Applying a child-lens to investing

ILLUSTRATION: SHUTTERSTOCK

Why should we apply a child-lens to investing? And, equally important, how should we do that?

By *Sjoerd Rozing*

Children are our future – future consumers, workers, innovators, and caregivers. Yet, despite their significance, their interests are overlooked in economic and financial decision-making. Our short-term focus contributes to many of today's most pressing global challenges, including climate change, biodiversity loss and economic inequality.

Neglecting long-term thinking harms children and future generations, leaving them to deal with the consequences of our actions. As investors, we have the opportunity – and the responsibility – to adopt a forward-looking approach. Applying a child-lens to investment decisions is one way to do so.

How to apply a child-lens to investing

To bring the concept to life, let's start with a thought experiment: picture the world you want future generations to inherit. What do you envision? Thriving rainforests? Unspoiled coral reefs? Animals not facing extinction? If so, environmental sustainability is a key priority. But perhaps you also envision a world where children have access to healthy and nutritious food, and to quality education and adequate healthcare. These are urgent challenges that children already face today.

We have developed a strategy, the Future Generations strategy, that is structured around both long-term sustainability goals as defined in the UN SDGs and immediate needs, using the goals from UNICEF's strategic plan (see Figure 1) as a guiding framework.

There are five key areas where investors can make a tangible impact. These areas offer many investment opportunities that contribute to child well-being while also offering an attractive return.

1. Child health and survival

The challenges related to food and healthcare are enormous. Malnutrition[1] is a global crisis, affecting nearly 200 million children. It leads to stunted growth, underweight children, and obesity. Investing in food companies that provide healthy and nutritious options is essential.

> 'Investing in child-centric impact themes can create a resilient and diversified portfolio that is less susceptible to short-term macroeconomic fluctuations.'

FIGURE 1: UNICEF'S STRATEGIC PLAN AS GUIDING FRAMEWORK FOR A CHILD-LENS APPROACH

- Every child survives and thrives, with access to nutritious diets, quality health care, nurturing practices and essential supplies
- Every child learns and acquires skills for the future
- Every child is protected from violence, exploitation, abuse, neglect and harmful practices
- Every child has access to water, sanitation and hygiene and lives in a safe and sustainable climate and environment
- Every child has access to inclusive social protection and lives free from poverty.

Source: Triodos Investment Management

‘By applying a child lens to investing, we can move beyond short-term returns and focus on building a sustainable, inclusive, and thriving global economy.’

Healthcare is another critical area. Children require treatments tailored to their unique needs, yet pediatric medicine faces many hurdles.[2] Investing in companies that prioritise pediatric healthcare ensures better medical outcomes for the youngest and most vulnerable.

2. Access to education

Education is an important driver of social and economic development. It’s estimated that in 2023, 250 million children across the world were not in school.[3] And those attending school do not always receive quality education. We therefore focus on companies that improve accessibility and quality of education.

3. Protection from violence and exploitation

Online safety is an urgent issue. Children use the internet from an early age. When left unprotected, many see inappropriate content or become the victim of cyber bullying.[4] Companies that provide cybersecurity solutions are interesting investment options here.

4. Safe and clean environment

A liveable planet is essential for children to grow and thrive, now and in the future. Many solutions are required to deliver a safe and clean environment. This includes renewable energy, water infrastructure and recycling solutions. The benefits of these solutions accrue to both present and future generations.

5. Equality and inclusion

Gender and birthplace still largely determine one’s chances in life. Technology has the power to break these barriers. Access to a smartphone can provide financial tools, educational resources, and connectivity, all of which contribute to social and economic inclusion. By enabling digital access, investors can help bridge the opportunity gap and foster economic growth.

The investment case for a child-lens approach

Applying a child-lens to investing is not only about social responsibility – it also makes financial sense. Investing in child-centric impact themes, such as food, healthcare, education, and infrastructure, means investing in essential services. This can create a resilient and diversified portfolio, less susceptible to short-term macroeconomic fluctuations.

We see evidence of this in our strategy. It has lower volatility compared to the reference index. The beta is also well below one. Furthermore, it has different sector allocations. In addition to these benefits, you should also take the key risks into account, like currency and market risk, and sustainability-related risks, like physical, transition and litigation risks.

As investors, we play a crucial role in shaping the world future generations will inherit. By applying a child-lens to investing, we can move beyond short-term returns and focus on building a sustainable, inclusive, and thriving global economy. ■

1 https://www.who.int/news-room/fact-sheets/detail/malnutrition
2 https://accesstomedicinefoundation.org/resource/closing-gaps-in-access-to-medicine-for-children-how-r-d-and-delivery-efforts-can-be-ramped-up
3 https://news.un.org/en/story/2023/09/1140882
4 https://www.bbc.com/news/technology-68225707

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FOTO: ARCHIEF TRIODOS INVESTMENT MANAGEMENT

SUMMARY

A child-lens investing approach prioritises long-term impact on future generations.

It addresses critical challenges like climate change, inequality, and short-termism.

A strategy that aligns with UNICEF’s child wellbeing goals, can offer strong returns, lower volatility and different sector allocations.

Key focus areas: child health, education, safety, environment, and inclusion.

Child-lens investing aligns impact with resilience and financial performance.