ANNUAL **IMPACT INVESTOR** SURVEY

2018

THE EIGHTH EDITION

GIIN
GLOBAL IMPACT INVESTING NETWORK

USAID
FROM THE AMERICAN PEOPLE

UKaid
from the British people

2018 Annual Impact Investor Survey

Authored by the GIIN Research Team

Abhilash Mudaliar, Director

Rachel Bass, Senior Associate

Hannah Dithrich, Associate

About the Global Impact Investing Network (GIIN)

The GIIN is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing. Impact investments are investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry. For more information, see http://www.thegiin.org/.

Acknowledgments

Sponsors

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Beta testers

The survey instrument was beta-tested by Claudia Belli of BNP Paribas, MaryKate Bullen of New Forests, Yvonne Bakkum of FMO, Nando van Kleeff of MN, and Christine Looney of the Ford Foundation.

Additionally, several GIIN team members beta-tested the survey instrument, providing valuable feedback: Lissa Glasgo, Sharon Kossoff, Rebecca Kurland, Kelly McCarthy, Pete Murphy, Annie Olszewski, Hannah Schiff, Aditi Sethi, Sapna Shah, and Amy Stillman.

Outreach partners

Collaboration among member networks and field-builders adds to the rigor of research efforts. Other field-building organizations in the impact investing industry extended invitations to their networks to complete the survey. For more information about these organizations, see Appendix 3.

June 2018

226 respondents currently manage

USD 228.1 BILLION

in impact investing assets*

*Three respondents declined to provide AUM information.

Letter from the Research Director

Dear reader,

I am thrilled to share with you the eighth edition of the GIIN's Annual Impact Investor Survey, which provides a detailed look at a diverse, dynamic, and growing impact investing market. This year, we received responses from 229 organizations that collectively manage USD 228 billion in impact investing assets. I cannot overstate the importance of these data contributions, as they allow us to address knowledge gaps and better understand the market. For the 2018 report, we were able to leverage the growing data set to deepen our understanding of a number of interesting topics. For example:

- **Industry Trends:** Of the 229 organizations that participated this year, 82 also participated five years ago. These organizations have grown their impact investing assets under management at the robust rate of 13% per annum, and have done so in part by expanding into regions, sectors, and asset classes that have historically been less popular.
- **Practice of 'Conventional' Investors:** Over one in three respondents are organizations that are established in the 'conventional' investing markets and have also begun impact investing activities. Overwhelmingly, these organizations report that—compared to three years ago—they are now making more impact investments, deepening their commitment to impact measurement, and gaining more buy-in from key internal stakeholders. Such growth is exciting on many fronts, not least because it brings in new investors and more capital, but also because it works to enhance the broader credibility and professionalism of impact investing practice.
- **Industry Integrity:** The growing involvement of large-scale, mainstream firms also presents some risks – in particular, the risk of 'impact washing', i.e. that some actors may be adopting the label without meaningful fidelity to impact. Encouragingly, impact investors are cognizant of this concern and emphasize the importance of greater transparency around impact to mitigate this risk. Other ideas include third-party certification or the development of shared principles. Indeed, the GIIN has committed to developing a set of principles (to be launched in 2019) to strengthen the identity of impact investing to drive growth and protect the integrity of the market.

The data in the Annual Survey show momentum for the industry. But at the GIIN, we also believe they're a signal of something bigger. It portends a shift in the broader financial markets where it is becoming increasingly unacceptable to invest without regard for the social and environmental impacts of one's investment choices. Fundamental norms governing the role and purpose of capital in society are changing, and impact investing is at the forefront driving this transformational shift.

The data in the Annual Survey show momentum for the industry. But at the GIIN, we also believe they're a signal of something bigger.

Abhilash Mudaliar
Research Director, Global Impact Investing Network

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Methodology

This report captures data from 229 impact investors collected via a survey distributed during January and February 2018. Respondents answered questions regarding their impact investing activities and allocations, their future plans, and their perceptions on key industry issues and trends.

This report does not provide estimates of the overall size of the impact investing market. Rather, the analyses offered herein are based only on a sample and are intended to provide a snapshot of global impact investing activity.

Inclusion criteria

All respondents represent impact investing organizations, not individual investors. To ensure that respondents have had meaningful experience managing impact investments, survey-eligibility criteria required that respondents either: (1) have committed at least USD 10 million to impact investments since their inception or (2) have made at least five impact investments, or both. The GIIN provided its definition of impact investing (see Appendix 2), which respondents used to self-report their eligibility.

Sample overlap with previous surveys

The sample for this survey changes to some extent each year, which is important to consider when comparing findings from this report with those from previous surveys. Of the 229 respondents in this year's sample, 155 also responded in 2017. The full 2017 sample included 209 respondents. The Research Team analyzed this overlapping sub-sample to discern changes in activity across years by the same set of respondents. The Research Team also looked at changes and trends in investment activities over the last five years by comparing responses from 82 investors that completed both the 2014 and 2018 Annual Surveys. Results of both of these analyses are presented where appropriate.

Data accuracy

While the GIIN Research Team conducted basic data checks and sought clarification as appropriate prior to analysis, all information in this report is based on self-reported data. Respondents were instructed to complete the survey with respect only to their impact investing portfolios. The GIIN provided its definition of 'impact investing,' which respondents applied to their portfolios as they saw fit.

Data recoding

A handful of survey questions allowed respondents to provide free-form answers. To enable more useful interpretation of responses, where underlying meanings were unambiguous, the GIIN Research Team recoded these free-form responses into more uniform categories or themes.

Role of outliers

As is often the case in quantitative research, a handful of outliers in a sample can have outsized influence on aggregate findings. Some respondents to our Annual Survey manage comparatively large impact investing portfolios, possibly skewing aggregate analysis toward their particular concentrations. Where appropriate and feasible, this report presents analysis both including and excluding outliers in order to enable more nuanced interpretation of findings.

Analyzing data by sub-group to extract notable findings

Most findings presented in this report aggregate the responses of all 229 impact investors that responded to the survey. The report also presents statistically significant differences in responses by sub-groups of respondents—such as, for example, investors with a large majority of their capital allocated to a particular asset class or geography. The statistical significance of differences between sub-groups was tested at the 90% confidence level unless indicated otherwise. Table i presents a full list of these sub-groups. Additionally, this report presents more precise sub-group analysis as relevant, such as analysis of those respondents that are focused on a given region (see list of regions in Table ii).

Table i: Respondent sub-groups referenced in the report

Sub-group	Description of the category	Number of respondents
DM-HQ Investors	Respondents headquartered in developed markets	188
EM-HQ Investors	Respondents headquartered in emerging markets	35
EM-focused Investors	Respondents that allocate ≥ 75% of their current impact investment assets under management (AUM) to emerging markets	103
DM-focused Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to developed markets	97
Private Debt Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to private debt	59
Private Equity Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to private equity	56
Market-Rate Investors	Respondents that principally target risk-adjusted, market-rate returns	147
Below-Market Investors	Respondents that principally target below-market-rate returns, some closer to market-rate and some closer to capital preservation	82
Impact-only Investors	Respondents that invest only in impact investing strategies	154
Impact and Conventional Investors	Respondents that invest in impact investing strategies in addition to conventional strategies	75
Small Investors	Respondents with total impact investment AUM ≤ USD 100 million	122
Medium Investors	Respondents with total impact investment AUM > USD 100 million and ≤ USD 500 million	55
Large Investors	Respondents with total impact investment AUM > USD 500 million	52

Note: Some investors marked 'no single HQ location', so the total of DM-HQ plus EM-HQ is less than the full sample.
Source: GIIN

Region and sector codes

For brevity, some regions and sectors referenced in the report are given abbreviated codes as shown in Tables ii and iii, respectively. The survey instrument did not provide region definitions or lists of countries by region, so responses reflect respondents' interpretations of each region's boundaries. In some cases, the Research Team has analyzed differences in investment activities and market perceptions among respondents that allocate 75% or more of their assets under management (AUM) to a particular region. Such analysis focuses only on regions to which a meaningful sample has substantial allocation. The number of these respondents is listed in Table ii to provide context for regional comparisons throughout the report.

Table ii: Region codes

Code	Name of region	Number of respondents that allocate ≥ 75% of AUM to each region
DM	Developed Markets	
East Asia	East Asia	0
Oceania	Oceania	6
U.S. & Canada	United States and Canada	61
WNS Europe	Western, Northern, and Southern Europe	16
EM	Emerging Markets	
EECA	Eastern Europe, Russia, and Central Asia	3
LAC	Latin America and the Caribbean (including Mexico)	16
MENA	Middle East and North Africa	0
SE Asia	Southeast Asia	2
South Asia	South Asia	13
SSA	Sub-Saharan Africa	25

Source: GIIN

Table iii: Sector codes

Code	Name of sector
Arts & culture	Arts & culture
Conservation	Conservation
Education	Education
Energy	Energy
Fin services (excl. microfinance)	Financial services (excluding microfinance)
Food & ag	Food & agriculture
Healthcare	Healthcare
Housing	Housing
ICT	Information and communication technologies
Infrastructure	Infrastructure
Manufacturing	Manufacturing
Microfinance	Microfinance
WASH	Water, sanitation, and hygiene

Source: GIIN

Executive Summary

This report presents findings from the Global Impact Investing Network's eighth Annual Impact Investor Survey. These findings reflect 229 respondents' perspectives on the growth and development of the impact investing industry. The report includes analysis of respondents' investment activity, asset allocations, impact measurement practices, and performance. For the first time, the report also presents trends analysis for a subset of 82 respondents that participated in the survey in 2013 and again this year. Major market developments over the course of 2017 are also described throughout the report.

Key Findings

1. The market is diverse
2. The impact investing industry is growing
3. Impact investors demonstrate a strong commitment to measuring and managing impact
4. Overwhelmingly, impact investors report performance in line with both financial and impact expectations
5. Impact investors acknowledge remaining challenges that need to be addressed within the industry

1 The market is diverse

Altogether, the 229 respondents to this year's survey represent a wide range of investors:

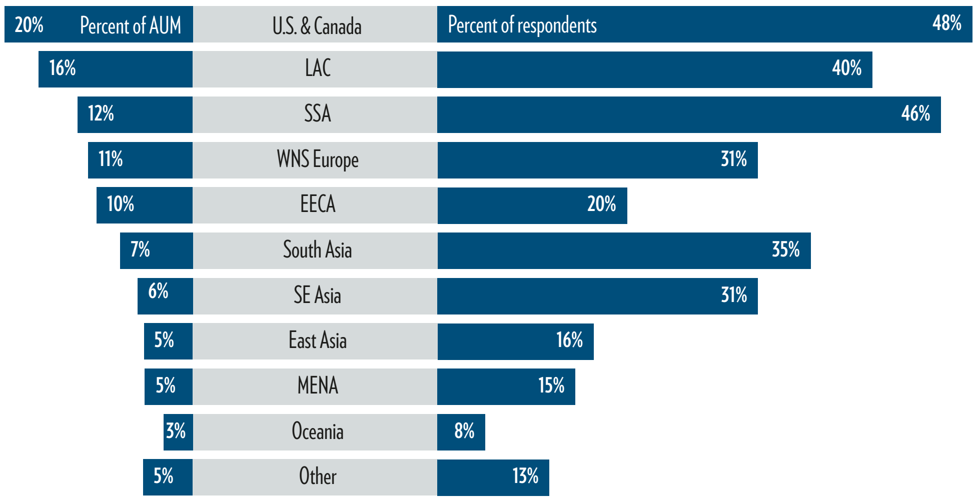
- **Organization type:** Nearly six in ten respondents are fund managers (59%), and a further 13% are foundations. Other significant categories include banks (6%), family offices (4%), and pension funds / insurance companies (4%).
- **Headquarters location:** A majority of respondents are headquartered in developed markets, most notably the U.S. & Canada (47%) and WNS Europe (30%).
- **Target returns:** Nearly two-thirds of respondents target risk-adjusted, market-rate returns (64%). The remainder seek below-market-rate returns that are either closer to market-rate returns (20%) or closer to capital preservation (16%).
- **Investment focus:** Two-thirds of respondents make only impact investments; the remaining third also make conventional investments.
- **Asset class:** Roughly one quarter of respondents invest primarily through each of private equity (26%) and private debt (24%).
- **Geographic focus:** Nearly the same portion of respondents invest primarily in emerging markets (45%) as in developed markets (42%).

This diversity is also reflected in respondents' allocations across a range of geographies, sectors, asset classes, and stages of businesses. In aggregate, 226 respondents reported USD 228.1 billion in impact investing assets under management (AUM). Notably, the two largest respondents accounted for 38% of total AUM. At the median, respondents managed USD 92 million in impact investing assets.

Geography: Over half of total AUM was allocated to emerging markets (56%) and the remainder to developed markets (Figure i). Specifically, respondents allocated the greatest share of capital to the U.S. & Canada (20%), LAC (16%), and SSA (12%).

Figure i: Geographic allocations by AUM and percent of respondents

Left side, Percent of AUM: n = 226; total AUM = USD 228.1 billion.
Right side, Percent of respondents with any allocation to each geography: n = 229; respondents may allocate to multiple geographies.

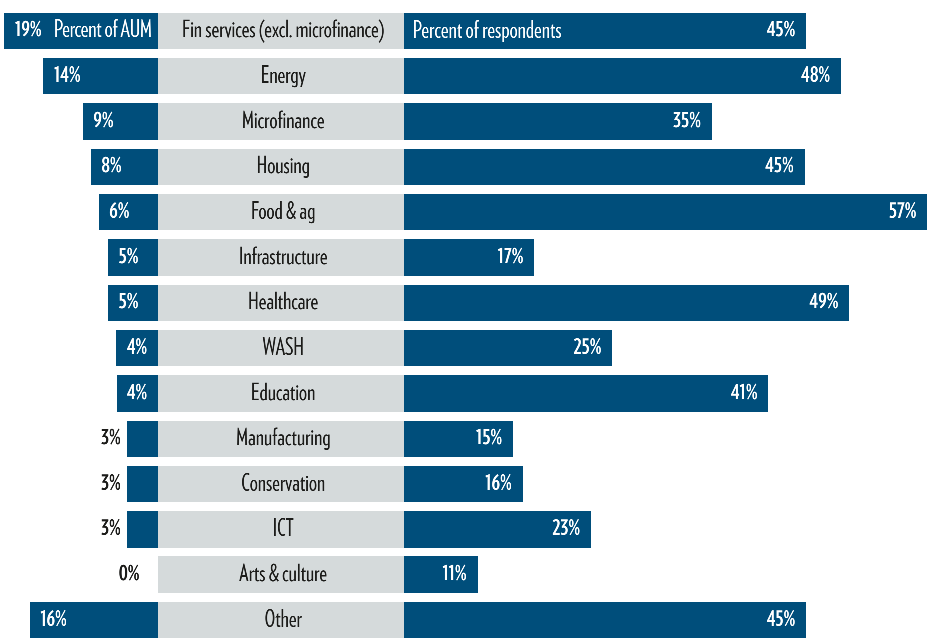


Note: 'Other' includes investments with a global focus.
Source: GIIN

Sector: Respondents demonstrate ongoing commitment to basic services sectors, with the top sectors of investment including financial services (19%), energy (14%), microfinance (9%), and housing (8%; Figure ii).

Figure ii: Sector allocations by AUM and percent of respondents

Left side, Percent of AUM: n = 226; total AUM = USD 228.1 billion.
Right side, Percent of respondents with any allocation to each sector: n = 229; respondents may allocate to multiple sectors.



Note: Other sectors include SMEs, child welfare, commercial goods, transport, retail, tourism, forestry, and commercial real estate.
Source: GIIN

Instrument: Impact investors continue to invest primarily through private capital markets. Respondents allocate the greatest share of capital through private debt (41%), followed by private equity (18%) and public equities (14%).

Stages of business: Impact investors allocate capital to businesses across stages of development. The greatest share of AUM is invested in mature, private companies (39%) and growth-stage companies (35%). High numbers of investors allocate smaller amounts of capital into seed and venture-stage companies.

2 The impact investing industry is growing

Of all the respondents to the survey, over 50% made their first impact investment in the past decade, indicative of the ongoing entry of new players to the industry.

Together, 225 respondents invested USD 35.5 billion into 11,136 deals during 2017 (Table iv). These respondents plan to increase the amount of capital they invest by 8% and the number of deals by 5% during 2018. The subset of five-year repeat respondents increased the amount of capital invested that year by 27% and the number of deals made by 32%.

Table iv: Number of investments and amount of capital invested in 2017 and planned for 2018

n = 225; excludes two large outliers and two respondents that did not report 2017 investment activity

	Number of investments		Capital invested (USD millions)	
	2017 Reported	2018 Planned	2017 Reported	2018 Planned
Mean	53	54	168	179
Median	8	8	17	25
Sum	11,136	11,712	35,526	38,465
Aggregate % growth (projected)		5%		8%

Source: GIIN

The 82 respondents that completed the survey five years ago and again this year demonstrated a compound annual growth rate (CAGR) of 13% for their collective AUM, growing from USD 30.8 billion in 2013 to USD 50.8 billion in 2017. This growth was spread out across the majority of regions, sectors and instruments, but was particularly pronounced in regions (East and Southeast Asia, MENA, Oceania), sectors (education and food & agriculture) and instruments (public equities) that have historically accounted for relatively smaller portions of global AUM, indicative of an expansion of the market across multiple vertices.

Fund managers and other intermediaries play a vital role within the impact investing ecosystem, working to effectively channel capital between investors and investees. Collectively, fund manager respondents raised USD 18.7 billion during 2017 and plan to raise USD 22.5 billion during 2018, a 20% increase (Table v).

Table v: Fund manager capital raises in 2017 and plans for raising capital in 2018

Excludes respondents that did not report raising capital in 2017 or did not share their projections for 2018. All figures in USD millions.

	All fund managers	
	2017 Reported	2018 Planned
n	94	113
Mean	199	199
Median	33	75
Sum	18,738	22,490

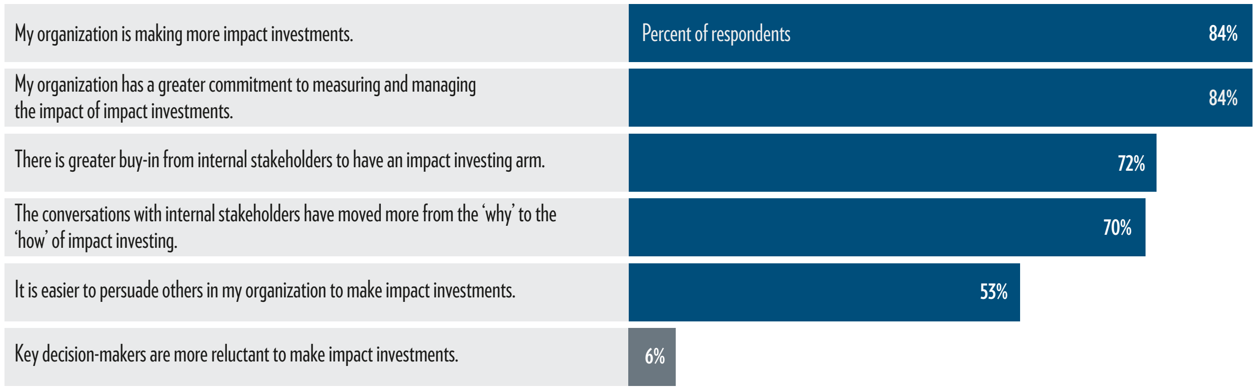
Source: GIIN

Respondents that make both impact and conventional investments also described changes within their own organizations during the past three years that indicate market growth (Figure iii). Overwhelmingly, they noted that their organizations are making more impact investments and are demonstrating greater commitment to measuring and managing their impact (84% each). Just 6% of respondents indicated greater reluctance to making impact investments at their organizations.

Figure iii: Change in organizations' perceptions and practice of impact investing in the last three years

n = 64 respondents that also make conventional investments. Optional question.

Compared to three years ago...



Source: GIIN

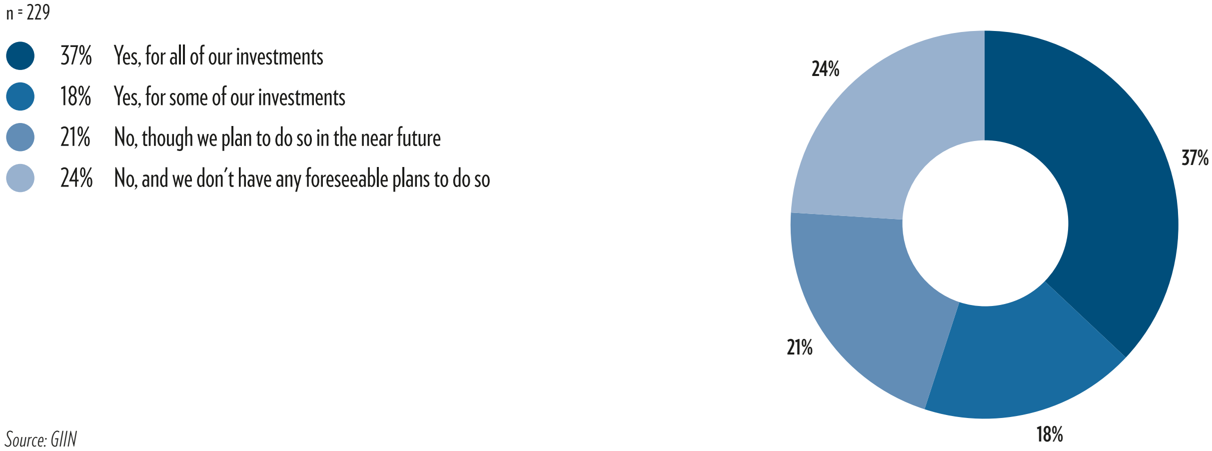
3 Impact investors demonstrate a strong commitment to measuring and managing impact

Over half of respondents target both social and environmental objectives. An additional 40% primarily target social objectives, and 6% primarily target environmental objectives. To achieve these objectives, the majority of respondents (76%) set impact targets for some or all of their investments. Respondents that set targets cited a number of reasons to do so, including to drive social/environmental impact management, to inform investment decisions, to hold investees accountable, and to hold their own teams accountable to impact.

Most respondents reported using a mix of tools or systems to measure their social and environmental performance. Most commonly, respondents use proprietary metrics and/or frameworks that are not aligned to external methodologies (69%), qualitative information (66%), or metrics aligned with IRIS (59%).[1] Further, two years after the ratification of the Sustainable Development Goals (SDGs) by the UN, three out of four investors report tracking their investment performance to the SDGs or plan to do so in the future (Figure iv).

Figure iv: Tracking impact investment performance to the UN SDGs

n = 229



Source: GIIN

1 IRIS is the catalog of generally accepted performance metrics managed by the GIIN; see www.iris.thegiin.org. Since some standard frameworks and assessments, such as GIIRS, are built using IRIS metrics, the proportion of respondents using IRIS metrics in some form is likely to be significantly higher than is reflected here.

Respondents also described their use of various 'lenses' to understand and manage impact. About 70% of respondents apply a gender lens to their investment process, typically through governance measures or by seeking investees that proactively address gender issues. Nearly three-quarters of respondents (72%) seek to address climate change through their investments, most commonly by targeting investments that reduce greenhouse gas emissions, seeking investments that prevent future greenhouse gas emissions, and seeking investments that support climate change adaptation.

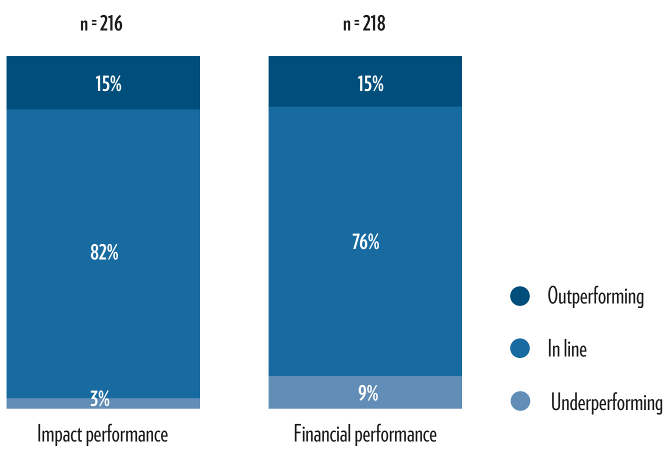
Further, respondents described different approaches to mitigate the risks of 'impact washing' as the industry mainstreams. Eighty percent agree that 'greater transparency from impact investors on their impact strategy and results' would help mitigate risks of industry mission drift. Others pointed to third-party certification of impact investments, voluntary principles to govern investor behavior, and a code of conduct for investors.

4 Overwhelmingly, impact investors report performance in line with both financial and impact expectations

A majority of respondents indicated that their investments have met their expectations for both impact (82%) and financial (76%) performance since inception (Figure v). Another 15% reported outperformance across each of these dimensions.

Figure v: Performance relative to expectations

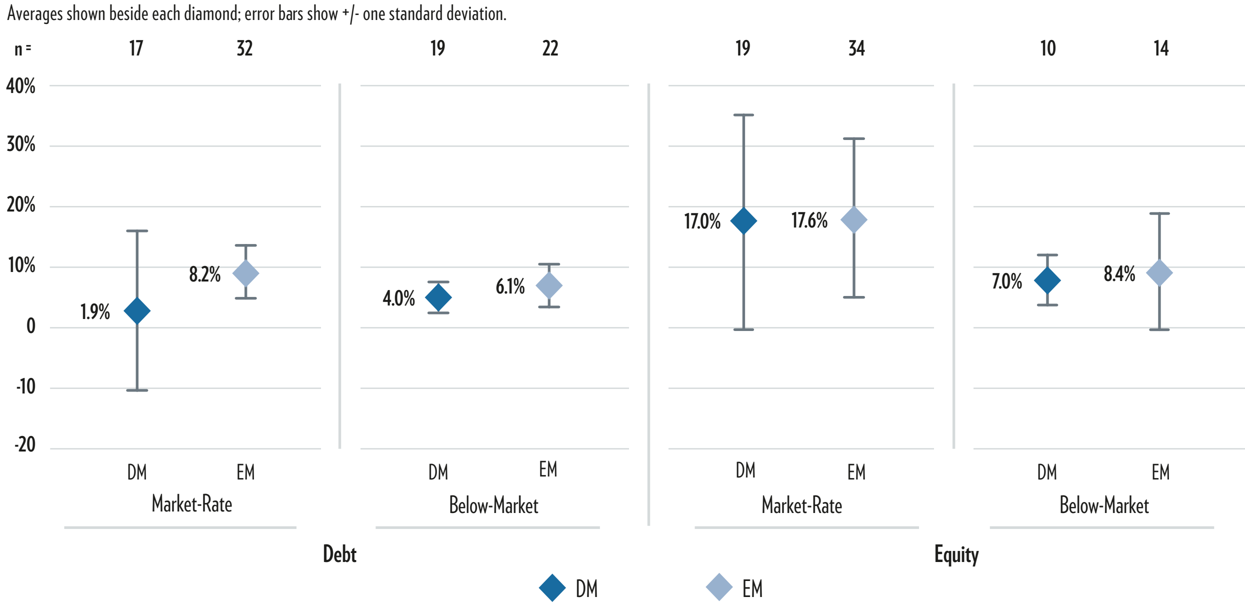
Number of respondents shown above each bar; some respondents chose 'not sure' and are not included.



