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2023 GIINSIGHT

IMPACT INVESTING ALLOCATIONS, ACTIVITY & PERFORMANCE

GIIN
GLOBAL IMPACT INVESTING NETWORK

ACKNOWLEDGMENTS

AUTHORS

Dean Hand, GIIN Chief Research Officer

Sophia Sunderji, GIIN Research Director

Natalia Maria Pardo, GIIN Research Senior Associate

REVIEWERS

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ABOUT THE GLOBAL IMPACT INVESTING NETWORK

The Global Impact Investing Network (GIIN) is the global champion of impact investing, dedicated to increasing the scale and effectiveness of impact investing around the world. Impact investments are investments made into companies, organizations and funds with the intention to generate positive, measurable, social and environmental impact alongside a financial return. Impact investments can be made in both emerging and developed markets and target a range of returns from below-market to market-rate, depending upon investors' objectives. 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, please visit www.thegiin.org.

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INTRODUCTION

The impact investing industry has evolved significantly and continues to mature in a world that is slowly emerging from the COVID-19 pandemic and fraught with economic and racial inequities, social tensions and the climate crisis. As stakeholders globally grapple with ever-growing social and environmental challenges, investors are rising to meet them — by increasing assets allocated to impact investing, expanding impact strategies in public markets, growing capital funding from pension funds and insurance companies, and demonstrating strong financial performance that meets or exceeds expectations.

The *2023 GIINsight* series offers actionable insights on impact investing activity, financial performance, and impact measurement and management practice based on data captured from 308 impact investors globally—the GIIN's largest sample yet. This brief, *2023 GIINsight: Impact Investing Allocations, Activity & Performance*, focuses on how impact investors are allocating assets across sectors, geographies, stages of business and asset classes and, crucially, how their investments perform in regards to financial return and impact. The brief also offers an analysis of trends over a five-year period, demonstrating clear growth in the industry and an increasing appetite for impact strategies, especially amongst institutional asset owners.

To enable continued responsible industry growth, enhance market transparency and strengthen investor decision-making, investors are encouraged to explore these actionable insights as they consider implications for their own investing strategies.

KEY MARKET INSIGHTS

1. Investor allocations to impact strategies have increased, with significant growth in public markets, housing and technology investments reflecting broader global trends.

2. Investors saw strong impact investment activity in 2022 with industry progress in finding investment structures that meet investor needs.

3. Capital is increasingly flowing from asset owners to managers, especially from pension funds and insurance companies.

4. Impact investors can achieve market-rate returns with nearly all investors meeting or exceeding their financial and impact performance expectations.

For details on the methodological approach, caveats & limitations and list of participants, see Volume 1 of the series, *2023 GIINsight: Impact Investor Demographics*.

1

Investor allocations to impact strategies have increased, with significant growth in public markets, housing and technology investments reflecting broader global trends

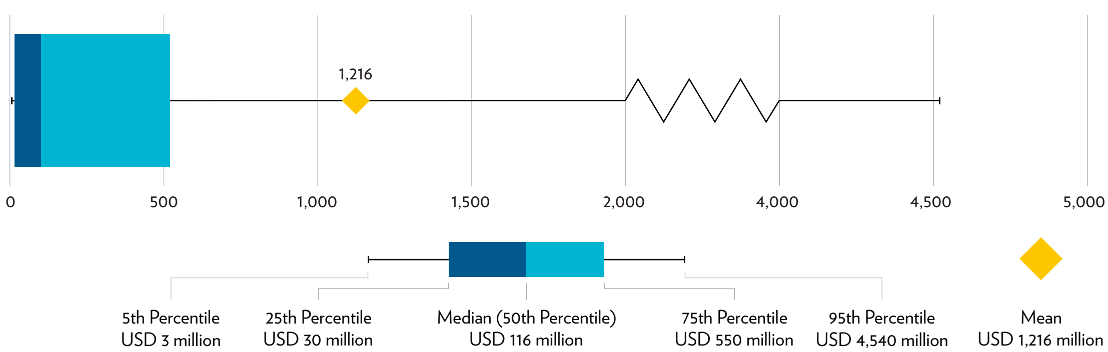
Impact assets under management overview

Impact investors in this sample collectively managed USD 371 billion in impact assets under management (AUM) as of the end of 2022. On average, investors managed USD 1.2 billion and USD 116 million at the median, reflecting that several investors manage especially large amounts of impact capital (Figure 1). In fact, the five largest organizations in this sample together accounted for 47% of the total AUM.[1]

Investors allocate impact assets across geographies, sectors and companies in public and private markets. A majority of impact AUM (77%) was allocated directly into companies, projects and real assets, with the remaining 23% invested indirectly through intermediaries including investment managers. Large investors accounted for 88% of AUM despite representing just a quarter of the sample, while medium investors accounted for 9% of AUM and small investors just 3%. Assets were dispersed nearly equally amongst developed and emerging market-focused investors, representing 51% and 49% respectively. Interestingly, investors that focus solely on impact, or impact-only investors, accounted for 54% of the sample's impact AUM.

FIGURE 1: **Distribution of impact AUM (in USD millions)**

n = 305; represents a total impact AUM of USD 371 billion showing the 5th through 95th percentiles.



Note: Excludes three organizations that did not provide data on AUM.

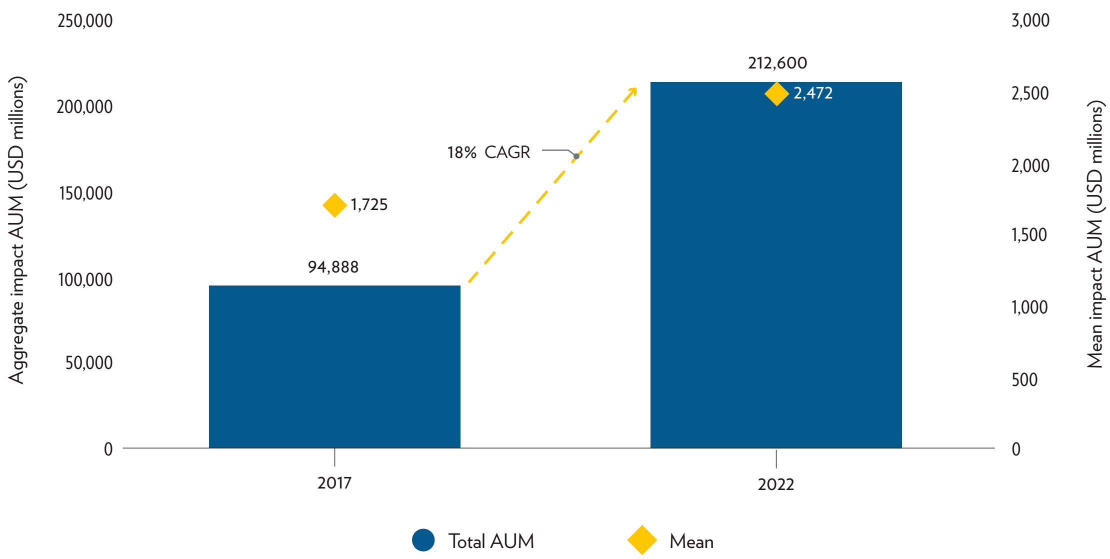
Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

1 Analysis in this section excludes three organizations that did not provide data on AUM and five outlier organizations, unless otherwise stated.

