

## Case Study

# Inyova's online impact investment platform

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### Introduction

Inyova (formerly, Yova) is a Swiss start-up with a mission to make investing in a sustainable future easy, without any compromised returns (Inyova, 2022a). It offers a free online tool to promote investments across 12 areas: advancing education, renewable energy, energy-saving technology, clean water, circular economy, sustainable forestry, plant-based food, Swiss champions<sup>1</sup>, access to medicine, pandemic control, digital champions, and transport of the future (Inyova, 2021).

Impact investing provides capital to companies striving for positive change, in which investors are often found willing to accept lower financial returns than in traditional investments (Yova, n.d.-a; Barber, Morse, & Yasuda, 2021, p. 183). According to the Global Impact Investing Network (GIIN, 2020), the size of the impact investment market stood at US\$ 715 billion in April 2020 and is expected to continue growing. The need for reliable and accessible mechanisms to make impact investment possible is driven by the large market size and willingness of investors to help solve global challenges, coupled with the large number of companies seeking capital for their activities.

### The problem

Currently, there is no universal definition of impact investing and there is frequently a lack of understanding of what constitutes an “impact” in such an investment (Höchstädter & Scheck, 2015). Moreover, some investors do not manage their own investment portfolios, meaning they are not aware of where their money is being allocated. In some cases, investors are unknowingly supporting companies that are fuelling global challenges, such as the climate crisis (Inyova, 2021). According to D. Capital Partners (2013), impact investing emerged due to the failure of philanthropy to tackle the real problems of disadvantaged communities, with the aim to invest in profitable businesses over long periods of time.

Additionally, in the past, impact investing has usually been limited to a certain profile of investor – wealthy customers of private and major investment banks (Barber et al., 2021, p. 163). Thus, impact investment expertise and knowledge have rested within only a small set of elite actors (Höchstädter & Scheck, 2015, p. 451). For others, social impact investing meant too high of a risk with too low of a financial return (Inyova, 2021). Therefore, solutions for enabling impact investments need had not been accessible to a diverse audience.

### Inyova's online platform

Inyova was founded, precisely, with an aim to make impact investing accessible. It adopts the definition of impact investing from GIIN, for whom “impact investments are investments made with the intention to generate positive, measurable, social and environmental impact alongside a financial return” (Inyova, n.d.-b). Through its user-friendly, free online platform, Inyova supports investors by analysing all companies in its “Inyova Universe” to generate a customised list of companies matching the user's

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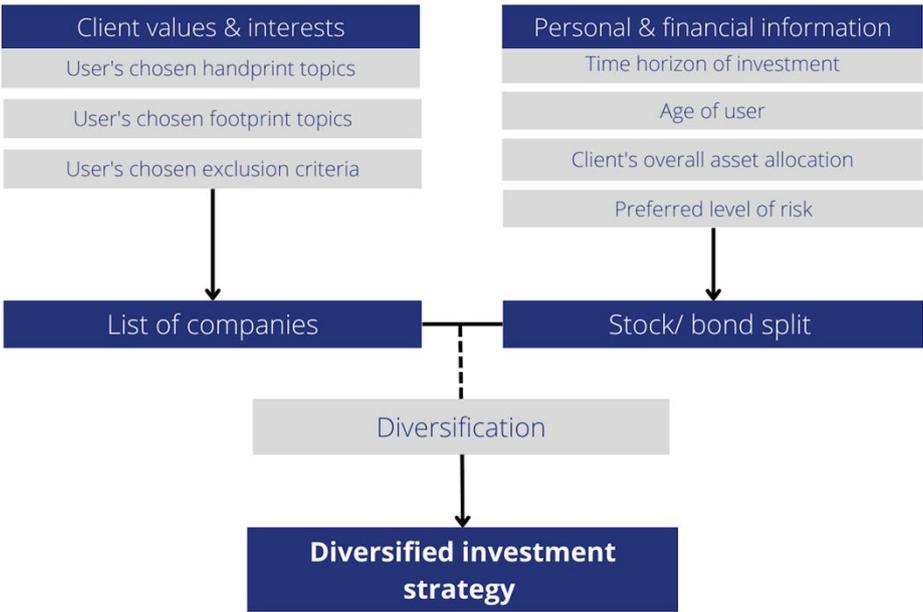
<sup>1</sup> A Swiss Champion is a company that's headquartered in Switzerland and has at least 25% of its value creation taking place in the country (Inyova, 2021, p. 18).

criteria (Inyova, 2021). Companies in the “Inyova Universe” should be a champion in at least one sustainable dimension and, most importantly, should not have large sustainability issues. To comply with this, the impact team is constantly reviewing companies and removing them where necessary or expanding the list with new companies.