Source: GIIN

Respondents also self-reported their realized gross returns since inception (Figure vi). As could be expected, returns were higher on average among equity investments than among debt investments. Returns were also generally higher for those seeking risk-adjusted, market rates of return versus those seeking below-market returns. In most segments, emerging market investments performed similarly to developed market investments.

Figure vi: Average realized gross returns since inception



Source: GIIN

5 Impact investors acknowledge remaining challenges that need to be addressed within the industry

Most respondents saw some progress across indicators of development and growth in the market in 2017, yet also agreed that challenges remain. Respondents noted some or significant progress in the availability of 'professionals with relevant skill sets' (90%), the 'sophistication of impact measurement practice' (88%), 'high quality investment opportunities' (86%) and 'research and data' (85%). However, as shown in Table vi, a greater share of respondents noted that a significant challenge remains across indicators than suggested significant recent progress. The gap was particularly wide in 'appropriate capital across the risk/return spectrum,' 'suitable exit options,' and 'common understanding of definition and segmentation of impact investing market.'

Table vi: Areas of progress and challenge for the growth of the impact investing industry

	Significant progress	Significant challenge
n	185-217	203-225
High-quality investment opportunities (fund or direct) with track record	14%	32%
Professionals with relevant skill sets	13%	20%
Innovative deal/fund structures to accommodate investors' or investees' needs	13%	24%
Sophistication of impact measurement practice	12%	35%
Common understanding of definition and segmentation of impact investing market	11%	40%
Research and data on products and performance	10%	30%
Appropriate capital across the risk/return spectrum	8%	42%
Government support for the market	7%	24%
Suitable exit options	7%	37%

Source: GIIN

Respondents also commented on the key contributors of risk to their impact investment portfolios. Most commonly, respondents cited 'business model execution and management risk' as severe (29%), followed by 'country and currency risks' and 'liquidity and exit risk' (22% each). Few respondents noted ESG or impact risk (2% each) or perception and reputational risk (7%).

Sample Characteristics

The 2018 GIIN Annual Impact Investor Survey is based on data and insights from 229 impact investors. The following overview describes various characteristics of this sample.

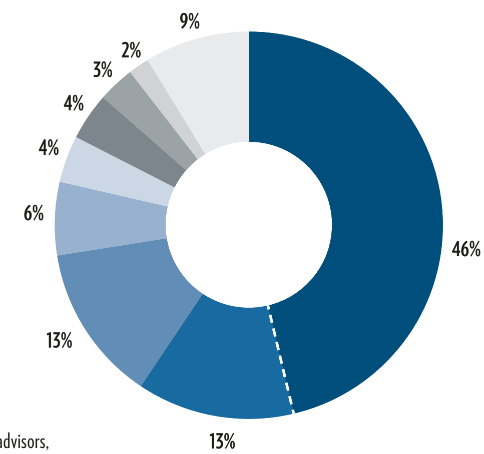
Organization type

Most survey respondents were fund managers (59%; Figure 1); 46% and 13%, respectively, were for-profit and not-for-profit fund managers. Foundations comprise another 13% of the sample. Respondents also included banks (6%), family offices (4%), pension funds and insurance companies (4%), development finance institutions (3%), and others.

Figure 1: Organization type

n = 229

- 46% Fund manager: for-profit
- 13% Fund manager: not-for-profit
- 13% Foundation
- 6% Bank / Diversified financial institution
- 4% Family office
- 4% Pension fund / Insurance company
- 3% DFI
- 2% Permanent investment company
- 9% Other



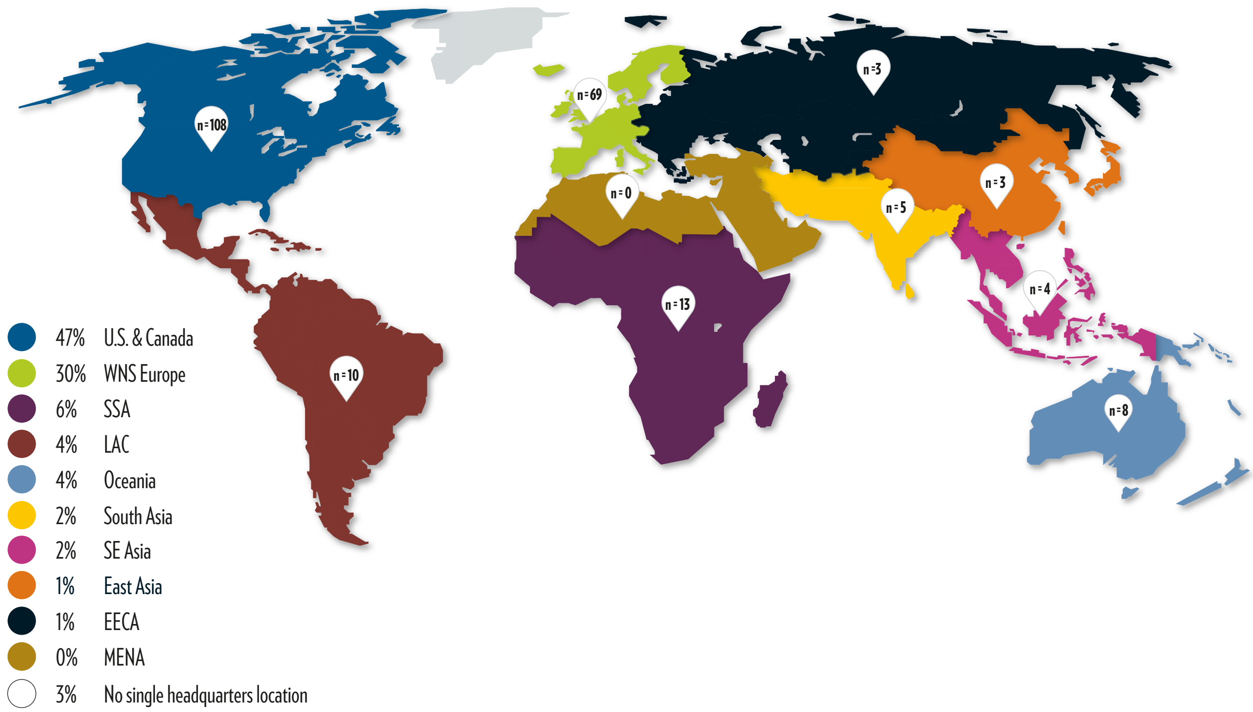
Note: 'Other' organizations include community development finance institutions; non-governmental organizations; and advisors, incubators, and technical assistance providers that also make impact investments.
Source: GIIN

Headquarters location

The majority of respondents were headquartered in developed markets (82% of the sample), including 47% headquartered in the U.S. and Canada and 30% based in WNS Europe (Figure 2). Fifteen percent were based in emerging markets, including 6% of respondents headquartered in SSA and 4% in LAC. The share of respondents headquartered in developed and emerging markets was consistent with that of last year's sample.

Figure 2: Location of organization headquarters

n = 229



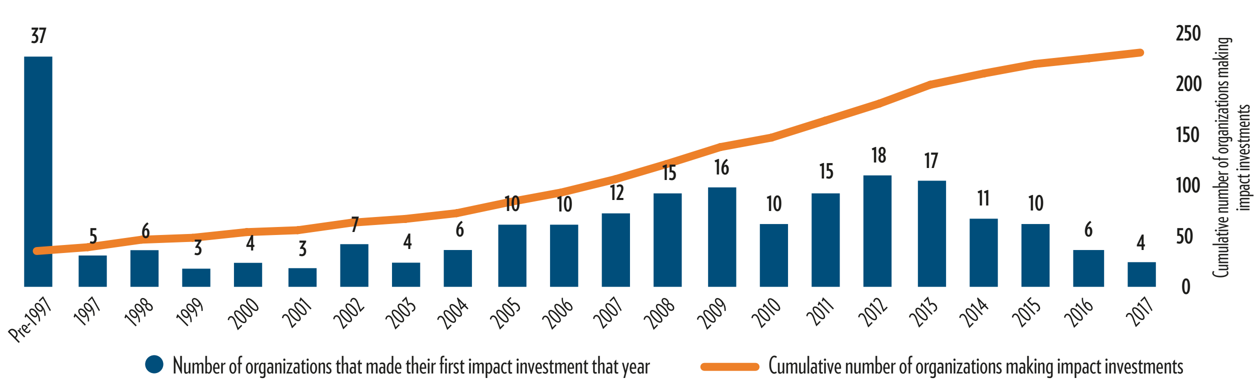
Note: Six respondents reported no single headquarters location and are excluded from the map.
Source: GIIN

Year of first impact investment

Respondents reported when they started making impact investments. Figure 3 shows that 16% of respondents have been making impact investments for over 20 years. Overall, findings indicate growth in the industry, as over half of respondents began impact investing during the last decade.

Figure 3: Year of first impact investment

n = 229



Source: GIIN

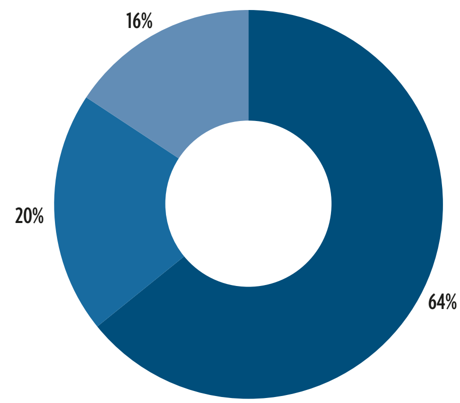
Target financial returns

Most survey respondents target risk-adjusted, market-rate returns (64%; Figure 4). The remaining 36% target below-market-rate returns, with 20% of respondents targeting returns that are closer to market rate and 16% seeking returns closer to capital preservation. The proportion of investors targeting market-rate returns was higher among Private Equity Investors (80%) than among Private Debt Investors (54%).

Figure 4: Target financial returns principally sought

n = 229

- 64% Risk adjusted, market-rate returns
- 20% Below-market-rate returns: closer to market rate
- 16% Below-market-rate returns: closer to capital preservation



Source: GIIN

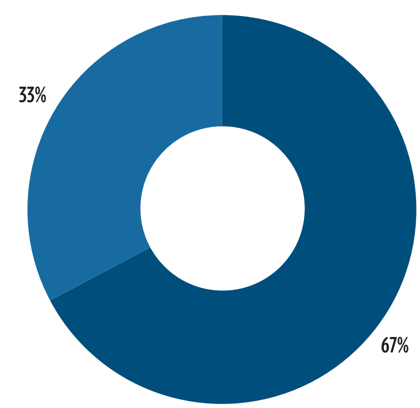
Impact-only and conventional investors

This year, the Research Team asked respondents whether their organization exclusively makes impact investments or whether they also make 'conventional investments' (those without explicit impact intent). Most respondents (67%) solely make impact investments (Figure 5). The proportion of impact-only investors is much higher among EM-focused investors than DM-focused respondents: 85% of EM-focused investors make only impact investments, compared to 55% of DM-focused investors that do so.

Figure 5: Types of investments made

n = 229

- 67% Impact investments only
- 33% Both impact and conventional investments



Source: GIIN

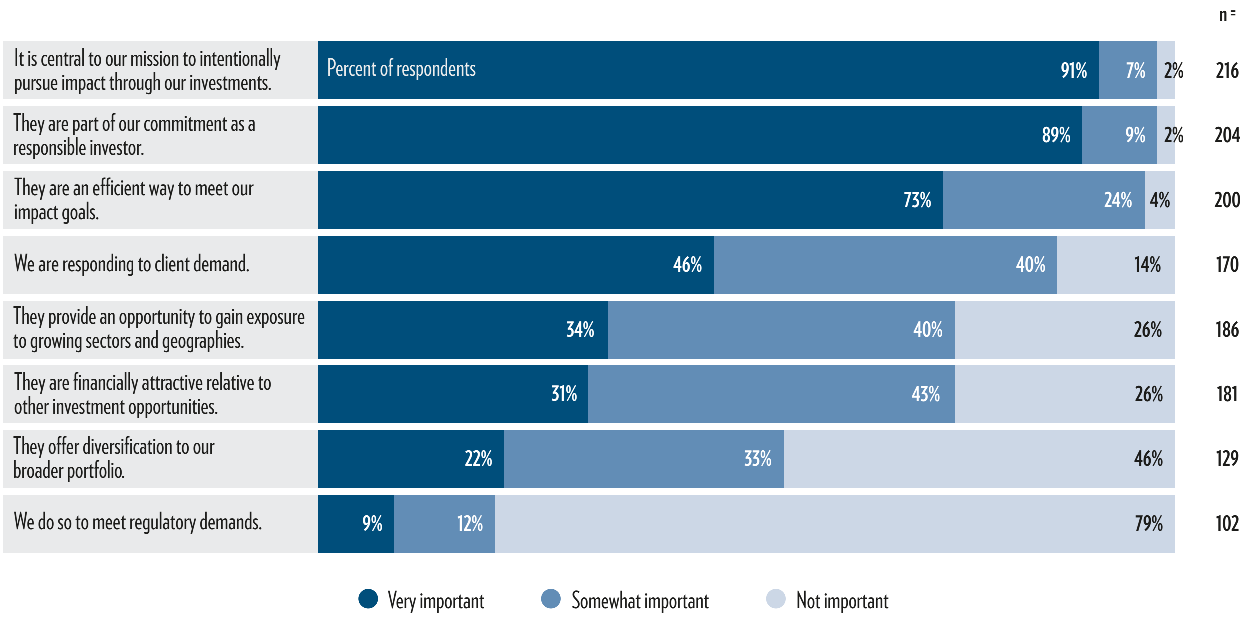
Motivations for making impact investments

The Research Team asked respondents what motivates them to make impact investments. The top three most-cited motivations—their mission, impact goals, or commitment as responsible investors—indicate that investors are driven by impact (Figure 6). The vast majority of respondents note that it is central to their mission to intentionally pursue impact though their investments or is part of their commitment as a responsible investor (with 98% noting each of these reasons as at least somewhat important). The third most common reason is that making impact investments is an efficient way to meet impact goals (97%).

Many investors are also motivated by more financially-driven factors. Eighty-six percent are motivated to make impact investments in response to client demand, with 46% noting client demand as a 'very important' motivation. This figure was higher among investors making conventional and impact investments than among investors making only impact investments (96% vs. 82%). Another motivation for making impact investments is that they are financially attractive relative to other investment opportunities (74% noting this as at least somewhat important).

Figure 6: Motivations for making impact investments

Number of respondents that selected each answer shown beside each bar; optional question.



Note: Some respondents chose 'not sure/not applicable' and their responses are not included.
Source: GIIN

Sample characteristic by sub-group

Figure 7 shows the sample breakdown by basic characteristics such as geographic focus, instrument focus, and organization size. All sub-groups are defined in the Methodology section on page viii.

Figure 7: Sample breakdown by sub-group

n = 229

Sub-group	Description of the category	Percent of respondents
DM-HQ Investors	Respondents headquartered in developed markets	82%
EM-HQ Investors	Respondents headquartered in emerging markets	15%
EM-focused Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to emerging markets	45%
DM-focused Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to developed markets	42%
Private Debt Investors	Respondents that allocate ≥ 75% of their current impact investment assets under management (AUM) to private debt	26%
Private Equity Investors	Respondents that allocate ≥ 75% of their current impact investment AUM to private equity	24%
Market-Rate Investors	Respondents that principally target risk-adjusted, market-rate returns	64%
Below-Market Investors	Respondents that principally target below-market-rate returns, some closer to market rate and some closer to capital preservation	36%
Impact-only Investors	Respondents that invest only in impact investing strategies	67%
Impact and Conventional Investors	Respondents that invest in impact investing strategies in addition to conventional strategies	33%
Small Investors	Respondents with total impact investment AUM ≤ USD 100 million	53%
Medium Investors	Respondents with total impact investment AUM > USD 100 million and USD 500 million	24%
Large Investors	Respondents with total impact investment AUM > USD 500 million	23%

Source: GIIN

Notable overlap between sub-groups is outlined below:

- Eighty-five percent of EM-focused Investors are Impact-only Investors, while 55% of DM-focused respondents are Impact-only Investors.
- Among Large Investors, 88% seek market rates of return (compared to 73% of Medium Investors and 50% of Small Investors).

5 YEAR TREND

Sample characteristics among five-year repeat respondents

The 82 respondents that completed the survey in 2014 and again in 2018 have characteristics consistent with the full sample, with little deviation in organization type or headquarters location. A slightly higher proportion target below-market returns (44%). A greater share of five-year repeat respondents make only impact investments (77%) compared to the full sample (67%). Lastly, in terms of their impact AUM, a slightly lower proportion are Small Investors (44%, compared to 53% for the full sample) and slightly more are Medium Investors (34%, compared to 24%).

Investment Activity

Capital invested since inception

Together, respondents reported a total of USD 447 billion of capital invested into 333,687 deals since their respective inceptions. Notably, this figure includes two outliers; the median respondent reported investing USD 106 million of capital invested into 42 deals since inception.

Activity in 2017 and plans for 2018

Collectively, 225 respondents invested USD 35.5 billion into 11,136 investments during 2017 (Table 1). These respondents indicated plans for moderate growth. Together, they plan to invest USD 38.5 billion into over 11,700 investments in 2018, an 8% planned increase in the amount of capital and 5% increase in the number of deals. At the median, respondents plan to grow their capital invested from USD 17 million to USD 25 million while holding the number of investments steady, thus indicating anticipated growth in median deal size. The greatest share of respondents plan to increase the amount of capital they invest and their number of deals by more than 5% during 2018; only about a quarter plan to decrease their activity (Figure 8). Some fluctuation in investment activity is typical for investors given the often-cyclical nature of their activity.

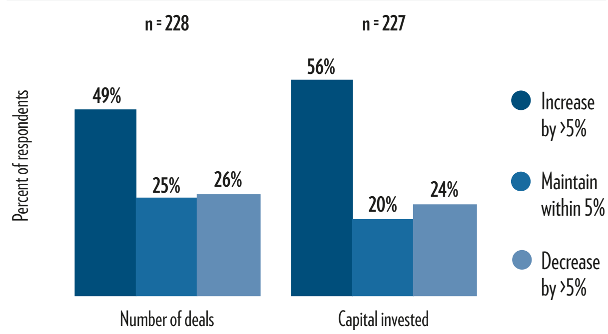
Table 1: Number of investments and amount of capital invested in 2017 and planned for 2018

n = 225; excludes two large outliers and two respondents that did not report 2017 investment activity.

	Number of investments		Capital invested (USD millions)	
	2017 Reported	2018 Planned	2017 Reported	2018 Planned
Mean	53	54	168	179
Median	8	8	17	25
Sum	11,136	11,712	35,526	38,465
Aggregate % growth (projected)		5%		8%

Source: GIIN

Figure 8: Number of respondents that plan to increase, maintain, and decrease their level of activity in 2018



Note: Excludes one respondent that did not report number of deals and two respondents that did not report capital invested.
Source: GIIN

By organization type, banks and diversified financial institutions reported the highest median amount of capital invested during 2017 (USD 150 million), followed by DFIs (USD 132 million; Table 2). DFIs also reported the highest median number of deals (38). Looking ahead, banks and diversified financial institutions reported the greatest expected growth in terms of capital investment in 2018 (projecting 24% growth), permanent investment companies (18%), and for-profit fund managers (16%). Foundations, on the other hand, indicated expectations to decrease the amount of capital they invest by 48%, a decrease notably driven by a single organization. Excluding this outlier, foundations plan to decrease the amount of capital they invest by 7%.

Table 2: Investment activity by organization type

Excludes two outliers and two respondents that did not report investment activity.

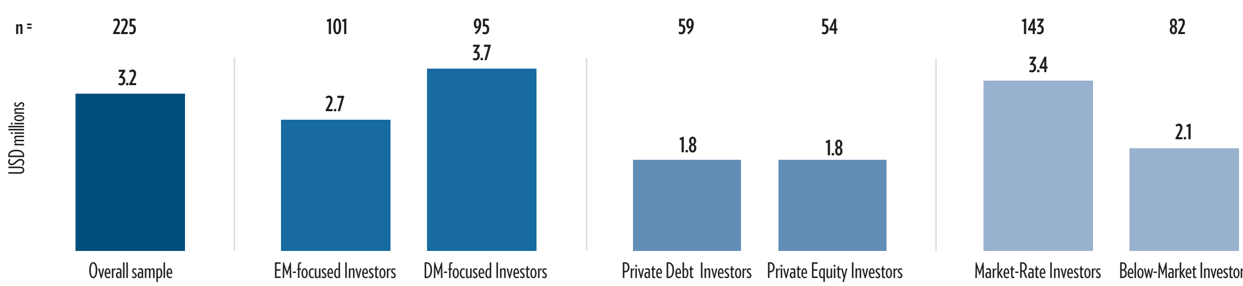
		Number of deals			Capital invested (USD millions)		
	n	Median 2017	Total 2017	Total Planned 2018	Median 2017	Total 2017	Total Planned 2018
Fund manager for-profit	105	8	7,857	8,273	23	18,344	21,261
Fund manager not-for-profit	30	10	701	717	13	1,133	1,346
Pension fund / Insurance company	9	9	155	109	116	5,408	4,273
DFI	6	38	321	371	132	5,169	5,614
Bank / Diversified financial institution	13	6	842	964	150	3,461	4,307
Foundation	30	5	221	206	10	1,189	619
Family office	8	4	50	51	5	92	87
Permanent investment company	4	4	17	23	1	50	60
Other	20	12	972	998	9	681	899
Total	225	8	11,136	11,712	17	35,526	38,465

Note: 'Other' organizations include community development finance institutions; non-governmental organizations; and advisors, incubators, and technical assistance providers that also make impact investments.
Source: GIIN

Respondents that shared data on their investment activity had an average deal size in 2017 of USD 3.2 million (Figure 9). Market-Rate Investors made larger deals on average (USD 3.4 million) than Below-Market Investors (USD 2.1 million). DM-focused investors also reported a higher average deal size than did EM-focused Investors, although this difference was not statistically significant.

Figure 9: Average deal size in 2017 among various respondent segments

Number of respondents shown above each bar; excludes two outliers and two respondents that did not report 2017 investment activity figures. Figures in USD millions.



Source: GIIN

Plans for 2017 compared to activity in 2017

More than 150 respondents completed the survey both last year and this year, and Table 3 compares their planned investment activities to their reported activity. Nearly 70% of respondents exceeded their 2017 capital investment targets, in aggregate exceeding 2017 plans by 8%. However, most respondents fell short of their expected number of deals by 20% in aggregate for 2017. Excluding one respondent who drove a notable portion of this figure, aggregate deals exceeded plans by 9%.

Table 3: Capital invested and number of investments in 2017 among repeat respondents

n = 153; excludes two outlier respondents.

	2017 Planned	2017 Reported	Percent change	Percent that exceeded by >5%	Percent that met within +/- 5% target	Percent that fell short by >5%
Number of deals	11,445	9,189	-20%	36%	23%	65%
Capital invested	23,722	25,527	8%	69%	45%	45%

Source: GIIN

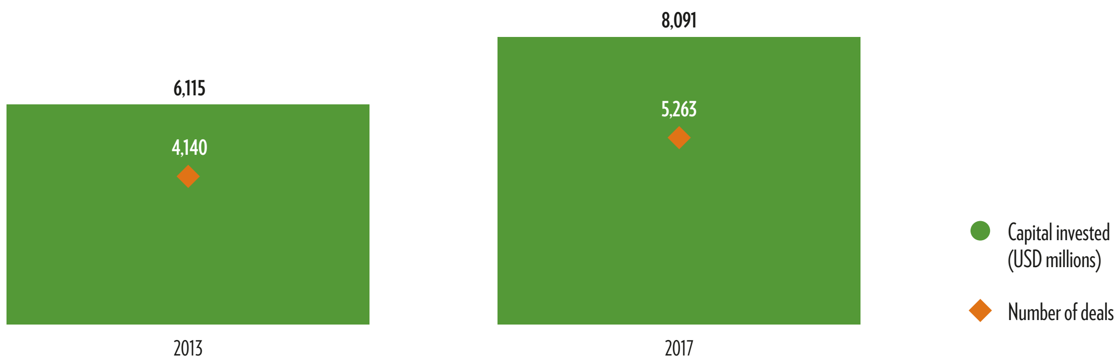
5 YEAR TREND

Investment activity over the past five years

Eighty-two respondents completed both the 2014 and 2018 surveys. In aggregate, these repeat respondents reported notable growth in yearly investment activity over this five-year period, increasing the amount of capital they invested from USD 6.1 billion in 4,140 deals in 2013 to USD 8.1 billion in 5,263 deals in 2017 (Figure 10). Together, this growth amounts to a 32% increase in yearly capital invested and a 27% increase in the number of deals over the five-year period. Average deal size held steady at approximately USD 1.5 million per investment.