The amount of impact AUM an organization typically holds has grown over the past five years. This is reflected within the subset of 88 repeat respondents who also provided data to the GIIN's *2018 Annual Impact Investor Survey*. In aggregate, impact AUM increased from USD 95 billion in 2017 to USD 213 billion at the end of 2022, at a compound annual growth rate (CAGR) of 18% (Figure 2). At the median, impact AUM was USD 98 million in 2017 compared to USD 242 million in 2022, suggesting that organizations are increasing their impact assets.[2]

FIGURE 2: **Impact AUM growth over a five-year period**

n = 88



Note: This figure represents a subset of 88 repeat respondents from the *2018 Annual Impact Investor Survey* and *2023 Market GIINsight* briefs. Between 2017 and 2022, impact AUM grew by a CAGR of 18%.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

GEOGRAPHIC ALLOCATIONS TO IMPACT

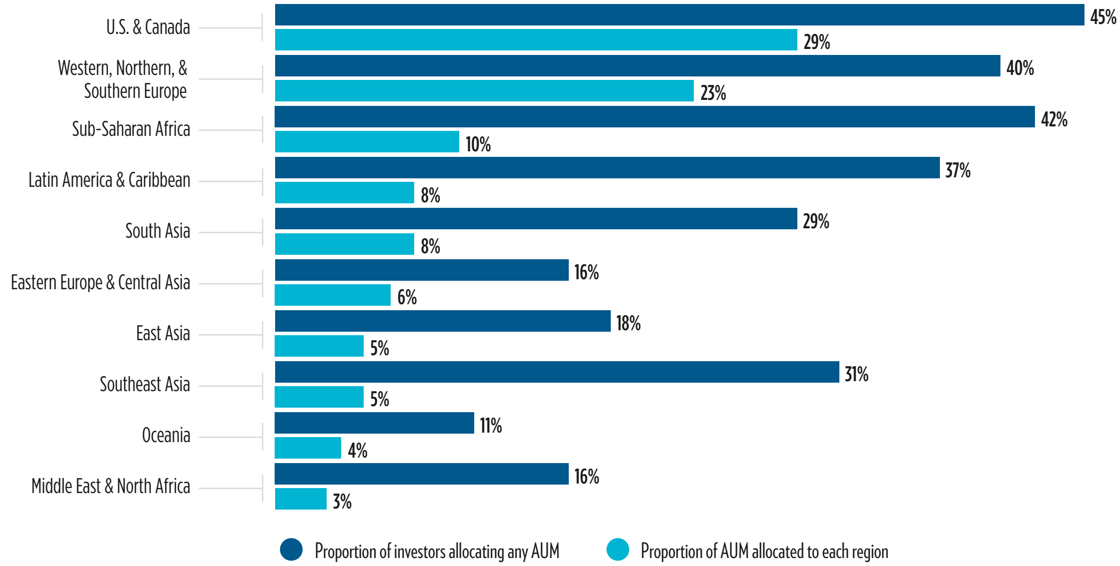
Impact investors allocate capital globally, with the greatest proportion allocated to the U.S. & Canada (29% of impact AUM), followed by Western, Northern & Southern Europe (23%) and sub-Saharan Africa (10%; Figure 3). Forty-five percent of investors have at least some allocation to the U.S. & Canada, followed by 42% with some allocation to sub-Saharan Africa, indicating these are the two most common geographies of investment.

As expected, geographic allocations vary across different investor segments. For example, private debt investors allocate 22% of capital toward Eastern Europe & Central Asia, compared to just 1% of capital from private equity-focused investors. In contrast, private equity investors have focused their allocations on the U.S. & Canada with over a quarter (28%) of impact AUM allocated to this region, compared to 9% from private debt investors. While below-market-rate investors allocate a third of their AUM to sub-Saharan Africa, market-rate investors allocate just 6%.

2 Throughout this GIINsight brief, findings reflect comparisons to the GIIN's *2018 Annual Impact Investor Survey* among a subset of 88 repeat respondents to shed light on trends over time. For further information on the longitudinal analysis, please see the methodology section in Volume 1 of the 2023 *GIINsight series*.

FIGURE 3: **Investor asset allocations by geographic region**

n = 303; AUM = USD 198 billion



Note: Excludes five outlier organizations based on AUM. Respondents may allocate to multiple regions.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

Nonetheless, it is evident that the impact investing industry continues to grow globally. Impact assets have increased in nearly every region (Table 1). The U.S. & Canada was the fastest-growing region, growing at a CAGR of 53%, followed by Western, Northern & Southern Europe (33%) and then East Asia (21%; Table 1). Prioritization of investments in developed markets over emerging markets may reflect the economic volatility resulting from a number of global events over the past five years. Interestingly, Asia has grown at a CAGR of 15% reflecting a market interest in the continent. Over the next five years, a third of investors plan to increase allocations to sub-Saharan Africa and a quarter plan to increase allocations to Latin America & the Caribbean, reflecting clear investor interest in these emerging market regions.

TABLE 1: **Growth rates in allocations across geographic regions**

n = 88

Region	2017 (USD millions)	2022 (USD millions)	CAGR
U.S. & Canada	4,190	35,642	53%
Western, Northern, & Southern Europe	4,479	18,896	33%
East Asia	6,762	17,903	21%
Latin America & Caribbean	17,887	46,601	21%
Oceania	3,190	6,826	16%
South Asia	10,789	21,706	15%
Sub-Saharan Africa	12,940	25,132	14%
Southeast Asia	6,029	7,001	3%
Eastern Europe & Central Asia	15,198	17,563	3%
Middle East & North Africa	8,665	8,478	-0.4%

Note: This table represents a subset of respondents who provided data to both the *2018 Annual Impact Investor Survey* and *2023 GIINsights*.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

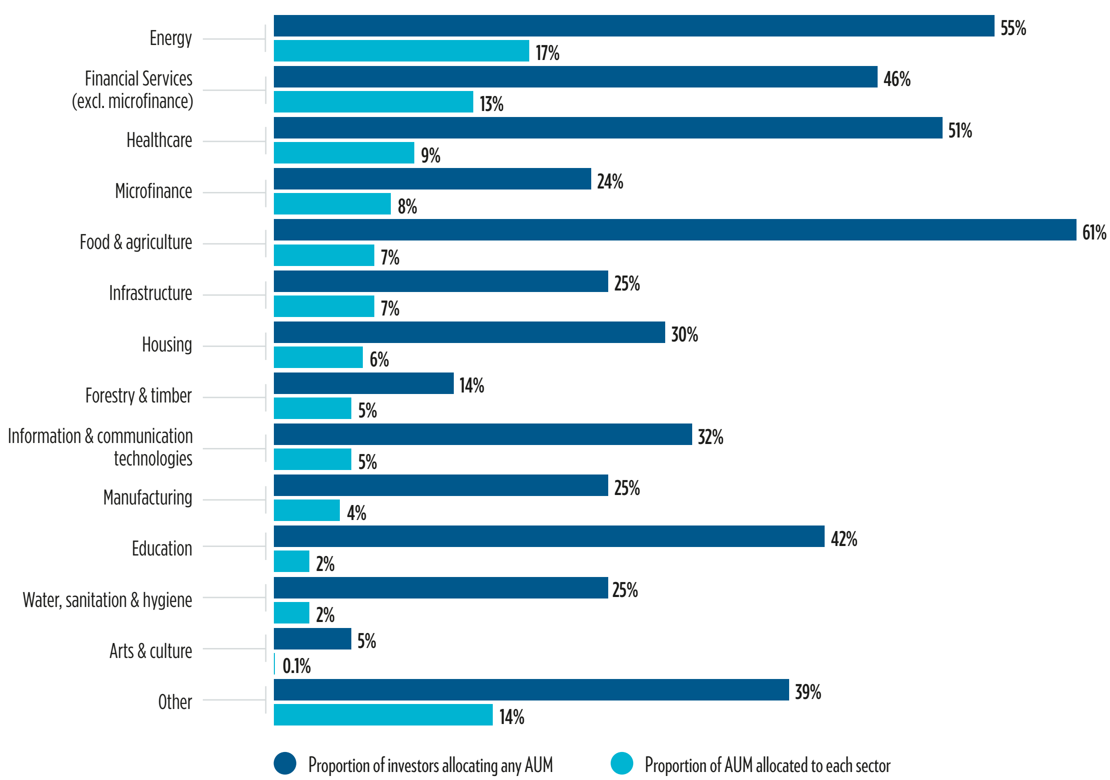
SECTOR AND THEME ALLOCATIONS TO IMPACT

Impact investors allocate capital across a range of sectors, with energy attracting the greatest proportion of AUM at 17%, followed by financial services (13%) and healthcare (9%; Figure 4). Interestingly, investors allocated only 2% of their AUM to education and 2% to water, sanitation & hygiene.

