ACKNOWLEDGEMENTS

The success of this long-term research initiative will rest on the support offered by many of our colleagues, both within the impact investing community and beyond. We would like to thank those who have assisted in our work to date and welcome the participation of the field more broadly in coming years. Specifically, we are grateful for the seed funding of the Annie E. Casey Foundation and the support for our planning and design process of the RS Group (Hong Kong). Special thanks to the Omidyar Network for its significant investment in this project and field building more generally, and to Deutsche Bank. In addition, we thank contributing editors Meredith Willa and Sarah Ritter from PCV InSight and our student research team at CASE at Duke University’s Fuqua School of Business led by Jamie Attard, Mailande Moran, Brendan Mullen and Jacqueline Westley.
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I. INTRODUCTION

Impact investing is at an inflection point, building off the rich histories of community finance in the United States and other countries, microfinance, international development, and the integration of ESG factors (Environmental, Social and Governance) in institutional portfolios more broadly. For over 30 years, these practices have been laying the foundation for an expanded continuum of investor options for thematic and asset allocations into privately-owned investments structured for financial returns and social and environmental impacts.

Today, this literal and figurative capital convergence is creating tremendous momentum, bringing with it new players and assets, infrastructure, and enabling public policies. Yet it remains challenging for investors to understand which practices hold the greatest potential, which strategies deliver integrated performance, and how to best transfer these efforts to the ever-growing market of new funds, asset owners and advisors seeking to move greater amounts of capital into impact investments.

The problem is not the absence of history and track records of real, positive performance within the field. Indeed a growing variety of investors are already creating strategies to capture integrated performance in markets around the world. Lacking still is a deeper and more transparent understanding of this performance – based on the experiences of fund managers across stages, industries and geographies – and the practices that have actually led to positive financial and social outcomes. We recognize that in some ways effective impact investing is simply sound investment practice augmented with consideration of social and environmental aspects; in other ways, impact investing is an evolving and different animal from traditional investment practice and is in urgent need of further investigation.
2. THE GROWTH AND DEVELOPMENT OF IMPACT INVESTING

The growth of impact investing is inarguable. We see it in the launch of new funds, the deployments of capital from an expanding universe of investors, the introduction of ambitious supportive public policies, broad coverage in the media, and the enthusiasm of emerging talent. In 2011 alone, significant pools of capital were attracted to impact investing as a result of new fund launches, supportive government policy and a penchant for collaboration by investors with shared social objectives and complementary financial expectations. Among significant recent developments:1

- The US Small Business Association announced in 2011 a $1 billion Impact Investing Initiative to identify and capitalize experienced private equity fund managers to make “impact investments” addressing small business concerns. This public capital commitment is already leveraging considerable private capital into the marketplace. In 2011, the Invest Michigan Mezzanine Fund launched as the first place-based Impact Investment SBIC (Small Business Investment Corporation) and, in 2012, SJF Ventures, a 12 year-old positive impact venture capital fund, was licensed as the first nationally-focused Impact Investing SBIC in the US.3,4

- The US government’s Overseas Private Investment Corporation recently launched an impact investing financing initiative, which is providing $285 million to six impact investing funds. These investments will address impact areas such as job creation, health care, environmental protection and climate change, and are intended to leverage an additional $590 million in private investment.5

- In the UK, Big Society Capital was created to leverage unused national bank deposits for investments made on the basis of positive social impact as well as financial returns. Big Society Capital is being capitalized with up to £400 million from dormant bank accounts. An additional £200 million will be provided by the four largest UK High Street banks.6,7

Public policy developments have played a central role in spurring private participation in impact investing.
Since 2008, the developments described above have contributed in the UK, US, Europe, and Australia to governments making over $5 billion available specifically for impact investment, almost half of which was announced in 2011 alone, according to a recent JP Morgan report. Two significant funding vehicles – the European Regional Development Fund and the European Social Fund – have also awarded express priority to impact businesses in accessing up to EUR $550 billion of funding.8

Despite a tough environment for raising capital, some existing impact investment funds with track records are seeing opportunities for scale. DBL Investors, a San Francisco-based private equity fund with financial and ancillary social objectives, recently announced the close of a $150 million fund. Calvert Foundation manages over $200 million in Community Investment Notes, a retail debt product in the US that invests in social ventures globally and has experienced no investor losses to date. Calvert Foundation is working to expand to $1 billion in assets by 2014.