Figure 10: Reported activity in 2013 and 2017 among five-year repeat respondents

n = 82



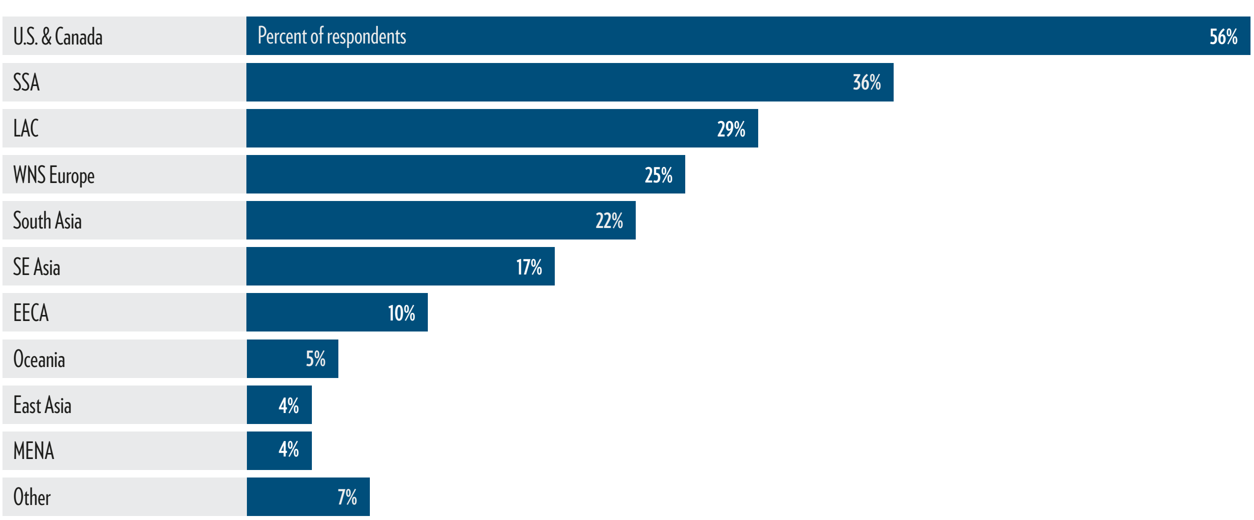
Note: In the 2013 survey, respondents reported 'capital committed'. In the 2017 survey, they reported 'capital invested'.
Source: GIIN

Top regions of investment during 2017

To better understand the nature of investment activity over the past year, the Research Team gathered information on the top three geographies and sectors to which respondents had deployed capital in 2017. Fifty-six percent of respondents indicated the U.S. & Canada among the top three regions to which they deployed capital (Figure 11). Other significant regions of investment included SSA (36%), LAC (29%), and WNS Europe (25%). This finding is consistent with overall portfolio allocations described in the Asset Allocations section on page 21.

Figure 11: Top three regions to which respondents deployed capital in 2017

n = 220; showing percent of respondents that listed each geography in their top three for capital deployments in 2017. Optional question.

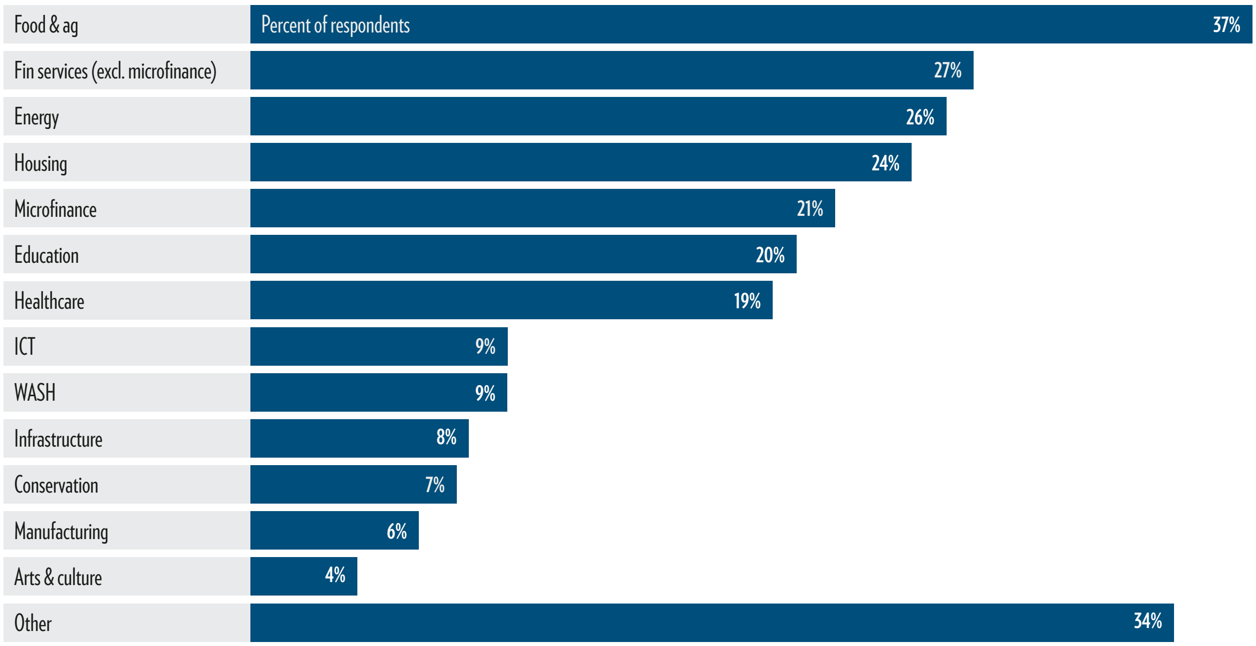


Source: GIIN

Respondents deployed capital across a diverse range of sectors (Figure 12). Thirty-seven percent listed food & agriculture among the top three sectors to which they deployed capital in 2017, followed by financial services (excluding microfinance; 27%), energy (26%), and housing (24%).

Figure 12: Top three sectors to which respondents deployed capital in 2017

n = 215; showing percent of respondents that listed each sector in their top three for capital deployments in 2017. Optional question.



Note: 'Other' sectors include general environmentally sustainable investments, commercial real estate, inclusive supply chains, community development facilities, and retail services.
Source: GIIN

State of the Impact Investing Market

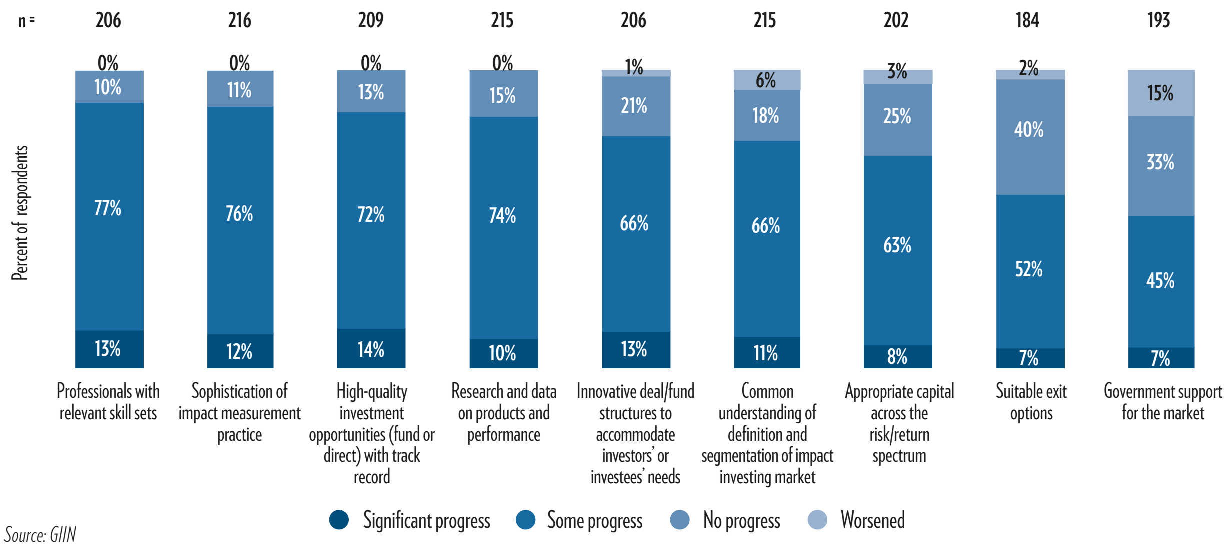
Progress on indicators of market growth

Each year, respondents share their views on progress in the past year on various indicators of market growth and development. As in previous years, respondents saw varying degrees of progress on different indicators (Figure 13).

Respondents were particularly positive about progress in the presence of 'professionals with relevant skill sets' (90% saw some or significant progress), the 'sophistication of impact measurement practice' (88%), the pipeline of 'high-quality investment opportunities' (86%), and the accessibility of 'research and data' (84%). On the other hand, 33% of respondents indicated seeing no progress in 'government support for the market,' and 14% perceived worsening government support. Nearly 40% of respondents indicated seeing no progress in the availability of 'suitable exit options,' and 25% indicated seeing no progress in the availability of 'appropriate capital across the risk-return spectrum.'

Figure 13: Progress on indicators of market growth

Number of respondents shown above each indicator; some respondents chose 'not sure/not applicable' and are not included. Ranked by percent selecting 'some progress' or 'significant progress'.



Source: GIIN

In all regions of investment, respondents agreed that the industry has seen progress over the past year in the availability of skilled professionals, the sophistication of impact measurement practice, and the pipeline of high-quality investment opportunities. However, there were some notable variations:

- Eighty-three percent of investors allocating primarily to South Asia perceived some or significant progress in government support for the market versus 49% in the rest of the sample.
- LAC-focused investors saw less progress than others in a few areas, including the availability of suitable exit options (29% vs. 56%), availability of appropriate capital across the risk/return spectrum (47% vs. 75%), the use of innovative deal/fund structures to accommodate investors' and investees' needs (50% vs. 85%), and presence of professionals with relevant skill sets (75% vs. 90%).

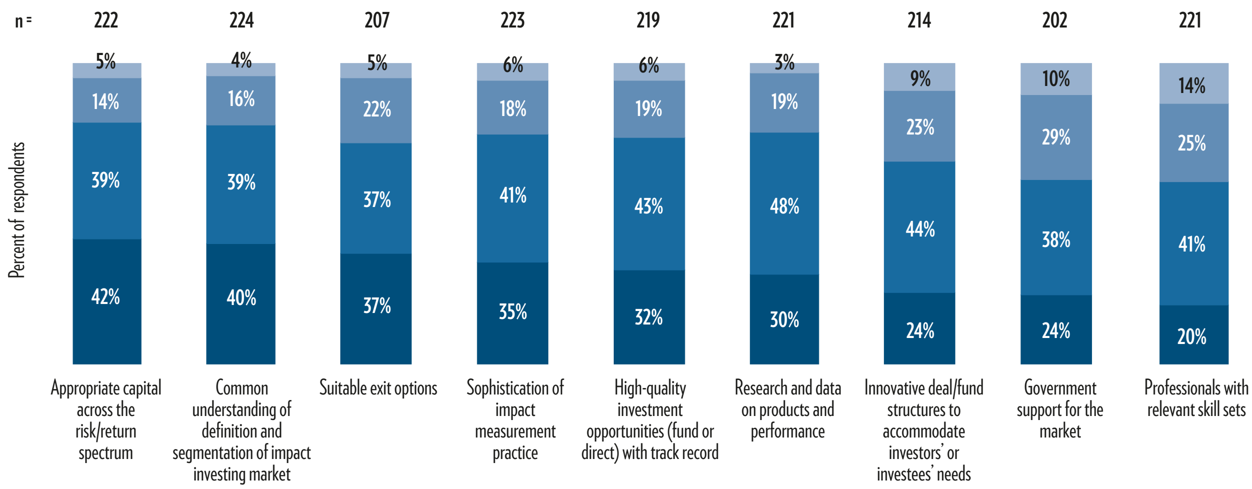
Perceptions of progress also varied among other respondent segments. For example, Private Equity Investors were more likely to see significant progress on reaching a 'common understanding of definition and segmentation of the impact investing market' than were Private Debt Investors (14% vs. 6%). In many areas, market-rate-seeking investors indicated seeing more significant progress than did below-market investors, citing more progress on the 'sophistication of impact measurement practice' (15% vs. 7%), reaching a common understanding of definitions and segments (16% vs. 3%), availability of research and data (13% vs. 6%), and the pipeline of high-quality investment opportunities (18% vs. 7%).

Challenges

As has been true for the past several years, the lack of 'appropriate capital across the risk/return spectrum' was the most commonly cited challenge facing the growth of the impact investing industry (42%; Figure 14). Another 40% of respondents cited the lack of common understanding of the definitions and segments of the market as a significant challenge. Just one in five respondents this year perceived a lack of professionals with relevant skill sets to be a significant challenge.

Figure 14: Challenges to the growth of the impact investing industry

Number of respondents shown above each indicator; some respondents chose 'not sure/not applicable' and are not included. Ranked by percent selecting 'significant challenge'.



Source: GIIN

As shown in Table 4, a greater share of respondents noted that significant challenges remain across indicators than suggested seeing significant progress in the past year. This difference is to be expected, as 'significant' progress is rarely achieved in a single year. This gap was particularly wide in the availability of appropriate capital across the risk/return spectrum, suitable exit options, and a common understanding of definition and segmentation of impact investing market.

Table 4: Areas of progress and challenge for the growth of the impact investing industry

	Significant progress	Significant challenge
n	185-217	203-225
High-quality investment opportunities (fund or direct) with track record	14%	32%
Professionals with relevant skill sets	13%	20%
Innovative deal/fund structures to accommodate investors' or investees' needs	13%	24%
Sophistication of impact measurement practice	12%	35%
Common understanding of definition and segmentation of impact investing market	11%	40%
Research and data on products and performance	10%	30%
Appropriate capital across the risk/return spectrum	8%	42%
Government support for the market	7%	24%
Suitable exit options	7%	37%

Note: Scores are calculated by weighting each level of progress or challenge by the number of respondents selecting that level and summing those weighted totals.

Source: GIIN

Respondents allocating capital to different, specific regions generally agreed that a lack of appropriate capital is a top challenge facing the industry (Table 5). Perceived challenges otherwise varied widely by region of investment:

- South Asia–focused investors perceived greater challenges in several areas, including a shortage of appropriate capital (69% citing it as 'significant' vs. 35% of the rest of the sample), lack of suitable exit options (62% vs. 41%), limited sophistication of impact measurement practice (58%), and lack of skilled professionals (38% vs. 19%).

- Investors primarily allocating to the U.S. & Canada indicated greater challenges associated with the lack of 'government support for the market' (32% vs. 14%). However, they perceived fewer challenges in other areas, including the quality of available investment opportunities (21% vs. 33%) and availability of skilled professionals (12% vs. 19%).
- WNS Europe–focused investors were less likely to perceive the lack of a common understanding in the market as a significant challenge (20% vs. 40%). They did, however, indicate a lack of research and data to be a significant challenge (57% vs. 31%).

Table 5: Ranking of 'significant' challenges, by region of investment

	LAC	Oceania	South Asia	SSA	U.S. & Canada	WNS Europe
n	15-16	5-6	12-13	20-25	53-58	13-15
Appropriate capital across the risk–return spectrum	63%	60%	69%	44%	29%	67%
Common understanding of definition and segmentation of impact investing market	31%	0%	62%	52%	34%	20%
Suitable exit options	40%	0%	62%	35%	31%	40%
Sophistication of impact measurement practice	25%	17%	58%	32%	36%	27%
High-quality investment opportunities (fund or direct) with track record	38%	0%	46%	32%	21%	43%
Research and data on products and performance	31%	17%	42%	13%	30%	57%
Innovative deal or fund structures to accommodate investors' or investees' needs	31%	17%	38%	35%	16%	31%
Government support for the market	33%	17%	42%	23%	32%	36%
Professionals with relevant skill sets	20%	17%	38%	21%	12%	33%
		≥ 50%			≥30%	

Source: GIIN

Different segments of respondents also had varied perspectives on the severity of these challenges. Private Equity Investors, for example, were more likely to identify the lack of skilled professionals as a significant challenge than were Private Debt Investors (29% vs. 16%). Below-Market Investors perceived more significant challenges in several areas compared to Market-Rate Investors, namely the lack of a common understanding of the definitions and segmentation of the impact investing market (48% vs. 36%) and the ability to identify suitable exit options (47% vs. 31%). Market-rate-seeking respondents, on the other hand, were more likely to cite lack of research and data as a significant challenge (35% vs. 21% of Below-Market Investors).

Underlying causes of common challenges

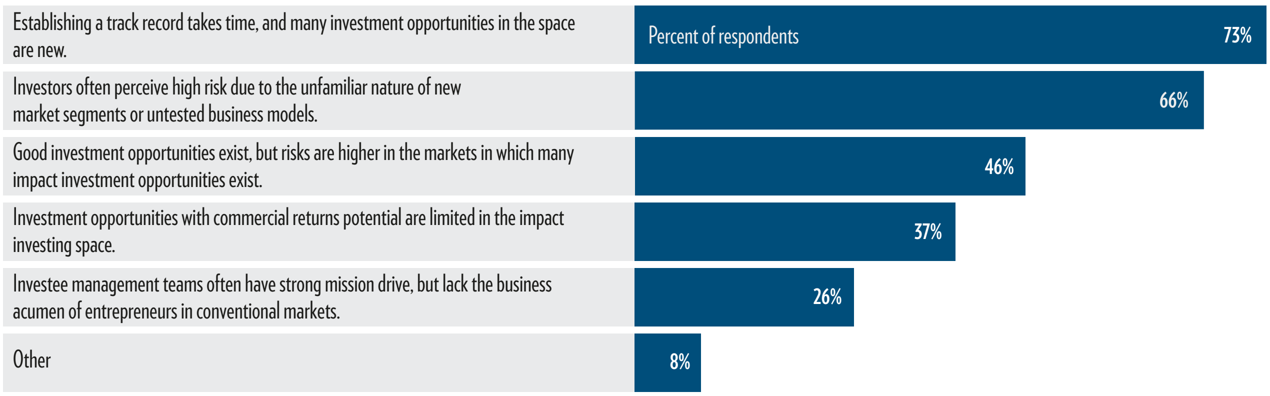
To better understand several of these commonly faced challenges, the Research Team asked respondents to elaborate further on the factors underlying several commonly faced challenges.

Regarding the lack of appropriate capital across the risk/return spectrum, respondents noted that the industry needs several specific types of capital, including concessionary or catalytic capital, patient capital, and early-stage or high-risk capital. Respondents also noted constraints related to investors' risk appetites (17%); respondents reported that investors perceive high risk among funds with little or no track record, among investments in certain geographies or sectors, and among investments into untested business models. Respondents also pointed out that investors often seek to invest larger amounts of impact capital than investees need, leading them to pass over smaller deals. Some investors' lack of knowledge or understanding of impact investing (noted by 16%) highlighted the need for more tools and research (4%) and improved definitions and measurement of impact (3%). Finally, a handful of respondents consider the limited number of investment-ready businesses (5%) and insufficient cooperation among different players across the impact investing industry (5%) as barriers to placing capital.

Respondents also described challenges associated with a lack of high-quality investment opportunities. Nearly three-quarters pointed to the fact that it takes time to establish a track record, while many impact investment opportunities are new (Figure 15). Another two-thirds of respondents indicated that investors often perceive high risk associated with unfamiliar market segments or untested business models. Notably, a higher proportion of respondents cited perceived high risk (66%) than the proportion actual high risk (46%). In a positive sign for the industry, fewer respondents indicated that the lack of high-quality investment opportunities results from a lack of commercial opportunities in the impact investing space or from a lack of business acumen on investee management teams (37% and 26% of respondents, respectively).

Figure 15: Factors underlying a lack of high-quality investment opportunities (fund or direct) with track record

n = 214; optional question.



Note: 'Other' factors include a lack of seed and venture-stage capital, limited availability of capacity-building support, poor educational infrastructure (particularly in certain emerging markets), and high competition among impact investors for deals.

Source: GIIN

Lastly, respondents were asked to share specific topics on which further research could help inform and improve their work. Of 89 responses to this question, a plurality requested further research on investment performance, with 40% noting a need for more research on financial performance and 17% noting a need for impact performance research. Sixteen percent would welcome research on impact measurement, investment structures, and the UN Sustainable Development Goals (SDGs). Finally, 7% would find research on market trends and activity useful, especially for specific geographies and sectors.

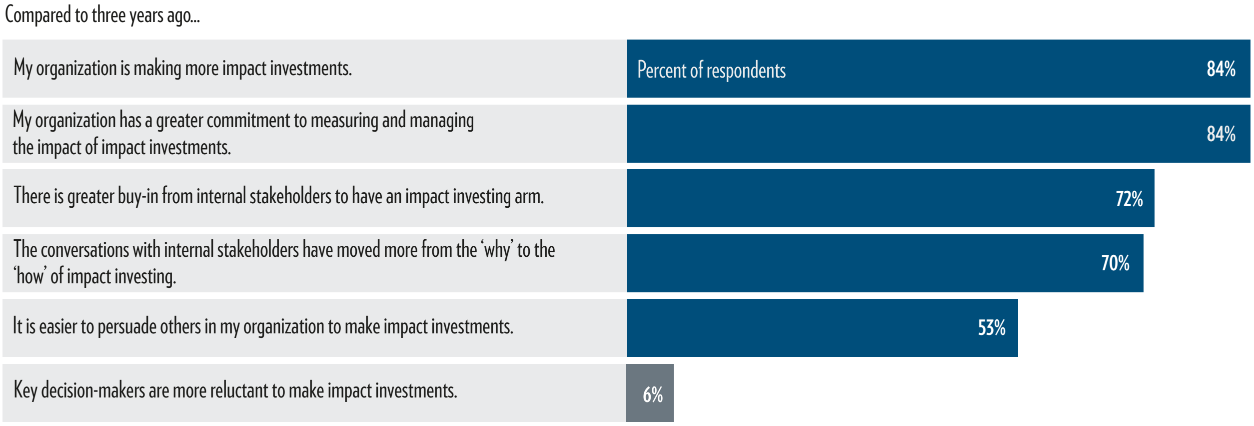
Insight: Organizations making both conventional and impact investments

With the entry of a number of large financial players into impact investing in recent years, impact investing has become more 'mainstream.' The Research Team therefore delved further this year to better understand dynamics within such organizations (Figure 16). Eighty-four percent of these respondents noted that their organizations are making more impact investments and demonstrating greater commitment to measuring and managing their impact than they were three years ago. Another 72% indicated gaining greater buy-in from internal stakeholders, with internal conversations shifting from the question of 'why' impact investing to 'how.' Just 6% of respondents indicated facing greater reluctance by their organizations to make impact investments.

Figure 16: Change in organizations' perceptions and practice of impact investing in the last three years

n = 64 respondents that make impact and conventional investments. Optional question.

Compared to three years ago...

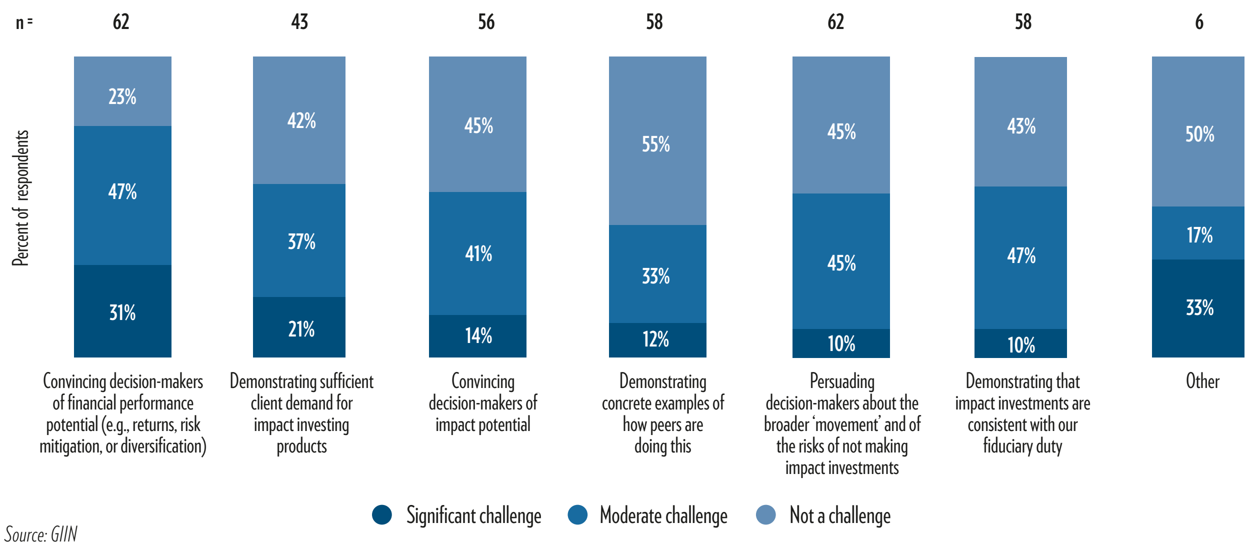


Source: GIIN

Looking ahead, respondents indicated that most potential organization-level challenges to growing impact investing were not significant at their respective firms (Figure 17). The greatest share of respondents cited the need to convince key decision-makers of the potential financial performance of impact investments as a significant challenge (31%). A fifth of respondents found it a significant challenge to demonstrate sufficient client demand for impact investing products, but more than two-fifths did not feel this was a challenge. Further, over half of respondents (55%) faced no difficulty demonstrating concrete examples of peers engaged in impact investing, and just 10% of respondents found it significantly challenging to prove that impact investments are consistent with their fiduciary duty.

Figure 17: Significance of challenges to gaining buy-in for impact investing

Number of respondents shown above each challenge; some respondents chose 'not sure/not applicable' and are not included. Ranked by percent selecting 'significant challenge'. Optional question for organizations that also make conventional investments.



Source: GIIN

Noteworthy announcements in impact investing

Continuing the market's strong growth in recent years, 2017 witnessed new large commitments and announcements from a wide range of investor types. Foundations that have long aligned their grant-making with their missions committed to investing some or all of their endowments in mission-aligned impact. Meanwhile, large asset managers and institutional investors committed billions to impact investing.