Sixty-one percent of investors allocate at least some AUM to the food & agriculture sector indicating that it's the most common sector of investment. Moreover, over half of these organizations (53%) also target climate change mitigation and/or climate adaptation & resilience, reflecting the inherent link between agriculture and the environment. About 55% of investors in the sample allocate capital toward energy, followed by just over half (51%) who allocate to healthcare, reflecting the continued focus on basic needs, especially in emerging markets. Indeed, a significant majority of emerging market-focused investors (86%) include at least some allocation to financial services and microfinance in their portfolios and, collectively, 49% of their AUM are directed to this impact theme, compared to just 6% of AUM from developed market investors who focus on financial inclusion. Investors also disclosed their planned impact allocations. Over half (55%) seek to increase allocations to energy over the next five years, followed by food & agriculture (48%).

FIGURE 4: **Investor asset allocations by sector**

n = 303; AUM = USD 198 billion



Note: Excludes five outlier organizations based on AUM. Respondents may allocate to multiple sectors. 'Other' sectors included waste recycling, social tourism, aquaculture and cross-cutting lenses that apply across sectors, such as quality jobs, circular economy and climate solutions.

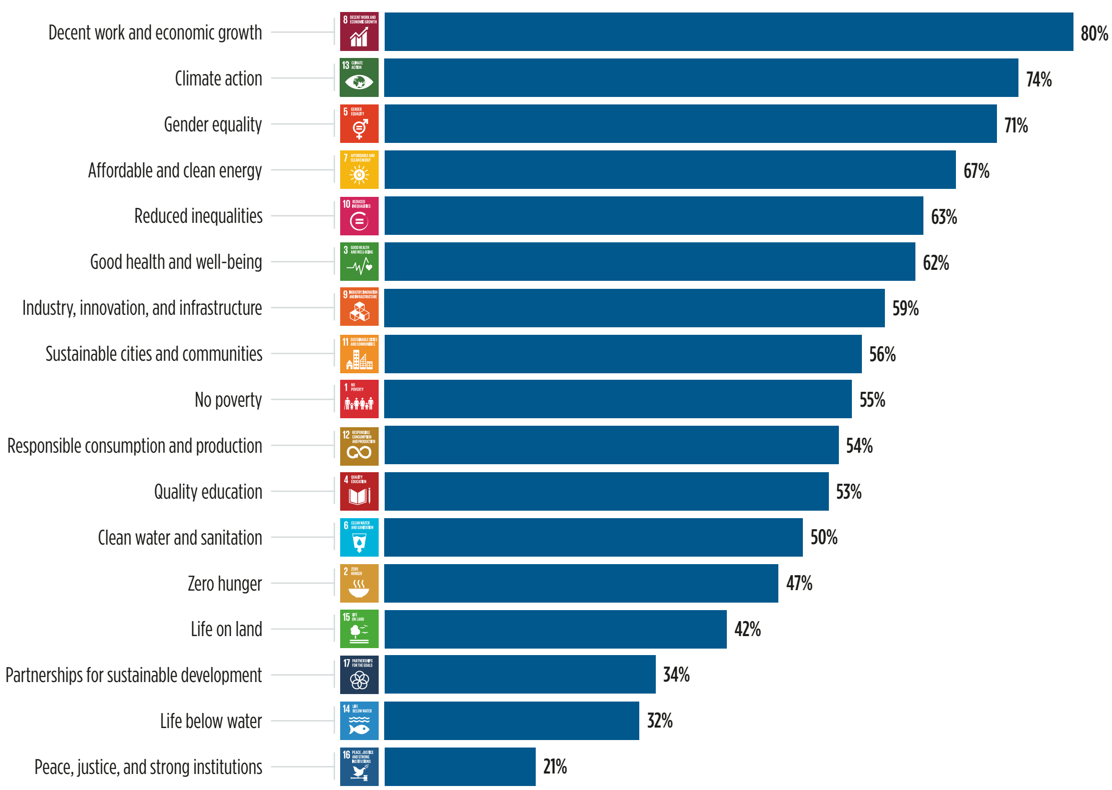
Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

Investors target a range of themes to achieve their impact goals. Almost all investors in the sample (96%) target at least one UN Sustainable Development Goal (SDG), most commonly decent work and economic growth (SDG 8; 80% of investors), climate action (SDG 13; 74%) and gender equality (SDG 5; 71%; Figure 5).

These three SDGs are often viewed as lenses that can be applied across sectors of investment. For example, respondents shared impact themes and focus areas including quality jobs, climate solutions and racial equity, which may reflect the role of the climate crisis and growing inequalities in shaping impact strategies. Perhaps unsurprisingly then, 76% of impact investors rely on an assessment of the scale of various problems to be addressed in their target markets when defining impact priorities.[3] Interestingly, despite global recognition that life below water (SDG 14) is critical to tackling the climate crisis and a growing interest in the blue economy, less than a third of investors (32%) are aiming to positively impact ocean health.[4]

FIGURE 5: **SDGs targeted by investors**

n = 297



Note: Respondents could select multiple SDGs.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

3 See *2023 Market GIINsight: Impact Measurement & Management Practice* for further insights into how investors are assessing impact.

4 To learn more about the European Union's blue economy focus, access its BlueInvest's 2023 report here. To read more about sustainable ocean investing globally, see the World Economic Forum's work here.

The energy sector received the greatest share of impact allocations at 17% and allocations to energy grew by 24% reflecting its ongoing relevance, especially in the face of the global climate crisis (Table 2). Among the sample of repeat respondents, investors grew their allocations to housing at a CAGR of 44% over a five-year period, the fastest-growing sector for impact AUM followed by information & communication technologies at a growth rate of 30%. As technological innovation continues to advance, impact investors are evolving their impact strategies and taking note.

TABLE 2: **Growth rates in allocations across sectors**

n = 88

Sector	2017 (USD millions)	2022 (USD millions)	CAGR
Housing	2,302	14,104	44%
Information & communication technologies	2,170	7,935	30%
Manufacturing	3,854	13,408	28%
Healthcare	4,349	13,798	26%
Energy	11,001	32,717	24%
Financial services (excl. microfinance)	23,862	61,806	21%
Food & agriculture	6,538	13,031	15%
Infrastructure	6,792	12,642	13%
Microfinance	8,215	13,364	10%
Education	3,761	4,135	2%
Water, sanitation & hygiene	3,942	4,244	1%
Arts & culture	165	93	-11%
Other	17,936	21,324	4%

Note: The conservation and forestry categories were combined with 'other' to enable comparability. Additionally, 'other' sectors in 2023 included waste recycling, social tourism, aquaculture and cross-cutting lenses that apply across sectors, such as quality jobs, circular economy and climate solutions. 'Other' sectors in 2018 included small and medium-sized enterprises (SMEs), child welfare, commercial goods, transport, retail, tourism, forestry and commercial real estate. This table represents a subset of respondents who provided data to both the *2018 Annual Impact Investor Survey* and *2023 GIINsights*.

