

## Christian Super

A 10-year track record and journey from negative screening to impact investing  
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### Key points

- Christian Super is an Australian pension fund that has evolved from a traditional pension fund investor to a global impact investor and advisor.
- The lack of market intermediaries and consultants has been a challenge as the ability to take a global approach to deal sourcing and diversification has proven to be important. Christian Super has had to build this capability internally and launched Brightlight to offer this capability to other investors.

### Christian Super quote

*"We are often challenged with questions as to whether it's actually possible as a fiduciary to build a viable impact portfolio, but I think that our 10 year track record is sufficient to dispel that myth"*

### Introduction

Christian Super is an Australian not for profit pension fund serving the education and religious sectors with over 25k members with total assets under management of c.AUD 1.3bn (c.£ 900m). The fund was one of the first pension funds in Australia to incorporate ESG and impact across its portfolio and one of the few institutional impact investors globally with a long-term track record.

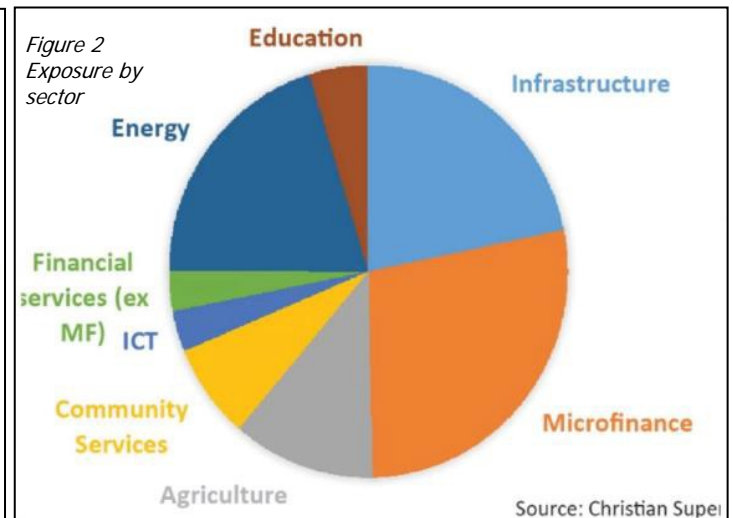
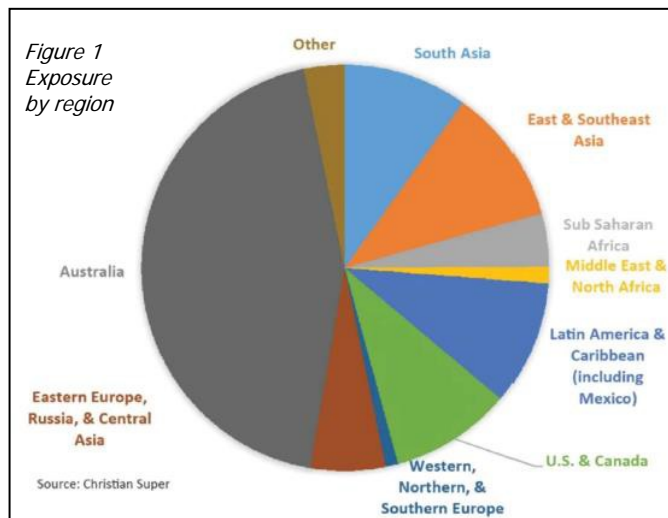
In 2016, Christian Super incubated Brightlight Group (Brightlight), a specialist impact investment advisory and management business. Brightlight advises approximately AUD 150m (£92m) on behalf of third party institutional, high net worth and family office clients.

### What investments were made?

Christian Super made its first impact investment in Renewable Energy & Clean Technology in 2006, and has gradually built out the portfolio from there. In addition to the Responsible Investment approach, applied across the whole portfolio, Christian Super now has a dedicated impact investment allocation of 10% of AUM, expected to increase to 12% by 2018.

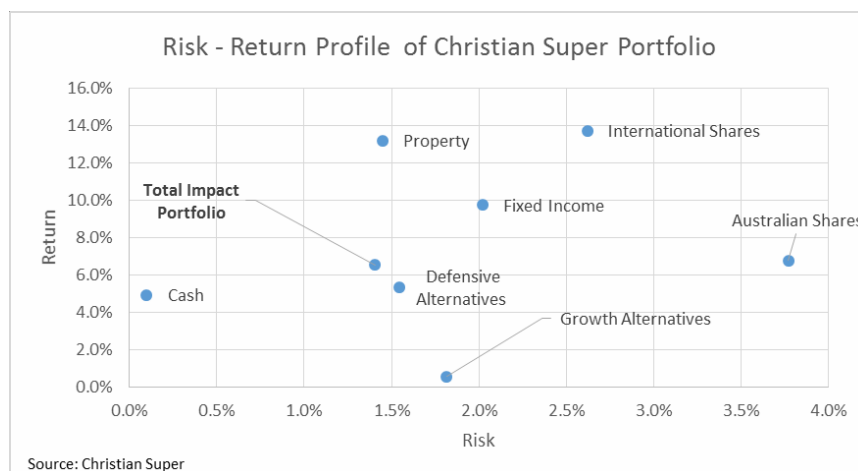
The fund has completed 22 deals in 10 different governance jurisdictions, representing over 200 underlying portfolio companies. The portfolio is diversified by sector and geography, and is split into defensive and growth investments. Overleaf is a representation of their current portfolio, by geography and sector. The fund has also invested in clean technology, sustainable agriculture, community infrastructure, venture capital and social benefit bonds. Some examples includes the fund's early investments in microfinance through Microvest Fund II and Triodos Microfinance Fund in 2010, which provide loans to entrepreneurs in a number of Emerging and Frontier Markets; investment in LeapFrog Financial Inclusion Fund II, which creates economic empowerment opportunities for the unbanked by investing in financial services and microinsurance infrastructure in emerging markets; and Prodigy Finance Higher Education notes listed on the Irish Stock Exchange that helps high achieving international students from emerging markets finance their MBA programs.