Foundation announcements

- In April 2017, **Ford Foundation** announced that it will commit USD 1 billion of its USD 12 billion endowment to mission-related investments over the next ten years, the largest commitment thus far of philanthropic endowment to impact investing. The Foundation will begin by focusing on investments in affordable housing in the United States and access to financial services in emerging markets.[2]
- The **Heron Foundation** announced in December 2016 that it had met its goal to move all of its USD 270 million endowment into impact investments by 2017, a process that began in 2012 and included a change to its investment policy stating that mission-alignment is part of the foundation's fiduciary duty. Four years later, the completion of this process reinforces Heron's commitment to impact investing. Its strategy aims to generate employment and alleviate poverty.[3]
- The **Michael & Susan Dell Foundation** announced in May 2017 that it would add USD 1 billion to its endowment, which had declined to USD 646 million after years of about 15% annual spending on grants and impact investments (much more than the required minimum of 5% per year). With its larger endowment, the foundation intends to increase its impact investments to focus on social entrepreneurs tackling child poverty in the United States, India, and South Africa.[4]

Fund and institutional announcements

- The **Global Steering Group for Impact Investment (GSG)** developed the **India Education Outcomes Fund (IEOF)** and the **India Impact Fund of Funds (IIFF)** in 2017, meeting with stakeholders and initiating fundraising. The funds, officially launching in 2018, each aim to raise USD 1 billion.[5] The IEOF, which will be managed by a team at Social Finance India, will target improvements in primary and secondary education in the country and raise capital from government agencies, foundations, and fund managers.[6] The IIFF will invest primarily in debt funds in a variety of sectors, such as agriculture, clean energy, financial inclusion, healthcare, affordable housing, and water and sanitation; it plans to raise first-loss capital from grantors and nonprofit organizations to catalyze investment from HNWIs, corporations, and endowments.[7]
- **TPG Rise Fund** announced in October 2017 that it had raised USD 2 billion, surpassing its target of USD 1.5 billion to reach the maximum amount of outside capital allowed by its investment agreement.[8] The fund uses evidence-based approaches to invest in companies that generate positive social and environmental impact through their core business operations.[9] It is investing globally in various sectors, including food & agriculture, financial services, ICT, energy, and education.[10]
- **Zurich Insurance Group** announced in November 2017 that it will more than double its commitment to responsible and impact investing from USD 2 billion to USD 5 billion. Zurich will invest globally in various asset classes, such as private equity, social and green bonds, and other investment vehicles it has yet to explore. Through these investments, Zurich aims annually to eliminate five million tons of CO2 emissions and improve the lives of five million people as beneficiaries of the projects in which it invests.[11]

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2 Debby Warren, "Can Ford Foundation's $1 Billion Impact Investing Commitment Alter the Field?," Nonprofit Quarterly, March 6, 2017, https://nonprofitquarterly.org/2018/03/06/can-ford-foundations-1-billion-impact-investing-commitment-alter-field/.

3 Anne Field, "Mission Accomplished: How The Heron Foundation Went 'All In'," Forbes, March 30, 2017, https://www.forbes.com/sites/annefield/2017/03/30/mission-accomplished-how-the-heron-foundation-went-all-in/#87e5e7d4d179.

4 Ben Paynter, "Why The Dell Foundation Is Betting Big On Social Entrepreneurs," Fast Company, May 11, 2017, https://www.fastcompany.com/40419354/why-the-dell-foundation-is-betting-big-on-social-entrepreneurs.

5 Taslima Khan, "Ronald Cohen's Impact May Get $2 Billion for India," The Economic Times, February 14, 2017, https://economictimes.indiatimes.com/small-biz/startups/newsbuzz/ronald-cohens-impact-may-get-2-billion-for-india/articleshow/62910525.cms.

6 Global Steering Group for Impact Investment , "Social Finance India & India Education Outcomes Fund: Business Plan," February 14, 2018, http://gsgii.org/wp-content/uploads/2018/03/Preliminary-Draft_-IEOF-Business-Plan-FINAL.pdf.

7 Global Steering Group for Impact Investment, "India Impact Fund of Funds: Business Plan," February 2018, http://gsgii.org/wp-content/uploads/2018/03/Preliminary-Draft_-IIFF-Business-Plan-FINAL.pdf.

8 Melissa Mittelman, "TPG Seals Record $2 Billion for Fund Co-Led by Bono," Bloomberg, October 3, 2017, https://www.bloomberg.com/news/articles/2017-10-03/tpg-seals-record-2-billion-for-rise-impact-fund-co-led-by-bono.

9 The Rise Fund, "Vision," accessed on March 27, 2018, http://therisefund.com/#vision.

10 The Rise Fund, "Leadership," accessed on March 22, 2018, http://therisefund.com/#leadership.

11 Zurich Insurance Group, "Zurich Increases its Commitment to Impact Investments and Introduces Impact Targets," news release, November 23, 2017, https://www.zurich.com/en/media/news-releases/2017/2017-1123-01.

Current Market Topics

To remain informed of the quickly-evolving impact investing industry, the Research Team gathers practitioners' insights on key developments and 'hot topics' each year. Given the rapid growth of the market and the entrance of several prominent, mainstream investors, respondents offered their thoughts on the risks of 'impact washing' and how to preserve the market's integrity through significant changes and growth. They also shared their views on emerging technologies, the importance of governmental policy to advancing the field, and the role of blended finance.

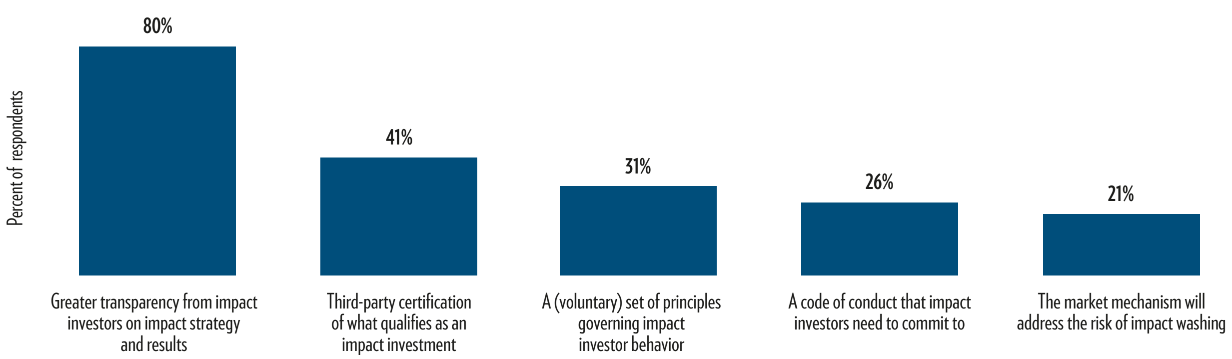
Preserving impact integrity

The impact investing market has grown rapidly, with many well-known, large-scale firms entering over the past few years. Last year, respondents shared their opinions on the recent entry of these large investors, generally viewing the trend as positive but also identifying a risk of mission drift or 'impact dilution.' This year, they shared their views on how to mitigate risk of impact washing.

Most respondents highlighted the importance of greater transparency around impact, with 80% agreeing that 'greater transparency from impact investors on their impact strategy and results' would help mitigate the risk of mission drift (Figure 18). Forty-one percent agreed that 'third-party certification of what qualifies as an impact investment' would help mitigate the of risk impact washing, and 31% and 26%, respectively, agreed that shared principles or a code of conduct were potential approaches. Twenty-one percent believe that no action is necessarily required because 'the market mechanism will address the risk of impact washing.'

Figure 18: Approaches to mitigate the risk of impact washing

n = 212; optional question.



Source: GIIN

To clarify what a shared set of principles or code of conduct might look like, respondents outlined their views on the importance of a variety of practices impact investors might demonstrate (Table 6). Most important, respondents reported, were practices core to the definition of impact investing: impact investors should intentionally target investments that positively address one or more social or environmental challenges (92% rating this very important), determine their impact goals or objectives at the time of investment (76%), and regularly measure their progress towards those goals throughout the lifetime of the investment (76%).

Also important, according to respondents, are articulation and communication of organizations' impact strategies. Roughly two-thirds of respondents rated it very important for investors to articulate how impact is factored into investment decisions and management, to articulate a clear theory of change (i.e., linking their investment strategies to approaches to social or environmental challenges), and to regularly communicate progress towards impact goals to relevant stakeholders. Of lower importance are to link compensation to impact performance or to conduct independent, third-party audits of progress toward investors' impact goals.

Table 6: The importance of various impact investing practices

Number of respondents varies from 207 to 212; optional question.

Practice	Level of importance		
	Very important	Somewhat important	Not important
Intentional targeting of investments that positively address one or more social/environmental challenges	92%	7%	1%
Impact goals/objectives determined at the time of investment	76%	23%	1%
Measurement of progress against impact goals at regular intervals throughout investment	76%	23%	1%
Articulation of how impact is factored into decisions about investment selection and management	67%	30%	2%
Articulation of a clear theory of change linking investment strategy to ways to address social/environmental challenge(s)	66%	29%	5%
Communication of progress against impact goals to relevant stakeholders at regular intervals	65%	32%	2%
Active management of ESG and impact risk	53%	42%	5%
Deliberate pursuit of strategies to try and ensure impact continues post-investment	50%	39%	10%
Articulation of investors' contribution towards measures of impact achieved	31%	48%	21%
Investor/advisor compensation linked to the impact performance of investments (not just financial performance)	30%	42%	29%
Audits of progress against impact goals by an independent third party	23%	50%	26%
	≥50%	≥30%	

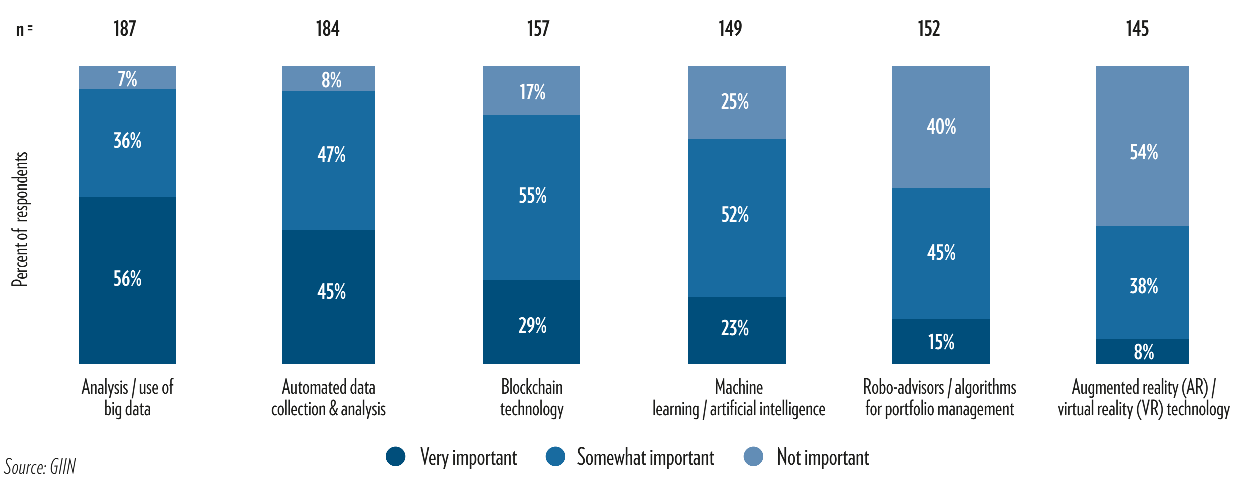
Source: GIIN

Technology

Technological advancement continues at a rapid pace, and many stakeholders wonder how these developments will affect the impact investing market. Respondents shared their views on the importance of various technologies for the field over the next three years (Figure 19). Respondents expect the most important technologies to be analysis and use of big data (56% rating this 'very important') and automated data collection and analysis (45%). Twenty-nine percent also cited blockchain technology as 'very important' for impact investing. Interestingly, 40% of respondents do not believe robo-advisors or algorithms for portfolio management will prove important. The effect of new technologies on impact investing remains to be seen, but some respondents speculated about both positive effects and risks. One fund manager, for example, noted, "robo-advisors may be important in bringing in new capital, but [are] also likely to result in significant watering down of what is termed an 'impact investment.'"

Figure 19: The importance of various technologies for impact investing over the next three years

Number of respondents shown above each technology; some respondents chose 'not sure' and are not included. Ranked by percent selecting 'very important'. Optional question.



Source: GIIN

Policy

Government policy can encourage investors to make impact investments—or deter them. Respondents ranked the top three government actions or policies that they believe would most help their organizations make impact investments (Table 7). Most useful, according to respondents, is government provision of credit enhancement, such as guarantees or first-loss capital. For example, one organization commented that government guarantees or first-loss capital can help bring in other investors, especially with illiquid investments or those with lower expected financial returns to serve very marginalized groups of people. Several respondents identified risks of credit enhancement as well, such as the potential to distort the market through below-market debt or subsidies that could "undermine legitimate investment strategies." These respondents noted that policymakers should carefully consider the structure of such policies to avoid potential negative consequences.

Other helpful policies, according to respondents, include tax credits or other subsidies for investors. As one fund manager commented, "climate policy and carbon markets directly influence our climate-smart forestry investment strategies. The extension of California's cap-and-trade program to 2030 supported a new investment in the hundreds of millions of dollars that will deliver millions of tonnes of climate mitigation." Another fund manager pointed to the benefits of taxes on environmentally detrimental industries (such as a greenhouse gas tax).

Additional helpful actions, according to respondents, include government funding of technical assistance for investees and co-investment into impact investments. Somewhat less important but still helpful to their ability to make impact investments, respondents suggest, would be regulation for investment offerings, including clearly defined regulation around fiduciary duty. The least important government action, according to respondents, is government procurement of goods and services from investees.

Table 7: The importance of government actions or policies to help organizations make impact investments

n = 209; optional question.

Government policy or action	Total score
Provision of credit enhancement (e.g., guarantees, first-loss capital)	356
Tax credits or subsidies for investors	220
Funding for technical assistance for investees	216
Co-investment by government agency	205
Streamlined, clearly defined regulation for investment offerings (e.g., fiduciary duty)	168
Procurement of goods and services from investees	61

Note: Respondents ranked the top three actions or policies from the six options in the table. Total scores were calculated by giving first-choice rankings a score of three, second-choice rankings a score of two, and third-choice rankings a score of one, then multiplying these by the number of respondents selecting each option.

Source: GIIN

Respondents also commented on which current events (political or economic) have influenced their impact investing strategy or goals. Many noted that the Sustainable Development Goals have played a key role, such as in "providing an additional frame/lens" to communicate their work. They also remarked on specific country contexts. One respondent noted that the political environment and economic downturn in Brazil has affected some of their investees, particularly those that sell to the public sector. Another said that the country's recent launch of a national policy on social finance—driven by the Brazilian National Advisory Board, supported by the Global Steering Group (GSG)—has "opened doors on several public agencies we wouldn't be able to access before." The GSG is active in sixteen total countries and the European Union. In another nod to conducive policies, a respondent pointed to the Indian government's laws that allow incubators to use corporate social responsibility funding for startups. Conversely, an organization investing in Myanmar said they've held their investment activity there due to the government's policies toward the Rohingya population.

In the U.S. context, one pension fund commented that "changes to [the] corporate tax rate and the possibility of federal housing subsidies going away may reduce [the] number of multifamily/low income housing tax credit transactions that we will have an opportunity to invest in." Several respondents commented on changing energy policies—such as the U.S. Administration's stance on clean energy, which one fund manager said has made it "more cautious about investing in renewable energy companies with major U.S. exposure." On a positive note, another noted that changes in U.S. politics have made "more private sector players want to step up to impact."

Across the board, respondents agree that political shifts that cause inequality or other challenges simultaneously uncover opportunities for investment capital and market-based solutions to address these challenges. One fund manager noted, "increasing inequalities have strengthened our search for new impact themes for underserved groups, such as education." Another pension fund commented that uncertainty around the implications of government budget changes and concern about "our ability to pursue advances in racial and economic equity have focused our investments on organizations most impacted."

Blended finance

Blended finance has attracted increasing interest as an impact investment approach. Respondents indicated whether they have participated in a blended finance deal (Table 8); if they have not, they offered some reasons for not participating (Figure 20). Seventy-five percent of respondents have either participated in a blended finance deal or plan to do so. A higher proportion of Below-Market Investors have participated in blended finance investments compared to Market-Rate Investors; the same holds true for Private Debt compared to Private Equity Investors.

> Blended finance is a strategy that combines capital with different levels of risk in order to catalyze risk-adjusted, market-rate-seeking capital into impact investments.

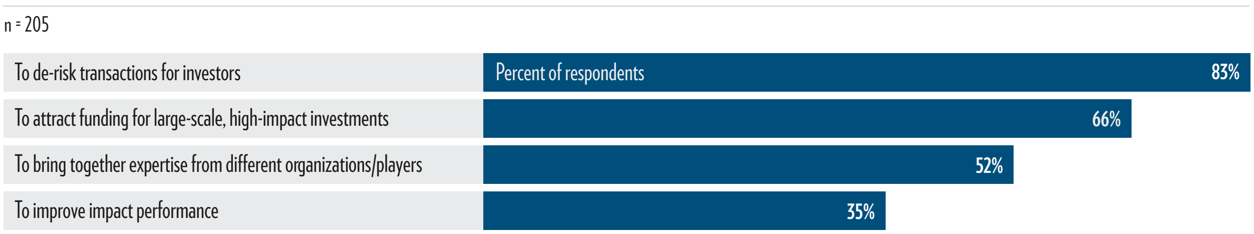
Table 8: Investor participation in blended finance deals

	Overall	Market-Rate Investors	Below-Market Investors	EM-focused Investors	DM-focused Investors	Private Debt Investors	Private Equity Investors
Yes	57%	51%	68%	56%	55%	71%	38%
No, but we plan to in the future	17%	18%	16%	23%	12%	10%	23%
No, and we do not plan to	25%	31%	16%	22%	33%	19%	39%
n =	229	147	82	103	97	59	56

Source: GIIN

Investors commented on the roles that blended finance plays in the impact investing industry (Figure 20). Most respondents agree that blended finance de-risks transactions for investors (83%) and can be used to 'attract funding for large-scale, high-impact investments' (66%) or 'bring together expertise from different organizations and players' (52%). Thirty-five percent of respondents also believe that blended finance can improve impact performance.

Figure 20: Roles of blended finance in impact investing

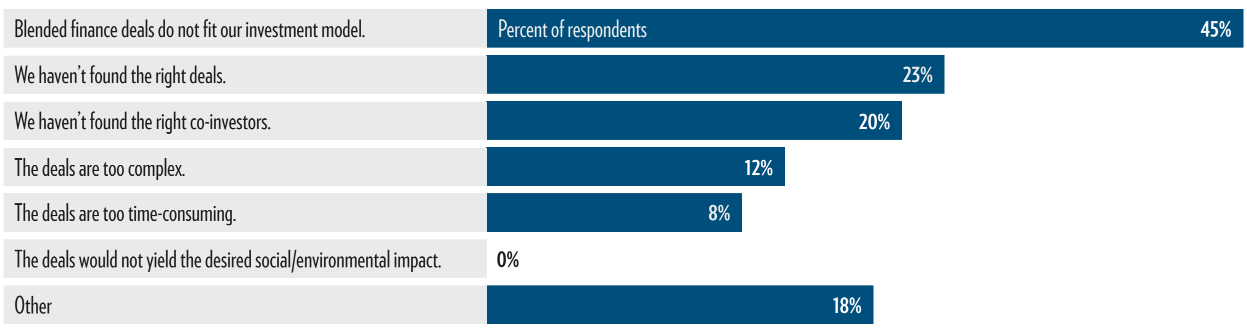


Source: GIIN

Nonetheless, a quarter of organizations have neither taken part in a blended finance deal nor plan to do so. Interestingly, no investors have avoided blended finance deals for lack of confidence in their ability to create social or environmental impact (Figure 21). Most commonly, as cited by 45% of respondents not participating in blended finance deals, is that such deals do not fit their investment models. Other investors have not yet found the right deals (23%) or co-investors (20%). A smaller proportion note that these deals are too complex (12%) or time-consuming (8%) to execute. One fund manager commented, that "more progress needs to be made in order for blended finance to be replicable."

Figure 21: Reasons for not participating in blended finance deals

n = 95; optional question.



Note: 'Other' included reasons like regulatory restrictions, LP hesitations or lack of understanding, or simply that investors have not yet considered these types of deals or come across them.
Source: GIIN

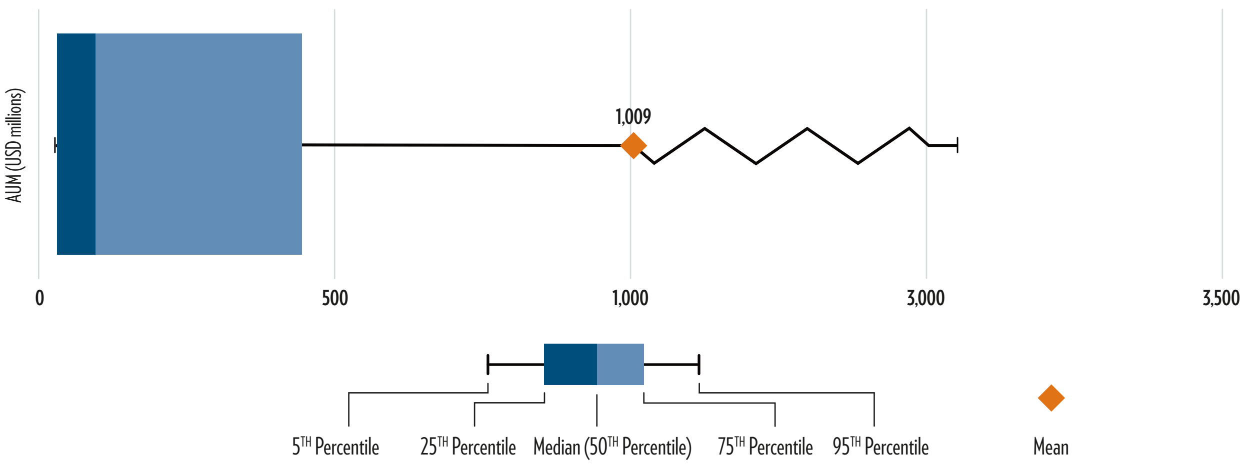
Asset Allocations

Assets under management

As of year-end 2017, 226 respondents collectively managed USD 228.1 billion in impact investing assets.[12] The median respondent managed USD 92 million, significantly lower than the average of USD 1.0 billion (Figure 22). Several respondents manage particularly large pools of capital; the two largest respondents account for 38% of total AUM. To nuance findings, analysis in this section will note either the inclusion or exclusion of these outliers.

Figure 22: Distribution of sample AUM

n = 226; USD millions. Showing 5th through 95th percentiles.



Source: GIIN

5 YEAR TREND

To better understand growth in impact investing activity over the past five years, the Research Team analyzed asset allocations among the 81 respondents that provided data for 2013 and 2017 and shared AUM data. Collectively, these respondents grew their AUM from USD 30.8 billion in 2013 to USD 50.8 billion in 2017, a 13% compound annual growth rate (CAGR). At the median, the same 81 respondents grew their AUM from USD 105 million to USD 156 million.

Many impact investors manage diversified portfolios that may also include conventional investments. The 65 respondents that make conventional and impact investments and shared their asset allocations collectively manage USD 87.9 billion in impact investing assets. On average, impact investments comprise 28% of their portfolios, but the range is wide; for some, impact investments are just a fraction of a percent of their overall activity while for others they represent nearly their full portfolio. Notably, larger organizations tend to allocate a smaller portion of their total AUM to impact investing.

12 Three respondents declined to provide AUM information.

AUM by organization type

The volume of impact investing AUM varies by organization type (Table 9). Fund managers comprise 59% of the sample and manage 32% of AUM. DFIs comprise just 3% of the sample yet account for 45% of AUM. Notably, the median AUM among DFIs is much higher than that of other organization types. Pension funds and insurance companies manage 13% of AUM.

Table 9: AUM by organization type
n = 226

Organization type	n	Median (USD millions)	Mean (USD millions)	Sum (USD millions)	Percent of total AUM
DFI	7	7,000	14,703	102,923	45%
Fund manager: For-profit	106	135	637	67,494	30%
Fund manager: Not-for-profit	30	72	146	4,385	2%
Pension fund / Insurance company	9	450	3,282	29,542	13%
Bank / Diversified financial institution	14	400	1,042	14,591	6%
Foundation	30	63	201	6,036	3%
Family office	6	46	78	469	0.2%
Permanent investment company	4	6	37	148	0.1%
Other	20	30	126	2,513	1%

Note: 'Other' includes community development finance institutions; non-governmental organizations; and accelerators, incubators, and technical assistance providers that also make impact investments.
Source: GIIN

Nearly 80% of capital was invested directly into companies, projects, or real assets, with the remaining 20% invested indirectly, including through funds or other intermediaries. As fund managers also participated in this survey, note that some portion of that 20% of AUM may be double-counted in total AUM figures. Excluding two outliers, 60% of capital invested directly is managed by fund managers, and 18% is managed by DFIs, who further manage a large portion of capital invested indirectly (39% excluding outliers). Banks or diversified financial institutions also manage a large amount of indirectly invested capital (22%).

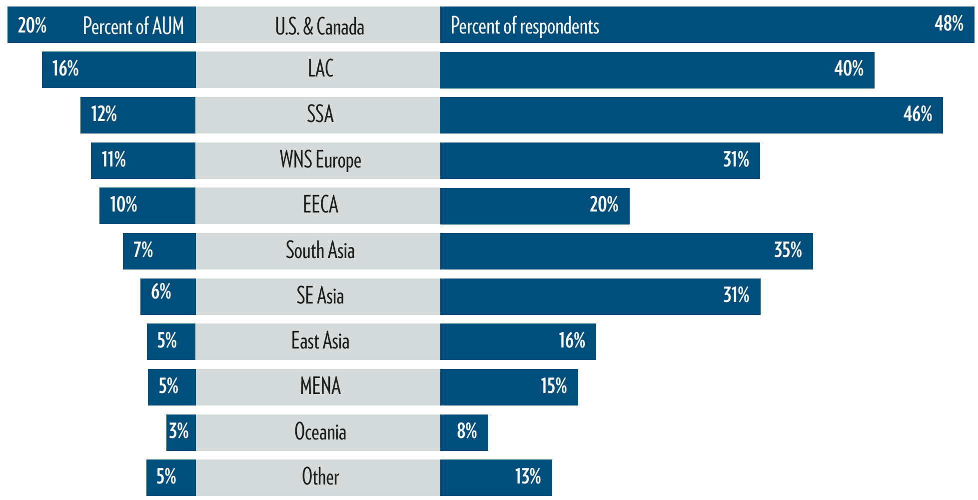
AUM by geography of investment

Impact investors allocate capital globally, with respondents allocating the greatest share to the U.S. & Canada (20%), followed by LAC (16%) and SSA (12%; Figure 23). Respondents also deployed the most capital to these three regions in 2017 (see the Investment Activity section for more detail). Excluding two large outliers, the allocation to the U.S. & Canada increases to 29%, while the other top regions for investment remain largely the same. Altogether, respondents allocated over half of total AUM (56%) to emerging markets.