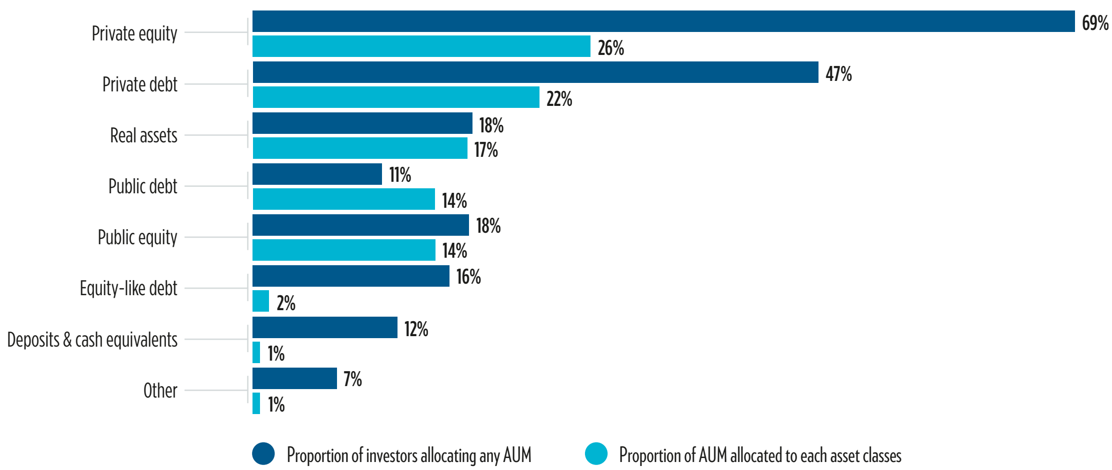
Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

ALLOCATIONS TO IMPACT ACROSS ASSET CLASSES

Impact investing is a strategy that can be applied across all asset classes, in public and private markets alike (Figure 6). Investors continue to explore how to set impact strategies, design portfolios and engage with performance data in listed assets, with 14% of assets allocated to public equity and 14% allocated to public debt.[5] However, the greatest proportion of assets continues to be allocated through private equity (26%) with nearly seven in ten impact investors (69%) allocating at least some AUM through private equity. This is followed closely by private debt (22% of AUM) and real assets (17%).

FIGURE 6: **Investor allocations across asset classes**

n = 303; AUM = USD 198 billion



Note: Excludes five outlier organizations based on AUM. 'Other' asset classes include social impact bonds, pay-for-performance instruments and guarantees.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

The impact investing industry has seen tremendous growth in impact assets allocated into public markets. The fastest-growing asset class was public debt at 101%, while public equity grew at a CAGR of 14%, perhaps demonstrating industry progress in understanding the baseline and expectations for investors pursuing impact beyond private markets (Table 3). Investments into real assets have also grown, at a rate of 27%.[6]

5 In 2023, the GIIN published guidance on pursing impact in listed equities, offering an overview of how funds engage with impact investing. See here for more information.

6 MSCI's *2023 Trends to Watch in Real Assets* offers an overview of key influences in real assets, with a focus on real estate to help investors find resilience in the market. For further information about MSCI's 2023 Trends to Watch in Real Assets, see here.

TABLE 3: **Growth rates in allocations across asset classes**

n = 86

Asset class	2017 (USD millions)	2022 (USD millions)	CAGR
Public debt	547	17,819	101%
Real assets	5,166	17,028	27%
Private equity	21,903	55,700	21%
Public equity	5,522	10,629	14%
Private debt	54,553	99,206	13%
Deposits & cash equivalents	577	490	-3%
Equity-like debt	6,452	3,524	-11%
Other	170	8,029	116%

Note: Excludes two organizations who did not provide data on stage of business for 2017 and/or 2022. 'Other' asset classes include social impact bonds, pay-for-performance instruments and guarantees in both 2018 and 2023. This table represents a subset of respondents who provided data to both the *2018 Annual Impact Investor Survey* and *2023 GIINsights*.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

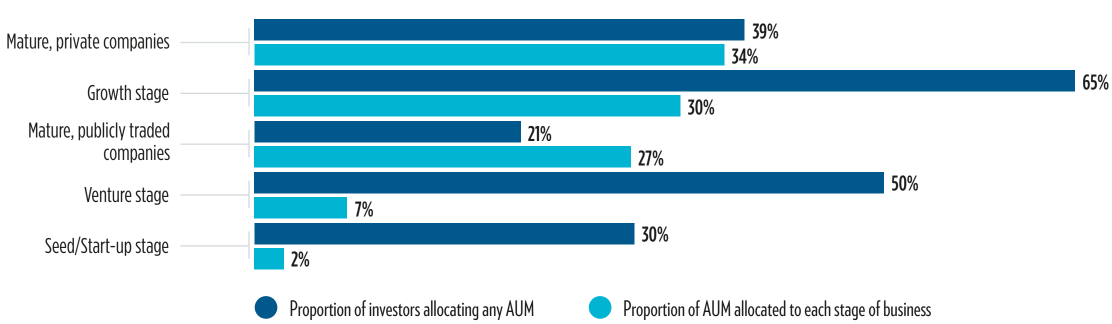
ALLOCATIONS TO IMPACT ACROSS STAGES OF BUSINESS

Investors allocate the greatest share of impact assets to mature, private companies (34%) followed by growth stage companies (30%; Figure 7). Although investors allocated a smaller proportion of impact AUM to mature, publicly traded companies at 27%, this business stage category reflects a five-year CAGR of 53%, the fastest-growing stage of business (Table 4). Investors are increasingly recognizing the important role that larger public companies can play in the impact investing ecosystem, with tremendous potential to reach impact at scale.

Interestingly, nearly two-thirds of investors (65%) allocate at least some AUM to growth stage companies. While only 2% of aggregate AUM is allocated to seed/start-up stage companies, almost a third of investors (30%) allocate at least some capital toward seed/start-up stage companies reflecting the much smaller nature of these enterprises.

FIGURE 7: **Investor asset allocations across stages of business**

n = 303; AUM = USD 198 billion



Note: Excludes five outlier organizations based on AUM.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

TABLE 4: **Growth rates in allocations across stages of business**

n = 81

Stage of business	2017 (USD millions)	2022 (USD millions)	CAGR
Mature, publicly traded companies	2,108	17,889	53%
Growth stage	6,133	32,002	39%
Venture stage	1,125	5,181	36%
Mature, private companies	10,224	44,927	34%
Seed/Start-up stage	519	1,098	16%

Note: Excludes seven organizations who did not provide data on stage of business for 2017 and/or 2022. This table represents a subset of respondents who provided data to both the *2018 Annual Impact Investor Survey* and *2023 GIINsights*.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

IMPLICATIONS FOR INVESTORS

Impact investors are demonstrating that they can more readily diversify their portfolios through an expanding range of public market asset classes and emerging sectors of investment. Further, they are realizing the rising demand for investment opportunities and achieving strong investment performance as demonstrated on page 18. Market vibrancy can also lead to more competition, which is a natural feature of a healthy market and presents strong opportunities for investment managers looking to raise capital and allocate assets as part of an impact investing strategy.

A growing market can provide investors with many attractive opportunities for capital appreciation and portfolio diversification. Specifically, investors are leveraging a wider range of asset classes and types of organizations to realize their impact investing strategies. Indeed, with public debt being the fastest-growing asset class deployed, as well as the rapid growth in allocations to mature, publicly traded companies, impact investors are changing the investing landscape and demonstrating what is feasible and investible through impact strategies.

