

ANNUAL
**IMPACT
INVESTOR**
SURVEY

2019

EXECUTIVE
SUMMARY



THE NINTH EDITION



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The GIIN Annual Impact Investor Survey is the most comprehensive source of data on the state of the impact investing market.

THE 2019 ANNUAL SURVEY
REFLECTS THE ACTIVITIES AND PERSPECTIVES OF
266 RESPONDENTS
FROM AROUND THE WORLD

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<https://thegiin.org/research/publication/impinv-survey-2019>

EXECUTIVE SUMMARY

This report presents findings from the Global Impact Investing Network's ninth Annual Impact Investor Survey reflecting 266 respondents' impact investing activities and perspectives on industry development, including new sections exploring human resources; diversity, equity, and inclusion; and the role of governments in supporting the industry. The report also analyzes trends among the subset of 83 four-year repeat respondents.

KEY FINDINGS

- 1 The impact investing industry is diverse.
- 2 The impact investing market continues to grow and mature.
- 3 Impact measurement and management is central to investors' goals and practices.
- 4 Impact investors report performance in line with both financial and impact expectations.
- 5 Impact investors indicate commitment to developing the industry.

1

THE IMPACT INVESTING INDUSTRY IS DIVERSE

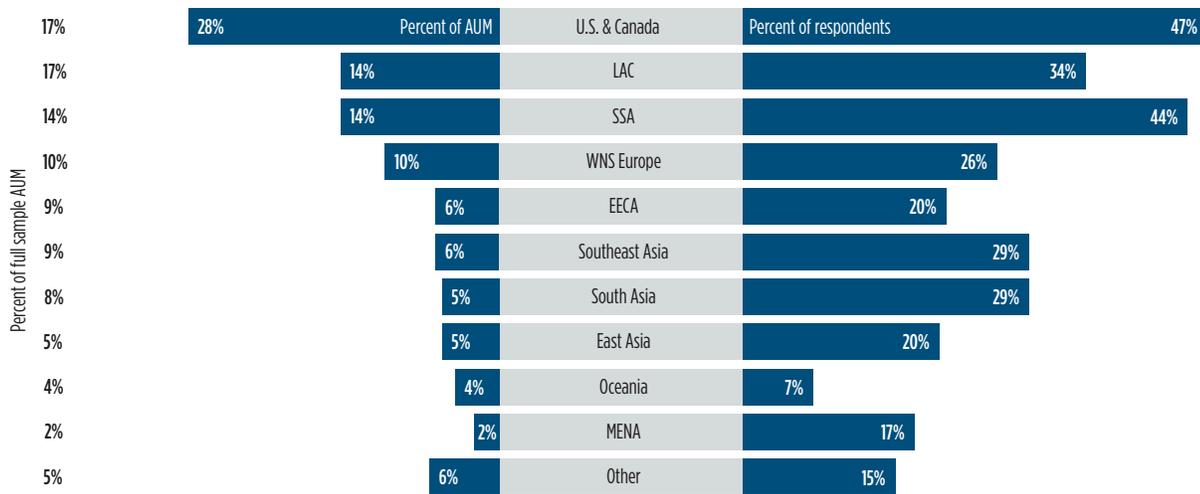
The 266 respondents to this year's Annual Survey reflect diverse players and objectives across the market:

- **Organization type:** Nearly two-thirds of respondents identify as fund managers, while the rest are various other organization types, including foundations, banks / diversified financial institutions, DFIs, family offices, permanent investment companies, and pension funds.
- **Headquarters location:** A majority of respondents are headquartered in developed markets, most commonly the U.S. & Canada (45%) and WNS Europe (27%).
- **Investment focus:** Two-thirds of respondents make only impact investments; the remaining third also make conventional investments.
- **Target returns:** About two-thirds of respondents principally target market-rate returns (66%), and the remaining third are split between those targeting returns closer to market rate (19%) and those targeting returns closer to capital preservation (15%).
- **Impact objectives:** Fifty-six percent of respondents target both social and environmental impact objectives, 36% target only social objectives, and 7% target only environmental objectives.

Impact investors also have diverse asset allocations. In total, respondents manage USD 239 billion in impact investing assets which they invest across geographies, sectors, and instruments. Investors allocate capital globally, with about half of total assets (excluding outliers) allocated to emerging markets and half to developed markets (Figure i).