Figure 22 also shows the percentage of respondents with any capital allocated to each geography. The greatest proportion of respondents allocated capital to the U.S. & Canada (48%), followed by SSA (46%) and LAC (40%).

Figure 23: Geographic allocations by AUM and percent of respondents

Left side, Percent of AUM: n = 226; total AUM = USD 228.1 billion.
Right side, Percent of respondents with any allocation to each geography: n = 229; respondents may allocate to multiple geographies.



Note: 'Other' includes investments with a global focus.
Source: GIIN

Different respondent segments had somewhat varied geographic allocations (Table 10).[13] The higher allocation shown among Private Equity Investors to the U.S. & Canada than among Private Debt Investors is remarkable but largely driven by two respondents. Below-Market Investors indicate geographic concentration in developed markets, whereas Market-Rate Investors allocate across both developed and emerging markets.

Table 10: Geographic allocations by various respondent segments

		Asset class focus		Target returns		Size of impact investing AUM		
	Overall	Private Debt Investors	Private Equity Investors	Market-Rate Investors	Below-Market Investors	Small	Medium	Large
U.S. & Canada	20%	8%	48%	19%	40%	29%	36%	18%
LAC	16%	23%	5%	17%	5%	16%	10%	16%
SSA	12%	16%	17%	12%	24%	15%	19%	12%
WNS Europe	11%	4%	7%	5%	1%	12%	15%	11%
EECA	10%	17%	1%	11%	11%	3%	3%	11%
South Asia	7%	9%	14%	10%	2%	13%	9%	7%
SE Asia	6%	11%	4%	7%	11%	5%	3%	6%
East Asia	5%	3%	1%	5%	2%	0.4%	1%	5%
MENA	5%	6%	0.3%	6%	2%	1%	0.6%	5%
Oceania	3%	0.3%	0.0%	3%	0.5%	4%	0.6%	3%
Other	5%	3%	4%	6%	1%	1%	2%	6%
Number of investors	226	59	55	144	82	119	55	52
Total AUM (USD millions)	228,100	37,771	13,140	216,697	11,404	4,664	15,022	208,415

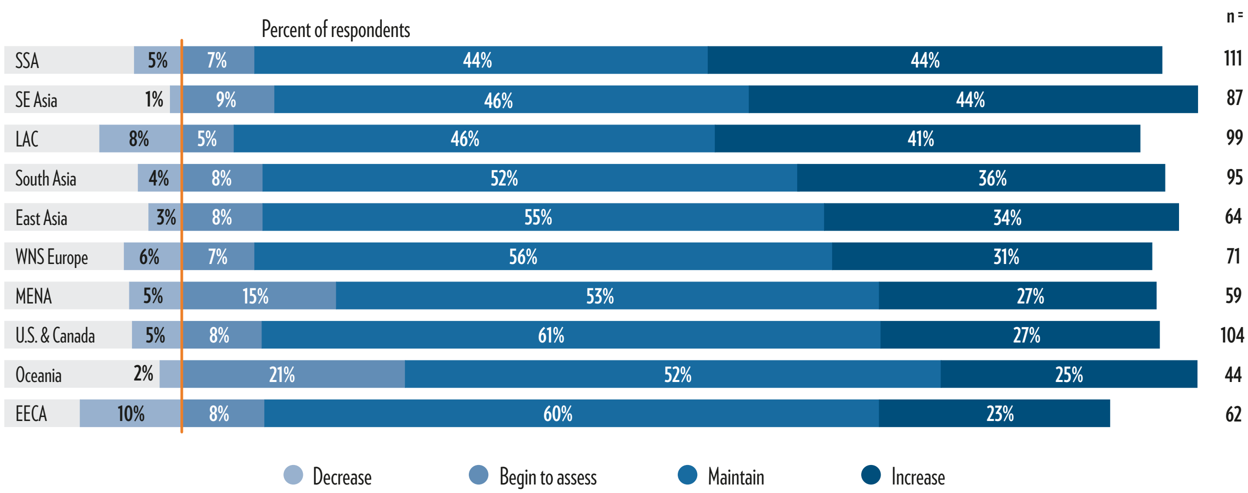
Source: GIIN

13 While these differences suggest interesting distinctions, they have not been tested for statistical significance.

Looking ahead, respondents indicate strong interest in emerging markets in the coming year. The greatest share of respondents plans to increase their allocations to SSA and SE Asia in the coming year (44% each; Figure 24), and 41% of respondents also expect to increase their allocations to LAC. Notably, 10% and 8% of respondents plan to decrease their allocations to EECA and LAC, respectively, in 2018.

Figure 24: Planned allocation changes in 2018, by geography

Number of respondents shown beside each region some respondents chose 'not applicable' and are not included. Ranked by percent selecting 'increase'. Optional question.



Source: GIIN

5 YEAR TREND

Among 81 five-year repeat respondents, the fastest growth in allocations were reported in Oceania (45%), East and SE Asia (28%), and MENA (26%; Table 11). South Asia and EECA also experienced growth, but at rates lower than the overall average.

Table 11: Growth in regional asset allocations among repeat respondents (2013-2017)

n = 81; figures in USD millions.

Geography	2013	2017	CAGR
Oceania	37	164	45%
East and SE Asia	2,721	7,258	28%
MENA	481	1,224	26%
LAC	4,761	8,226	15%
SSA	4,961	8,394	14%
U.S. & Canada	6,698	10,436	12%
WNS Europe	3,258	4,865	11%
South Asia	3,343	4,229	6%
EECA	3,496	4,058	4%
Other	1,034	1,922	17%
Total	30,790	50,777	13%

Note: East and SE Asia were disaggregated as regions in 2017. To ensure comparability with 2013 responses, they have been recombined for this analysis.

Source: GIIN

AUM by sector of investment

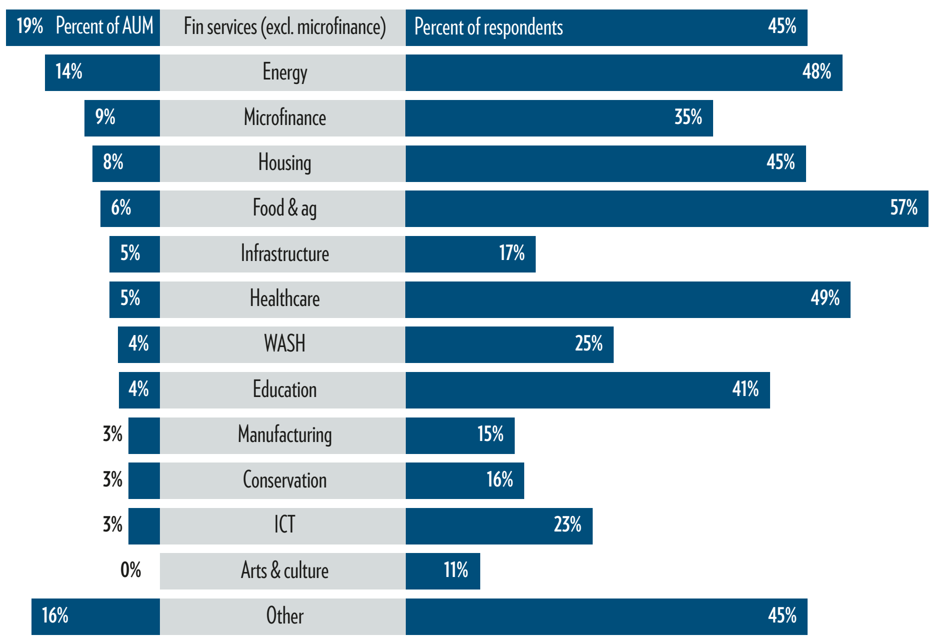
The impact investing market overall has significant diversification by sector (Figure 25). Together, respondents allocated the greatest share of capital to financial services excluding microfinance (19%), followed by energy (14%). However, a wide range of sectors receive 3% to 9% of allocations, including microfinance, housing, food & agriculture, infrastructure, and healthcare. Findings are largely the same when excluding outliers.

Fifty-seven percent of respondents noted at least some allocation to food and agriculture, more than to any other sector although it accounts for just 6% of total asset allocations. A high proportion of respondents also had allocations to healthcare (49%), energy (48%), financial services excluding microfinance (45%), and housing (45%).

As the impact investing industry evolves, investors continue to refine their strategies and their determination of which of their activities qualify as 'impact investments.' Sometimes, these adjustments—especially when made at large organizations—lead to large shifts in aggregate reported allocations from one year to the next.

Figure 25: Sector allocations by AUM and percent of respondents

Left side, Percent of AUM: n = 226; total AUM = USD 228.1 billion.
Right side, Percent of respondents with any allocation to each sector: n = 229; respondents may allocate to multiple sectors.



Note: Other sectors include SMEs, child welfare, commercial goods, transport, retail, tourism, forestry, and commercial real estate.
Source: GIIN

Different segments of respondents indicated some variation in their sector allocations (Table 12):

- DM-focused respondents allocated a greater share of capital to housing than did EM-focused respondents (20% vs. 1%).
- Conversely, EM-focused respondents allocated more to microfinance (12% vs. 0%).
- Private Debt Investors allocated more of their capital to microfinance than did Private Equity Investors (34% vs. 3%).

Table 12: Sector allocations by various respondent segments

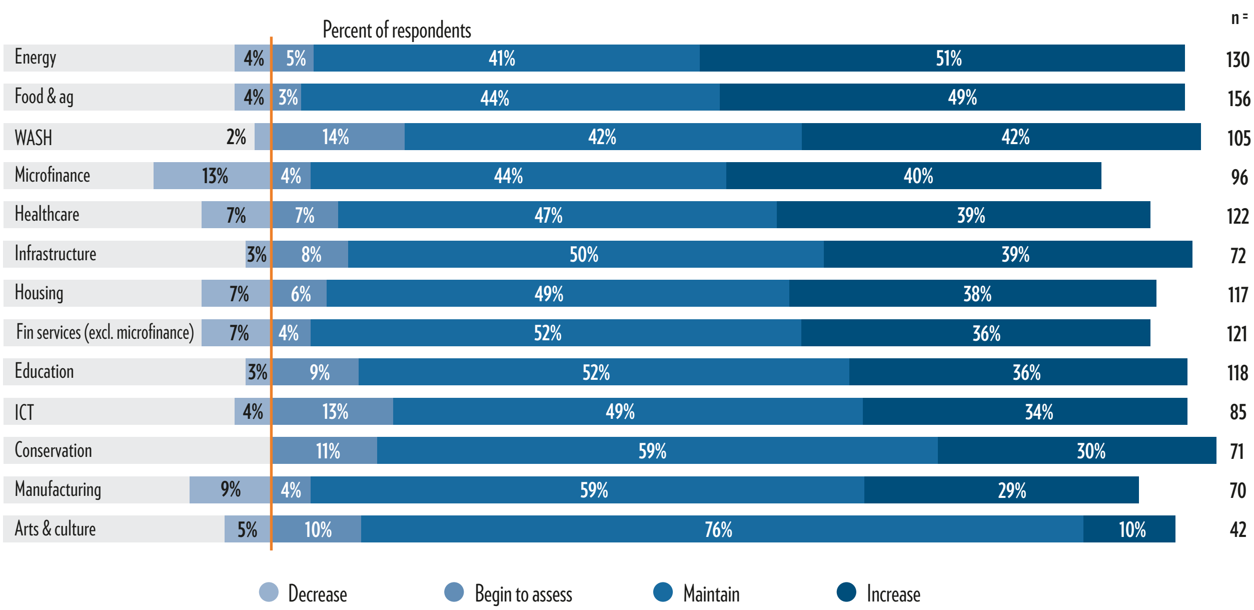
		Geographic focus		Asset class focus		Target returns	
	Overall	EM-focused Investors	DM-focused Investors	Private Debt Investors	Private Equity Investors	Market-Rate Investors	Below-Market Investors
Fin services (excl. microfinance)	19%	28%	9%	17%	17%	20%	11%
Energy	14%	14%	14%	18%	9%	15%	9%
Microfinance	9%	12%	0.3%	34%	3%	9%	7%
Housing	8%	1%	20%	5%	10%	7%	17%
Food & ag	6%	8%	4%	6%	12%	6%	9%
Infrastructure	5%	7%	3%	1%	0.3%	5%	1%
Healthcare	5%	4%	5%	5%	5%	4%	20%
WASH	4%	3%	7%	1%	1%	4%	1%
Education	4%	4%	4%	5%	11%	4%	5%
Manufacturing	3%	4%	2%	3%	2%	3%	2%
Conservation	3%	0.3%	7%	1%	10%	3%	3%
ICT	3%	2%	4%	0.5%	8%	3%	1%
Arts & culture	0.3%	0.0%	0.6%	0.3%	0.0%	0.2%	0.8%
Other	16%	13%	21%	3%	11%	16%	13%
Number of investors	226	101	97	59	55	144	82
Total AUM (USD millions)	228,100	131,215	77,765	37,771	13,140	216,697	11,404

Source: GIIN

Over half of respondents anticipate growing their allocations to energy in the year ahead (Figure 26). Another 49% plan to increase their allocations to food and agriculture and 42% plan to increase their allocations to WASH. Meanwhile, 13% of respondents plan to decrease their allocations to microfinance and 9% plan to reduce allocations to manufacturing.

Figure 26: Planned allocation changes in 2018, by sector

Number of respondents shown beside each sector; some respondents chose 'not applicable' and are not included. Ranked by percent selecting 'increase'. Optional question.



Source: GIIN

5 YEAR TREND

Five-year repeat respondents reported the largest CAGR in allocations to education (33%), followed by food and agriculture (23%; Table 13). Energy and healthcare have also experienced above average growth, with CAGRs of 16% and 15%, respectively. ICT is the only sector that has seen a contraction in AUM.

Table 13: Growth in sector asset allocations among repeat respondents (2013-2017)
n = 81; figures in USD millions.

Sector	2013	2017	CAGR
Education	721	2,283	33%
Food & ag	1,850	4,216	23%
Energy	3,390	6,048	16%
Healthcare	2,105	3,648	15%
Financial services (excl. microfinance)	5,712	8,113	9%
Microfinance	8,631	11,621	8%
WASH	191	255	7%
Housing	3,129	4,143	7%
ICT	625	475	-7%
Other	4,436	9,976	22%
Total	30,790	50,777	13%

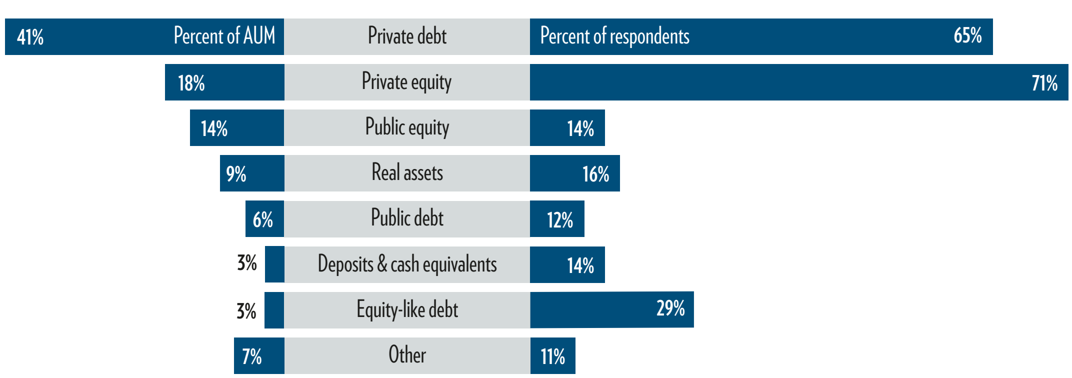
Note: Sectors were further disaggregated in recent years to include arts & culture, conservation, infrastructure, and manufacturing. To ensure comparability with 2013 responses, these sectors have been combined with 'other' for this analysis.
Source: GIIN

AUM by instrument of investment

Respondents use a range of instruments to make impact investments, most commonly private debt (41%, excluding outliers; Figure 27). Including outliers, the share of capital allocated to private debt increases slightly to 46%. A further 18% of capital, excluding outliers, was allocated through private equity. An allocation of 14% of capital through public equity demonstrates a growing practice of impact investing through publicly listed equities, which was unsurprisingly far more common among DM-focused respondents than among EM-focused respondents (24% vs. 0.6%). DM-focused respondents were also more likely to invest through real assets (20% vs. 0.5%). Overwhelmingly, the greatest proportion of respondents use private equity (78%) and private debt (71%).

Figure 27: Instrument allocations by AUM and percent of respondents

Left side, Percent of AUM: n = 224 (excludes two outliers); total AUM = USD 141.0 billion.
Right side, Percent of respondents with any allocation to each instrument: n = 229; respondents may allocate to multiple instruments.



Note: Other instruments include social impact bonds, revenue share agreements, swaps, and guarantees.
Source: GIIN

5 YEAR TREND

Five-year repeat respondents grew their allocations to public equities most substantially (CAGR of 57%), albeit from a very small base (Table 14). Allocations also increased to private equity (19%) and private debt (17%). On the other hand, allocations decreased for equity-like debt (–5%) and other instruments (–7%).

Table 14: Growth in instrument asset allocations among repeat respondents (2013-2017)
n = 81; figures in USD millions.

Instrument	2013	2017	CAGR
Public equity	326	1,962	57%
Private equity	7,222	14,351	19%
Private debt	12,338	23,379	17%
Deposits & cash equivalents	983	1,429	10%
Real assets	1,591	1,784	3%
Public debt	4,012	4,453	3%
Equity-like debt	2,673	2,202	-5%
Other	1,647	1,217	-7%
Total	30,790	50,777	13%

Note: The 2013 Survey included social impact bonds as an instrument. These were included in 'other' for this analysis.

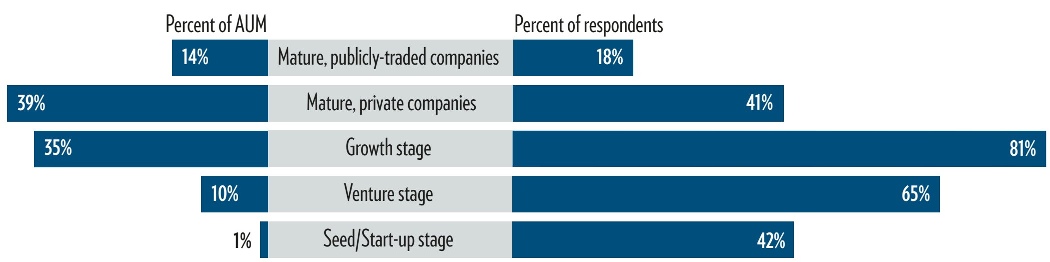
Source: GIIN

AUM by stage of business

Impact investors seek to invest in businesses across many stages of development (Figure 28). Of course, some impact investors do not invest into businesses but rather in real assets or other projects. Of AUM invested into businesses, the greatest share is allocated to mature, private companies (39%), followed by growth-stage companies (35%). Excluding outliers, the share allocated to mature, private companies falls slightly to 31% while the share allocated to mature, public companies increases to 21%. Notably, over 80% of respondents have some allocation to growth-stage companies; 65% percent allocate to venture-stage companies, and 42% allocate to seed-stage companies. However, seed and venture businesses receive just 11% of overall AUM.

Figure 28: Allocations by stage of business, by AUM and percent of respondents

Left side, Percent of AUM: n = 189; total AUM = USD 169.4 billion. Optional question.
Right side, Percent of respondents with any allocation by stage of business: n = 190; respondents may allocate to multiple stages.



Source: GIIN

The Fund Manager Landscape

Fund managers and other intermediaries play a vital role in the impact investing ecosystem. This section describes the activities of fund manager respondents and the perspectives of respondents that invest into funds.

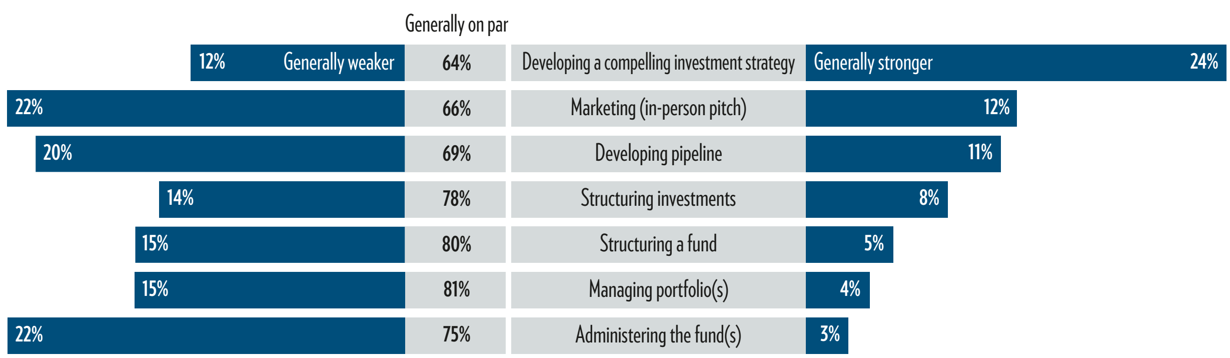
Investing into funds

Forty percent of respondents (93 organizations) invest via funds or other intermediaries.[14] At the median, such respondents invest half of their impact investing assets indirectly. All 93 respondents investing indirectly were asked to share their insights on the level of competence they see among impact fund managers compared to conventional fund managers, across a variety of skills.

Overwhelmingly, respondents find impact investing fund managers to be generally similar in competence to conventional fund managers (Figure 29). However, across most attributes, a slightly higher proportion of respondents reported that impact fund managers are weaker compared to conventional managers than the proportion that reported they are stronger. Impact fund managers are particularly recognized for developing compelling investment strategies, with 24% of respondents noting that impact fund managers are stronger in this area than their conventional counterparts. However, 22% of respondents noted that impact fund managers are generally weaker in marketing and fund administration, and 20% found impact fund managers weaker at pipeline development. Interestingly, EM-focused Investors noted stronger impact fund manager skills in developing a pipeline than did DM-focused Investors (11% vs. 0%).

Figure 29: Impact fund manager competencies relative to conventional fund managers

n = 69-75. Figure shows percent of respondents indicating each level of fund manager competency.



Note: Some respondents answered 'not sure' and are not included.
Source: GIIN

Fund manager activity

The following section describes the activities and perspectives of 135 fund manager respondents,[15] which constitute 59% of the total sample and account for 32% of total sample AUM. Of these respondents, 79% identify as for-profit fund managers and 21% identify as not-for-profit fund managers.

Capital raising

In 2017, fund managers collectively raised USD 18.7 billion (Table 15), with a median capital raise in 2017 of USD 32.5 million. On average, for-profit fund managers raised more than not-for-profit fund managers (median capital raises of USD 52 million and USD 22 million, respectively). Overall, fund managers plan to raise USD 22.5 billion in 2018, a 20% year-on-year increase.[16]

14 This includes ten respondents that do not currently have impact investing assets allocated indirectly.

15 Of the 136 fund manager respondents, one did not respond to these questions.

16 Ninety-four organizations reported raising capital in 2017 (as not all fund managers raise capital every year), and 113 reported on their planned capital raises for 2018.

Table 15: Fund manager capital raises in 2017 and plans for raising capital in 2018

Excludes respondents that did not report raising capital in 2017 or did not share their projections for 2018. All figures in USD millions.

	All fund managers		For-profit fund managers		Not-for-profit fund managers	
	2017	2018 P	2017	2018 P	2017	2018 P
n	94	113	69	87	25	26
Mean	199	199	259	245	34	44
Median	33	75	52	100	22	23
Sum	18,738	22,490	17,882	21,349	857	1,141

Source: GIIN

Table 16 shows 2017 capital raise and 2018 capital raise plans for fund managers across sub-groups. In 2017, DM-focused fund managers raised three times more capital at the median than EM-focused fund managers in 2017. Market-rate fund managers raised over four times as much at the median as did below-market-rate fund managers.

Table 16: Fund manager capital raises in 2017 and plans for capital raise in 2018, by sub-group

Excludes respondents that did not report raising capital in 2017 or did not share their projections for 2018. All figures in USD millions.

		Headquarters locations				Geographic focus				Asset class focus				Target returns			
		DM-HQ		EM-HQ		EM-focused		DM-focused		Private Debt		Private Equity		Market-Rate		Below-Market	
		2017	2018P	2017	2018P	2017	2018P	2017	2018P	2017	2018P	2017	2018P	2017	2018P	2017	2018P
	n	76	91	16	19	45	58	41	46	31	36	19	24	64	80	30	33
AUM	Median	140		43		81		179		99		89		227		64	
Capital raise	Mean	236	225	34	70	55	132	373	289	71	144	153	131	277	261	33	50
	Median	37	75	13	32	20	52	60	80	27	28	30	75	51	100	11	20
	Sum	17,966	20,477	538	1,325	2,461	7,630	15,291	13,311	2,215	5,195	2,912	3,149	17,749	20,841	989	1,649

Source: GIIN

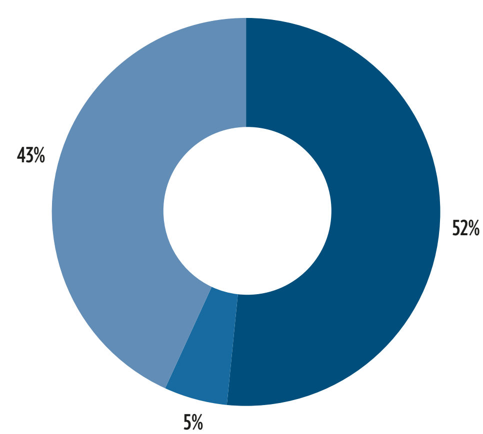
Capital raised in 2016 and 2017 among repeat respondents

Of 95 fund managers that also responded to last year's survey, 52% raised at least 5% more capital in 2017 than in 2016, and 43% raised at least 5% less this year than last (Figure 30). In aggregate, these fund managers raised 10% more capital year-on-year, collectively raising USD 10.1 billion in 2016 and USD 11.1 billion in 2017 (Table 17).

