools for banks/investors.](#)

Objective: Integrate Target Impact Classes (TIC) alongside the Strategic Asset Allocation (SAA)

Why it matters

This step ensures that impact is embedded within investment governance and considered in every investment decision while maintaining alignment with financial objectives. By integrating TICs with the SAA, the portfolio is structured to balance risk, return and impact in a way that aligns with the asset owner's broader objectives.

Practical actions

Embed impact objectives into the Investment Policy Statement (IPS), integrating TICs alongside the SAA to seamlessly integrate financial and impact objectives.

Formalise impact objectives within the IPS to guide investment decisions.

Apply a TIC to each asset class to ensure alignment with the impact objectives for the portfolio.

Identify the responsible investment strategies to use to manage the impact of each asset class and investment in the portfolio, as well as guide the investor's contribution to impact.

Helpful tools/resources

Responsible investment strategies used by Aii to manage the impact of a portfolio include:

- Investment Screening: Apply negative screening to exclude harmful sectors (e.g., tobacco) and positive screening to prioritise high-impact investments.
- Shareholder Engagement: Use proxy voting and dialogue to advocate for corporate alignment with impact goals.
- Thematic Investing: Rely on specific trends for selecting investments.
- Impact Investment: Defined by GIIN as 'investments made with an explicit intention to generate positive, measurable social and environmental impact alongside a financial return. Additionality is an essential feature of impact investments.

- Catalytic Impact Investment: Focus on outcomes over returns, using tools like concessional capital.

ESG integration is not considered a responsible investment strategy by Aii when constructing a TIP. See [Double Materiality: Differentiating a TIP from ESG Integration](#) for further context.

Asset Class	ESG Integration	Target Impact Class		Impact Strategies	
Alternatives (VC/PE, private debt, real assets)	Environmental, social and governance (ESG) integration is a risk management tool to be applied across every investment to ensure the ESG risk factors pertinent to the investment performance are considered and managed.	Contribute to Solutions The investee intentionally seeks to generate positive, measurable outcomes for people or planet and acts to avoid harm.	Catalyse & Contribute The investee intentionally seeks positive, measurable outcomes for people or planet that would otherwise not be possible, but for the acceptance of disproportionate risk and/or concessional financial returns.	Impact Investments Investments made with the intention to generate positive, measurable social and environmental impact alongside a market-rate financial return.	Catalytic Impact Investments Some investors may opt to provide patient or flexible capital to achieve a specific impact while accepting concessional returns.
Property					
Fixed Income		Benefit People & Planet The investee is directly involved in activities that benefit people or planet and acts to avoid harm.	Investment Screening Applying negative and positive screens to avoid assets not aligned to an investor's values and tilt towards positive activities	Thematic Investing Investments targeting themes with a positive theory of change.	
Listed Equities (domestic & international)		Avoid Harm The investee has no direct involvement in activities that harm people or planet.	Shareholder Engagement Signal and encourage desired corporate behaviours.		
Cash					

Source: Aligning financial and impact objectives using SAA, TICs and Impact Strategies.

- Impact Frontiers impact asset classes per [Impact Management Project, A Guide to Classifying the Impact of an Investment](#)

Objective: Select and implement investments

Why it matters

Thoughtful selection ensures the portfolio achieves its impact and financial goals.

Practical actions

Curate and execute an investment portfolio that aligns with the investor's financial and impact objectives.

- Create a pipeline of potential investments.
- Conduct rigorous financial and impact due diligence to identify investments that align with the SAA and TICs and contribute to the impact and financial objectives of the portfolio.
- Seek external specialists to support any gaps in in-house investment origination and due diligence capabilities

Objective: Monitor, manage and report performance

Why it matters

Regular monitoring enables assessment of progress towards financial and impact objectives and improves investment decision-making and management. Public reporting enhances transparency, builds trust and promotes the adoption of best practices.

Practical actions



Track, communicate and manage progress against financial and impact objectives.

