



The Rise of Sustainable Investing and Impact Investing

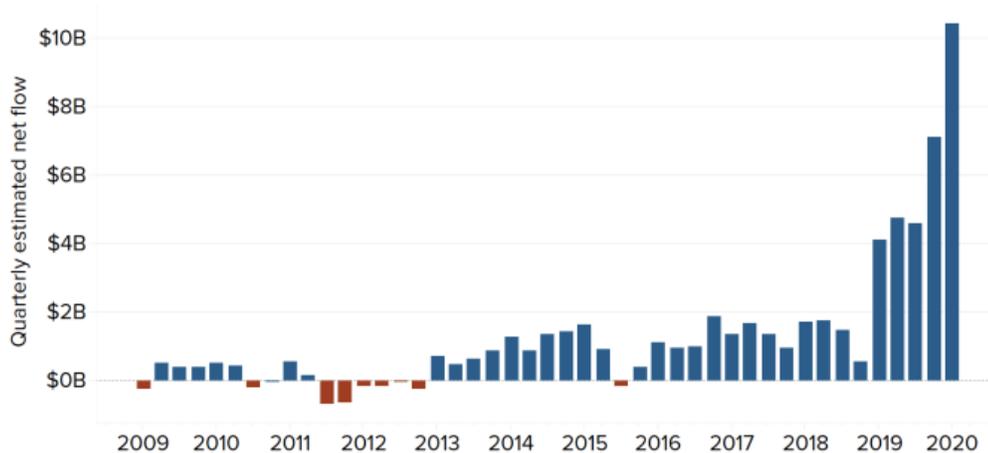
Climate crisis campaigns and COVID-19 pave the way for a sustainable investing stronghold that is here to stay.

By **Jeffrey Sweeney**, Chairman and CEO, **US Capital Global**



Sustainable investing is by no means a new concept. But as with any emerging market, particularly one that distances itself from historically lucrative trends, some doubted its stability and claimed the arena of sustainable, impact, and ESG (environmental, social, and governance) investing to be a bull-market fad. But if the **record inflows of sustainable funds** over the past two years were not enough to dismantle such doubts, the market's impressive success during the pandemic's economic downturn has cemented its stronghold in the future of investing.

SUSTAINABLE FUNDS SEE RECORD INFLOWS IN 2020



SOURCE: Morningstar Direct, as of 3/31/2020. (ESG Integration, Impact, and Sustainable Sector funds as defined in Sustainable Funds U.S. Landscape Report, 2018. Includes liquidated funds; does not include funds of funds.)

Prior to the global pandemic, financial thought leaders were already proclaiming green investing to be a **“mega trend” with long-term prospects** and predicting a bumper year for green bonds. This was partially due to the growing sense of social and ecological responsibility among investors and corporations in the wake of the rising climate crisis campaigns, with investors around the world demanding socially and environmentally conscious options. This shift in consciousness—where consumer demand is outpacing the market—has had



a tangible effect, with firms such as BlackRock inaugurating a new environmentally-focused standard for investing. Recognizing the climate crisis as a deeper and longer-term threat than any other financial crisis, Black Rock's Larry Fink noted that it is set to trigger "**a fundamental reshaping of finance.**"

Innovative technology: the backbone of sustainability

Data shows that **asset managers have embraced sustainable investing** with significantly higher numbers of sustainable open-end and exchange-traded funds now than there were a decade ago. Moreover, **nine of the biggest ESG mutual funds** in the U.S. outperformed the Standard & Poor's 500 index last year, with seven beating their market benchmark over the past five years.

One of the keys to this significant outperformance is **sustainability's integration with innovative technology** (the top performing S&P 500 sector last year) and its low engagement with industrials and energy (last year's worst performing sector). New advances in GreenTech are enabling entire societies to reshape themselves in accordance with the world's rapidly changing circumstances. Although these statistics may appear revelatory, at US Capital Global we feel that the marketplace is finally catching up with our own position, and we continue to see a lot of interest in this sector in Europe and in the U.S.