The California Freshworks fund, a public-private partnership loan fund, has raised $264 million to invest in bringing grocery stores and other forms of healthy food retailers to underserved communities in the US.9

In 2012, the Royal Bank of Canada announced it would commit $20 million to a new initiative aimed at facilitating solutions to social and environmental problems. Half of the fund will be invested into publically-traded Socially Responsible Investing (SRI) funds while the other half finance social entrepreneurs.10

Deutsche Bank launched a £10 million social investment fund in 2011 that aims to develop businesses that have the potential to make a profit while providing benefits to local communities such as employment, education and training.11

In other developments, new kinds of institutional infrastructure (in academic, regional and global establishments), ratings and metrics organizations, innovative investment structures and an expanded notion of corporate social responsibility have been emerging. The results of these developments include new leaders, products, tools, and processes in the field of impact investing. These include:

The CASE i3 Initiative on Impact Investing at Duke University’s Fuqua School of Business (North Carolina, USA) and the MARS Centre for Impact Investing (Toronto, Canada) both launched in late 2011 with similar missions to increase the awareness and the effectiveness of social finance to catalyze new capital, talent and initiatives dedicated to tackling social and environmental problems. Other university initiatives and regional clusters are following, creating what may eventually become a global network of institutional nodes focused on impact investing.
High net-worth individuals are starting to see impact investing as a viable alternative to philanthropy. Early-stage impact investor networks are seeing rapid acceleration of demand. For example, Investors’ Circle in the US has facilitated the placement of over $150 million in 230 impact companies over the last 20 years and is growing local chapters throughout the US. Toniic, a younger investment network focused primarily on global investments, opened branches in the US, Europe and Mexico in 2011. Other institutional players, like Credit Suisse, are working through venues like the World Economic Forum to help meet high net worth clients’ demand for strong investment products and opportunities in a quickly evolving marketplace.

New metrics and ratings agencies like IRIS (the Impact Reporting and Investment Standards) and GIIRS (the Global Impact Investing Rating System) are emerging to collect and benchmark financial and social performance data from funds and enterprises globally. In 2012, GIIRS will launch its new investor platform, GIIRS Analytics, to allow investors to benchmark portfolio performance against globally rated companies and funds.

The arrival of new innovations like social impact bonds and pay for success contracts are stirring interest in the UK, US and Australia as novel ways to invest towards social outcomes. In August 2011 the UK government announced a second round of social impact bonds for projects involving problem families in four local authorities including Birmingham, Hammersmith and Fulham, Leicestershire and Westminster. In early 2012, the state of Massachusetts was the first in the US to issue a formal request for state-based initiatives using these financial tools to increase success rates in the fields of homelessness and juvenile justice.

Path-breaking “intermediaries” such as Social Finance-UK and ImpactAssets are contributing important new information to the market, advancing best practices and promoting new ideas regarding investment products and vehicles.

The commitment to “intentionality” in impact investing is extending the idea of corporate social responsibility, resulting in new programs and more comprehensive reporting. Examples include Starbucks’ Create Jobs for USA and Shared Planet initiatives, IBM’s Centennial Celebration of Service in 2011, and Pepsico and Unilever’s investments as limited partners in Physic Ventures, a venture capital fund focused on heath and sustainability.

A growing body of research in impact investing, and the publication of books such as “Impact Investing: Transforming How We Make Money While Making a Difference” (Bugg-Levine & Emerson, Wiley 2011), are also providing a more cohesive narrative of what exactly impact investing entails and how the practice has catalytic potential.

