Sustainability in Action

November 2025

For Professional Investors only

Building nature-positive portfolios

More than half of global GDP – approximately $44 trillion – is moderately or highly dependent on nature and its services.[1] Yet human activity has altered approximately 75% of Earth's land surface and 66% of marine environments.[2] As a result, many of nature's essential functions are diminished or at risk. Nature loss threatens supply chains, regulatory stability, physical assets, and the long-term growth prospects of nearly every sector, posing systemic threats to institutional investors with long-term liabilities.

Alternative assets offer valuable qualities for creating nature-positive, well-diversified portfolios, providing both direct and systemic impact. In this Sustainability in Action we demonstrate how this can work in practice.

Pathways to nature-positive outcomes

Direct impact: ecosystem restoration and conservation

As highlighted in our previous Sustainability in Action, we distinguish between direct and systemic impact. Direct impact investments focus on activities that restore, conserve, or enhance specific ecosystems and the biodiversity they support. These investments offer tangible, geographically specific outcomes that are straightforward to measure and verify, with clear and direct causality between capital deployment and ecosystem outcomes. An example of an asset class with direct positive impact potential is regenerative farmland, which can improve soil organic matter over time.

1 World Economic Forum 2020; Nature Risk Rising

2 IPBES (2019) Global Assessment Report on Biodiversity and Ecosystem Services. Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services.

Systemic impact investments: addressing the underlying drivers of nature loss

Systemic impact investments, by contrast, aim to transform the fundamental economic activities that exert the greatest pressure on nature. These investments achieve nature-positive outcomes that complement direct restoration efforts by addressing the underlying drivers of nature loss. For example, a single successful investment in biological crop protection could transform agricultural practices across millions of hectares as farmers adopt these solutions to replace synthetic pesticides and fertilisers.

These investments exhibit strong financial characteristics: large addressable markets, growth opportunities, and clear profitability pathways. Investors can generate meaningful nature-positive outcomes at scale by targeting **two key nature-positive investment themes** that contribute to transformation:

Climate & Nature

Climate and nature are distinct, but closely interconnected challenges. Many climate solutions deliver significant nature-positive outcomes by:

- Reducing pollution
- Decreasing natural resource extraction,
- Eliminating environmentally damaging activities.

Climate-oriented solutions, such as clean energy and industrial decarbonisation, can also directly benefit nature and ecosystems. Investing in clean energy infrastructure, for example, can eliminate the environmental impacts of extracting and burning fossil fuels. This means less damage to ecosystems, less pollution and fewer negative impacts on biodiversity. Similarly, decarbonising industry means that factories produce less pollution and use resources more efficiently.

Within the broader theme of climate and nature, we also consider agricultural transformation and water and oceans as major ecosystem assets. Agricultural technologies, such as precision farming and biological crop protection, increase yields while reducing chemical inputs and land requirements, supporting ecosystem regeneration. Water and ocean investments can reduce the amount of freshwater taken from stressed ecosystems, prevent pollution from entering waterways, and restore marine biodiversity.

The Circular Economy

The circular economy signifies a systemic redesign that eliminates waste, reuses products and materials, and aids in restoring nature. Examples include bio-based materials, product-as-a-service models (shifting from ownership to access and promoting durability), and reverse logistics alongside recycling technologies.

Circular investments decrease the extraction of new resources — a primary cause of habitat destruction — and reduce pollution by capturing materials before they enter ecosystems. They also lower energy consumption and support economic models that enable growth without depleting resources.

Integration across areas

The most effective nature-positive strategies combine investments across the areas mentioned above. For example, a portfolio company developing biodegradable materials from agricultural waste not only advances circular economy principles but also creates value for regenerative agriculture practitioners and reduces water pollution. This interconnected approach multiplies positive outcomes while potentially improving financial risk-return profiles through diversification of impact pathways and revenue streams.

In practice: Komet[3]

Austrian company Komet produces cutting-edge irrigation equipment that enables farmers to use up to 85% less water compared to conventional agricultural sprinklers. At the same time, this technology significantly reduces energy consumption and greenhouse gas emissions. Given that irrigated agriculture is one of the largest consumers of water worldwide, Komet's solutions have the potential to deliver substantial savings on a global scale.