Figure i: Geographic allocations by AUM and number of respondents

Left side—Percent of AUM, excluding three outliers: n = 259; AUM = USD 131 billion
 Right side—Percent of respondents with any allocation to each geography: n = 266; respondents may allocate to multiple geographies



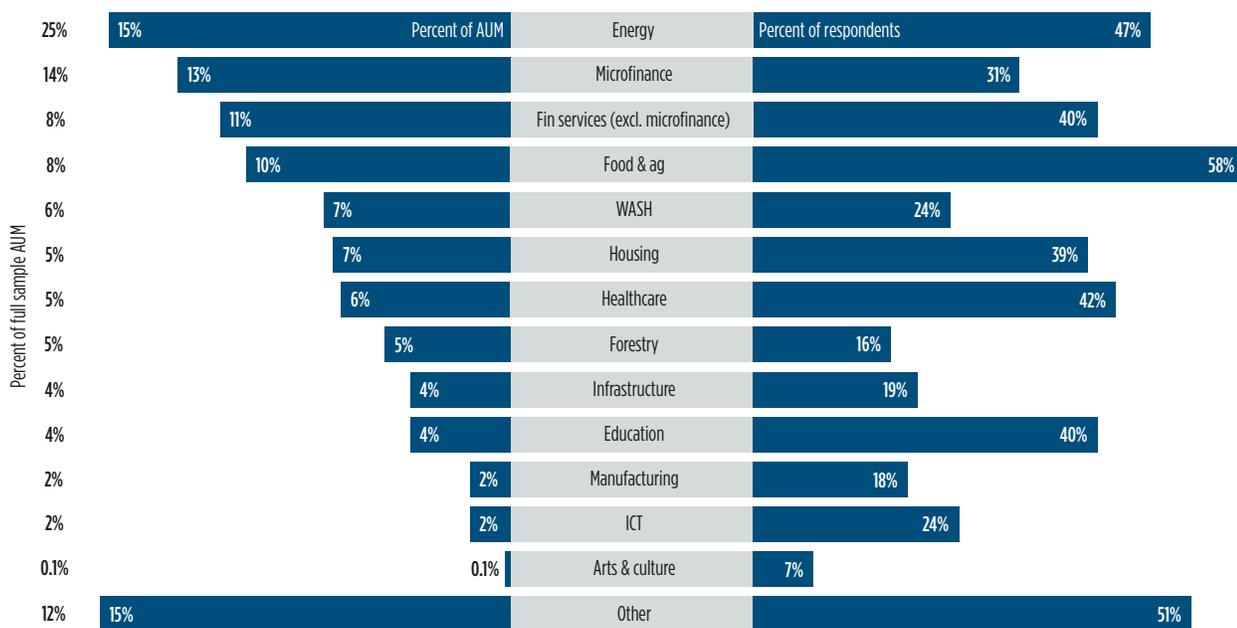
Note: 'Other' includes investments allocated globally. Besides outliers, AUM figures also exclude three respondents that declined to share AUM data.

Source: GIIN

By sector, respondents have committed to basic services (Figure ii). Excluding outliers, they have allocated the greatest share of assets to energy (15%), microfinance (13%), and other financial services (11%).

Figure ii: Sector allocations by AUM and number of respondents

Left side—Percent of AUM, excluding three outliers: n = 259; AUM = USD 131 billion
 Right side—Percent of respondents with any allocation to each sector: n = 266; respondents may allocate to multiple sectors



Note: 'Other' sectors include commercial real estate, the retail sector, community development, and multi-sector allocations. Besides outliers, AUM figures also exclude three respondents that declined to share AUM.

Source: GIIN

Respondents indicate strong activity in private markets, with 26% of their capital allocated through private debt and 22% invested through private equity. Investors are also increasingly active in public markets, allocating 17% of their capital through public equity and 14% through public debt.

2 THE IMPACT INVESTING MARKET CONTINUES TO GROW AND MATURE

Collectively, respondents manage USD 239 billion in impact investing assets. A subset of 80 respondent organizations that participated in the Annual Survey both four years ago and this year grew their impact investing assets from USD 37 billion four years ago to nearly USD 69 billion this year, a compound annual growth rate (CAGR) of nearly 17%. Over this four-year period, the geographies that experienced strongest growth were MENA (CAGR of 43%) and South Asia (24%), while the fastest growing sectors were infrastructure (61%), WASH (43%), and ICT (43%).

Respondents also forecast strong future growth. During 2018, they invested over USD 33 billion into more than 13,000 impact investments (Table iv). Looking ahead, these organizations plan to invest over USD 37 billion into more than 15,000 investments during 2019, reflecting 13% projected growth in the volume of capital invested and 14% growth in their number of investments.