New knowledge, financial and intermediary infrastructures are better facilitating the flow of impact capital
3. ONGOING CHALLENGES

Yet for all the growth in and excitement about impact investing, significant challenges remain. New capital brings an expectation of infrastructure and information that is currently lacking, and is therefore insufficient to “close the deal” for many new investors looking to enter the market. Limited data and porous definitions of impact investing inhibit the development of economies of scale, particularly for the purposes of portfolio analytics and positioning the sector in a cohesive way. Market knowledge and expertise is concentrated, making the field largely inaccessible to even the most enthusiastic newcomers. Good deals are seemingly lacking, creating a mismatch between capital supply and demand. Finally, jargon, technicalities and exclusive frames of reference act as barriers to the wider engagement of new audiences, including in the corporate world, the institutional investment community, and the public sector.

The next three to five years will serve as a critical period for investment practices in the global field of impact investing to become better defined and more standardized. The “market formation” phase we are in now (as defined by the Monitor Group’s 2009 report) has its advantages. A plethora of creative ideas are emerging for what impact investing can be and accomplish. Yet it is also a confusing time, and we see several factors that will become barriers for future market stabilization if not countered with strong analysis to determine boundaries and test assumptions about what really constitutes effective practice.

**Barrier 1: A High Friction Market with Insufficient Infrastructure and Clarity**

In existing, mainstream markets, there is formal infrastructure to facilitate the flow of funds around the world, to understand how different players overlap and interrelate, as well as to help understand how and when capital can be matched or syndicated with others. By contrast, the level of “friction” encountered by the current variety and diversity of impact capital significantly impedes its ability to move, seek out new opportunities and capture the multiple returns it seeks. The addition of many new players with new guidelines has resulted in little common understanding of how different funds’ interests align. Some have written about how this may be in fact making it more expensive for impact entrepreneurs to access capital than it is for mainstream entrepreneurs.

One of the critical missing pieces is a shared understanding of the spectrum of performance goals and practices in impact investing, allowing each new player to locate themselves accordingly. Without it, everyone is an impact investor, but with no idea of
who their allies are across the field. It is easier to co-invest with funds that share your
criteria for investment. It is easier for entrepreneurs to identify appropriate sources
when segments of the marketplace identify their performance boundaries. Ironically,
without this clarity, as new pools of capital are created, capital flows will be inhibited,
stressing existing actors and preventing the overall arena of impact investing from
maturing. Important for the evolution of that infrastructure is an informed understanding
of how key segments within these markets operate, what their goals and needs are, and
what practices are viewed as critical to success.

New efforts are improving financial and social data systems and disclosures, but additional innovation is needed

Barrier 2: Limited data for both financial and social performance

Investment capital moves based upon its understanding of future opportunity—the
risk, reward and performance offered by any given investment, fund or manager. One
cannot frame an understanding of future potential in the absence of insights regarding
past experience. In the absence of existing data, and without a basic level of data
integrity, investors have nothing upon which to build projections of future performance
and prospects.

There are two types of data required by this emerging marketplace. The first, financial
performance data, is limited by the private ownership of much of the impact investment
fund market. Public funds and companies share performance data publically to meet
regulatory requirements; privately-owned funds need not share anything, except with
their own investors. Funds that are within larger institutions, like banks and other financial
institutions, can also consolidate their performance within larger financial statements.
The resulting lack of clarity about financial performance goals and results across the
field’s players, big and small, is a barrier to the field’s development.

The second type of data is impact performance data. Here, historical analogies reveal the
challenges. The socially-responsible investing (SRI) movement, which has been estimated
to affect one out of every six dollars invested in public markets globally, grew out of the
reporting requirements for public companies. Intermediaries like KLD and others built
the field 30 years ago by culling and organizing publically available data on social factors,
and adding to it. Using that data, they were able to rate companies and funds on social
performance factors and help investors direct their dollars accordingly. But privately-
owned enterprises have not been legally required to share any impact performance data.
And their investors are not required to do so either.