In practice: Renewtech[3]

Anl example is Renewtech, a Danish company that purchases used enterprise hardware, which is then tested, refurbished, cleaned and stored. Ultimately, it is sold to (business) customers worldwide. Renewtech contributes to the circular economy by extending the life of enterprise IT hardware and reducing the CO_2 footprint of up to 90%.

3 For illustration purposes only. Company name, explanation and arguments are given as an example and do not represent any recommendation to buy, hold or sell the stock. The security may be/have been removed from portfolios at any time without any pre-notice

Portfolio construction considerations

Alternative investments in a strategic allocation framework

For investors seeking to create positive impact, private markets are uniquely positioned to deliver nature-positive outcomes. Private equity, private debt, infrastructure, farmland and forestry (real assets) enable capital to be invested in transformative business models and projects that combine financial returns with nature restoration.

The opportunity set is substantial and growing. The transition to nature-positive economic systems requires an estimated $700 billion in annual investment by 2030, creating opportunities across sectors, regions, and different stages of company maturity.

Institutional investors increasingly approach nature-positive private market allocations using a structured framework that considers the full spectrum of portfolio objectives, including returns, costs, governance budget, risk tolerance, and impact goals. Achieving the right balance across these aspects depends on thorough manager selection and a research team capable of conducting detailed due diligence and understanding the challenges inherent in private market investments.

These challenges, such as greater complexity, restricted liquidity, and limited transparency, require active management, rigorous oversight, and, for impact investing, sophisticated measurement systems. An experienced and dedicated manager research team can implement this effectively.

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Diversification and impact

A well-constructed, integrated portfolio that combines various asset classes – such as private equity and private debt– offers strong diversification across business lifecycle stages, geographic regions, sectors, and time horizons. This approach not only mitigates risk but also enhances the potential for positive impact.

Asset class and stage diversification: Allocating investments across different private market strategies, portfolios can support companies at various stages of their development and work synergistically for more impact. For example: venture capital targets breakthrough innovations that growth equity scales to market leadership, buyout transforms incumbent companies and debt finances growth while providing downside protection.

Geographical diversification: investing in regions where nature faces the greatest threats ensures solutions reach the largest scale and have the most impact.

Sector diversification: spreading investments across areas such as the circular economy, food and agriculture, climate solutions, and water and ocean systems helps manage execution risk. It also maximises the portfolio’s exposure to different impact pathways.

Time horizon diversification: Balancing short-term opportunities with longer-term projects acknowledges that different investments will generate expected returns and impact over varying timeframes. Balancing quick-turn opportunities with longer-term transformation projects creates a more stable expected cash flow profile.

Diversifying across sectors, geographies, asset classes, and time horizons can optimise the risk-return profile of the portfolio. Reducing risks from economic downturns, regulatory changes, or climate-related events also helps to ensure that impact goals remain achievable even in challenging environments.

Role of various asset classes in a nature-positive portfolio

Venture capital seeds transformative innovations when capital and influence are most crucial. It acts as the portfolio's 'innovation engine', recognising breakthrough solutions and capturing value from paradigm-shifting business models.

Growth equity invests in companies with proven product-market fit, helping them scale towards market leadership. It serves as the 'validation layer' – companies that have overcome early risks and shown commercial viability. Growth balances the higher risk of venture capital with more predictable expected returns and a typical liquidity timeline of four to six years.

Middle market buyout strategies focus on transforming mature businesses by integrating nature-positive practices into established operations and supply chains. This enables the large-scale transition of existing economic activity. Buyout investments provide stable expected cash flows, lower volatility, and typically profitability with five to seven-year holding periods.

Private debt provides downside protection and recurring income, enabling participation in nature-positive opportunities with lower expected risk than equity. Private Debt can support nature-positive investing by:

- Providing loans to companies delivering impactful products and services, such as loans to sustainable agricultural companies;
- Financing specific projects (use of proceeds), for example, developing recycling plants that contribute to the circular economy;
- Incorporating ESG and impact targets into loan agreements, with financial incentives such as lower interest rates for achieving targets like reducing companies' CO_2 emissions and waste.

