The impact at stake: return and risk in impact investing

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Abstract

This study focuses on the financial performance of impact investing. Compared to more traditional strategies in the area of sustainable investing, impact investing focuses on the *product* of the investee companies, by selecting target firms whose product (service) directly contributes to social or environmental sustainable goals. We use a unique dataset of US listed firms whose product (service) aims to solve social or environmental issues and we compare the performance of such impact firms to a matched sample of non-impact companies during the time period from 2002 to 2019. Our results show that impact firms outperform non-impact companies during periods of market crisis. However, this positive effect on downside risk comes at the cost of underperformance during non-crisis periods. No significant difference is detected in terms of standard deviation of returns or systemic risk.

Keywords: Impact Investing; Performance; Risk; Financial Crisis.