Bond Case Briefs

Municipal Finance Law Since 1971

How to Begin Incorporating ESG, Impact Investing into Portfolios? Try Munis.

You often hear it said that the first step is the hardest. But for investors and financial advisors looking to step onto the path to ESG and Impact investing, the first step can be an easy one—municipal bonds. Municipal bonds serve as a low-risk, tax efficient asset class that can dampen overall portfolio volatility and provide income. In addition to these favorable investment characteristics, when evaluating ESG and Impact opportunities, municipal bonds should be one of the first sectors that springs to mind.

Asset Class Characteristics

Most sectors of the municipal bond market, including tax-backed general obligation (think states, cities and counties) and various revenue-backed sectors (think utilities, hospitals, etc.), are amenable to ESG and value alignment investment approaches. Sectors such as education, healthcare, housing and utilities all have positive impacts, which investors pursuing such strategies will find attractive. The ability to invest directly in communities, in school systems, in renewable energy products, in clean water and in scores of other initiatives financed through the municipal bond market is a strong motivator for those seeking to achieve positive social and environmental outcomes with their investments.

That said, not all municipal bonds are impactful or ESG positive. Bonds financing prisons, detainment centers, fossil fuel power generation, hotels, shopping complexes and the like are also included in the municipal bond market. Even in sectors where a positive impact is possible, it takes a robust data collection and analytical effort to select bonds that achieve exceptional outcomes for the communities they serve. It takes an experienced team to evaluate the opportunities available and find those that are best suited for an ESG and Impact investing strategy. ESG factors that are material and relevant to the credit profile of an investment opportunity are integrated into any strong credit analysis; beyond this, identifying opportunities where financed projects can have a demonstrable positive effect on the surrounding community takes experience.

Investment Performance

One common question we receive around ESG and Impact investing pertains to the amount of performance sacrifice for incorporation. Based on our experience, when managed properly, the answer is none.

ETF TRENDS

by IRIS.XYZ

MAY 18, 2019

Copyright © 2026 Bond Case Briefs | bondcasebriefs.com