2

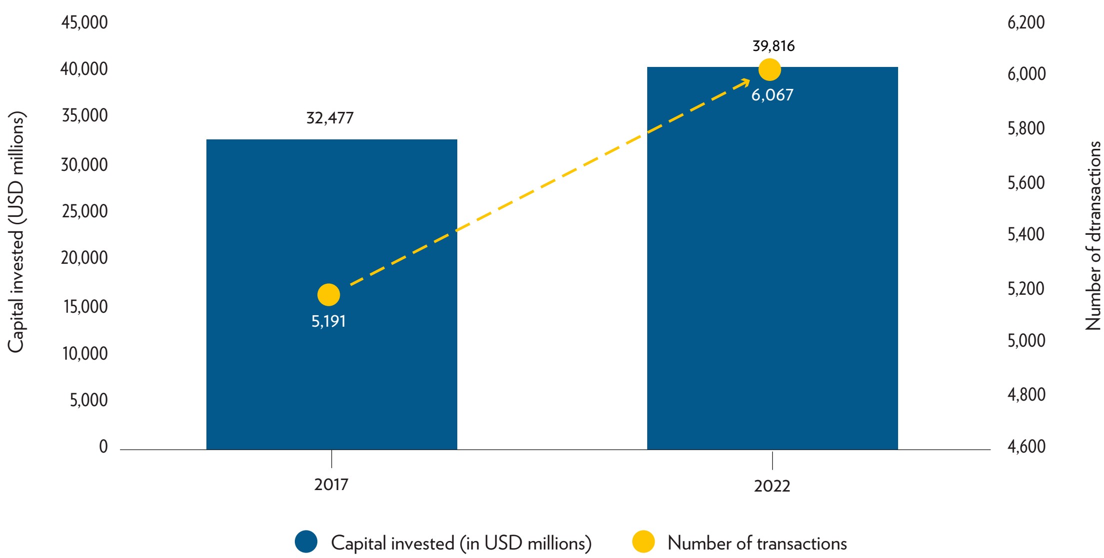
Investors saw strong impact investment activity in 2022 with industry progress in finding investment structures that meet investor needs

Across the sample, impact investors collectively invested USD 82 billion in capital in 2022 and USD 295 million on average, excluding outliers.[7] Together, investors made 9,750 deals, with 35 deals on average and 8 deals at the median. Almost the entire sample (92%) made at least one transaction during the course of 2022. Among those investors who shared their projections for 2023, planned allocations sit at over USD 40 billion across 13,377 transactions.[8]

While impact investing activity has grown between 2017 and 2022, deal size has not. The total volume of capital invested increased among repeat respondents from USD 32 billion to USD 40 billion, along with a 3% annual growth rate in the number of transactions (Figure 8). However, the average transaction size in this sample remained nearly the same at USD 6.3 million in 2017 compared to USD 6.6 million in 2022. Nonetheless, the industry has experienced growth in impact investing activity with a greater ability to find suitable investment opportunities. In fact, while 65% of repeat respondents reported finding it moderately or significantly challenging to find innovative deal or investment structures to meet their needs in 2018, only 26% felt the same in 2023 indicating tremendous market progress in investment activity.[9]

FIGURE 8: **Investment activity between 2017 and 2022**

n = 88; capital invested in USD millions



Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

7 Findings in this section are presented excluding four outliers on capital invested and two outliers on number of transactions, unless otherwise indicated.

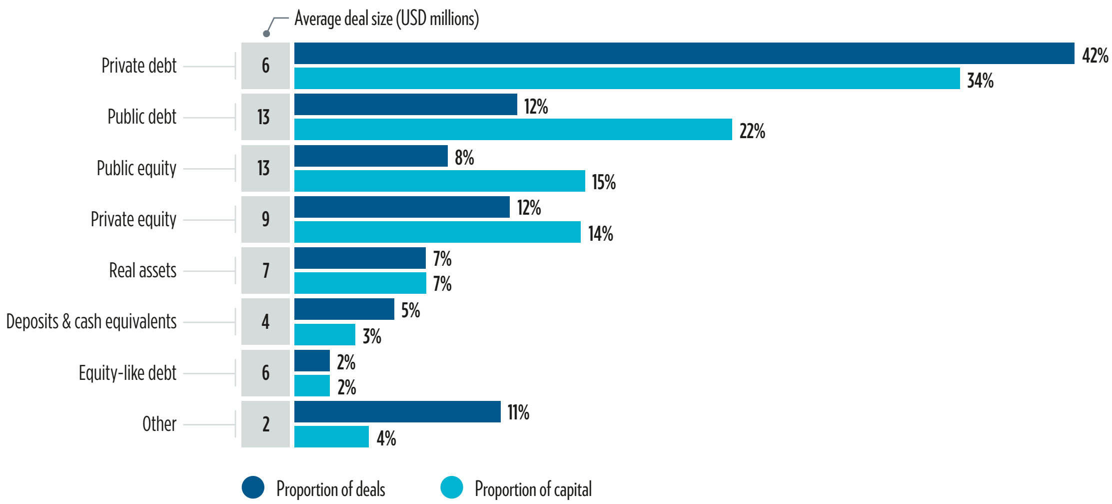
8 This reflects the full sample of investors that shared data on planned investment activity for 2023. Subsequent segmented analysis reflects the subset of investors that shared data on both 2022 investment activity and planned 2023 activity to enable meaningful comparison.

9 See the *2023 GIINsight: Emerging Trends in Impact Investing* to learn more.

As expected, deal size varied significantly by asset class (Figure 9). Public debt represented the largest deal size at USD 13.2 million, followed by public equity at USD 12.5 million per transaction, which may reflect the types of companies public market investors target, most commonly mature, public companies. Despite larger deal sizes, public debt and equity together only represented a fifth of transactions in the sample. Perhaps unsurprisingly, private debt transactions accounted for 42% of total number of deals. Average deal size also varied by investor size; large investors' deal sizes were nearly 13 times the size of small investors' (USD 12.7 million on average for large investors versus USD 1 million for small ones).

FIGURE 9: **Capital invested and number of transactions, by asset class**

n = 276; volume of capital invested = USD 67 billion; number of deals = 9,331



Note: Only includes those respondents who reported on both capital invested and number of transactions. Excludes four outliers on capital invested and two outliers on number of transactions. 'Other' asset classes include social impact bonds, pay-for-performance instruments and guarantees.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

Among those who reported on investment activity in 2022, investment managers accounted for 57% of the volume of capital invested in 2022, followed by development finance institutions, accounting for 29%. Interestingly, foundations accounted for just 2% of capital invested and family offices accounted for 0.39%.

Across investors who provided data on both 2022 activity and planned 2023 activity, planned volume of capital for 2023 sits lower than 2022 activity (over USD 36 billion compared to USD 55 billion), which may reflect investor expectations and outlooks for the year (Table 5). The volume of capital and number of deals varied by organization type, with banks making the largest median deal at USD 400 million and endowments making the smallest at USD 3 million. Interestingly, while family offices plan to increase investment activity, most organization types intend to decrease their volume of investments in 2023, in particular banks, foundations and investment managers.

TABLE 5: **Investment activity in 2022 and planned activity in 2023, by organization type**

Volume of capital and median volume invested reported in USD millions.

