Lessons learned from the front line of impact wealth management

Tribe is the UK's first impact wealth manager. Over the past few weeks we've looked back at the year that was. While we've many fond memories of a formative year, we wanted to share some of the things learned during 2017.

1 Much of what we talk about is passion, but the logic works too

Getting people to understand, embrace and then codify their personal values and beliefs is an emotionally charged exercise. So, much of Tribe's time with clients is spent engaging their intuition, feelings, and imagination; their heart. We thought this would be important and fun - and it is.

What's interesting for us is that the logic works just as well. To take the example of how we invest: well-run businesses solving the world's problems should appeal to the head. And what's really exciting is that our clients' investment experience in 2017 bears this out.

But, even with both passion and logic...

2 ... Not everyone "gets it", though certain audiences seem to be get it quicker

Our doors are always open, but not everyone wants impact wealth management today. In the past year of conversations with wealth holders, there were three groups who seem the quickest to light up. (And apologies in advance for some sweeping generalisations...)
First, we've found that entrepreneurs tend to be driven by a desire to make change happen. They believe their business has a positive impact on the world, unrestricted to the geography or sector they operate in. After the business sale they then want their wealth to have the same unrestricted impact - they don't want to be put in a box.

Second, much has been made about impact investing being really attractive to a younger audience. And this is something we've seen in 2017 too: in fact, 50% of our clients aren't yet 40.

And, third, female wealth-holders are not only on the rise, they are highly predisposed to what we call caring capital: they are narrative-led, patient capitalists. Whilst it's not the only reason these clients join the Tribe, it's certainly helpful that women make up half of Tribe's senior team.

These three are particularly underserved groups in finance, which means...

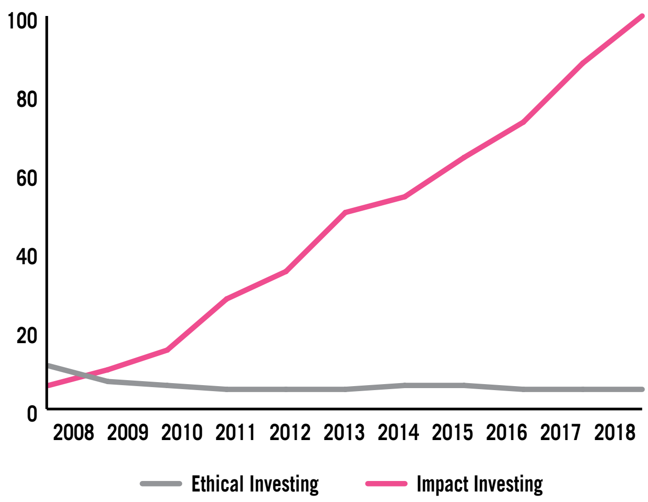
3 ... Impact is grabbing headlines, but we need to beware the hype

If you're a traditional financial services business, there are a limited number of good news stories you can generate. Which means we need to be wary of "impact investing".

So whilst growing excitement around impact is good news by bringing it to the front of our minds, there are dangers: these include the use of jargon and constantly evolving definitions of impact.

Within the broad family of sustainable investment, the term "ethical investing" has been around for the longest. Looking at the interest in the sector below, you can see why we prefer not to use the label.

GOOGLE SEARCH TRENDS
("Impact investing" vs "Ethical investing")



So, to cut through the jargon and avoid the hype you have to...

4 ... Look under the bonnet (or "pop the hood")

In 2017 we carried out enhanced due diligence on 89 fund managers. While there are many fascinating developments in terms of themes, geographies, and products, there are also some traps. Amongst them, we found:

- A new "sustainable" fund, that invests using negative screens to avoid certain activities, one of which is gambling. But two of their top ten holdings are hotels businesses, both with gambling revenues; those these are negligible, it does call into question the point of the screen.
- Another respected mainstream manager has given their existing unsustainable strategy some negative screens, then asked their graduate to run the fund. This house put the underperformance down to "the cost of being ethical".
- One ethical bond fund manager with impressive performance track record has sales aids that highlight a wide range of fascinating impact stories, yet 80% of their portfolio is in financial services.

This does mean additional work for investors. Education and time will help, especially for financial intermediaries.

What we must avoid is another myth about the regulatory environment, so...

5 ... Don't blame compliance, look at culture

In 2017 many clients told us other advisors blame their compliance departments, or the regulator, who prevent them from offering impactful solutions.

Our experience couldn't be more different. The Financial Conduct Authority wants financial markets to work well so that consumers get a fair deal. It does this by, amongst other things, encouraging competition. We've not found anything preventing conversations around impact, values and beliefs. So we suspect that the advisors' problem isn't with compliance, but their culture.

If you really want to offer impact wealth management, you need to have a clear and focused culture: it's very hard to do impact investing part-time.

6 All of which is to say: this is a journey

The top two most frequent comments from clients last year were: "Well, I've never thought about it this way" and "I've just never had this kind of conversation before".

This does mean we're having some intense conversations with our clients. But the progress we are both making is very exciting. And whilst our clients are learning about how to re-engage with their wealth, we're also learning from them.

Six lessons from 2017

1. MUCH OF WHAT WE TALK ABOUT IS PASSION, BUT THE LOGIC WORKS TOO
2. NOT EVERYONE "GETS IT", THOUGH CERTAIN AUDIENCES SEEM TO BE GET IT QUICKER
3. IMPACT IS GRABBING HEADLINES, BUT WE NEED TO BEWARE THE HYPE
4. LOOK UNDER THE BONNET (OR "POP THE HOOD")
5. DON'T BLAME COMPLIANCE, LOOK AT CULTURE
6. ALL OF WHICH IS TO SAY: THIS IS A JOURNEY

THANK YOU TO ALL OUR CLIENTS AND OUR OTHER SUPPORTERS, AND THE VERY BEST TO EVERYONE FOR A SUSTAINABLE AND IMPACTFUL 2018.

Tribe | A NEW WEALTH ORDER