NOTE TO READERS

These figures represent the assets of a sample of investors, and as such, do not estimate the overall size of the impact investing market. The GIIN estimated the full impact investing market at USD 502 billion as of the end of 2018 in its recently published report, *Sizing the Impact Investing Market*.¹

Table iv: Volume of capital invested and number of investments, reported in 2018 and planned for 2019
n = 258

| | Capital invested (USD millions) | | Number of investments | |
|--------------------------------|---------------------------------|--------------|-----------------------|--------------|
| | 2018 reported | 2019 planned | 2018 reported | 2019 planned |
| Mean | 128 | 146 | 52 | 59 |
| Median | 15 | 20 | 7 | 6 |
| Sum | 33,130 | 37,266 | 13,303 | 15,216 |
| Aggregate % growth (projected) | – | 13% | – | 14% |

Note: Excludes five outliers and three respondents that did not report 2018 investment activity.

Source: GIIN

Respondents perceive substantial progress across the industry in several areas, including the availability of research (92% citing at least some progress) and the sophistication of impact measurement and management practice (89%). However, challenges remain. The industry, respondents say, continues to lack appropriate capital across the risk–return spectrum (41% citing as a significant challenge) and suitable exit options (38%).

¹ Mudaliar et al., *Sizing the Impact Investing Market*.

3

IMPACT MEASUREMENT AND MANAGEMENT IS CENTRAL TO INVESTORS' GOALS AND PRACTICES

The practice of impact investing is defined by investors' deliberate pursuit of positive, measurable social or environmental impact. In fact, 80% of respondents indicated that desire to work for a mission-driven organization motivates their staff, and 79% indicated their staff are interested in aligning their careers with their personal values. At the organizational level, respondents make impact investments because they are part of their commitment as responsible investors (85%) and because intentionally pursuing impact is central to their mission (84%).

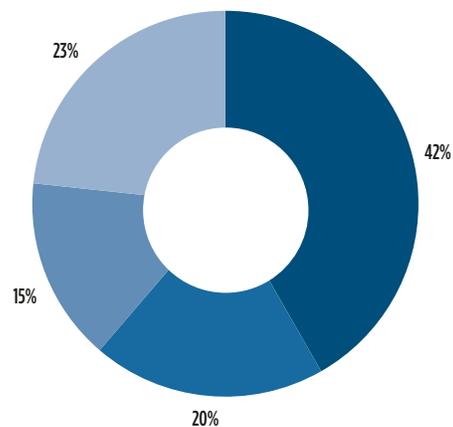
Nearly universally, impact investors measure and manage their impact (98%), typically using a mix of qualitative information, proprietary metrics, and metrics aligned to IRIS or other standard frameworks.² Notably, more than 60% of investors specifically track their investment performance to the United Nations' Sustainable Development Goal (SDGs), driven by a desire to integrate into a global development paradigm (Figure iii). Respondent organizations target a range of impact themes aligned to the SDGs, most commonly decent work and economic growth (73%), no poverty (61%), reduced inequalities (59%), and good health and well-being (58%).

Figure iii: Tracking impact performance to the UN SDGs

n = 266

Percent of respondents

- 42% Yes, for all of our investments
- 20% Yes, for some of our investments
- 15% No, though we plan to do so in the near future
- 23% No, and we don't have any foreseeable plans to do so



Source: GIIIN

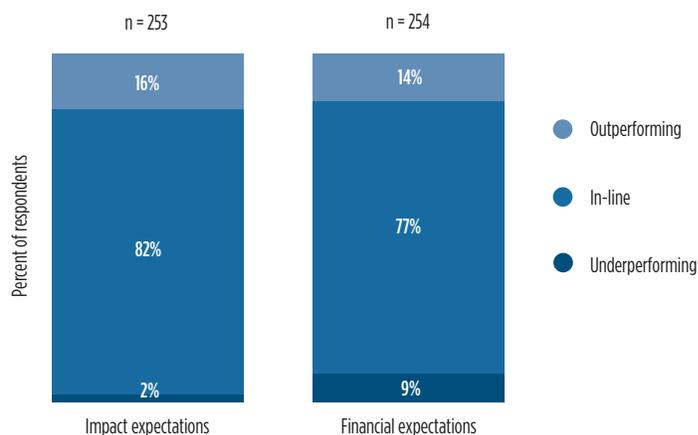
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IMPACT INVESTORS REPORT PERFORMANCE IN LINE WITH BOTH FINANCIAL AND IMPACT EXPECTATIONS

Over 90% of respondents reported performance in line with or exceeding both their impact and their financial expectations (Figure iv). About 15% indicated outperforming their expectations since inception.