	2022 activity			Planned 2023 activity			
	Volume of capital (USD millions)	Number of deals	Median volume invested (USD millions)	Planned volume of capital (USD millions)	Planned number of deals	Median volume invested (USD millions)	n
Banks	4,007	282	400	2,080	174	175	5
Development finance institutions	16,124	1,049	189	6,729	898	259	14
Endowments	86	15	3	45	16	3	5
Family offices	218	256	17	1,260	151	18	12
Foundations	1,191	435	11	885	493	11	31
Investment managers	31,678	6,127	35	23,656	8,002	30	179
Pension funds & insurance companies	1,793	165	90	2,005	151	100	6
Total	55,097	8,329	---	36,660	9,885	---	252

Note: Excludes six outliers. Data reflects only a subset of the sample who reported on volume of capital and number of deals for 2022 along with planned volume of capital and planned number of deals for 2023. As a result, figures vary slightly from the full sample. 'Other' organization types have not been included to preserve anonymity.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

IMPLICATIONS FOR INVESTORS

Impact investors are increasingly able to identify investment structures and instruments with the potential for scalability and long-term sustainability. These investment opportunities involve enterprises that can grow, replicate impact models, attract multiple rounds of capital and create lasting social and environmental change in line with a logical theory of change. While the average size of investment deals has not changed among repeat respondents over the past five years and planned 2023 activity is lower than 2022 activity, it is evident that investors are finding the pipeline they need to execute their impact investing strategies. Impact investors implemented a greater number of financial vehicles and strategies between 2017 and 2022 that aligned with their dual objectives of generating positive impact alongside financial returns, an encouraging signal for the market.

3

Capital is increasingly flowing from asset owners to managers, especially from pension funds and insurance companies

Investment managers play a critical role in the impact investing industry by raising capital from diverse sources and making investments directly into companies and projects. Indeed, a majority of impact investors in this sample (71%) are investment managers, nearly half of whom are small investors (48%) with a focus on private equity (38%). Collectively, investment managers raised USD 12.9 billion in 2022 with plans to raise USD 23 billion in 2023, a near doubling in capital raise, which reflects a positive market outlook amongst this sample of investment managers.[10]

On average, investment managers raised USD 85 million and USD 31 million at the median in 2022, with plans to raise an average of USD 160 million in 2023, reflecting an increase in capital flows from asset owners to managers. Capital raised in 2022 and projections for 2023 varied significantly by investment manager type (Table 6).

USD 85 MILLION
average amount of capital raised in 2022

USD 160 MILLION
average amount of capital raise projected for 2023

Private equity investors raised USD 94 million, on average, in 2022 compared to private debt investors, who raised USD 121 million. Yet interestingly, at the median private equity investors raised twice as much as private debt-focused investors in 2022 (USD 32 million compared to USD 16 million). Investment managers targeting market-rate returns raised USD 142 million on average, compared to just USD 22 million raised by the average below-market-rate investor. Unsurprisingly, large-sized managers raised significantly larger amounts of capital, with USD 310 million on average compared to USD 43 million for small investors. However, small investors demonstrate serious ambition as evidenced by their projections to raise USD 50 million at the median in 2023. Meanwhile, large investors project raising about the same amount in 2023 as they did in 2022.

10 Excludes three outliers in capital raised in 2022 and two outliers in capital raise projections for 2023.

TABLE 6: **Investment managers' capital raised in 2022 and projections for 2023, by investor type**

Figures in USD millions. 2022 represents capital raised by investment managers; 2023 represents capital raise projections.

			n	Mean (USD millions)	Median (USD millions)	Sum (USD millions)
Geographic focus	Developed market investors	2022	41	128	50	5,229
		2023 projections	50	206	95	10,313
	Emerging market investors	2022	53	95	20	5,021
		2023 projections	69	162	100	11,165
Asset class focus	Private debt investors	2022	21	121	16	2,531
		2023 projections	23	137	70	3,160
	Private equity investors	2022	42	94	32	3,943
		2023 projections	54	156	90	8,430
Target returns	Market-rate investors	2022	88	142	35	12,538
		2023 projections	104	210	105	21,861
	Below-market-rate investors	2022	16	22	5	350
		2023 projections	22	73	33	1,607
Investor size	Small-sized investors	2022	51	43	15	2,217
		2023 projections	60	111	50	6,682
	Medium investors	2022	26	89	34	2,313
		2023 projections	38	180	148	6,828
	Large investors	2022	27	310	200	8,359
		2023 projections	28	356	200	9,958

Note: Figures in USD millions. Excludes three outliers for capital raised in 2022 and two outliers for capital raise projections for 2023.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

Between 2017 and 2022, 70 repeat respondents increased their total capital raised by a CAGR of 43%. The average amount of capital raised grew from USD 29 million in 2017 to USD 153 million in 2022 demonstrating a greater ability among investment managers to raise funds and/or an increase in capital available for impact from asset owners. Indeed, the industry has progressed from challenges in raising funds during the nascent stages of the impact investing industry to challenges in differentiating funds on the basis of impact, perhaps given the influx of capital into impact investing and growth in the number of players.[11]

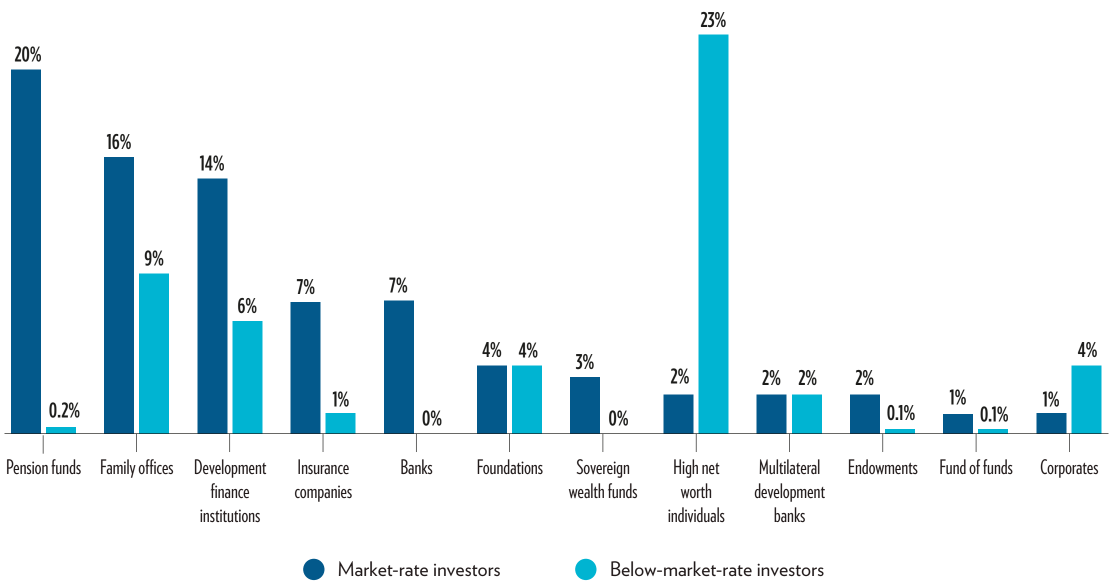
11 For additional information on investor challenges and approaches to measuring and managing impact, see the *2023 GIINsight: Impact Measurement & Management Practice* brief.

To raise capital, investment managers turned to a variety of capital sources in 2022. Pension funds accounted for the greatest proportion of investment managers' capital at 20%, followed by family offices (15%), development finance institutions (14%), insurance companies (7%) and banks (7%). Interestingly, foundations, sovereign wealth funds and high-net-worth individuals each accounted for only 3% of funding. Those investment managers focused on emerging markets relied most heavily on pension funds, raising 19% of their AUM from those institutions followed by development finance institutions (18%). Developed market-focused investors also relied primarily on pension funds, which accounted for 29% of their capital raised, while just 1% of AUM was sourced from development finance institutions.

Investors' target financial returns may influence their capital sources (Figure 10). Market-rate investors raised 20% of their capital from pension funds, while below-market-rate investors raised just 0.2%. Meanwhile, high-net-worth individuals accounted for 23% of capital raised by below-market investment managers compared to just 2% among market-rate managers. This may help inform investment managers of the types of asset allocators they can target for future fundraising.