Fortunately there are significant new efforts underway to motivate fund managers and
their portfolios to share impact and social performance data broadly such as GIIRS
(the Global Impact Investing Rating System) and IRIS (the Impact Rating and Investment
Standards). The field also benefits from the pioneering work of third-party advisors
like PCV InSight and CARS (the CDFI Assessment and Ratings System) and especially
committed funds including Acumen and the National Community Investment Fund. New
policy is emerging as well. In the US, for example, “benefit corporation” legislation has been
enacted in seven states and includes requirements that companies registered under the
new status file annual reports by a third party on social performance. And in India, the new National Voluntary Guidelines for the Social, Environmental and Economic Responsibilities of Business will enable investors to better screen for impact.

Still, the field as a whole is not yet poised to make sense of this emerging set of information. Until there is a common set of usable data on the relative financial and social performance of impact investing funds, it is too difficult for potential fund investors to make sense of the best risk and reward profiles for their investments.

**Barrier 3: Concentration of market experience and knowledge**

While there are a growing number of articles and papers on the topic published every month, today the field of impact investing relies upon a handful of core pieces of research and one book to define the known universe. Most of this thought leadership has been produced in the past three years. Beyond this body of work, newcomers tend to slowly network their way through a fragmented space of different investment funds and principals with varying levels of expertise, insight and interest. Many of these current documents have also been written by third-party actors. While appropriate to an early stage market, if impact investing is to mature and succeed, the common market experience and knowledge of successful impact investors and fund managers must be more intentionally documented, organized and made readily accessible to those who seek to follow the path.

Impact investing has a particularly exciting opportunity to leverage a wide range of new talent disenchanted by economic malaise and crisis within mainstream capital markets. But newcomers, by definition, “don’t know what they don’t know.” A useful orientation to the space might include tools and a conceptual framework that would enable them to link their previous experience with new impact opportunities. In the absence of this support and information, newcomers may grow frustrated and leave the field, taking with them highly desirable skills, talent and capital.

**Barrier 4: Limited deal flow**

For years the common lament of social entrepreneurs was a lack of capital to fund development and fuel venture expansion. Today, the refrain is, “Where’s the deal flow?!” Many impact investors find a mismatch between the terms of funds and the number of investable opportunities they can source or collaborate upon. By articulating a common definition of not only the market, but the best practices of funds within the market, we will begin to address a critical need in deal flow expansion, providing additional direction to the development of future investment opportunities that capital seeks.

**Barrier 5: The need to engage new audiences**

Finally, there is a need to engage new potential audiences in the impact investing conversation. To date, the dialogue has largely been an insider’s game. Its jargon, technicalities and frames of reference often block engagement by those outside the market. Mainstream investors and other important stakeholders including corporations and policymakers require a more intuitive on-ramp to the impact investing community.
4. THE IMPACT INVESTOR: A COLLABORATIVE RESEARCH PROJECT

InSight at Pacific Community Ventures, CASE at Duke University, and ImpactAssets, are undertaking a two-year research project to respond to the needs of the moment. Using an iterative approach combining industry engagement, practitioner interviews, and real data from funds investing directly in operating businesses and projects, the research will explore four timely and important questions:

- Which funds are at the forefront of impact investing, having produced demonstrable financial and social returns that have met or exceeded the expectations of investors, consistently over time?

  The project will begin with a scan of the field to identify tiers of funds with track records that can be explored in depth. The scan will help identify boundaries for our study and provide an initial sense of the set of funds that will become the focus of detailed case studies. In discussion with practitioners, we anticipate setting boundary definitions that are inclusive enough to provide a healthy range of diversity across funds and exclusive enough so that we result in a final set for study of about 30-40 funds, half of which will take the form of detailed case studies.