Figure iv: Performance relative to expectations

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

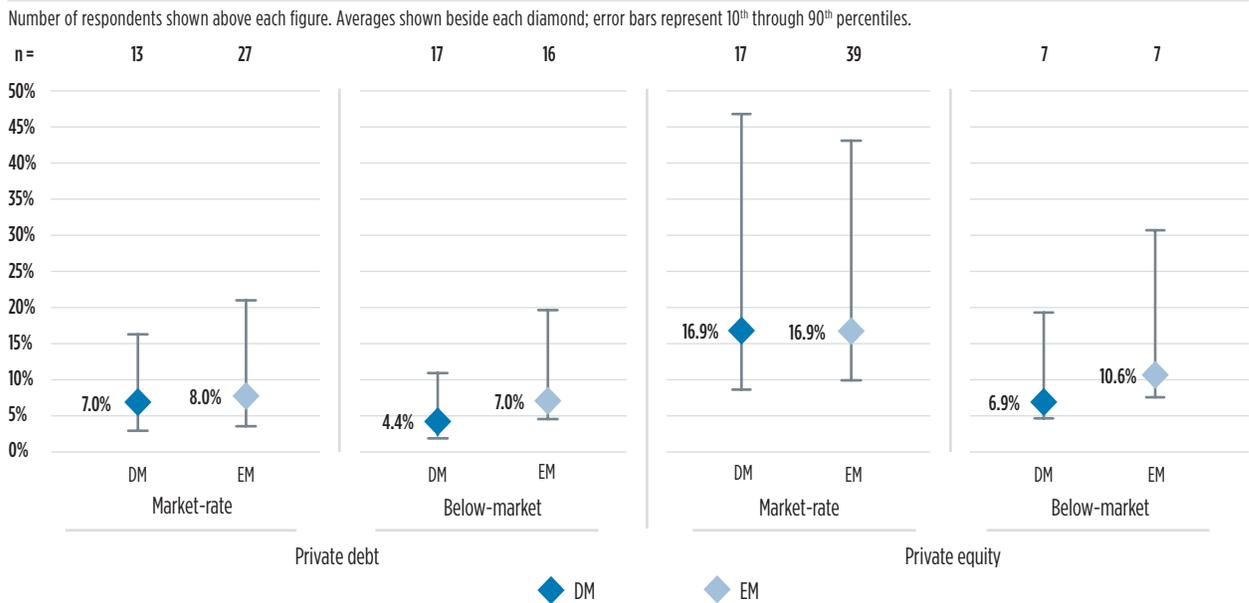


Source: GIIIN

² The four investors reporting that they do not measure their impact performance indicated plans to do so in the future.

Respondents also reported their average gross realized returns since inception (Figure v). As would be expected, market-rate-seeking investments generally outperformed below-market investments, and emerging-market investments generally outperformed developed-market investments, though generally with greater variance.

Figure v: Average gross realized returns for private markets investments (since inception)



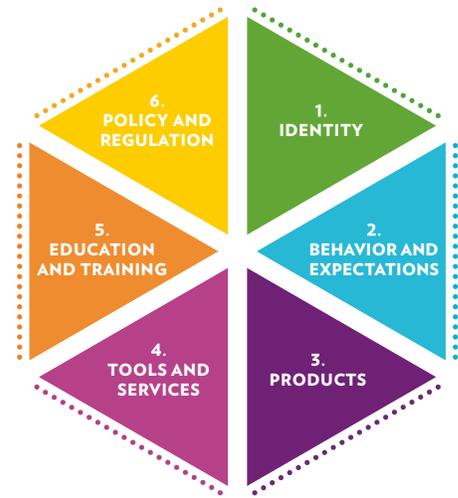
Source: GIIN

5

IMPACT INVESTORS INDICATE COMMITMENT TO DEVELOPING THE INDUSTRY

Impact investors largely recognize their role in contributing to broader field-building efforts and industry development. For example, over 80% of respondents indicated making some contribution toward the various actions recommended in the GIIN's 2018 [Roadmap for the Future of Impact Investing](#).³ Most contributed to progress in sharing best practices for impact measurement and management (61%), supporting the development of businesses focused on impact (52%), and training finance professionals (43%). Respondents further view the impact investing industry as having a key role to play in driving broader shifts in investment practice, most notably by changing mindsets about the fundamental purpose of finance in society and driving all investing to integrate impact considerations as the 'new normal.'

Respondents also shared the belief that impact investors should implement policies and practices that advance representation in the investment process of a range of stakeholders in addition to shareholders. Overall, 72% of respondents described having such policies in place, including policies to guide their own internal operations and governance (47%), inform their selection of and engagement with investees (51%), and target a wide range of stakeholders (30%).



3 Amit Bouri, Abhilash Mudaliar, Hannah Schiff, Rachel Bass, and Hannah Dithrich, [Roadmap for the Future of Impact Investing: Reshaping Financial Markets](#) (New York: The Global Impact Investing Network, 2018).



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