In real-time, Inyova creates a diversified and personalised investment strategy using an automated calculation for each customer. Figure 1 below illustrates how Inyova produces this strategy.

**Figure 1**

*Inyova’s diversified investment strategy process*



Source: Inyova, 2021

The “Inyova Universe” encompasses approximately 400 companies (Inyova, 2022b). To generate a customised strategy, Inyova has created a three-step inclusion and exclusion process for impact investors to undertake on its platform. These criteria go beyond conventional investing or even sustainable investing (ESG). First, users match the focus of their investment with their values by choosing from the 12 available impact areas<sup>2</sup>, known as “handprint topics”. Second, users can choose to add “footprint topics” which are: gender equality, fair pay, human rights, and low carbon emissions. Finally, impact investors can select from eight exclusion criteria, which are topics that conflict with their values. Inyova offers the choices of, no coal or gas, no nuclear, no pesticides, no alcohol, no tobacco, no meat, no animal testing, and no weapons. This inclusion and exclusion mechanism whittles down the investment recommendations based on the customer’s selection by ranking companies according to a “match score” (Inyova, 2021).

Meanwhile, every customer’s portfolio is built in accordance with investment best practices based on their personal and financial information. Four factors are taken into account: 1) the expected time horizon of the investment; 2) the age of the user; 3) the user’s overall asset allocation; 4) the level of risk the user prefers. From this information, Inyova supports its clients with their risk preferences by dividing the total amount of investment between stocks of a company and a smaller percentage in bonds through ETF (Exchange Traded Funds) (Yova, 2020). The Inyova algorithm suggests the ratio between stocks and bonds, but the user may override this recommendation although it is not advised to do so (Inyova, 2021).

<sup>2</sup> Advancing education, renewable energy, energy-saving technology, clean water, circular economy, sustainable forestry, plant-based food, Swiss champions, access to medicine, pandemic control, digital champions, and transport of the future.

The final phase is diversification. From the generated list of companies and the calculated split of bonds and stocks, the Inyova Engine then spreads the investment across different industries, currencies and regions. to add stability and optimise risk in the overall portfolio (Inyova, 2021; Yova, 2020). This results in a personalised, diversified investment strategy. Further customisations from the client are possible, such as adding and removing companies, and with each adjustment, the portfolio is recalculated so it is financially sound. The final portfolio will consist of roughly 30-40 stocks from the “universe” based on customer selection and algorithm results.

### Accessible investing

Dr Tillman Lang (2021) Inyova co-founder and Chief Executive Officer, claims that impact investing is about maximising returns whilst also contributing to the world. Impact investing has traditionally been a practice for the private sector or rich investors (Srivastava & Read, 2020, p. 6) and the market is often dominated by traditional investment funds which are not focused on socially oriented projects (Drummond, Luna & Suquet, 2019, p. 9). Inyova, on the other hand, creates a more accessible platform for impact investing, one that enables investors to define their preferred areas of impact. It also organises regular workshops on relevant topics such as the “Inyova Universe” including how they assess companies for inclusion and how they update the list, thereby sharing their knowledge and expertise on impact investing. Moreover, it offers investments from 2,000CHF, enabling a wider range of clients to reach their desired financial goals (Yova, n.d.-b; Inyova, 2022c). However, the percentage annual fee for Inyova’s services decreases with bigger amounts invested, from a 1.2% annual service fee for 2,000CHF invested to 0.6% when investing 500,000CHF or more (Inyova, 2022c).

### Conclusion

Inyova tailors investing strategies to each client. It also gives them control and transparency as they are able to select their investing preferences, see the exact stocks and bonds that they have invested in, and make any changes if they wish. This enables Inyova to meet the needs of each investor who channels their investments into topic areas that match their values, including education. The user-friendly platform is helping to make impact investing more accessible and regular workshops are helping to disseminate information and expertise.

Inyova’s online platform has great potential to increase the total number of clients seeking to invest in a sustainable future. The personalised, flexible, and diversified investment strategy offers investors of different values and financial means the possibility to find the right strategy for them. Ultimately, this has the potential to bring in more funds from a variety of new and existing investment actors directed to companies seeking to make a positive change in society, including for (but not limited to) educational outcomes.

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