- What sets of individual skills and experiences, fund practices and structures, investment strategies, or deal terms and disciplines are correlated with success across the broad diversity of impact investors and unique subsets of the field (i.e. by sector, geography, investment strategy, and financial/impact orientation)?

  There are two key approaches to addressing this correlation question, both of which we will undertake. First, we will conduct in-depth interviews with our case subjects to understand qualitatively the contours of their goals as well as their roles within the large spectrum of impact investment. We will discuss, for example, their investment objectives, industry goals, deals and deal terms, impact assessment practices, technical assistance patterns, return profiles, network building, fundraising strategies, affiliated policy research and advocacy, and investor composition and relationships. Second, we will rely heavily on primary quantitative data on fund and company financial and social performance to identify best practices and lessons from across the field.
What guideposts, choices, or decision trees can be built around the practices common to the highest performing impact investors? (For example, is providing capacity-building or technical assistance to your portfolio companies a critical success factor and, if so, how do you decide the best means of delivering it?)

In this stage of the project, we will extrapolate from the individual examples to create a larger set of recommendations for the field at large. These might be segmented and differ across impact goals or investment vehicles, but our objective will be to put the lessons from individual case studies into a broad and coherent context, both for new fund managers in the impact investing space, and for experienced managers working to find ways to improve their performance mid-stream.

What lessons can be assembled and aggregated from the failure of funds to perform?

There are likely to be just as many lessons in misguided attempts at impact investing as there are in the success stories. We plan to aggregate and summarize these experiences, which have the power to aid practitioners working to improve their own theories, structures and practices.
5. MARKETS OF INTEREST – SETTING BOUNDARIES

For the purposes of understanding what has and has not worked in impact investing, it is important to define a universe of practitioners from which we might garner unique insights.

A first focus is on funds as the unit of change. Funds do not have a monopoly on knowledge by any measure, and they are not the only “impact investors.” In fact, the term has been more readily applied to the investors in funds – such as high net-worth individuals and private wealth advisors, philanthropic foundations and governments, sovereign wealth funds and institutional asset owners, international development agencies, and corporations. Yet funds provide an excellent locus for the purposes of our research given their on-the-ground experience of interacting with hundreds of companies and their ultimate responsibility for delivering the blended performance of financial and social/environmental returns upon which the case for impact investing rests. We will include conversations to collect lessons from many other players in the space, including philanthropic foundations and others listed above, but our ultimate focus will be lessons that are critical to helping create a flourishing marketplace of successful impact investing funds. Indeed, when funds succeed, many important results follow that can positively impact the development of the field: limited partner investors increase their investment, replicable financial structures emerge for new pools of fund capital, entrepreneurs have clear guideposts of what to expect of investment, and secondary markets will more naturally emerge.

A second focus is on a subset of funds that:

- Are privately-owned (as opposed to government-owned or run, whether for-profit or non-profit);
- Invest directly in operating enterprises or development projects (i.e., no funds of funds);
- Have a shareable track record of over five years of active investing;
- Have a demonstrated core objective to create measurable social or environmental impact (whether as a primary or ancillary benefit); and
- Track and report on non-financial performance.

The research will emphasize established, privately-owned funds making direct investments.
While we will take a “fund orientation” to our research, we remain agnostic with regard to such other factors as:

- Target sector/impact focus;
- Investment vehicle and asset class;
- Geographic focus; and
- Performance objectives.