- Define financial and impact metrics for each investment.
- Use frameworks like the to align impact metrics with globally recognised outcomes.
- Use technology or external consultants to collect and report impact metrics.
- Share transparent impact reports with stakeholders.
- Benchmark financial and impact performance against peers and learn from best industry practices.
- Determine the most effective actions to address any impact or financial underperformance, which may include divestment, restructuring or active management, depending on the specific nature of the investment.

Helpful tools/resources

- Tools to track progress against impact objectives: [See here](#).
- [Impact Performance Reporting Norms](#)
- [COMPASS Methodology](#) by GIIN

Double materiality: Differentiating a TIP from ESG integration

The concept of **Single Materiality** (or “**Financial Materiality**”) “refers to how climate and other ESG risks and opportunities affect a company’s financial performance and position.” By definition, **ESG integration** is the “ongoing consideration of ESG factors within an investment analysis and decision-making process with the aim to improve risk-adjusted returns.” Viewed primarily as a risk management strategy, ESG integration is **not considered a responsible investment strategy** in TIPs, as it fails to account for the outward impact of investments on society and environment.

How TIPS use Double Materiality

By contrast, Double Materiality – as used in TIPs – examines both:

- Financial materiality: How ESG risks/opportunities affect financial performance.
- Impact materiality: How investments affect people and the planet.

This approach ensures investment decisions consider both financial returns and real-world impact, going beyond risk mitigation.

Illustrating the difference: [A healthcare vs. weapons manufacturer example](#)

Consider two companies:

1. A weapons manufacturer
2. A healthcare company

With ESG integration alone, a weapons company could achieve a higher ESG score than a healthcare company—potentially due to superior reporting, disclosures, scoring methodologies or the company’s exposure to ESG risks. This is because ESG integration focuses on assessing financial risks, rather than real-world impact.



Under double materiality as used in a TIP strategy, however, the weapons company would score lower due to its negative impact on people and the planet, while the healthcare company's positive societal contributions would be properly recognised.

Barriers and enablers

Related objective

“Define the investment objectives”

Barrier

Investors may resist adopting a TIP due to fear of concessional returns.

Enablers

- Evidence shows that impact investments can achieve market-competitive, risk-adjusted returns while delivering positive impact.
- Aii observed an average realised IRR of 9% against a target of 9.5% across 21 impact investments.
- GIIN's 2024 Impact Investor Survey found 70% of investors reported performance in line with expectations, and 16% reported outperformance.

Impact Alpha generation

Contrary to the belief that impact objectives reduce financial returns, a TIP can generate “Impact Alpha”. This concept illustrates how operating with an impact objective enhances investment management and creates financial value by:

- Participating in investments where perceived risk exceeds actual risk.
- Proactive risk management by impact-focused managers.
- Managing impact risks that erode value, leading to superior risk-adjusted returns.

A TIP generates Impact Alpha by generating impact across all investments, rather than isolating impact in a small subset of the portfolio.

Related objective

“Define the investment objectives”

Barrier

TIP is an emerging strategy. Limited capacity or knowledge may dissuade investors.

Enablers

- Conduct a capacity analysis to identify skill gaps and appoint specialised investment managers or advisors.
- Connect with peers who have adopted TIP approaches for shared learning.
- Join industry groups from networks (like GIIN, Investor Network, etc) for insights such as best practices in impact measurement.

Related objectives

- “Select and implement investments”
- “Monitor, manage and report performance”

Barrier

Greenwashing and impact washing concerns.

Enablers

- Conduct thorough due diligence before investing.
- Leverage audit services and recognised certifications (such as RIAA Responsible Investment Certification Program for Australia and New Zealand, B Corp Certification, etc.) for impact measurement and management. Verify impact results.
- Use standardised frameworks such as:
 - UN SDGs and Impact Frontiers’ **5 Dimensions of Impact**.
- **Consider** impact-linked compensation.

Related objective

“Select and implement investments”

Barrier

Limited investable universe.