Figure 30: Capital raised in 2016 and 2017 among repeat respondents

n = 95; includes respondents that reported 'zero' capital raise.

- 52% Increased by at least 5%
- 5% Stayed constant within 5%
- 43% Decreased by at least 5%



Source: GIIN

Table 17: Capital raised in 2016 and 2017 among repeat respondents
Excludes respondents that did not report raising capital. All figures in USD millions.

	All fund managers		For-profit fund managers		Not-for-profit fund managers	
	2016	2017	2016	2017	2016	2017
n	69	67	57	53	12	14
Mean	146	166	153	202	113	29
Median	42	30	50	57	12	7
Sum	10,091	11,094	8,733	10,692	1,358	402

Source: GIIN

The Research Team also compared repeat respondents' capital-raise plans for 2017 with their reported capital raises in 2017. Among 84 fund managers that shared their 2017 capital-raise projections,[17] most raised less than they had projected. In aggregate, they planned to raise USD 15.7 billion and reported raising USD 11.1 billion, or 29% less (Table 18).

Table 18: Repeat respondents' planned 2017 capital raise compared to reported 2017 capital raise
n = 84; excludes respondents that did not share their capital raise plans for 2017. All figures in USD millions.

	All fund managers	
	2017 Planned	2017 Reported
Mean	187	132
Median	50	15
Sum	15,715	11,121

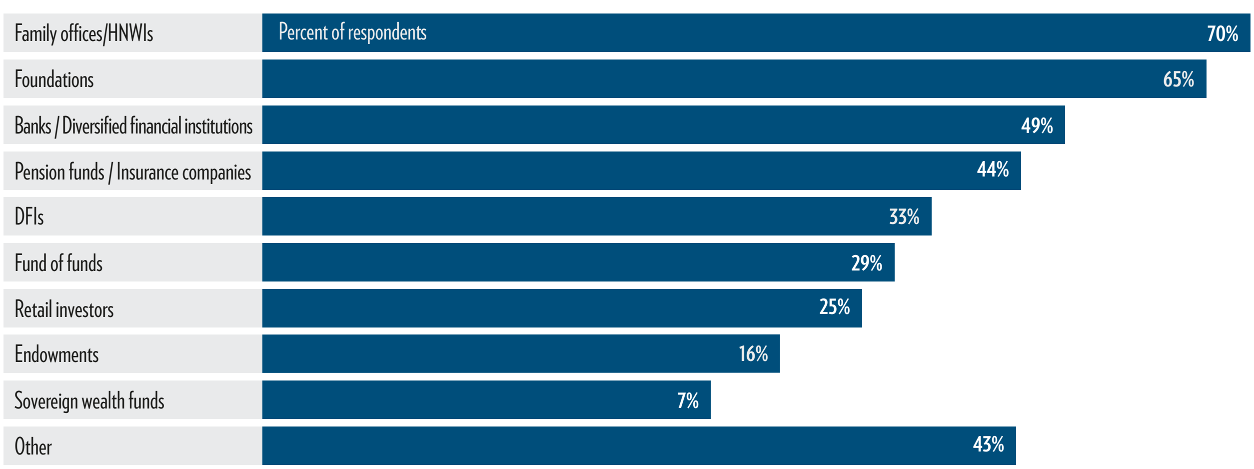
Source: GIIN

Fund managers' sources of capital

Fund managers collectively manage USD 71.9 billion in impact investing assets. The majority report managing at least some capital from family offices or HNWIs (70% of respondents) and foundations (65%; Figure 31). Just under half (49%) manage capital from banks, 44% manage assets from pension funds or insurance companies, and a third manage capital from DFIs. Other investors in impact funds include funds of funds, retail investors, endowments, and sovereign wealth funds.

Figure 31: Proportion of fund managers that manage capital from each investor type

n = 135



Note: 'Other' sources include corporations, religious institutions, governments, nonprofits, and fund managers' proprietary capital.
Source: GIIN

17 Excludes fund managers that reported 'zero' for their 2017 capital raise projections. Not all fund managers project these figures.

Fund managers reported the percent of capital they manage from each type of investor. While these 135 organizations collectively manage USD 71.9 billion, to show a more representative picture most analyses exclude five large fund managers with concentrated sources of capital.[18] The remaining 130 fund managers collectively manage USD 46.3 billion, and their largest sources of capital are pension funds and insurance companies (22% of AUM), banks (18%), and family offices (17%; Table 19), followed by retail investors (11%), DFIs (10%), and foundations (7%).

Different types of fund managers also show some interesting variations:

- Not-for-profit fund managers manage a greater proportion of capital from banks than do for-profit fund managers (33% vs. 16%). A similar split is seen between below-market-rate-seeking fund managers and market-rate-seeking ones (28% vs 16%), which is likely driven by the overlap between those that are non-profit and below-market.
- A greater proportion of Private Equity-focused fund managers' AUM comes from family offices compared to Private Debt-focused fund managers (33% vs. 5%).

Table 19: Fund managers' sources of capital by various respondent segments (AUM-weighted)

	Overall, excluding outliers	For-profit	Nonprofit	EM-focused	DM-focused	Private Debt	Private Equity	Small	Medium	Large
Pension funds / Insurance companies	22%	24%	4%	22%	24%	14%	25%	10%	23%	24%
Banks / Diversified financial institutions	18%	16%	33%	18%	18%	22%	9%	10%	18%	11%
Family offices/HNWIs	17%	18%	7%	10%	24%	5%	33%	21%	20%	11%
Retail investors	11%	12%	3%	4%	12%	15%	1%	8%	6%	20%
DFIs	10%	9%	16%	21%	2%	16%	9%	21%	9%	6%
Foundations	7%	6%	16%	4%	10%	5%	10%	16%	10%	5%
Endowments	2%	2%	7%	2%	3%	1%	5%	0.2%	5%	3%
Fund of funds	2%	2%	1%	2%	2%	2%	2%	5%	2%	1%
Sovereign wealth funds	1%	0.6%	2%	0.6%	1%	0.7%	1%	0.1%	1%	1%
Other	11%	11%	10%	17%	5%	21%	6%	10%	7%	17%
Number of investors	130	101	29	67	54	39	36	69	34	32
Total AUM (USD millions)	46,290	41,908	4,382	19,835	23,169	15,377	9,390	3,099	9,683	59,094

Note: All figures exclude five large outliers except those split by size of impact investing AUM. 'Other' sources include corporations, religious institutions, governments, nonprofits, and fund managers' proprietary capital.
Source: GIIN

18 These large fund managers primarily managed a large proportion of their capital from retail investors and pension funds / insurance companies.

5 YEAR TREND

Fund managers that responded five years ago and again in 2017 demonstrated an overall CAGR of 15% (Table 20). Among their sources of capital, the greatest growth came from endowments (37%), followed by retail investors (20%). The growth rate in capital sourced from foundations, pension funds or insurance companies, and funds of funds was slightly less than the average growth rate.

Table 20: Growth in sources of capital among repeat respondents (2013-2017)
n = 37; figures in USD millions.

Source of capital	2013	2017	CAGR
Endowments (excl. foundations)	104	366	37%
Retail	2,341	4,880	20%
DFIs	1,605	2,918	16%
Banks / Diversified financial institutions	2,182	3,727	14%
Family offices / HNWIs	1,608	2,560	12%
Foundations	732	1,051	9%
Pension funds / Insurance companies	2,883	4,072	9%
Funds of funds	401	561	9%
Other	-	730	-
Total	11,856	20,866	15%

Note: 'Other' was not included as an answer option in 2013.
Source: GIIN

Client interest in various types of investment products

The impact investing industry is growing quickly as new investors enter the market and new investment products are developed around the world. To better understand the intermediary landscape, fund managers described the types of product features that interest various types of investors (Table 21). Overall, fund managers reported the most interest in products with a specific impact theme, sector, or geographic focus, indicating an investor preference for specialization in terms of investment strategy. Regarding investment term, respondents noted that investors broadly have more or less equal interest in both highly liquid and long-term investment structures. However, banks and retail investors demonstrate relatively stronger interest in more liquid products, while DFIs, foundations, and pension funds are relatively more interested in longer-term products. Lastly, the nature of a fund's structure itself (i.e., whether it is closed-ended or open-ended) seems to be investors' least concern.

Table 21: Number of fund managers noting increased client demand for each product type, by client type
n = 108

	HNWIs / Family offices	Foundations	Pension funds / Insurance companies	Banks / Diversified financial institutions	DFIs	Retail investors	Sovereign wealth funds	Not sure / Not applicable
Impact theme- or sector-focused	67	63	43	42	39	23	13	17
Geographically focused	31	40	20	16	26	12	6	30
Highly liquid	17	9	9	22	3	15	0	47
Long-term	18	20	18	10	13	6	2	41
Open-ended	21	10	10	16	4	12	1	54
Closed-ended	10	12	13	8	11	3	2	56

Source: GIIN

Retail products for impact investing

Interest in impact investing has grown noticeably among individual investors over the past few years; 2017 has seen an influx of retail products for impact investors, including a wide array of online and crowdfunding platforms in addition to funds with low minimum investment requirements. According to Morgan Stanley's 2017 report, Sustainable Signals: New Data from the Individual Investor, 75% of 1,000 investors surveyed were interested in "investments in companies or funds which aim to achieve market-rate returns while pursuing positive social and/or environmental impact."[19]

For a number of years, a few pioneering products have directed retail capital to community development initiatives, primarily through investment notes such as those issued by Calvert Impact Capital,[20] Enterprise Community Partners[21] and RSF Social Finance.[22] Other retail products, such as the Triodos Fair Share Fund and OikoCredit funds,[23] invest in microfinance institutions in emerging markets. However, overall, the current availability of accessible impact investing products is certainly insufficient to meet the demand of retail investors. In response, several new products for individuals interested in impact investing were developed in 2017:

- **Swell Investing**, launched in May 2017, is an online product designed to serve individual investors' specific impact and financial targets. Its management team selects what they deem to be high-growth public companies with the potential to have positive impact on society and the planet.[24] Investors can choose from six specific impact themes: green tech, clean water, zero waste, renewable energy, disease eradication, and healthy living. Products require a minimum investment of USD 50 and charge a fee of 0.75%.
- **CNote**, an online platform of alternative savings options,[25] introduced its first product, CNote savings, in September 2017. It provides individual investors an opportunity to contribute to specific community-development efforts, such as supporting women- and minority-owned businesses or funding affordable housing projects and community centers across the United States. CNote requires no minimum investment and returns approximately 2.5% annually. CNote's annual report details the impact of its investments through metrics such as the number of businesses funded and number of jobs created, as well as offering stories of successful small businesses funded by investment proceeds.[26]
- **The Low Income Investment Fund (LIIF)**, a U.S. Community Development Finance Institution that supports businesses serving low-income neighborhoods, launched its first Impact Note in the fall of 2017.[27] LIIF Notes are available to individuals in 17 U.S. states and the District of Columbia, with a minimum investment of USD 1,000. Notes have no fees, offer flexible terms from six months to 10 years, and generate returns from 1% to 3%. The fund aims to support local community development efforts, such as affordable housing, quality education, access to childcare, and green energy. LIIF provides quarterly impact reports to its investors, including metrics updated based on the impact targets of each investment.
- In late 2017, Barclays launched its **Multi-Impact Growth Fund**,[28] a fund of funds investing in opportunities with a strong financial track record and commitment to social or environmental impact, or both. Individuals can invest through a direct investing platform, called Smart Investor.[29] The fund is diversified across geographies and asset classes, with a focus on public equities and bonds. Strategies range from responsible investing to impact investing (which Barclays terms "catalytic investing"). There is no minimum investment requirement, and fees are 1.4% of the value of the holding, per annum. While Barclays has not set specific impact targets, it intends to report annually on this fund's overall impact.
- In early 2018, **Triodos Bank** introduced its crowdfunding platform,[30] which allows UK investors to purchase bonds or equity investments in charities or enterprises screened for their commitment to deliver positive impact on society and the environment. Individuals can invest in any number of projects listed on the platform, ranging from a wind turbine company in the highlands of Scotland to a charity supporting people with disabilities. Investments can be as low as £100, and terms and return expectations vary by project. Triodos Bank maintains close relationships with the companies in which it invests, monitoring how loans are disbursed and tracking their impact.

The recent growth of retail products in response to investor demand signals impact investors' interest in democratizing impact investing. However, there is much more opportunity for products that meet both investor demand and the capital needs of persistent social and environmental challenges.

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19 Institute for Sustainable Investing, *Sustainable Signals: New Data from the Individual Investor (New York: Morgan Stanley, August 7, 2017),* http://www.morganstanley.com/pub/content/dam/msdotcom/ideas/sustainable-signals/pdf/Sustainable_Signals_Whitepaper.pdf.

20 Calvert Impact Capital, "Community Investment Note," https://www.calvertimpactcapital.org/invest.

21 Enterprise, "About the Impact Note," https://www.enterprisecommunity.org/invest/impact-note.

22 RSF Social Finance, "Social Investment Fund," http://rsfsocialfinance.org/invest/social-investment-fund/.

23 James Vaccaro, *Impact Investing for Everyone: A Blueprint for Retail Impact Investing (Zeist, The Netherlands: Triodos Bank, August 2014),* http://www.socialimpactinvestment.org/reports/Triodos-Bank-report-on-Impact-investing.pdf; and Oikocredit, "Oikocredit 101," http://oikocreditusa.org/what-we-do/development-approach/double-bottom-line.

24 Swell Investing, "Our Approach," https://www.swellinvesting.com/investment_approach.

25 CNote, https://www.mycnote.com/.

26 CNote, "CNote 2017 Impact Report," February 28, 2018, https://blog.mycnote.com/2018/02/28/cnote-2017-impact-report/.

27 Low Income Investment Fund, "LIIF Impact Note," http://www.liifnote.org/.

28 Barclays, "Barclays Launches Industry First with New Impact Investing Fund," news release, September 14, 2017, https://newsroom.barclays.com/r/3517/barclays_launches_industry_first_with_new_impact_investing.

29 Barclays, "Smart Investor: Barclays Multi-Impact Growth Fund," https://www.smartinvestor.barclays.co.uk/invest/investments/funds-etfs-and-investment-trusts/impact-investing/barclays-multi-impact-growth-fund.html.

30 Triodos Bank, "Pioneering Sustainable Bank First to Launch Crowdfunding Platform," news release, February 3, 2018, https://www.triodos.co.uk/en/about-triodos/news-and-media/media-releases/triodos-launches-crowdfunding-platform/.

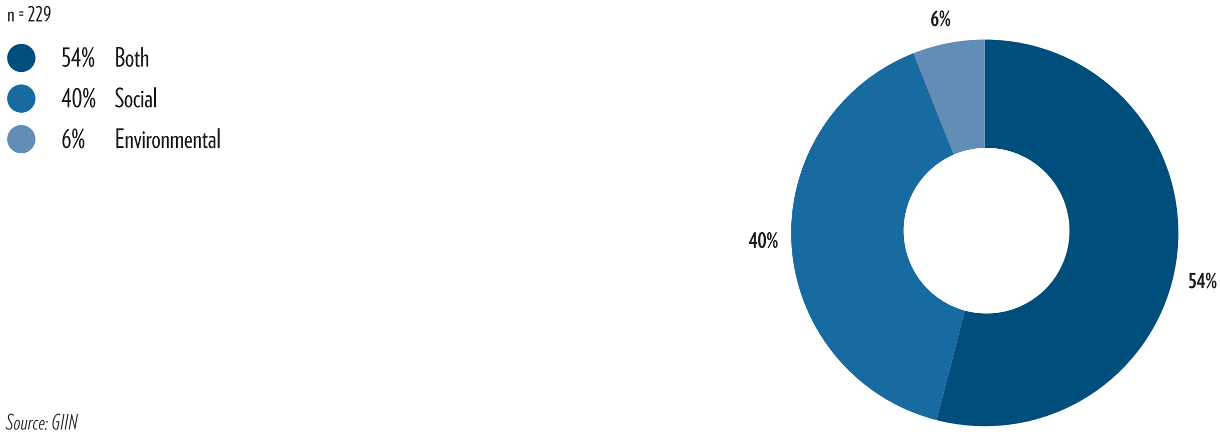
Impact Measurement and Management

Impact objectives

Impact investors target a wide variety of social and environmental impact themes. More than half of respondents target both social and environmental impact objectives, a slight increase from recent years (Figure 32). An additional 40% primarily target social objectives, and 6% primarily target environmental objectives.

Figure 32: Primary impact objectives

n = 229



Source: GIIN

Market-Rate Investors were more likely to target both social and environmental impact objectives (61%) than were Below-Market Investors (41%). Conversely, 56% of Below-Market Investors targeted only social impact objectives, compared to 31% of Market-Rate Investors. Developed market-focused respondents reported a greater instance of primarily targeting environmental objectives (15%) than did emerging market-focused respondents (1%).

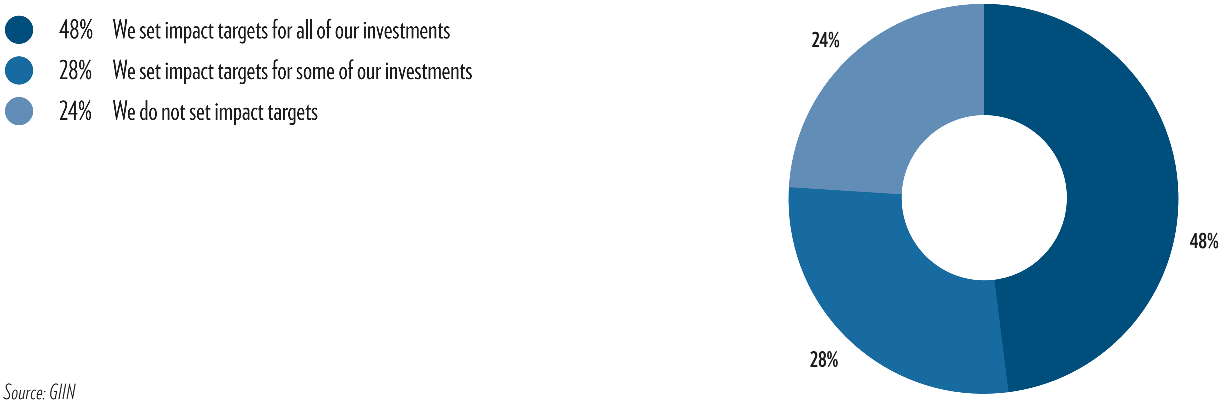
Impact targets

To achieve their impact objectives and develop strategies to measure progress toward these objectives, many impact investors set impact targets. About half of respondents set impact targets for all of their investments, and another 28% set targets for some of their investments (Figure 33). One fund manager explained, "Targets are a joint prioritization [between the investor and investee] of impact-related activities to enhance and maximize impacts ahead."

Below-market-rate seeking respondents were more likely to set targets (85% for some or all of their investments) than were market-rate seeking investors (71%). Nearly 60% of Private Equity Investors set impact targets for all of their investments, compared to 41% of Private Debt Investors.

Figure 33: Setting impact targets

n = 229



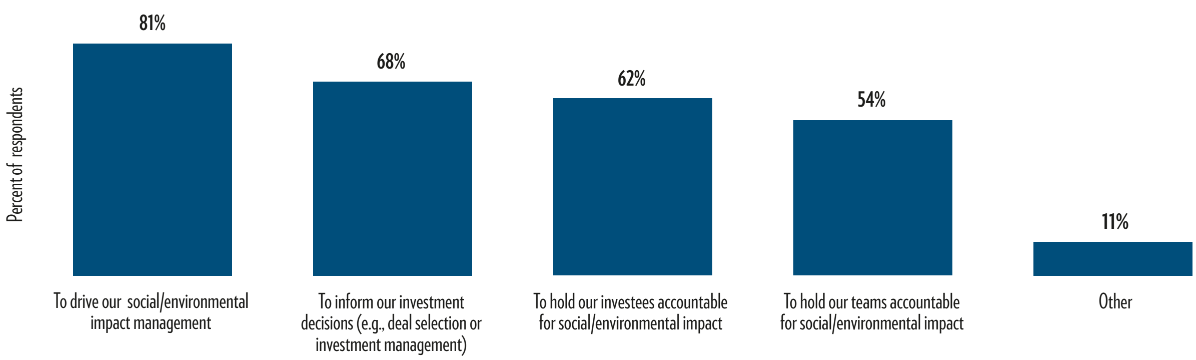
Source: GIIN

Reasons to set impact targets

Respondents that set impact targets identified several reasons to do so, most commonly to drive social/environmental impact management (81%; Figure 34). Another 68% of respondents use impact targets to inform investment decisions. Targets are also used to hold investees or investor teams accountable (62% and 54%, respectively). As one respondent explained, "Only by setting impact targets—and subsequently tracking performance—can we test our impact hypotheses and improve our understanding of impact creation for future investments."

Figure 34: Reasons to set impact targets

n = 175; respondents could select multiple options.



Note: 'Other' reasons to set impact targets include assuring alignment of interests and expectations with investees, incentivizing organizational growth, ensuring deals meet the investor's Theory of Change, communicating results, meeting investors' goals, improving impact measurement and management processes, and facilitating the collection and analysis of comparable data.
Source: GIIN

Reasons to not set impact targets

Nearly one in four respondents don't currently set impact targets. Most of these respondents shared that they do track social and environmental performance over time and indicated they may set formal targets in the future. Others stated that their portfolios are too diverse—across geographies, sectors, or stages of business—to set quantitative targets. Still others noted that impact targets are set by their co-investors, investees, or other partners. Lastly, some respondents explained that, in their view, cases where impact is embedded into the core of their investees' products and services do not require impact targets.

Tools to measure social and environmental performance

A hallmark of impact investing is investors' commitment to measuring, managing, and reporting their social or environmental performance, or both. Impact investors often do so through the use of impact measurement and management tools and frameworks, which include broader goals and targets, the investment and impact theses projected to deliver on those goals, and approaches to collect and use relevant performance data. Nearly 70% of impact investors use proprietary metrics or frameworks that are not aligned to external methodologies (Figure 35). Another 66% use qualitative information, and 59% use metrics aligned with IRIS.[31] Just 1% of respondents indicated that they do not currently measure their impact, yet noted that they plan to implement an impact measurement practice in the future.

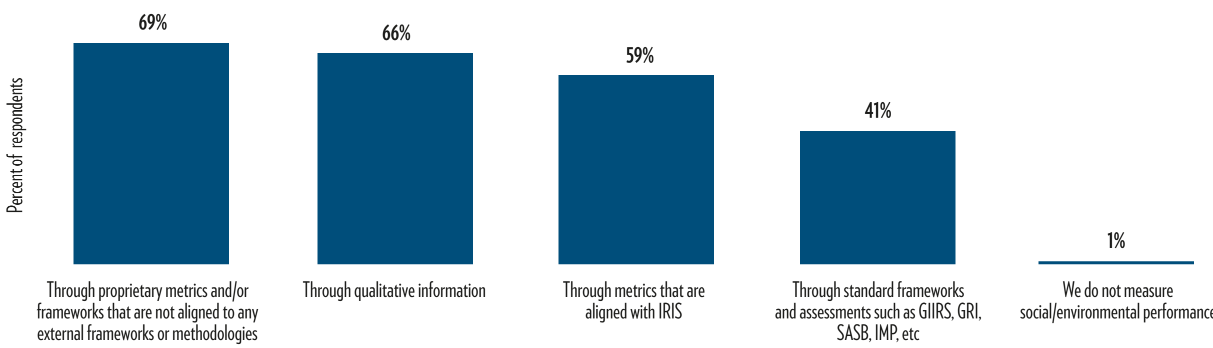
Many impact investors use a combination of these methods, depending on their impact strategies and goals, to understand their impact. Among those respondents using multiple tools or frameworks, the most common combinations include:

- proprietary metrics and qualitative information (48% of respondents);
- IRIS-aligned metrics and qualitative information (43%); and
- IRIS-aligned metrics and proprietary metrics (35%).

EM-focused respondents were more likely to report using IRIS-aligned metrics than were DM-focused respondents (71% and 45%, respectively). On the other hand, DM-focused investors cited using qualitative data more often (72% vs. 58% of EM-focused respondents). Market-Rate and Below-Market Investors did not demonstrate statistically significant differences.

Figure 35: How social and environmental performance is measured

n = 229; respondents could select multiple options.



Note: Respondents that said they do not measure their social or environmental performance noted that they plan to do so in the future.

Source: GIIN

31 IRIS is the catalog of generally accepted performance metrics managed by the GIIN. Since several standard frameworks and assessments, such as GIIRS, are built using IRIS metrics, the proportion of respondents using IRIS metrics in some form may be even higher than is reflected here. For more on IRIS, see https://iris.thegiin.org.

Alignment with the Sustainable Development Goals

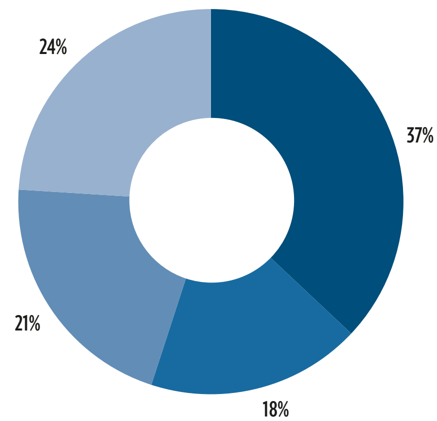
The Sustainable Development Goals (SDGs), adopted by the member states of the United Nations in 2015, established an ambitious set of goals for progress against a wide range of social and environmental factors. Central to the achievement of these goals is collaboration among the private, public, and philanthropic sectors. Just two years since the adoption of the SDGs, 55% of impact investors track their investment performance to them and another 21% plan to do so in the future (Figure 36).

There is significant variation between EM-focused and DM-focused investors when it comes to tracking to SDGs: nearly two-thirds of EM-focused investors do so compared with 41% of DM-focused investors. Twenty-three percent and 22% of EM-focused and DM-focused Investors, respectively, indicated planning to do so in the future.