We believe it is important to recognize impact investors are a diverse group, as the following research from JP Morgan and GIIN indicates, aggregated from the portfolio data of 42 investors. Funds use a variety of financial tools to achieve their objectives, from private debt and equity to real assets and guarantees. Funds target a diversity of impact objectives, from microfinance and agriculture to community development, healthcare, and water. Funds are also diverse in location, distributed throughout the globe.17

**TABLE I: Instrument Distribution**

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Number of Deals</th>
<th>Notional (USD, mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private debt</td>
<td>1,345</td>
<td>2,296</td>
</tr>
<tr>
<td>Private equity</td>
<td>548</td>
<td>1,655</td>
</tr>
<tr>
<td>Bilateral loan agreement</td>
<td>152</td>
<td>191</td>
</tr>
<tr>
<td>Deposits</td>
<td>106</td>
<td>70</td>
</tr>
<tr>
<td>Equity-like debt</td>
<td>48</td>
<td>78</td>
</tr>
<tr>
<td>Guarantee</td>
<td>10</td>
<td>73</td>
</tr>
<tr>
<td>Public equity</td>
<td>2</td>
<td>10</td>
</tr>
<tr>
<td>Public debt</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,213</strong></td>
<td><strong>4,377</strong></td>
</tr>
</tbody>
</table>

Source: GIIN, J.P. Morgan
There is significant diversity in impact investing market sectors.

**TABLE 2: Sector Distribution**

<table>
<thead>
<tr>
<th>Sector</th>
<th>NUMBER OF DEALS</th>
<th>NOTIONAL (USD, mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance</td>
<td>742</td>
<td>1,612</td>
</tr>
<tr>
<td>Food &amp; agriculture</td>
<td>339</td>
<td>247</td>
</tr>
<tr>
<td>Clean energy &amp; tech</td>
<td>291</td>
<td>281</td>
</tr>
<tr>
<td>Cross-sector</td>
<td>286</td>
<td>650</td>
</tr>
<tr>
<td>Other*</td>
<td>270</td>
<td>436</td>
</tr>
<tr>
<td>Housing</td>
<td>165</td>
<td>906</td>
</tr>
<tr>
<td>Healthcare</td>
<td>59</td>
<td>89</td>
</tr>
<tr>
<td>Education</td>
<td>44</td>
<td>139</td>
</tr>
<tr>
<td>Water &amp; sanitation</td>
<td>17</td>
<td>16</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,213</strong></td>
<td><strong>4,377</strong></td>
</tr>
</tbody>
</table>

Source: GIIN, J.P. Morgan. *“Other” includes community development finance.

The Americas is the region of greatest focus for investors surveyed by JP Morgan.

**TABLE 3: Geographic Distribution**

<table>
<thead>
<tr>
<th>Region</th>
<th>NUMBER OF DEALS</th>
<th>NOTIONAL (USD, mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S. &amp; Canada</td>
<td>632</td>
<td>2,122</td>
</tr>
<tr>
<td>Latin America</td>
<td>629</td>
<td>639</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>251</td>
<td>297</td>
</tr>
<tr>
<td>South &amp; Southeast Asia</td>
<td>228</td>
<td>240</td>
</tr>
<tr>
<td>E. Europe, Russia &amp; Central Asia</td>
<td>227</td>
<td>317</td>
</tr>
<tr>
<td>Emerging Markets</td>
<td>52</td>
<td>276</td>
</tr>
<tr>
<td>Middle East &amp; North Africa</td>
<td>34</td>
<td>25</td>
</tr>
<tr>
<td>Western Europe</td>
<td>21</td>
<td>47</td>
</tr>
<tr>
<td>Australia &amp; New Zealand</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>South Pacific</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>2,106</strong></td>
<td><strong>4,122</strong></td>
</tr>
</tbody>
</table>

Source: GIIN, J.P. Morgan.
The Impact Investing Landscape

At the same time, an initial landscaping of the emergence of impact investing in various geographies paints a broad picture of differing histories and industry characteristics. The context in which funds have emerged as credible impact investors fundamentally shapes their priorities and strategies and will provide a touchstone for our investigations.

Within this broad array of players, we are looking not just for the funds delivering the highest returns. “Exceptional returns” are defined as any intersection along the financial and social return spectrum where both types of performance meet or exceed what was promised to investors. It could be low single-digit financial returns with clear social outcomes. It could be consistent financial returns over an extended timeframe for a fund concentrating on land preservation or forestry. We are agnostic about the particular intersection, but care deeply about the recognition of a group of funds across geographies, industries and asset classes that have performed predictably over time. Once we have a better sense for that group, we will define the framework for impact investing performance with a finer granularity.