## Christian Super Impact Investing Case Study



The below chart shows the comparative 7 year performance of various allocations across Christian Super's portfolio.

*Figure 3 Risk-Return Profile of Christian Super Portfolio*



Against a performance benchmark of inflation + 4% per annum (pa), the impact portfolio returned 6.5% pa after fees over the six years ending December 31, 2016, outperforming its benchmark (CPI+4% over a 7 year period) by 0.3% (Figure 3). Growth assets in the portfolio have been built largely in the past three years and consists primarily of private equity investments where the returns are typically back-ended. The more defensive assets, however, which consists of investments with some form of explicit or implicit capital protection, more than offsets this impact, allowing the portfolio to exceed its target return.

### Why were these investments made?

As a pension fund and regulated fiduciary institutional investor, the fund from the outset had to ensure that the portfolio first and foremost offered an appropriate risk-return profile (that was consistent with the fund's fiduciary duty), but also delivered absolute-return oriented results that were uncorrelated with traditional asset classes all in the context of a diversified portfolio. In addition to this, the initial catalyst for these investments was to build an investment portfolio aligned to member' values with meaningful and measurable social and environmental impact.

## How are the investments managed and monitored?

These investments are assessed by both their financial and their 'impact' performance. It is measured from the first day the investment is made and is monitored on an ongoing basis. High level key performance indicators are communicated in general member communications alongside financial performance.

The fund's approach to Impact Investing ensures any conflict with Christian Super's investment performance objectives are avoided. There is a focus on investments in which financial and impact objectives are complementary rather than competing.

## Successes

1. **Risk-adjusted returns and diversification:** Impact investments as a separate asset class have delivered appropriate risk-adjusted returns for its members. The impact portfolio has exceeded performance benchmarks at lower volatility (except cash) and correlation with other asset classes.
2. **Member satisfaction:** Values-aligned investing has led to a more engaged member base, an investment approach that reflects member values and stronger inbound enquiries from new members.
3. **Industry endorsement:** Christian Super has received numerous industry recognition that has helped build profile with members and throughout the industry including Global Social Impact Investment Steering Group "Asset Owner of the Year", Super Review's Super Fund of the Year "Best ESG Fund", Money Magazine "Best Green Super Fund" and SuperRating Gold Pensions.

## Challenges

1. **Deal-flow:** Christian Super initially experienced challenges in accessing deal flow due to the lack of intermediation. This resulted in sourcing investments being a costly and resource intensive process. To mitigate this, Christian Super invested heavily in relationships and built internal capability.
2. **Track-record:** Impact Managers lacked track-record and Christian Super was often reluctant to be an investor in a first fund. This is reflected in the fund's low investment approval rates.
3. **Liquidity:** This was and continues to be a challenge for impact investing but the fund has been seeing a number of deals in the pipeline that offer some liquidity benefit.

## Further developments

Christian Super recently launched Brightlight, a specialist impact advisory and management business to service asset owners who want to access the impact investment universe.

Brightlight's recent establishment of a UK research and advisory presence will result in a more UK and European focused approach to sourcing its investments. It is also working with UK partners to co-create products and services to help institutional investors transition to impact investing by reducing the barriers to entry.

## Further information

For additional information, please refer to the below links:

Christian Super launches Brightlight business: <http://www.brightlightia.com/exclusive-christian-super-launches-brightlight-business/>

Impact Investing in the context of a diversified portfolio: [https://www.imca.org/sites/default/files/current-issues/IWM/IWM16NovDec\\_ImpactInvestingDiversifiedPortfolio.pdf](https://www.imca.org/sites/default/files/current-issues/IWM/IWM16NovDec_ImpactInvestingDiversifiedPortfolio.pdf)

### About Pensions for Purpose

Pensions for Purpose is an online collaborative initiative to raise awareness of impact investment amongst pension funds. Our members consist of Influencers (eg. impact managers, trade bodies and consultants) who want to promote the understanding of, and discussion around, impact investment, and Affiliates (eg. asset owners, government bodies, independent advisers and journalists) who want to deepen their knowledge of this important topic. Affiliates are able to register for free, which allows them to access additional, Affiliate-only material and to receive monthly updates of new content posted on the platform. For more information see <https://www.pensionsforpurpose.com/>.