



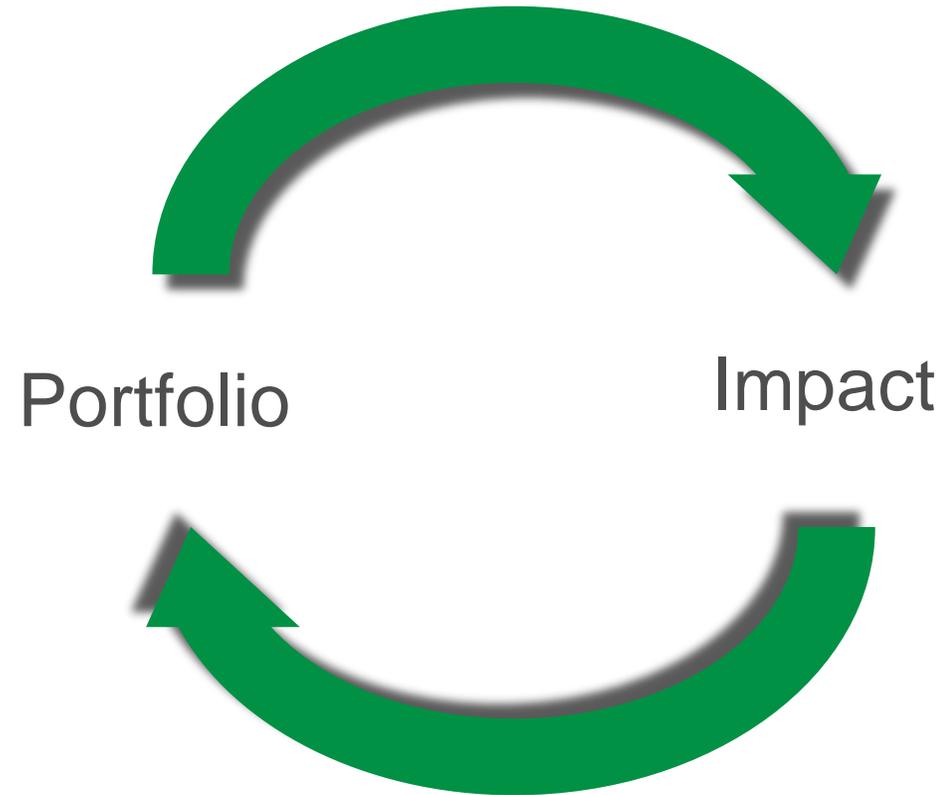
# IEN ANNUAL FORUM

---

Changing a culture of alpha

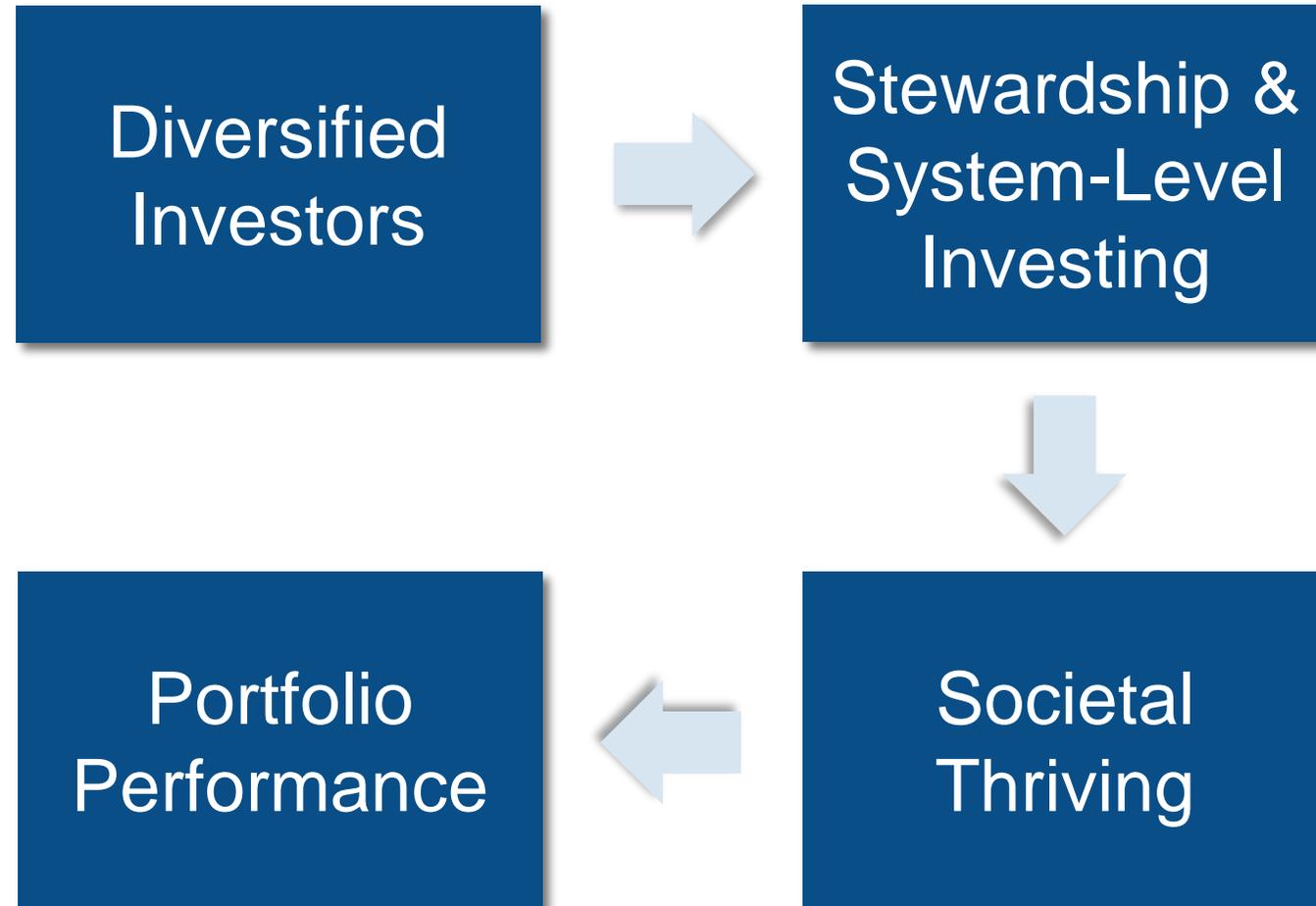
# Relationship runs both ways

---



# Throughline of impact and financial returns

---



# Sources of return: individual portfolios

---

**$\beta \pm \alpha - \text{fees} = \text{absolute return}$**

$$4\% + 1\% - 0.5\% = 4.5\%$$

$$7\% - 0.5\% - 0.5\% = 6.0\%$$

# Sources of return: all portfolios combined

---

$$\beta \pm \alpha - \text{fees} = \text{absolute return}$$

Beta determines 100% of the average return before fees

# Free riding: the investor's dilemma

	Good investor internalizes social and environmental costs, giving up that extra 5% of earnings	Bad investor externalizes social and environmental costs, gaining 5%
Cooperative world: most investors account for social and environmental costs, improving economy by 10%	<b>+10%</b>	<b>+15%</b>
Hobbesian world: most investors maximize alpha, ignoring social and environmental costs, degrading economy by 10%	<b>0%</b>	<b>+5%</b>