The story does not end with the asset classes we discussed above. In a nature-positive investment portfolio, farmland can be a significant contributor to direct ecological impact. Additionally, renewable energy infrastructure is vital for the broader climate and energy transition theme – and helps lessen pressure on natural ecosystems.

Strategically allocating across asset classes allows investors to access a full range of opportunities and balance anticipated risk and return. This approach delivers a more balanced risk-return profile, diverse impact pathways, and synchronised cash flow timing, thereby maximising nature-positive outcomes throughout the entire transformation spectrum – from breakthrough innovation to mainstream adoption.

Conclusion

Investing in nature-positive strategies within private markets is not only an urgent necessity but also presents institutional investors with compelling opportunities. We offer a practical framework for building nature-positive portfolios focused on systemic impact that address the root causes of nature degradation. By targeting key transformation areas, institutional investors can achieve meaningful nature-positive outcomes at scale, while gaining access to attractive private market opportunities with strong growth potential and clear exit strategies.

Applying a systemic transformation lens to impact portfolio construction enables a well-diversified portfolio across asset classes with a balanced risk, return, and impact profile. The question is not whether to invest in nature-positive strategies, but how quickly portfolios can be positioned to capitalise on the expected opportunities and manage the risks of this pivotal transition.

Van Lanschot Kempen has supported investors as they navigate the sometime complex landscape of impactful private market strategies since 2017. Over the years, we have built a strong foundation of expertise, capabilities and a proven track record. Since 2024, we have partnered with Collective Action, a centre of excellence and collaborative platform specialising in impact-driven private markets. This collaboration reflects our shared commitment to innovation and developing solutions that address systemic challenges. By joining forces with additional specialists, we continue to expand our joint impact expertise, offering institutional investors access to high-quality impact solutions. Focusing on biodiversity, climate, and circularity, our partnership accelerates impactful investments and drives positive change across sectors and asset classes.

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General risks to take into account when investing in Impact strategies: Please note that all investments are subject to market fluctuations. The strategy will primarily invest in a diversified pool of investment funds managed by third-party investment managers with the primary investment objective to achieve capital growth and positive social and environmental impact. Investing in this strategy is subject to risks arising from the volatility of securities, bonds, currency and interest rate markets that could negatively affect the performance. Under unusual market conditions the specific risks can increase significantly. Potential investors should be aware that the underlying investment funds often pursue a more alternative investment policy than traditional investment funds. Some investments, particularly private (non-listed) investment strategies, may involve assets which are illiquid, are difficult to value and/or are exposed to high market, credit and liquidity risk including the risk of insolvency or ban. In such circumstances, the ability for an investor to redeem its interest in the strategy will be limited due to a lack of available liquid assets.

General risks to take into account when investing in Farmland strategies: Please note that all investments are subject to market fluctuations. Due to the illiquid nature of the underlying investments, redemption of the investment is limited and may be delayed. Economic downturns and market fluctuations can significantly reduce returns and affect rental income, property values, and dividend payments. Environmental, social, and governance events can negatively impact investment value and overall portfolio risk. Farmland investments have a low vacancy risk, but asset allocation and investment selection can affect returns. Farmland is not a liquid asset class, and external factors may also affect the liquidity of individual farms. Tenant defaults can affect returns and working capital. Currency exchange rates can impact the asset value of the strategy. Government-related risks, including taxation and legislation, can affect financial performance and investment returns. Incorrect asset valuation can negatively impact the strategy returns.

The value of your investment may fluctuate, past performance is no guarantee for the future. Do not take unnecessary risks. Before you invest, it is important that you are aware of and are informed about the characteristics and risks of investing. This information can be found in the available documents of the strategy and/or in the agreements that are part of the service you choose or have chosen.

The strategies currently hold or have previously held shares in the companies mentioned. This document has been produced independently of the companies and the views contained herein are entirely those of VLK Investment Management.

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