

## The Impact Customization Challenge

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### The Problem

For decades, investment markets have excelled at customizing portfolios along two axes: risk and return. Asset owners could dictate their tolerance for volatility, liquidity needs, and target return, and managers responded with products from liability-driven investment programs to bespoke direct indexing strategies. This architecture of customization made the institutional market efficient at matching capital to opportunity when viewed through financial lenses.

But today's world does not operate on traditional measures of risk and return alone. Climate disruption, public health fragility, governance failures, and social inequities directly affect the stability of markets and the sustainability of performance. Impact is no longer an optional overlay, but rather it is a critical third dimension as material as risk and return. And once we add impact to the investment decision process, the old customization machinery breaks down.

The reason is simple: investors interpret the relationships among risk, return, and impact differently. A hedge fund might see impact as a source of policy arbitrage and exit premium. A pension fund may view impact as systemic risk mitigation that preserves stable returns over decades. A foundation or mission-driven allocator may accept below-market returns in exchange for tangible community outcomes. The geometry and mental models of how impact generates or detracts from value creation changes with each investor.

Traditional customization tools such as benchmarks, factors, overlays cannot capture these divergent worldviews as they assume a single language of performance. But in the impact era, we need translation tools that enable more robust communication across the ecosystem and for different investors to co-exist and co-invest even when they frame value creation in conflicting ways.

## The Solution

This is where fresh thinking is required. These three approaches illustrate the types of fundamental building blocks that are necessary to make this multi-dimensional customization practical:

**Policy Cards:** Plain-English profiles that describe each investor's objectives, constraints, and theories of relating risk, return, and impact in systematized ways. Like dietary preference cards in food systems, they allow for personalization without endless bespoke negotiation.

**Blended Return Heatmaps:** Shared visualizations of risk, return, and impact data where each investor can apply their own weights and logic models. The data stays common, but interpretation becomes customizable, which is similar to travel sites that let different users create their own experiences by sorting the market according to price, time, or comfort.

**Systemic Value Attribution Engines:** Dashboards that show how a single investment creates parallel streams of value. A renewable energy deal, for example, may generate double-digit IRR for a hedge fund, reduced volatility for a pension fund, and avoided emissions for a foundation. Each investor sees how their "victory condition" is validated without forcing a single definition of success.

## What's Next

Predictive, blended-return investment signals are the connective tissue that make these customization building blocks possible. Signals turn vast datasets into explainable, decision-ready insights that show how risk, return, and impact interact before markets fully price them in. Early climate signals already demonstrated this: investors who acted on carbon policy momentum outperformed peers. Signals expand this foresight across climate, health, development, and other systemic contexts.

The addition of impact to risk and return complicates investing and demands a new architecture of customization. By designing shared languages, visual tools, and attribution systems, we can move beyond obsolete frameworks and create markets where hedge funds, pensions, and philanthropies can align capital more effectively without diluting their unique mandates. Predictive blended-return signals embody this new way forward by making complexity navigable, customization scalable, and investing more effective for all.