

Minimum risk portfolios: is there a role for social impact investments?

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Abstract

This paper explores a potential way in which Social Impact Investments (SIIs) can be embedded into strategic asset allocation decision-making processes. We focus on the role that SIIs can play in risk-minimizing investment strategies. By using an index that tracks the financial performance of a hand-collected sample of Social Impact Firms (SIFs), we test whether this asset class should be included in minimum variance and minimum CVaR portfolios. Our results point out that investors should invest in stocks of SIFs a relevant fraction of their wealth on average, as long as their aim is to minimize the portfolio variance.

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Keywords: Social impact investments, asset allocation, minimum variance, risk aversion.