

# Making a Difference – and a Profit!



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The British papers have framed the issue correctly. One recent headline quoted the chancellor of the exchequer: “Osborne: We have run out of money.” There is a little secret that the continental press does not want to write about. Government has limits. The sovereign-debt crisis shows that they can try to do too much and go too far. The more active the public sector, the less room for the private sector to act. Well, the governments in most countries in the European Union and the U.S. are simply out of cash. Admitted or not, they cannot spend more, because, in the end, someone has to pay for it, and there are few people and companies left to pay for their actions.

In this climate, government is now starting to remember there is a private sector to fall back on and is now quite happy to call on them for help. In fact, many families, family offices and family-owned businesses are proactively making a major difference and relying on themselves and each other to make a difference in the current economic climate. They want to invest, but invest to make a social impact – to make a difference – while investing to make a decent return on their investment. Tired of less than 1% returns on their

deposits, before fees, many look to other rewards for their investments than just dollars and cents.

Here is a good example: Percy Barnevik sat on the boards of GM, ABB, Astra Zeneca and many other companies, but his largest impact has been a very private and personal one. He formed the London-based organization “Hand in Hand” and created over 700,000 jobs with the group on this planet. That is an amazing statistic, given that those jobs are in some of the poorest regions of the world. With typical entrepreneurial zeal, his goal is 10 million jobs around the world. They do it by helping mostly women to start their own business. Then support them as they grow.

Jobs are a social impact and the usual measure for this type of investment.

Social-impact investing should not be confused with “socially responsible investing” and other esoteric, but well meant forms of trying to do good or at least showing that you try. There are many studies done to show that socially responsible investing has mixed results at best, both from an investment perspective and from the results achieved from using the social responsibility filter for investment.

Social-impact investing is about results. Jobs. Objectively verifiable and performance driven. Many of those sustainable-energy programs widely sold a few years ago made people feel good, but in the end were not so sustainable. Projects with social impact are sustainable because they first make economic sense. Then come the jobs and more. The returns are high because it is often a project in an emerging market. That market may be in Africa, Asia or East London. It can be a timber and lumber investment in Brazil, low-cost housing in Africa or investment in micro health or life insurance companies. The bottom line is that they make a profit and a difference.

The social-impact investment is also one that is great for the next generation to learn from and grow with. They can see how companies, like their own fam-

ily, start their business from nothing and see how hard work can pay off. They can also see how their family’s money can be put to real work to do real good.

This summer, there is a major conference to be held in Lugano named “Partnering for Global Impact” ([www.partneringforglobalimpact.org](http://www.partneringforglobalimpact.org)). On July 9 and 10, representatives of families, family offices, major companies and financial institutions will be in attendance to meet with others from around the world with social-impact opportunities in the areas of health, water, agriculture, education, housing and finance. Gamil de Chadarevian, with close links to the global pharma and bioscience industry, is the leader in organizing the event. However, it is part of a much larger effort to make Lugano the center for philanthropy and global-impact investing worldwide. More is certainly to come.

It is the start of families getting back to business, making their own difference and creating jobs and social impact on their own and directly with the project. Too often, there have been intermediaries with large fees and administrative charges in a deal and much of the money never goes into the investment. The investor is expected to be rewarded more by feeling good for trying. In the social-impact world, it is results that count and lean overhead costs. When more goes in, more comes out and back to the investor. I must admit, I walk with my own feet in this arena and can speak in the first person as to the wonderful results. It is also appropriate to disclose that I am helping to make my own social impact to support the event this summer in Lugano.

I learned early in life, that the more you have (intellectually, politically or economically), the more responsibility you have for others, and the best way to demonstrate that responsibility is to make a real social impact. It is an age-old concept. Remember the Medici family in an age of darkness and crisis? However, it is equally timeless in its impact. Social impact.

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