Figure 10: Sources of capital for investment managers by target returns

n = 218; AUM = USD 152 billion



Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

Investment managers increased their sources of capital across all investor types between 2017 and 2022, most prominently pension funds and insurance companies, which together grew their funding by a CAGR of 32%, followed by sovereign wealth funds (22%). Institutional asset owners are increasingly pursuing impact, moving from portfolio carve-outs to applying an impact lens and seeking positive outcomes across their portfolios.[12] Interestingly, while foundations were also a fast-growing capital source (12% CAGR between 2017 and 2022), they only accounted for 3% of AUM raised by investment managers, reflecting greater diversity in sources of capital for managers and perhaps also indicating that momentum for impact is reaching more mainstream capital markets.

12 For more information about institutional asset owners' approaches to engaging with asset managers in pursuit of impact, see here.

IMPLICATIONS FOR INVESTORS

The impact investing industry is seeing greater flows of capital from pension funds and insurance companies toward impact strategies, suggesting a shift in investment approaches and the dynamics of financial markets. Institutional asset owners are perhaps seeking greater exposure to a broader range of opportunities. Managers specializing in impact investing strategies across or within various asset classes are offering diversification beyond that of traditional asset allocation models.

While asset allocators such as pension funds and insurance companies usually favor passive approaches, the transition to impact investment managers suggests a growing appetite for more active approaches to generate impact on issues that matter to pensioners or insurance clients. End stakeholders are increasingly demanding that their pension funds and insurance trustees consider social and environmental elements that may affect the context in which those stakeholders retire or live in.[13] Furthermore, regulators are increasingly considering how to incorporate pensioners and insurance clients into stewardship requirements for trustees.[14] Pension funds and insurance companies have a strong opportunity to articulate impact objectives, codify impact in formal investment and legal documents, use standardized impact measurement and management (IMM) systems and establish expectations for rigorous impact reporting.[15] Using these mechanisms to rigorously integrate impact into portfolios can be especially useful in geographies where emerging regulation is driving toward labeling of impact funds and instruments with demonstrated evidence of such claims.[16]

13 See this chapter on how some pension funds are eliciting end stakeholders' sustainability preferences.

14 See this brief from the United Nations Principles of Responsible Investing (UNPRI) on how end stakeholder considerations are evolving in the regulatory drafts.

15 See this report on how institutional asset owners are setting social and environmental goals and opportunities for improvement.

16 For more information on the Sustainable Finance Disclosure Regulation (SFDR), please see here.

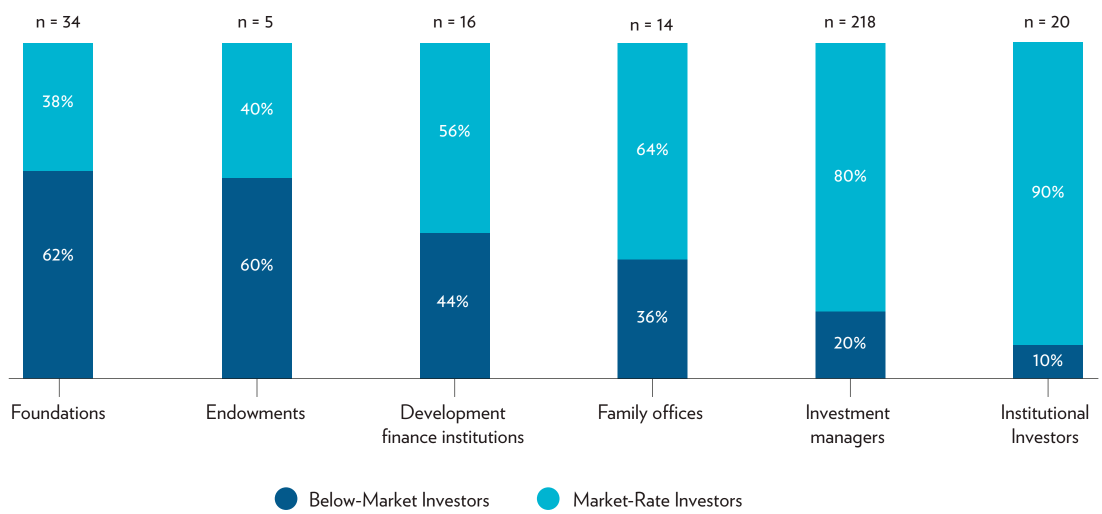
4

Impact investors can achieve market-rate returns with nearly all investors meeting or exceeding their financial and impact performance expectations

By definition, impact investors pursue both impact and financial returns, which vary depending on investors' impact and financial objectives. Investors balance a variety of factors to achieve these objectives, including financial risk and return, impact risk and return, liquidity constraints and resource capacity.[17] Many investors, such as pension funds and insurance companies, operate with a fiduciary mandate to prioritize financial return and minimize risk with a long-term view on their stakeholders' assets. Other investors, meanwhile, target below-market returns in line with their own operating mandates.

A vast majority of impact investors, however, do target risk-adjusted market-rate returns (74%), while the remaining target below-market-rate returns either closer to market-rate (14%) or closer to capital preservation (12%; Figure 11). Unsurprisingly, a majority of institutional asset owners (90%) target market-rate returns, while just over half of development financial institutions (56%) do so. By comparison, only 38% of foundations target market-rate returns reflecting the diverse range of returns targeted by asset allocators.

FIGURE 11: **Target financial returns by organization type**



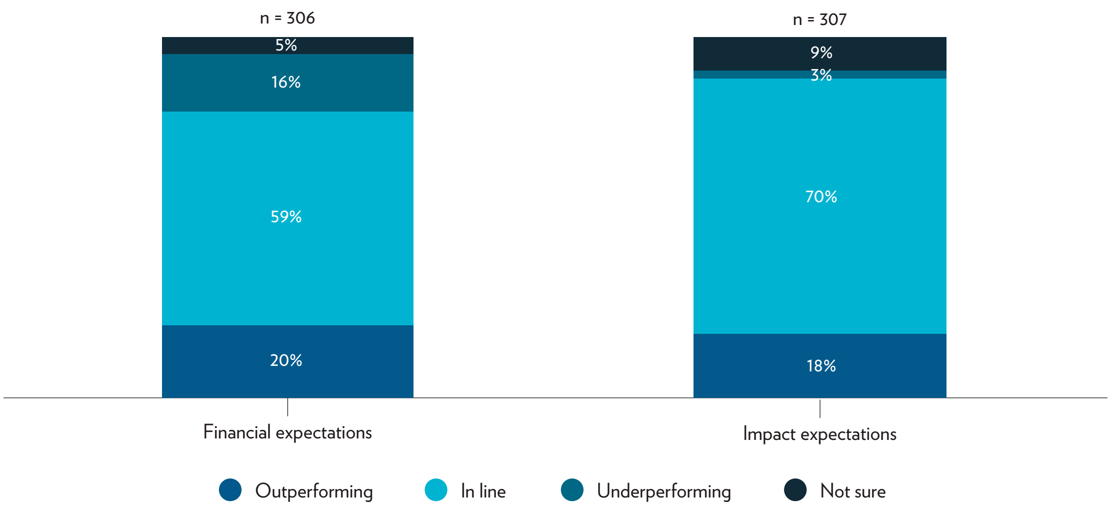
Note: Excludes one organization that did not disclose their target financial returns. 'Institutional investors' includes banks, pension funds, insurance companies, corporations, sovereign wealth funds and diversified financial institutions.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

17 For further insights into financial performance and the multi-dimensional approach that investors take to make investment decisions, access the GIIN's financial performance report here.

Investors also shared their performance expectations. Most investors reported outperforming or performing in line with expectations from both a financial (79%) and impact perspective (88%; Figure 12). While 16% reported underperforming relative to financial expectations, only 3% indicated the same for impact performance. Interestingly, 9% of respondents were unsure about their impact performance relative to expectations as compared to 5% of respondents on financial performance, perhaps reflecting the broader market challenges in assessing and interpreting impact data or an unwillingness to share this information.