Figure 36: Tracking impact investment performance to the UN SDGs

n = 229

- 37% We track performance to the SDGs for all of our investments
- 18% We track performance to the SDGs for some of our investments
- 21% We do not track performance to the SDGs, though we plan to do so in the near future
- 24% We do not track performance to the SDGs and don't have any foreseeable plans to do so

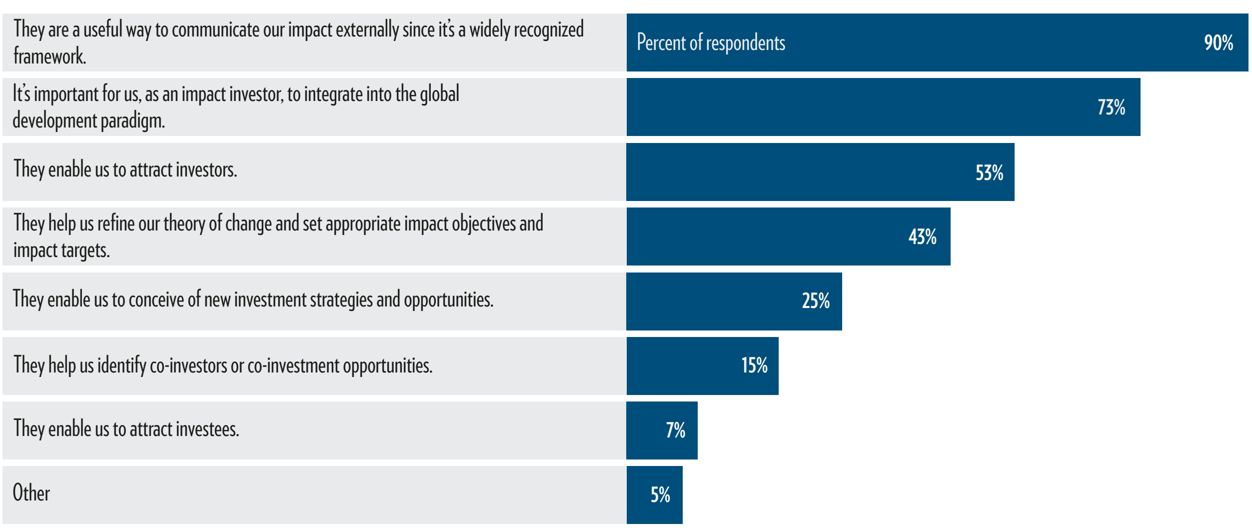


Source: GIIN

Impact investors that do track their performance to the SDGs cited a number of reasons for doing so (Figure 37). Ninety percent of these respondents indicated that the SDGs are a useful way to communicate impact externally, and 73% noted it is important to integrate into the global development paradigm. Just over half of respondents (53%) indicated that alignment to the SDGs helps attract investors. Fewer respondents cited reasons related to strategy, such as refining their impact or investment objectives (or both), or reasons related to deal-making, such as identifying co-investors or attracting investees.

Figure 37: Motivations for tracking social or environmental performance to the SDGs

n = 126; respondents could select multiple options.



Source: GIIN

Impact investing efforts to address the UN SDGs

The United Nations Sustainable Development Goals (SDGs), adopted by member states in 2015, are a collection of 17 interrelated global goals aimed at ambitious progress by the year 2030 in a broad range of areas, including poverty, hunger, health, education, climate change, gender equality, water, sanitation, energy, the environment, and social justice.

Meeting these goals will require substantial investments from private capital markets (to complement government and philanthropy) and provide significant opportunities for investors. According to a report by the Business and Sustainable Development Commission, achieving the SDGs could open USD 12 trillion of market opportunities and create 380 million new jobs by 2030.[32] Impact investors have answered this call by tailoring products and funds to specifically address the SDGs. Fifty-five percent of respondents track the performance of at least some of their impact investments to the SDGs, a quarter of which noted that doing so helps them conceive of new investment strategies and opportunities (see page 38). Below are a few examples of new products launched in 2017 to target the SDGs.

- **Blue like an Orange Sustainable Capital Fund**, a private debt fund aiming to raise USD 1 billion, launched in April 2017. The fund targets progress toward SDGs 1, 2, 3, 4, 6, 7, 8, 9, and 11 through investments into small and medium-sized enterprises in sectors such as renewable energy, sustainable infrastructure, healthcare, education, financial services, and agribusiness. The fund leverages investment capital from public institutions, like the Inter-American Investment Corporation (IIC), to mobilize private investment at a 10:1 ratio.[33] It sets impact targets aligned with the SDGs and tracks progress against key indicators using IRIS metrics. It also uses IIC's DELTA (Development Effectiveness Learning Tracking and Assessment) tool and XSR (Expanded Annual Supervision Report) to assess and report on investments' impact and financial performance.[34]
- The **Mirova Land Degradation Neutrality Fund**, which aims to raise USD 300 million, launched in September 2017 to target SDG 15 (Life on Land). The fund invests in sustainable agriculture, forestry, and related sectors, including green infrastructure and ecotourism in emerging markets.[35] The fund has a layered structure that includes a technical assistance facility and blends private investment with contributions and investments from public institutions, such as the governments of France, Luxemburg, and Norway.[36] The fund developed and integrated with the investment process an Environmental and Social Management System (ESMS) both to mitigate risks and to measure the positive impact generated toward SDG target 15.3, land degradation neutrality.[37]
- The **UBS Global Impact Fund** is a public equity fund launched in October 2017 that targets SDGs 1, 2, 3, 6, 7, 11, and 13 by investing in sustainable companies providing innovative products or services to meet environmental or social challenges, including climate change, air pollution, water and sanitation, health, food security, and poverty alleviation.[38] The portfolio management team engages with investee companies to generate measurable positive impact and minimize ESG risks. The fund works with portfolio companies to set targets aligned with the SDGs and measure outputs, outcomes, and impacts of their products and services.[39]

32 Figure vii: Business & Sustainable Development Commission, *Better Business, Better World* (London: Business & Sustainable Development Commission, January 2017), http://report.businesscommission.org/report.

33 LAVCA Venture Investors, "BlueOrange Launches Impact Fund to Invest US$1BN in Latin America and the Caribbean," news release, April 3, 2017, https://lavca.org/2017/04/03/new-fund-blueorange-capital/.

34 Mutuality in Business Research Team, *Blue like an Orange Sustainable Capital (Oxford: Saïd Business School, May 2017)*, https://www.sbs.ox.ac.uk/sites/default/files/research-projects/MiB/Blue_like_an_Orange_-_Mutuality_Case_Study_23.10.17.pdf.

35 Mirova, *Land Degradation Neutrality Fund (Paris: Mirova, August 2017)*, https://www2.unccd.int/sites/default/files/relevant-links/2017-09/LDN%20Fund%20brochure%20-%20Aug2017.pdf.

36 United Nations Convention to Combat Desertification, "An Impact Investment Fund for Land Degradation Neutrality," https://www2.unccd.int/actions/impact-investment-fund-land-degradation-neutrality.

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38 "UBS Asset Management Unveils New Global Sustainability Fund," *FINalternatives, October 26, 2017*, http://www.finalternatives.com/node/36075; and Jessica Beard, "UBS AM Launches Global Sustainable Fund," *Citywire, October 25, 2017*, http://citywire.ch/news/ubs-am-launches-global-sustainable-fund/a1062408.

39 UBS, "Making a Positive Impact: UBS Global Impact Equity Strategy" (factsheet), 2018, https://www.ubs.com/lu/en/asset_management/institutional/sustainable-investments/global-impact-equity.

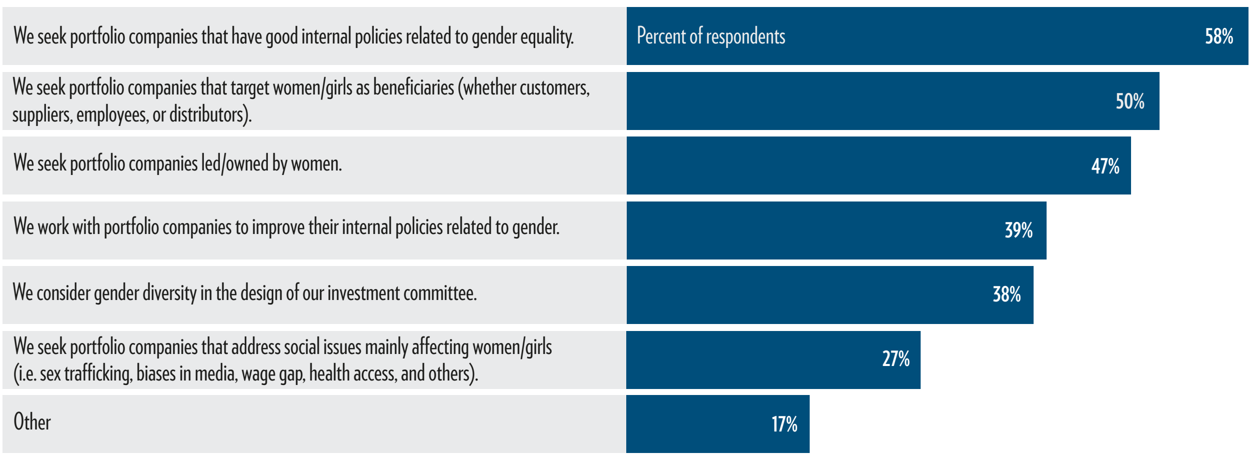
Gender lens investing

About 70% of respondents apply a gender lens to their investment process, typically through governance measures or by seeking investees that proactively address gender issues (Figure 38). Respondents address gender equality through governance in several ways, including by seeking portfolio companies that have good internal policies related to gender equality (58%), working with companies to improve their policies (39%), and considering gender diversity in investment committee design (38%). Impact investors also seek to positively address gender issues by investing in portfolio companies for which women or girls are core beneficiaries (50%), that are led or owned by women (47%), or that address social issues primarily affecting women or girls (27%).

Notably, EM-focused respondents were much more likely to apply a gender lens to their investments than were DM-focused respondents (83% vs. 57%), though they use similar strategies to do so.

Figure 38: Ways impact investors apply a gender lens to their investment process

n = 153; respondents could select multiple options. Optional question.



Note: 'Other' includes investing in bonds that benefit women, monitoring staff ratios across investee organizations, targeting equal gender representation on the investor's board, and disaggregating impact data by gender. Twenty-nine percent of respondents do not apply a gender lens to their investment process.

Source: GIIN

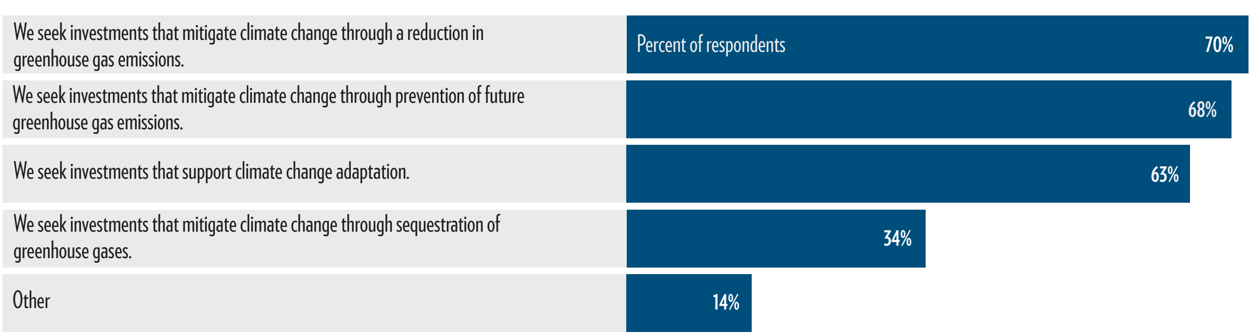
Climate investing

Nearly three-quarters of respondents seek to address climate change through their investments (Figure 39). The most common strategies to do so include targeting investments that reduce greenhouse gas emissions (70%), seeking investments that prevent future greenhouse gas emissions (68%), and seeking investments that support climate change adaptation (63%).

Market-rate-seeking respondents were more likely to address climate change through their investments than were below-market respondents (77% and 64%, respectively). Market-Rate Investors were especially likely to seek investments that mitigate climate change through reduced greenhouse gas emissions (76%) or the prevention of future emissions (75%).

Figure 39: Ways impact investors address climate change through their investments

n = 155; respondents could select multiple options. Optional question.



Note: 'Other' includes reducing carbon by participation in the circular economy, investing in green bonds, incorporating climate-related metrics into impact measurement practice, using ESG screens, implementing environmental management systems, and advocating for energy policy. Twenty-seven percent of respondents do not address climate change through their investments

Source: GIIN

Investing to address climate change

In 2015, the Paris Agreement set a course for climate mitigation and adaptation, including targets for reduced greenhouse gas emissions, strategies for adaptation and increased resilience in vulnerable regions, and promises of financing to enable these goals. However, as of 2017, progress against those reduction targets remained stalled; urgent action is therefore needed from all actors.[40] Nearly three-quarters of impact investors responding to this year's survey seek to address climate change through their investments (see page 40), and many have launched dedicated vehicles over the past year to support mitigation and adaptation efforts. Ranging from small-scale investments in clean energy innovation, conservation, and smallholder agriculture to large-scale investments in infrastructure and green bond issuances, impact investors are seriously heeding the Paris Agreement's call to action. Announcements of notable recent projects and vehicles include the following:

- The **Breakthrough Energy Ventures Fund** announced in December 2016 that it had raised USD 1 billion in committed capital to invest over 20 years in clean energy technologies that reduce greenhouse gas emissions from electricity generation and storage, transportation, agriculture, manufacturing, and buildings.[41] The fund was created by the Breakthrough Energy Coalition, a group that includes patient and risk-tolerant individual investors, corporations that produce or consume large amounts of energy, and financial institutions that can finance large astructure projects.[42]
- The **Caribbean Climate-Smart Coalition** is a public–private coalition formed in December 2017 that aims to catalyze USD 8 billion in investment to scale renewable energy and build low-carbon infrastructure in the Caribbean, a region prone to extreme weather events resulting from climate change. The coalition also established an accelerator to operate for a three-year period with a USD 6 to 10 million budget to develop projects and businesses. The group received funding from the Inter-American Development Bank, the World Bank, and the Caribbean Development Bank, as well as from various private investors and companies.[43]
- **Climate Investor One**, a blended fund developed by the Global Innovation Lab for Climate Finance, closed on a USD 412 million fund in July 2017 for 'end-to-end' financing of renewable energy infrastructure projects in emerging economies.[44] Its three-part model finances projects through (1) a development fund for technical assistance in planning and development, (2) an equity fund with three tiers of capital for the financing of infrastructure construction, and (3) a long-term debt fund for the operation of the projects. The fund has attracted capital from donors and investors, including DFIs and institutional investors.[45]
- **Livelihoods Carbon Fund 2** is a carbon offset fund launched in December 2017 that aims to raise USD 125 million from private companies to finance ecosystem restoration, agroforestry, and energy projects over 10 to 20 years in Africa, Asia, and Latin America. The fund will produce cash flows by financing projects to generate carbon credits, certified by the Gold Standard and Verified Carbon Standard; in turn, returns on investment will be paid to the investors in carbon credits.[46]
- **Unilever** and the **Government of Norway** announced a new climate resilience fund in November 2017 that will raise USD 400 million to invest in businesses that combine high-productivity agriculture with smallholder farming and forest conservation. The fund will leverage public and private investment to enhance resilience in the face of climate change in regions the partners consider most vulnerable to its effects.[47]

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40 Brad Plumer and Nadia Popovich, "Here's How Far the World Is From Meeting Its Climate Goals," New York Times, November 6, 2017, https://www.nytimes.com/interactive/2017/11/06/climate/world-emissions-goals-far-off-course.html.

41 Breakthrough Energy, "The Landscape of Innovation," accessed on April 16, 2018, http://www.b-t.energy/landscape/; and Kevin J. Delaney, "Bill Gates and Investors Worth $170 Billion Are Launching a Fund to Fight Climate Change through Energy Innovation," Quartz, December 11, 2016, https://qz.com/859860/.

42 Breakthrough Energy, "Who We Are," accessed on March 20, 2018, http://www.b-t.energy/coalition/who-we-are/.

43 Caribbean Development Bank, "Caribbean Leaders Launch Ambitious Plan to Create the World's First 'Climate-Smart Zone'," news release, *reliefweb, December 12, 2017,* https://reliefweb.int/report/dominica/caribbean-leaders-launch-ambitious-plan-create-world-s-first-climate-smart-zone.

44 Jessica Pothering, "Climate Investor One Raises $412 Million for Wind and Solar Project Financing," *ImpactAlpha, July 3, 2017,* https://news.impactalpha.com/climate-investor-one-raises-412-million-for-wind-and-solar-project-financing-dfcd8ff15a80.

45 Climate Investor One, accessed on March 21, 2018, http://climateinvestorone.com/nl/.

46 Livelihoods Funds, "Launch of a New Livelihoods Carbon Fund," news release, December 4, 2017, http://www.sustainablebrands.com/press/launch_new_livelihoods_carbon_fund.

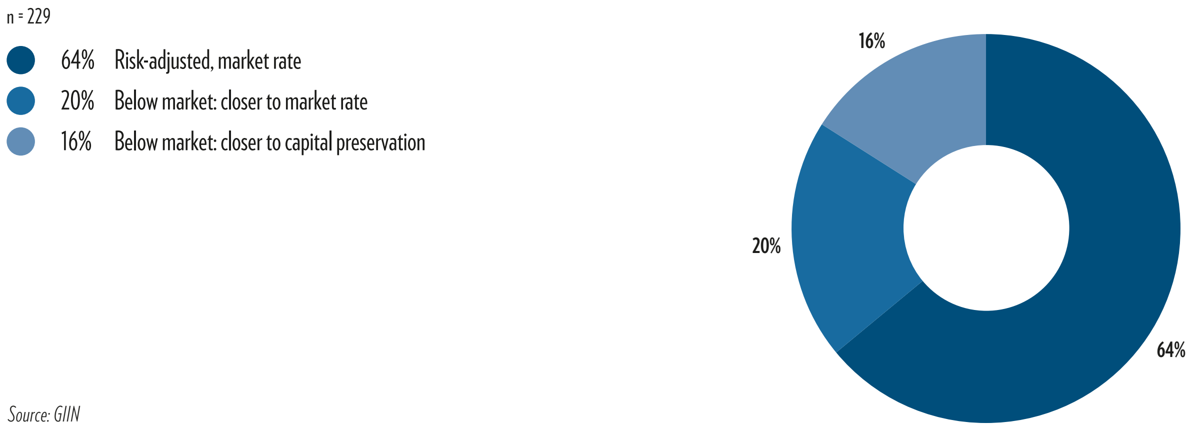
47 United Nations Climate Change, "Urgent Funding Needed for Resilience: Norway & Unilever Launch USD 400 Million Fund," news release, November 14, 2017, https://cop23.unfccc.int/news/urgent-funding-needed-for-resilience-norway-unilever-launch-usd-400-million-fund.

Investment Performance and Risk

Target financial returns

One particular feature of impact investing is that investors deliberately target a range of financial returns, from a concessionary return of capital to competitive market rates. Each year, survey respondents describe their overall target returns. This year, nearly two-thirds of respondents principally target risk-adjusted, market-rate returns (Figure 40). The remaining Below-Market Investors seek returns closer to market rates (20%) or closer to capital preservation (16%).

Figure 40: Target financial returns principally sought



Source: GIIN

Of course, target returns vary according to the investor's organizational structure, investment strategy, and impact strategy. Unsurprisingly, most for-profit fund managers target market rates of return (81%), whereas most not-for-profit fund managers target below-market returns (70%; Table 22). Six in ten foundations also principally target below-market-rate returns. Interestingly, all DFIs but one target market-rate returns, while two out of nine pension funds / insurance companies principally target below-market returns for their impact investing activities.

Table 22: Target returns by organization type

Organization type	n	Below market	Market rate
Fund manager: for-profit	106	19%	81%
Fund manager: not-for-profit	30	70%	30%
Foundation	31	61%	39%
Bank / Diversified financial institution	14	29%	71%
Family office	9	33%	67%
Pension fund / Insurance company	9	22%	78%
DFI	7	14%	86%
Permanent investment company	4	75%	25%
Other	19	47%	53%
Overall	229	36%	64%

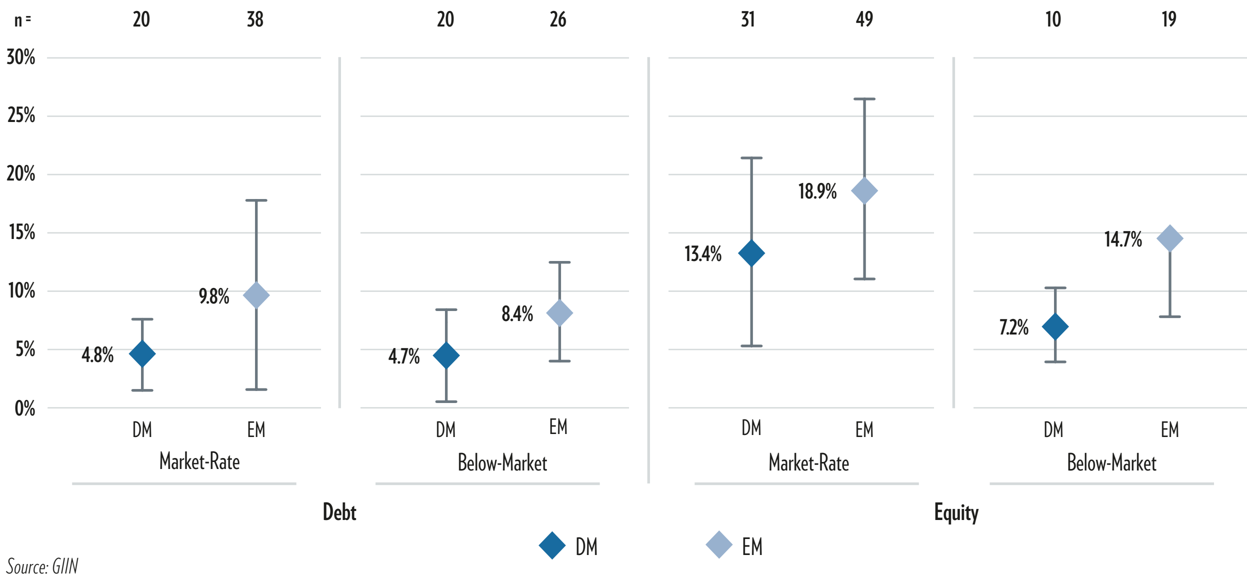
Source: GIIN

Average gross return expectations for 2017 vintage investments vary by asset class, geographic focus, and investor return philosophy (Figure 40). Unsurprisingly, expected gross returns are generally higher for equity than for debt and higher in emerging markets than in developed markets. Market-rate-seeking respondents expected higher returns than below-market respondents in most areas; however, they indicated very similar expectations for developed-market debt returns (4.8% vs. 4.7%).

Interestingly, return expectations for below-market investments in emerging markets are higher than the market-rate expectations in developed markets in the corresponding asset class. Overall, expected returns also ranged widely within each asset class and market type, as the standard deviations suggest (shown by the bars in Figure 41).

Figure 41: Average gross return expectations for 2017 vintage investments

Averages shown beside each diamond; error bars show +/- one standard deviation.



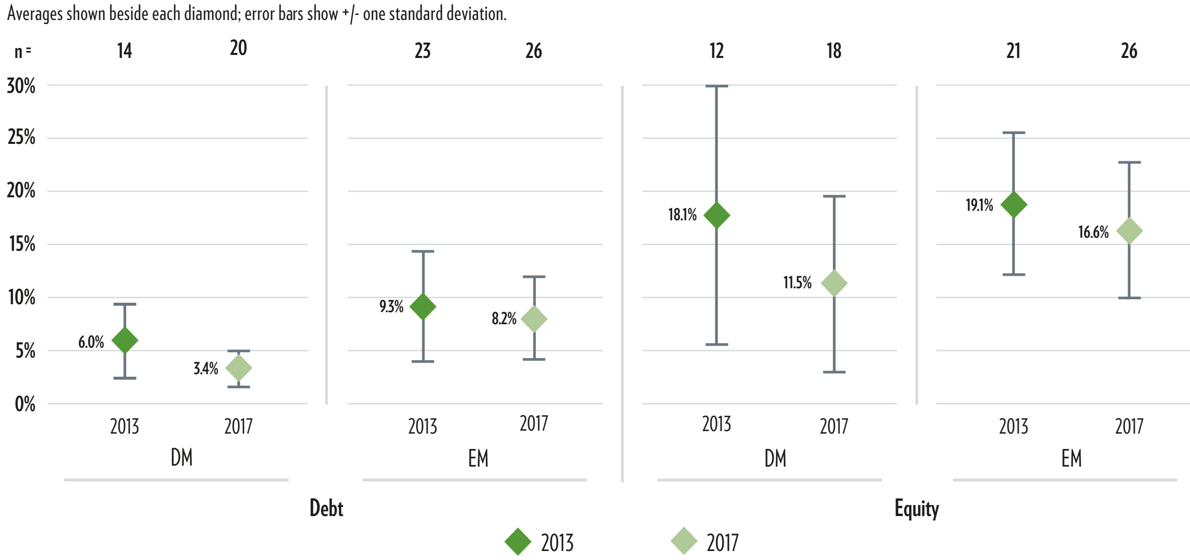
Source: GIIN

5 YEAR TREND

Interestingly, five-year repeat respondents indicated lower average gross returns expectations across all 2017 vintage investments than 2013 vintage investments (Figure 42). Investments into DM equity maintained the largest range of expected returns. For most segments, the range has remained fairly similar over time.

Figure 42: Average gross returns expectations for 2013 and 2017 vintage investments

Averages shown beside each diamond; error bars show +/- one standard deviation.



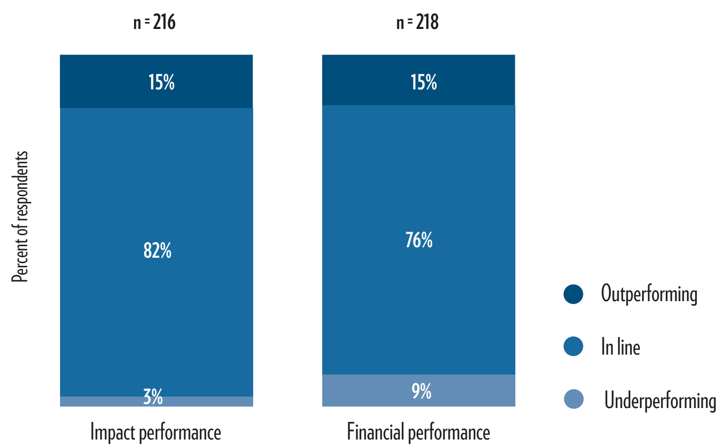
Source: GIIN

Performance relative to expectations

A clear majority of respondents indicated that their investments have met or exceeded their expectations for both impact and financial performance since inception (Figure 43). Fifteen percent of respondents indicated exceeding their expectations in each aspect of investment performance. Just 3% of respondents have fallen short of their impact expectations and 9% of their financial expectations. Respondents that reported underperformance indicated some challenges in setting both impact and financial expectations, particularly in underdeveloped markets with unclear regulation, poor infrastructure, or currency fluctuations. Others noted variance in performance at the deal level.

