



The ABCs of Climate Investing: How Families Can Unlock the Trillions Needed for Climate Solutions

Many families recognize that climate change is one of the existential global challenges of this generation. In response, many have worked to reduce their carbon footprint and advocate for green policies. Now, some are also exploring how they can use their investment portfolios to bulwark against the climate crisis. Studies have found that the current rate of investment in climate solutions is only 20% of the trillions of dollars needed annually to limit global warming to 1.5° C.¹ Families can play a vital role in bridging this gap, helping mitigate the intensity of climate change and protect the most vulnerable communities — as well as build financial resiliency to climate-related risks. For those interested in investing for the climate, this primer lays out the first steps to identify goals, set investment strategies, and explore existing solutions.

Find your North Star. Based on feedback from dozens of families, we found that three commonly pursued goals for climate investing are **mitigation**, **resiliency**, and **alpha**.

Mitigation: Reduce, prevent, or remove heat-trapping greenhouse gas emissions in the atmosphere, addressing the root cause of warming.

Examples include renewable energy, electric vehicles, and biofuels.

Resiliency: Help vulnerable communities and economic systems adapt to the impacts of climate change, reducing potential risks and damage.

Examples include sustainable small-scale agriculture, smart electric grids, and flood-resistant water infrastructure.

Alpha: Boost investment returns and reduce volatility by mitigating climate-related risks and investing in climate opportunities.

Examples include fossil-fuel-free private portfolios, electric vehicle infrastructure, and carbon credit generation.

Ways and means. CapShift has identified three main investment strategies that families can lean on to achieve these goals: **align**, **build**, and **catalyze**.



Align: With a focus on public investments, divest or realign portfolios to avoid climate-related risks.



Build: Invest in equity, debt, or project finance funds to scale deployment of profitable solutions.



Catalyze: Support trailblazing ideas with patient capital by accepting a higher risk, lower return, or a longer lock-up period.

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Mix and match. Many families have already successfully built a 100% climate-aligned investment portfolio spanning multiple asset classes and strategies. For those interested in pursuing this type of strategy, there are a number of options available. On the following page, we've provided a sample portfolio with a 50-50 public-private split and a portion of the private sleeve in catalytic, impact-first investments. This example portfolio is suitable for charitable asset owners seeking to drive impact out of the portfolio; other asset owners may add more diversification to the portfolio.

Ebb and grow. While each family's focuses, goals, and approaches may differ, there are four common steps that are key to establishing a successful climate-focused portfolio:

- setting impact and financial goals,
- developing a strategy to achieve these goals,
- taking action to invest,
- creating iterative feedback loops to improve performance over time

CapShift provides sourcing, diligence, reporting, and other services to help families create climate-focused portfolios, with a particular focus on investment portfolios of charitable assets. If you would like to learn more about how we integrate with donor advised fund providers, financial advisors, philanthropic consultants, foundations, and family offices, please reach out to us at hello@capshift.com to begin a conversation.

To read the full contents of the report, click [here](#).

1. *Climate Policy Initiative. Updated View on the Global Landscape of Climate Finance 2021.*

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Sample 100% Climate-Aligned Portfolio

Portfolio illustrative of an investor with a significant exposure to private markets and an allocation to catalytic investments. The below is meant to be demonstrative of how a family might approach building a climate-aligned portfolio; it is not a recommendation or a solicitation to invest. Investors should do their own research prior to investing and should make decisions based on their own needs and risk tolerance.