Enablers

- Apply principles of portfolio diversification, populating a TIP with investments spread across asset classes, sectors and geographies aligning with the impact objectives for the portfolio
- Utilise alternative assets that tap into the full breadth of responsible investment strategies to expand the range of investable opportunities, rather than relying on a single strategy or asset class.
- Increase diversification and opportunity by incorporating a broader mix of asset classes (e.g. private equity, private debt, real assets, green bonds, social impact bonds and other alternative investments).

While negative screening can reduce investment options, the breadth of responsible investment strategies utilised in a TIP varies:

- Strict negative screening may restrict opportunities.
- Strict positive screening may create concentration in the investment universe.

The level of constraint however depends on the responsible investment strategies chosen. For instance, **application** of negative screens can vary in terms of:

- direct investments or indirect investments
- zero tolerance or partial allowance
- companies vs sectors vs geographies
- TIPs are not focused on any single asset class or impact strategy



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- TIPs span multiple asset classes and tap various impact strategies to enable the construction of a diversified portfolio to meet financial and impact objectives
- It expands diversification by increasing exposure to alternative assets such as:
 - Private equity
 - Real assets
 - Impact-focused hedge funds

These uncorrelated asset classes help mitigate unsystematic risk, balancing impact objectives with financial performance.

Case Studies

Wyatt Trust

About

A philanthropic foundation based in Australia, managing an investment portfolio of AUD \$90–100 million.

Mission /values

Eradicating poverty and promoting equality in South Australia.

Impact journey highlights

In 2021, Wyatt Trust transitioned from an Impact Allocation approach to a TIP strategy, adopting impact and responsible investment principles across its entire portfolio. This shift involved partnering with Australian Impact Investments to complete a portfolio impact analysis, which informed the establishment of clear impact criteria and identified necessary changes to align the portfolio accordingly. Additionally, Wyatt Trust reviewed its Investment Policy Statement (IPS) to integrate these impact criteria and ensure their application across the total portfolio.

Responsible investment strategies

Screening, Stewardship, Impact Investing and Catalytic Impact Investing.

Examples of responsible investments made through the investment portfolio include:

- Conscious Investment Management Social Housing Fund 1
- Asset class: Property
- Impact class: Contribute to Solutions
- Responsible investment strategy: Impact Investment SDG: Sustainable Cities & Communities
- Impact theme: Housing
- Impact outcome: Expanded social and affordable housing under the Victorian Government's New Rental Development Program in partnership with The fund targeted 307 homes, achieving 260 housing 400 people by FY 2024.

Ngutu College

- Asset class: Private debt
- Impact class: Catalyse and Contribute
- Responsible investment strategy: Catalytic
- Impact Investment SDG: Goal 4 (Quality Education) and Goal 10 (Reduced Inequalities)
- Impact theme: Education
- Impact outcome: Supports Aboriginal and Torres Strait Islander students by integrating Indigenous knowledge into Against a goal of education 350 students by 2025, it reached 263 students (47% Indigenous) in FY 2024.

Other investments

Catalytic Local Investment Fund (CLIF), Cultivate, Australian Unity Specialist Disability Accommodation (SDA) Fund, For Purpose Investment Partners and Newpin SA Social Impact Bond.

Tony Foundation

About

A charitable trust established by the Albert family business in 2012, based in Australia.

Mission /values

Improve the lives of youth through music.

Impact journey highlights

Conducted a portfolio impact analysis with Australian Impact Investments (Aii) in 2018, leading a transition towards a TIP approach.

Responsible investment strategies

Screening, Stewardship, Impact Investing and Catalytic Impact Investing.

Examples of responsible investments made through the investment portfolio include:

Aspire Social Impact Bond (Aspire SIB)

- Asset class: Social Impact Bond
- Impact class: Contribute to Solutions
- Responsible investment strategy:
- Impact Investment SDG: Goal 10 (Reduced Inequalities)
- Impact theme: Homelessness
- Impact outcome: Funds the Aspire Program to support people experiencing homelessness in Adelaide.

Newpin Social Benefit Bond

- Asset class: Social Impact Bond
- Impact class: Contribute to Solutions
- Responsible investment strategy:
- Impact Investment SDG: Goal 3
- Impact theme: Family Reunification
- Impact outcome: **Supports children** in out-of-home care by reuniting them with families or protecting at-risk children.