FIGURE 12: **Financial and impact performance relative to expectations**



Note: Excludes two organizations that did not share financial performance relative to expectations and one organization that did not disclose impact performance relative to expectations.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

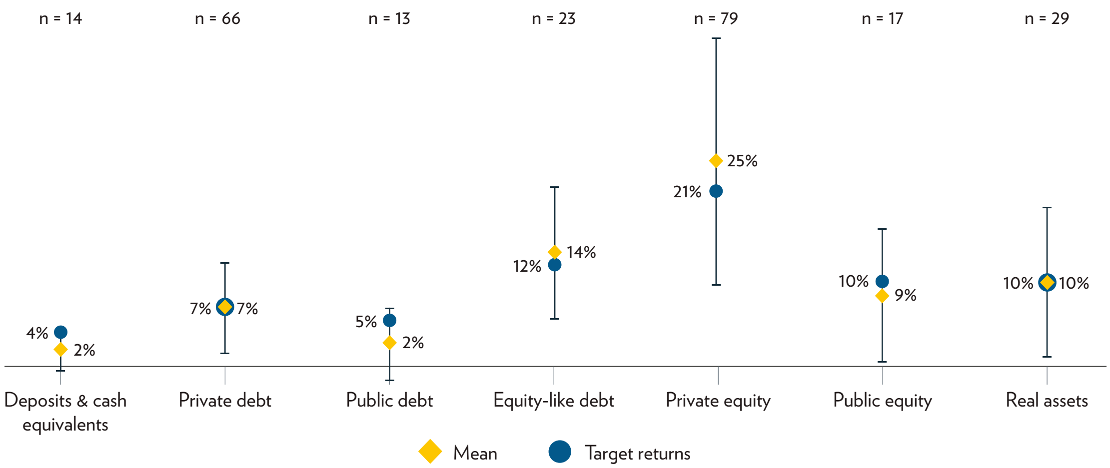
Performance relative to expectations varied by investor type. Only 11% of developed market investors indicated underperforming relative to financial performance targets compared to 22% of emerging market investors. Just under a third of below-market-rate investors (30%) reported underperforming relative to expectations on financial performance compared to 11% of market-rate investors.

Investors also shared their baselines for calculating expected rates of return by asset class. For private debt, investors most commonly rely on the prime lending rate and inflation; for private equity, stock market benchmarks help to inform financial targets. Unsurprisingly, for public equity investments, investors often rely on the stock market to inform financial targets. Other baseline examples include geographic benchmarks, asset class-specific benchmarks, net internal rates of return and custom approaches based on total portfolio performance.

As the world continues to experience the social, environmental and economic consequences of macro events, impact investors also shared how they perceive the influence of global events on the impact and financial performance of their investments. Impact investors considered events such as the COVID-19 pandemic, inflationary pressures, civil unrest and political instability. Over half of investors (52%) indicated that the influence of global events has worsened their financial performance, while just under a third (32%) indicated that financial performance has stayed the same despite such macro events. In terms of impact performance, 55% of investors asserted that their impact performance remained unchanged; only 22% indicated that it had worsened.

In addition to expectations, investors shared their target and realized financial returns to contextualize the findings. Among those investors seeking market-rate returns, private equity saw the highest gross realized returns over a three-year period, at 25% on average and 15% at the median (Figure 13). Interestingly, realized average returns in private equity exceeded the average target returns by 4%, highlighting outperformance in particular amongst private equity investments. Meanwhile, public debt and deposits & cash equivalents saw the lowest returns, both realizing 2% on average.

FIGURE 13: **Target and gross realized financial returns for market-rate investors, by asset class**



Note: Error bars show the 10th to 90th percentile. Returns show actual realized returns for each asset class over a three-year period.

Source: Global Impact Investing Network (GIIN), 2023 GIINsight: Impact Investing Allocations, Activity & Performance

IMPLICATIONS FOR INVESTORS

Risk-adjusted market-rate returns are a crucial component of most impact investing strategies. Nearly all market-rate investors reported meeting or exceeding their performance expectations; these perceptions aligned with target and realized financial returns. In fact, median realized returns over a three-year period are all within a 2% range of investors' financial targets, with private equity outstripping performance targets by 4%, demonstrating that performance exceeded expectations.

While these gross return figures offer some insight into the financial performance of impact investments, there is significant opportunity for field-builders and data providers to meet the demand for financial performance benchmarks.[18] Investors continue to call for holistic tools that offer a nuanced overview of the connection between financial risk tolerance and returns, impact risk tolerance and results, resource capacity and liquidity constraints—in essence, the efficiency of impact outcomes.[19] However, comprehensive impact and financial analysis will only reach its full potential when actors share performance data at scale. The lack of available data—importantly, verified and audited performance data—is a significant infrastructure gap in the ecosystem.

Nonetheless, these reported financial results signify that impact investing can be a financially sound and socially impactful approach. As the fastest-growing market segment, public market impact investors in particular should be encouraged by these performance findings, given the nascent stage yet quick growth of impact strategies in public markets.

18 In 2015, in partnership with Cambridge Associates and Symbiotics (now known as Tameo), the GIIN built financial performance benchmarks for impact investing funds in private equity, followed by private debt in 2016. The financial performance benchmarks are now offered as a commercial offering by these entities. Cambridge Associates' benchmarks on financial performance can be found here; Tameo's market intelligence on impact funds can be found here.

19 See the Impact Investing Decision-making: Insights on Financial Performance report for more information on this model.

APPENDIX 1:
DEFINITIONS

GENERAL

Impact investments: Investments with the intention to generate positive, measurable social and environmental impact alongside a financial return, and specifically use that investment capital along with engagement or investment terms to positively influence targeted impact results.

ASSET CLASSES

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

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

Publicly traded 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, such as convertible debt, warrant, royalty, or 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, also described as listed equities.

Real assets: An investment of physical or tangible assets as opposed to financial capital, such as real estate or commodities.

STAGES OF BUSINESS

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.

INVESTOR SUBGROUPS

Developed market-focused investors: Respondents that allocate ≥ 75% of their impact AUM to developed markets.

Emerging market-focused investors: Respondents that allocate ≥ 75% of their impact AUM to emerging markets.

Private equity-focused investors: Respondents that allocate ≥ 75% of their impact AUM to private equity.

Private debt-focused investors: Respondents that allocate ≥ 75% of their impact AUM to private debt.

Private market-focused investors: Respondents that allocate ≥ 75% of their impact AUM to private equity and/or private debt.

Public market-focused investors: Respondents that allocate ≥ 75% of their impact AUM to public equity and/or public debt.

Market-rate investors: Respondents that principally target risk-adjusted, market-rate returns.

Below market-rate investors: Respondents that principally target below-market-rate returns, some closer to market-rate and some closer to capital preservation.

Small investors: Respondents with total impact investment AUM ≤ USD 100 million

Medium investors: Respondents with total impact investment AUM > USD 100 million and ≤ USD 500 million.

Large investors: Respondents with total impact investment AUM > USD 500 million.

Impact-only investors: Respondents that allocate 100% of their AUM to impact investing.

Impact and impact-agnostic investors: Respondents that allocate at least some of their AUM to conventional investments.

APPENDIX 2: REFERENCES

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About The GIIN

The Global Impact Investing Network ("GIIN") is a nonprofit 501c(3) organization dedicated to increasing the scale and effectiveness of impact investing through research, education and other activities. Readers should be aware that the GIIN has and will continue to have relationships with many organizations identified in this report, through some of which the GIIN has received and will continue to receive financial and other support.

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GIIN
GLOBAL IMPACT INVESTING NETWORK

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