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Looking for Solutions



By - [Wouter Klijn](#) - April 2016

Marcel Jeucken, Managing Director Responsible Investment at PGGM

PGGM, the asset manager for Dutch pension funds, amongst which Pensioenfond's Zorg en Welzijn, is one of the leading funds when it comes to impact investing, but they don't like to call it that way.

They argue that they simply invest in solutions.

"We call it differently, because impact investing has a connotation in parts of the family office world, where it means impact first," Marcel Jeucken, Managing Director Responsible Investment at PGGM says in an interview with *[i3] Insights*.

"There you look at the impact first and financially you get the nominal amount back and perhaps a bit more.

"But we don't make any concessions on the risk/return profile, so for us it is financial first.

"The term 'impact investing' is for some too much associated with impact first. We have decided that we want to contribute to certain global challenges and so have coined it investing in solutions.

"For the portfolio manager it is much clearer in terms of what they need to do: they need to find a solution to a particular problem.

"It also moves us away from any discussion of what others might be doing in impact investing, which is more impact first," he says.

"You need to have a vision of where you want to make an impact"

Upcoming events

[i3] Insurance Luncheon with Stephanie Weston

PIMCO's offices: Level 19, 5 Martin Place - Sydney CBD

28 April 2016 - 28 April 2016

[i3] Investment Strategy Forum 2016

Crowne Plaza Terrigal - NSW Australia

05 May 2016 - 06 May 2016

[i3] Insurance Investment Roundtable 2016

Sheraton on the Park Hotel - Sydney NSW 2000, Australia

07 June 2016 - 07 June 2016

[i3] Strategy Luncheon with Dr Eugene Chan (Melbourne)

Melbourne CBD - VIC 3000

27 July 2016 - 27 July 2016

[i3] Asset Allocation Forum 2016

RACV Torquay - VIC

25 August 2016 - 26 August 2016

[i3] Global Investment Strategy Forum 2016

Le Meridien Cyberport - Hong Kong

13 October 2016 - 14 October 2016

The \$240 billion asset manager has ambitious targets from its clients for its impact investment portfolio and seeks to increase its allocation from EUR 8 billion (AUD 12 billion) at the end of 2015 to EUR 20 billion (AUD 30 billion) by 2020.

The impact investing market is around US\$60 billion (AUD 80 billion) in size, according to the Global Impact Investing Network and so PGGM is a significant player in this sector.

Although estimates of the growth of this market over the coming years vary greatly, Jeucken is confident it is deep enough to reach PGGM's targets.

But he acknowledges it does need a bit of help.

"To a large extent the market is there, but it also needs to be developed," he says.

"One thing we have done is issued mandates for listed equities, where the objective to realise positive impact is as part of the mandate.

"In private markets, increasingly we see new offerings in infrastructure, private equity and real estate. In public markets we also see developments such as an increasing volume of green bonds being issued.

"But investing in solutions doesn't really happen automatically.

"You have to instruct the portfolio manager to look for those opportunities and so by setting a target of how much you want to grow it, you set a target for your portfolio manager to look for these opportunities. And we work closely with our external managers to come up with opportunities.

"You need to have a vision of where you want to make an impact."

"You need to look at the value chain and see where you can have an impact"

PGGM's measurement framework has been developed in cooperation with the Erasmus University in Rotterdam. This framework is critical in setting a clear path for allocations, he says.

"We've chosen four themes: climate, health, water and food. By being more focussed you actually have more opportunity to steer those investments.

"We also asked the question of whether it should be a separate mandate or whether it should be part of an existing mandate.

"We have chosen for the latter, because you want to have the same people, who are looking at opportunities in traditional markets, to look at these investments. They have much more feeling of what happens in this market and the set of opportunities instead of setting up a separate group of people," he says.

The asset manager is now looking how to extract the most impact from their investments.

"You need to look at the value chain and see where you can have an impact. Take food for example. You look at improving food security for the world, but where you can have the biggest impact might not be in the production of food, but in the transportation because there is a lot of waste.

"Having a higher impact might actually mean doing investments in those areas, while intuitively you would think about investing in food production.

"So it is something we look at, but the question assumes that we have a wide array of opportunities from where we can pick. The market is not that deep yet.

"It is deep enough to make our investments, but not deep enough to have investment opportunities in just one area. There are limited 'pure play' opportunities," he says.