Figure 43: Performance relative to expectations

Number of respondents shown above each bar; some respondents chose 'not sure' and are not included.

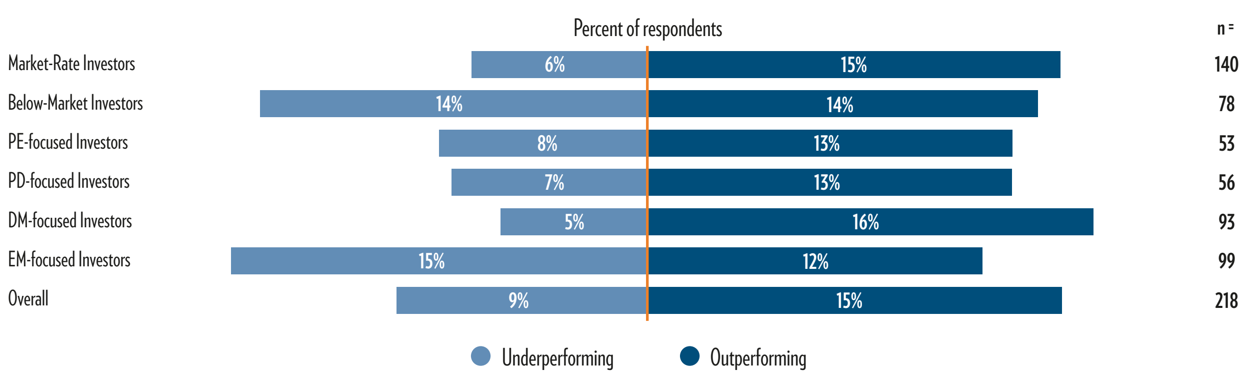


Source: GIIN

Respondents across segments reported similar impact performance relative to their expectations, but they did indicate some variation in their levels of satisfaction with their financial performance (Figure 44). Most clearly, a greater portion of Below-Market Investors indicated underperformance than did Market-Rate Investors (14% vs. 6%). By target geography, more EM-focused Investors expressed underperformance than did DM-focused Investors (15% vs. 5%).

Figure 44: Financial performance relative to expectations by target returns sought, asset class focus, and geography of investment

Number of respondents shown beside each bar; some respondents chose 'not sure' or 'in-line' and are not included.



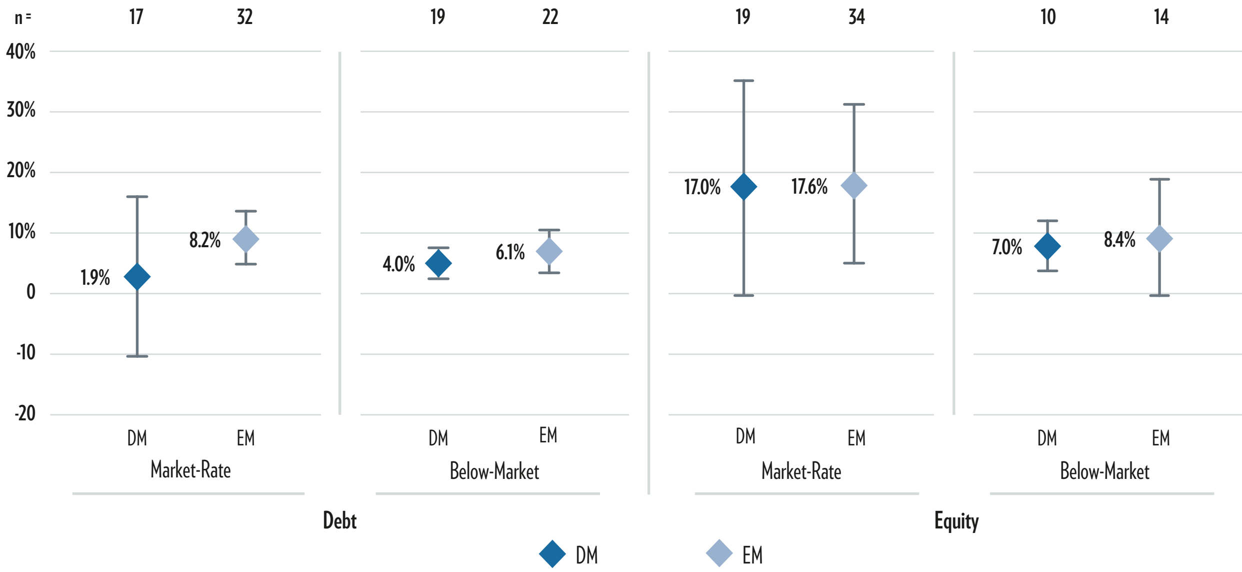
Source: GIIN

Realized gross returns

To better contextualize financial performance, respondents also shared their realized gross returns since inception (Figure 45). As expected, equity investments generated higher returns on average than did debt investments. Market-rate equity investments had the highest variance among segments analyzed. In general, emerging-market investments performed similarly to developed-market investments, except among market-rate-seeking debt investments, where emerging-market deals fared significantly better than developed market investments (8.2% vs. 1.9%). Interestingly, DM market-rate-seeking debt investments generated lower average returns than their below-market-rate counterparts (1.9% vs. 4.0%) but with far greater variation. Overall, DM investments saw a wider range of realized returns than EM investments.

Figure 45: Average realized gross returns since inception

Averages shown beside each diamond; error bars show +/- one standard deviation.



Source: GIIN

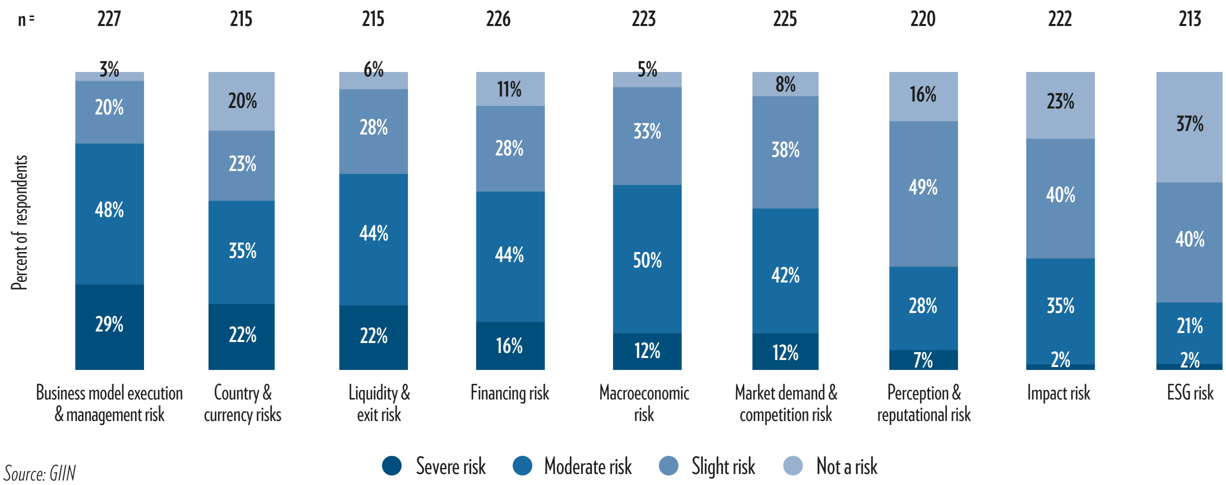
Risk

In addition to potential returns, impact investors consider risk when making and evaluating investments. As in past years, the greatest share of investors cited 'business model execution and management risk' as the most severe risk facing their portfolios (29%; Figure 46). A fifth or more of respondents also identified as severe 'country and currency risks' and 'liquidity and exit.' However, another fifth of respondents indicated that 'country and currency risks' do not affect their portfolios, reflecting wide variance by region; respondents investing primarily in SSA were particularly likely to cite these risks as severe (46%). Only 2% of respondents cited each of 'impact risk' and 'ESG risk' as severe.

Investors in different segments perceived these risks differently. For example, Private Equity Investors were more likely to identify 'liquidity and exit risk' as severe than were Private Debt Investors (29% vs. 16%). Private Equity Investors also indicated more severe 'business model execution and management risk' than did Private Debt Investors (39% vs. 24%).

Figure 46: Contributors of risk to impact investment portfolios

Number of respondents to each option shown above each column; some respondents chose 'not sure/not applicable', and are not included. Ranked by percent that selected 'severe risk'.



Source: GIIN

Respondents also shared their experience of risk events during 2017. A clear majority of respondents (84%) reported experiencing no noteworthy adverse events during the year, but the rate of risk events did vary by region of investment (Table 23). For example, investors primarily focused on LAC experienced proportionally more risk events (31%) than did other respondents. Conversely, U.S. & Canada–focused investors cited a low rate of risk events (8%). By sub-group, Private Debt Investors cited a higher instance of risk events than did Private Equity Investors (26% vs. 11%).

Table 23: Significant risk events experienced in 2017 by regional focus

	Overall	LAC	South Asia	SSA	U.S. & Canada	WNS Europe
n	229	16	13	25	61	15
No	84%	69%	85%	76%	92%	81%
Yes	16%	31%	15%	24%	8%	19%

Source: GIIN

Respondents also shared additional color on the specific causes of risk events they experienced, including:

- complex and changing economic and political environments, such as in Kenya;
- demonetization in India and volatility in currency exchange rates;
- corruption; and
- climate change–related disasters, such as drought.

Appendices

Appendix 1: List of survey respondents

We are grateful to the following organizations for their contributions, without which this survey would not be possible.

Aavishkaar

ABN AMRO Social Impact Fund

Accion Venture Lab

ACTIAM

Acumen

Adobe Capital

Aegon

AgDevCo

AlphaMundi

Alterfin

Althelia Ecosphere (Mirova-Althelia)

Ameris Capital (Fondo De Inversión Social)

Annie E. Casey Foundation

Annona Sustainable Investments

Anonymous 1

Anonymous 2

Anonymous 3

Anonymous 4

Anonymous 5

Aqua-Spark

Ashburton Investments

Athena Capital Advisors

Australian Ethical Investment

Avanath Capital Management

Aventura Investment Partners, LLC

AXA Investment Managers

Bank Degroof Petercam

Battle Creek Community Foundation

BELLE Michigan Fund

BESTSELLER FOUNDATION

Bethnal Green Ventures

Beyond Capital Fund

IDB Invest

Big Issue Invest

Big Society Capital

BlackRock

Blue Haven Initiative

BlueOrchard Finance Ltd

BNP Paribas

Bridges Fund Management

Business Partners International

California Fisheries Fund

Calvert Impact Capital, Inc.

Capital 4 Development Partners

Capria

Capricorn Investment Group

CDC Group

Cheyne Capital

Christian Super

Citizen Capital

City Light Capital

Clean Energy Trust

Clearinghouse CDFI

Closed Loop Fund

Community Capital Management, Inc.

Community Forward Fund Assistance Corp

Community Investment Management, LLC

CONINCO Explorers in Finance SA

Conservation Resource Partners, LLC

Cooperative Fund of New England

CoopEst

Cordaid Investment Management

Core Innovation Capital

CoreCo Private Equity

Creation Investments Capital Management, LLC

Credit Suisse

Cultivian Sandbox

Dalio Family Office

DBL Partners

Deutsche Asset Management

Deutsche Bank Community Development Finance Group

Dev Equity

Développement International Desjardins

DOB Equity

Dolma Impact Fund

DWM

EcoEnterprises Fund

Ecosystem Investment Partners

Edwards Mother Earth Foundation

Elevar Equity

Enclude

ENGIE Rassembleurs d'Energies

Enterprise Community Partners

Esmee Fairbairn Foundation

Farmland LP

Finance in Motion

Fledge

FMO

Ford Foundation

Fund of Regional Social Programs "Our Future"

Fundación Creas

Futuregrowth Asset Management

Gary Community Investments

GAWA Capital

Generation Investment Management

Global Innovation Fund

Global Partnerships

Grameen America, Inc.

Grameen Credit Agricole Foundation

Grassroots Capital Management; Caspian Impact Investment Adviser

Gray Ghost Ventures

Grofin

Habitat for Humanity International

HCAP Partners

HESTA

HRSV (Hooge Raedt Social Venture) B.V.

IDP Foundation, Inc.

IFU Investment Fund for Developing Countries

Impact Community Capital, LLC

Impact Engine

Impact Finance Management SA

Impact Investment Exchange

Impact Investment Group

Impax Asset Management

INCO

Incofin Investment Management

Injaro Investments

Insitor Impact Asia Fund

Inspirit Foundation

International Financial Corporation (IFC)

Invest in Visions

Investec Asset Management

Investir&+

Investisseurs & Partenaires (I&P)

iungo capital

JPMorgan Chase & Co.

KOIS Invest

Kukula Capital Plc

LeapFrog Investments

LGT Impact

Lion's Head Global Partners

Living Cities, Inc.

Local Enterprise Assistance Fund

Lok Capital

Lumina Foundation

MacArthur Foundation

MainStreet Partners

Mary Reynolds Babcock Foundation

Mennonite Economic Development Associates (MEDA)

Media Development Investment Fund

Menterra Venture Advisors Private Limited

Mercy Corps

Michael & Susan Dell Foundation

MicroVest Capital Management

Mirova

National Australia Bank

National Community Investment Fund

NatureVest (The Nature Conservancy)

New Forests

New Market Funds

New Summit Investments

NewWorld Capital Group

NN IP

Nonprofit Finance Fund

Norsad Finance Limited

Nuveen, A TIAA Company

Oikocredit International

Omidyar Network

Omnivore Partners

Organización Román

Overseas Private Investment Corporation (OPIC)

Patamar Capital

PGGM

Phatisa

Phitrust Partenaires

Prudential Impact Investments

PSM Clean Energy (Private Securities Market, LLC)

QBE Insurance Group

Renewal Funds

responsAbility Investments AG

Rianta Capital

Rockefeller Foundation

Root Capital, Inc.

RS Group

Sarona Asset Management

SeaChange Capital Partners

SEAF

Seattle Foundation

Self-Help Federal Credit Union

Shared Interest

Shell Foundation

SilverStreet Capital

SITAWI Finance for Good

Sitra

SJF Ventures

SLM Partners

SME Impact Fund

Social and Sustainable Capital

Social Finance

Social Investment Business

Social Ventures Australia

Symbiotics

Terra Global Investment Management, LLC

The California Endowment

The David and Lucile Packard Foundation

The DOEN Foundation

The Heron Foundation

The J.W. McConnell Family Foundation

The Lyme Timber Company

The McKnight Foundation

The NHP Foundation

The Osiris Group

The Rise Fund

The Russell Family Foundation

The Sasakawa Peace Foundation

Timber Capital Limited

Treehouse Investments, LLC

TriLinc Global

Triodos Investment Management

Triple Jump

Turner Impact Capital

UBERIS Capital

UBS

UN Capital Development Fund

UNICEF USA Bridge Fund

Upaya Social Ventures

Vancouver City Savings Credit Union

Vermont Community Loan Fund (VCLF)

Vilcap Investments

Villgro Innovations Foundation

Virginia Community Capital

Vital-Capital Fund

Vox Capital

W.K. Kellogg Foundation

WaterEquity

Wespath Benefits and Investments

WHEB Asset Management

Working Capital for Community Needs

XSML Capital

Appendix 2: List of definitions provided to survey respondents

General

- **Impact investments:** Investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return.

- **Blended finance:** a strategy that combines capital with different levels of risk in order to catalyze risk-adjusted, market-rate-seeking capital into impact investments.

Instruments

- **Deposits & cash equivalents:** Cash management strategies that incorporate intent toward positive impact.

- **Private debt:** Bonds or loans placed to a select group of investors rather than being syndicated broadly.

- **Public debt:** Publicly traded bonds or loans.

- **Equity-like debt:** An instrument between debt and equity, such as mezzanine capital or deeply subordinated debt. Often a debt instrument with potential profit participation. E.g. convertible debt, warrant, royalty, debt with equity kicker.

- **Private equity:** A private investment into a company or fund in the form of an equity stake (not publicly traded stock).

- **Public equity:** Publicly traded stocks or shares.

- **Real assets:** An investment of physical or tangible assets as opposed to financial capital, e.g. real estate, commodities.

Stages of growth

- **Seed/Start-up:** Business idea exists, but little has been established operationally; pre-revenues.

- **Venture:** Operations are established, and company may or may not be generating revenues, but does not yet have positive EBITDA.

- **Growth:** Company has positive EBITDA and is growing.

- **Mature:** Company has stabilized at scale and is operating profitably.

Contributors of risk

- **Business model execution and management risks:** Risks of a company generating lower profits than anticipated and ineffective and/or underperforming management.

- **Country and currency risks:** Risks which include political, regulatory, local economic or currency-linked risks.

- **ESG risk:** Risk derived from noncompliance with environmental, social, or governance criteria.

- **Financing risk:** Risk of the investee not being able to raise subsequent capital necessary to its growth.

- **Impact risk:** The possibility that the investment does not achieve the desired social or environmental benefits.

- **Liquidity and exit risk:** The risk of being unable to exit the investment at the desired time.

- **Macroeconomic risk:** Risk that includes regional or global economic trends.

- **Market demand and competition risk:** Risks of low demand for the investee's product or service or declining revenues from the actions of a competitor.

- **Perception and reputational risks:** Risks of loss resulting from damages to an investor's or investee's reputation.

Technology

- **Augmented reality:** A live direct or indirect view of a physical, real-world environment whose elements are "augmented" by computer-generated or extracted real-world sensory input such as sound, video, graphics, haptics or GPS data.
- **Automated data collection:** Real-time data collection through business processes. Can be operations/business data or impact data.
- **Blockchain technology:** A continuously growing list of records, called blocks, which are linked and secured using cryptography. It can serve as an open, distributed ledger that can record transactions between two parties efficiently and in a verifiable and permanent way.
- **Machine learning:** A field of computer science in which computers can learn without explicit programming.
- **Robo-advisors:** Digital financial advisors that offer financial advice based on mathematical rules or algorithms.
- **Virtual reality:** A computer technology that uses headsets or multi-projected environments, sometimes in combination with physical environments or props, to generate realistic images, sounds and other sensations that simulate a user's physical presence in a virtual or imaginary environment.

Climate change

- **Sequestration:** The long-term storage of carbon dioxide or other forms of carbon to mitigate or defer global warming.
- **Adaptation:** reduction of the vulnerability of social and ecological systems to relatively sudden climate change and thus offset the effects of global warming.

Appendix 3: Outreach partners

The GIIN appreciates the assistance of the following organizations, which helped to encourage impact investors in their networks to participate in the survey.

Acrux Partners is an advisory firm focused on responsible and impact investing in South America. In addition to consulting work, Acrux Partners promotes and advocates for the development and consolidation of the responsible and impact investment sector in South America.

http://www.acruxpartners.com/

Asian Venture Philanthropy Network (AVPN) is a funders' network based in Singapore committed to building a vibrant and high impact social investment community across Asia. AVPN's mission is to catalyze the movement toward a more strategic, collaborative and outcome focused approach to philanthropy and social investing, ensuring that resources are deployed as effectively as possible to address key social challenges facing Asia today and in the future.

www.AVPN.asia

Austral University intends to serve society by pursuing truth, creating and disseminating knowledge, educating on virtues, and catering to every individual's transcendent destiny, providing intellectual, professional, social, and public leadership.

http://www.austral.edu.ar/en/

The Bertha Centre for Social Innovation and Entrepreneurship is a specialised unit at the University of Cape Town's Graduate School of Business (GSB). Its mission is to build the capacity and pioneering practices in Africa - with partners, practitioners and students - to advance the discourse and systemic impact of social innovation. In collaboration with the GSB, the Centre has integrated social innovation into the business school curriculum, established a wide community of practitioners and awarded over R7-million in scholarships to students from across Africa. It was established in 2011 in partnership with the Bertha Foundation, a family foundation that works with inspiring leaders who are catalysts for social and economic change and human rights, the Centre has become a leading academic centre in Africa.

www.gsb.uct.ac.za

Established by digital pioneers Jean and Steve Case, the Case Foundation invests in people and ideas that can change the world. For two decades, it has focused on harnessing the best impulses of entrepreneurship, innovation, technology, and collaboration to address urgent social challenges. Today it drives at two major movements—impact investing and inclusive entrepreneurship—on the belief that both have the potential to catalyze action to help solve pressing social problems and expand the economy while inspiring companies, organizations and people to be fearless so they can drive transformational change.

https://casefoundation.org/

Confluence Philanthropy advances mission-aligned investing. It supports and catalyze a community of private, public and community foundations, families, individual donors, and their values-aligned investment managers representing more than USD 70 billion in philanthropic assets under management, and over USD 3.5 trillion in managed capital. Members are committed to full mission alignment when prudent and feasible. Based in the United States, Europe, Latin America, Canada, and Puerto Rico, members collectively invest around the world.

http://www.confluencephilanthropy.org/

EMPEA is the global industry association for private capital in emerging markets. An independent, non-profit organization, the association's membership comprises 300+ firms representing institutional investors, fund managers and industry advisors who together manage more than USD 5 trillion in assets across 130 countries.

https://www.empea.org/

The Global Steering Group is an independent global steering group catalyzing impact investment and entrepreneurship to benefit people and the planet.

http://gsgii.org/

Impact Investors Council is a member-based industry body that has been established to build a compelling and comprehensive India Impact story and strengthen Impact Investing in India. Envisioned in 2013, IIC was incorporated in December 2014. IIC promotes the cause of supporting underprivileged citizens through Impact Investing. Its mission is to encourage private capital to bridge the social investment gap in India in sectors such as financial inclusion, clean energy, education, water and sanitation, and healthcare. It has an active support from around 40 prominent impact investors and ecosystem players managing funds in excess of USD 1 billion.

www.iiic.in

The ImPact is a membership network of family enterprises (family offices, foundations, and businesses) that are committed to making investments with measurable social impact. The ImPact provides families with the knowledge and network they need to make more impact investments more effectively, and uses sophisticated technology for data aggregation, analysis, and reporting to shift the narrative of impact investing from one of inputs (dollars committed) to outcomes (impact created). Its purpose is to improve the probability and pace of solving social problems by increasing the flow of capital to investments generating measurable social impact.

http://theimpact.org/

The Intentional Endowments Network (IEN) supports colleges, universities, and other mission-driven tax-exempt organizations in enhancing financial performance by aligning their endowment investment practices with their mission, values, and sustainability goals. It does this in a variety of ways, including hosting in-person forums and events; facilitating peer networking; curating useful resources on sustainable investing opportunities; and providing educational venues for information exchange around a variety of sustainable investing strategies, such as ESG integration, impact investing, and shareholder engagement. In doing so, this broad-based, collaborative network contributes to creating a healthy, just, and sustainable society. IEN is an initiative of The Crane Institute of Sustainability, a tax-exempt 501(c)(3) non-profit.

http://www.intentionalendowments.org/

Mission Investors Exchange is a leading network of foundations engaged in impact investing. Its more than 200 members comprise a vibrant community committed to tackling the world's most intractable social and environmental issues, from climate change and global health to education and quality jobs.

www.missioninvestors.org

New Ventures (NV) catalyzes innovative enterprises that generate profit and contribute to solve environmental and social problems in Latin America. As the leading platform of the impact investing sector in the region, New Ventures works through four main pillars: acceleration, financing, promotion, and training to strengthen the regional social entrepreneurship ecosystem.

http://nvgroup.org/

The leading national network of community development financial institutions (CDFIs), Opportunity Finance Network (OFN) shapes policy, conducts research, and creates partnership and programs that help its members deliver high impact in financially stressed communities. OFN's members offer responsible financial products and services in all types of communities—urban, rural, suburban, and Native—across the U.S. With its members, investors, and partners, OFN connects communities to capital that creates jobs, supports small business, builds affordable housing, cultivates healthy food and energy efficiency, and promotes safe borrowing and lending.

www.ofn.org

The Dutch Association of Investors for Sustainable Development (VBDO) is a not-for-profit multi-stakeholder organization. Its mission is to make capital markets more sustainable. Members include asset managers, non-governmental organizations, consultancies, trade unions, insurance companies, banks, pension funds, and individual investors. VBDO believes that we can no longer afford not to have sustainability embedded in capital markets. VBDO is the Dutch member of the international network of social investment fora (SIFs).

www.vbdo.nl

About the Global Impact Investing Network

The Global Impact Investing Network (GIIN) is a nonprofit organization dedicated to increasing the scale and effectiveness of impact investing around the world. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

To learn more, visit:
thegiin.org

Research

The GIIN conducts research to provide data and insights on the impact investing market and to highlight examples of effective practice.

To learn more, visit:
thegiin.org/research

Impact Measurment and Management (IMM)

The GIIN provides tools, guidance, trainings, and resources to help investors identify metrics and integrate impact considerations into investment management.

To learn more, visit:
thegiin.org/imm

Membership

GIIN Membership provides access to a diverse global community of organizations interested in deepening their engagement with the impact investment industry.

To learn more, visit:
thegiin.org/membership/

Initiative for Institutional Impact Investment

The GIIN Initiative for Institutional Impact Investment supports institutional asset owners seeking to enter, or deepen their engagement with, the impact investing market, by providing educational resources, performance research, and a vibrant community of practice.

To learn more, visit:
thegiin.org/giin-initiative-for-institutional-impact-investment

For more information

Please contact Rachel Bass at rbass@thegiin.org with any comments or questions about this report.

To download industry research by the GIIN and others, please visit https://thegiin.org/research.

Disclosures

The Global Impact Investing Network ("GIIN") is a nonprofit 501c(3) organization dedicated to increasing the scale and effectiveness of impact investing. The GIIN builds critical infrastructure and supports activities, education, and research that help accelerate the development of a coherent impact investing industry.

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info@thegiin.org | www.thegiin.org | @theGIIN