From renewable energy and recycling companies to sustainable developers and healthcare, we have a long history of working with companies that utilize GreenTech, FinTech, and other innovative means to pave the way for a new, more enlightened approach to both finance and the way we live. One such example is **RE Capital Partners USA LLC** ("Royal Eagle"), a renewable energy investment firm that specializes in sourcing capital for impact, green, sustainability, and ESG investing in Latin America and the United States. Royal Eagle supports small to medium-sized enterprises and family-owned businesses in the renewable energy, real estate, and FinTech space with the aim of unlocking growth and increasing valuation. The



firm specializes in selecting choice projects that mitigate financial, operational, and environmental risk while increasing valuation and building communities. **The US Capital Global Royal Eagle Green Energy Income Fund** has been awarded the highest sustainability rating of “Dark Green” by a leading global independent green bonds rating agency.

At US Capital Global, we highly value the green investment sector and actively seek out ESG projects and investments with independent third-party verification. We have been engaged in ESG and impact investments for decades. We understand the sector well, and are committed to it in our personal lives; therefore, for us ESG investing is not a green-washing PR exercise. Mischaracterizing investments can lead to trailing consequences from the perspective of both compliance risk and ethical standards. Accordingly, we are increasing our focus on authenticity through third-party verification, as exemplified by Royal Eagle.



Of course, socially responsible investments (SRIs) that utilize technology are not limited solely to GreenTech firms. We believe that the majority of our clients and portfolio companies represent positive social impact enterprises. For example, **Takeout Group**, a Danish disruptive online food and delivery company and portfolio company of **US Capital Global Business Credit Income Fund LP**, provides end-to-end ordering and dispatching white-label platforms and aggregation sites for thousands of participating restaurants across Europe. The company has seen almost 100% year-on-year growth, which has been further bolstered by the past year’s rise in demand of food delivery services.

The online food and delivery service industry is expected to double over the next decade, from a **\$107.44 billion industry in 2019** to **\$200 billion in 2030**. It is no surprise that Takeout Group’s software has become an especially pressing service during the COVID-19 crisis, when reliance on community support has become essential and local restaurants have been forced to generate new methods of business to avoid closure.



The new normal: rebalancing our relationships to investments and the environment

Forbes recently noted that **technology has become the key driver behind the sustainability movement** and the bedrock of ESG investing. Although this was already the case during last year's rise of sustainable fund inflows, the pandemic has boosted digitization across all sectors of the economy, strengthening the sustainable investing infrastructure. Like the climate crisis, the pandemic has illuminated our vulnerabilities, highlighting the truth that markets do not operate in isolation from the societies and natural environments in which they are situated. This shift in consciousness is urging innovators and investors alike to discover and support new ways of restoring and maintaining balance between the human and the natural world.

The long-term effects of COVID-19 will drive investments towards the digital economy, social concerns, and in particular human health and the health of the planet, which are not mutually exclusive. US Capital Global takes a keen interest in supporting the MedTech and biopharmaceutical industries, as exemplified by investment opportunities in **Nouslogic Healthcare, QT Imaging, Dianomi Therapeutics, and Cardax**. With hospitals under greater strain, MedTech advances that relieve their burden will increasingly become essential targets of impact investing.

As global issues become more pressing and precarious, sustainable and social impact investing is being used to help manage risk in uncertain times. Studies show that **70% of advisors** name superior risk management as the top reason their high-net-worth clients invest in responsible investments. Despite all previous criticisms, strong investor interest in 2020 and the indefatigable rise of sustainable and social impact investing in 2021—as COVID-19 raged through other markets—has proven the sector's tenacity, reliability, and deep value for widespread social and environmental benefit. It is, without a doubt, **the new normal**.

Jeffrey Sweeney is a fund manager with years of experience in direct lending and corporate finance for lower middle market businesses. He is Chairman and CEO at US Capital Global (www.uscapglobal.com), a full-service private financial group headquartered in San Francisco. The group aims to invest in companies that address the world's major social and environmental challenges, while generating long-term wealth for investors.

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