Other investments

Goodstart Early Learning Social Capital Note, Sycamore College Working Capital Loan, Ngutu College.

Paul Ramsay Foundation (PRF)

About

A AUD\$3b philanthropic foundation based in Australia, managing an available investment portfolio (meaning outside of the establishing Ramsay Health Care shareholding) of over **AUD\$700m** (as of June 2024).

Mission /values

Break cycles of disadvantage in Australia.

Impact journey highlights

PRF revised its IPS in 2023 to integrate responsible investment strategies,

following engagement with peers, board members, investment committees and advisors.

The IPS states:” In accordance with the Impact Management Project’s Impact Asset Class definition, the Investment Portfolio seeks to ‘Avoid Harm’ to society and the environment in ways which would contradict PRF’s Purpose and values.”

As part of this commitment PRF allocated 10% of its available investment portfolio to impact investments seeking risk-adjusted market returns, and a further AUD\$60m to concessional impact investments.



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Responsible investment strategies

Screening, Stewardship, Impact Investment and Catalytic Impact Investments.

Example: PRF excludes investments in gambling, pornography, tobacco and weapons through negative screening.

As of September 2024, PRD had made over AUD\$120m of impact investments.

The Russell Family Foundation (TRFF)

About

A philanthropic foundation **managing** USD 141 million (as at 2018), focusing on environmental sustainability and community empowerment in the Puget Sound region of the Pacific Northwest.

TRFF's portfolio is mission-aligned, with a target of 100% mission-alignment (total portfolio activation) and achieving net-zero portfolio by 2030.

Impact journey highlights

Began with Impact Allocation in 2004, committing USD 1 million in mission-aligned investments. TRFF's 2023 IPS considers both financial returns and impact performance as part of its fiduciary duty. As of 2024, **94% of**

Responsible investment strategies

Screening, Active Ownership, Thematic Investing, Catalytic Impact Investing.

Example: In 2014, **divested from 15 U.S. coal companies** – a defining moment compelling TRFF to reevaluate their portfolio management strategy.

PGGM

About

A Netherlands-based asset manager for pension funds with Stichting Pensioenfonds Zorg en Welzijn (PFZW) being its largest client. Managed €240 billion in AUM in 2023.

“Signals the impact matters” followed by “Engages Actively”. In terms of impact classification, PGGM's portfolio was classified as:

Mission / values

Aims to be the best 3D investor for **PFZW**.

- 12.1% Don't know
- 4.5% Benefit Stakeholders
- 2.5% Contribute to solutions
- **81% Avoid Harm**

Impact journey highlights

Partnered with the Impact Frontiers in 2017 to map its portfolio's effects on people and planet. Findings showed that the most common contribution made by the asset manager was

2030 joint strategy with PFZW aims to implement a **3D investment approach** which balances risk, return and impact across each and every investment in the portfolio.

Responsible investment strategies

Screening, Active Ownership, Impact Investing.

Example: Shareholder engagement with McDonald's led to increased water management transparency in its supply chain. PGGM and investors withdrew a



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shareholder resolution after McDonald's committed to publishing water-related disclosures and implementing a water scarcity strategy.



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Conclusion

It is possible to construct a portfolio where returns meet an investor's financial objectives and that simultaneously, drives impact. On the impact side, this approach involves tapping into the full breadth of responsible investment strategies including stewardship, investment screening, thematic investing, impact investing and catalytic impact investing.

The journey towards constructing a TIP varies for different investors. Taking an Impact Allocation approach is a good starting point; however, it does not align all capital to an investors value, purpose and mission. For instance, from the total portfolio carving say only 10% for impact is . If the remaining 90% overlooks impact, it could do more damage than good. A TIP provides a holistic investment approach that moves asset owners from a two-dimensional approach, which only looks at risk and reward, to one which is three-dimensional and examines risk, reward and impact in every investment decision. By focusing portfolio construction on both financial and impact objectives, a TIP releases the ability to direct capital to addressing ongoing wicked problems affecting both environmental and social side.

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