**CANADA**

**GENERAL MARKET TRENDS**
Development Capital, Community Futures Development Corporations, Credit Unions, and Community Loan Funds comprise a fragmented market (few scaled entities) with a demonstrated demand for more start-up and growth capital for social enterprises.  

**FUND EXAMPLES**
- CAPE Fund
- St. John Community Loan Fund
- Van City Credit Union
- Canadian Alternative Investment Co-op (CAIC)

**UNITED STATES**

**GENERAL MARKET TRENDS**
Increasingly mature market supported by regulation. Investment demand is robust for clean energy, urban development, CDFI intermediaries and in other sectors. Capital supply from banks, high net worth individuals, foundations, and institutions (public and private).

**FUND EXAMPLES**
- Calvert Foundation
- Huntington Capital
- NCB Capital Impact
- RSF Social Finance

**LATIN AMERICA**

**GENERAL MARKET TRENDS**
Recent increases in international development financing indicates the market’s potential, however appropriate investment opportunities and deal pipelines are still underdeveloped.  

**FUND EXAMPLES**
- Adobe Capital
- Agora Partnerships
- IGNIA Partners
- Latin Idea
Africa

**GENERAL MARKET TRENDS**
Micro-finance, private equity VC, DFIs, and NGOs are prevalent. However, market growth is limited due to a mismatch in the supply/demand of capital and a lack of market infrastructure.23

**FUND EXAMPLES**
- Cadiz-GreaterCapital JV SRI Bond Fund
- ManoCap
- Mergence Investment Managers
- Root Capital

Asia

**GENERAL MARKET TRENDS**
While the well-known microfinance industry faces hurdles, regulations are encouraging larger institutions to participate – such as priority sector lending requiring banks to provide a percentage of loans to social enterprise.26, 27 In addition a few specialized equity funds operate.

**FUND EXAMPLES**
- Aavishkaar India Micro VC Fund
- Grameen Capital
- IMFR Ventures
- Acumen Fund

Europe

**GENERAL MARKET TRENDS**
A growing market spurred by government regulation encouraging investments for social impact. Primary focus on non-profit/social enterprise finance with semi-government entities and CDFIs participating.25

**FUND EXAMPLES**
- BlueOrchard Group
- SNS Asset Management
- Triodos Bank
- Rabo Bank Dutch Greentech Fund

India

**GENERAL MARKET TRENDS**
While the well-known microfinance industry faces hurdles, regulations are encouraging larger institutions to participate – such as priority sector lending requiring banks to provide a percentage of loans to social enterprise.26, 27 In addition a few specialized equity funds operate.

**FUND EXAMPLES**
- Aavishkaar India Micro VC Fund
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- IMFR Ventures
- Acumen Fund

Australia

**GENERAL MARKET TRENDS**
A focus on the not-for-profit and social enterprise sectors, with government playing a leading role (Social Enterprise Development and Investment Funds, CDFI pilot program, and National Rental Affordability Scheme)28, 29

**FUND EXAMPLES**
- Community Sector Banking
- Foresters Community Finance
- Many Rivers Microfinance
- Social Ventures Australia

United Kingdom

**GENERAL MARKET TRENDS**
Developed markets for nonprofit enterprise support and banking. Impact investing (or social finance) markets, especially risk capital funds and those focused on social business, are less prominent, albeit with pioneering efforts. Supportive public policy is encouraging investments in community development finance, venture capital funds and structured finance i.e. social impact bonds.31,32

**FUND EXAMPLES**
- Big Issue Invest
- Bridges Community Ventures
- Energy4All
- London Rebuilding Society

Australia

**GENERAL MARKET TRENDS**
A focus on the not-for-profit and social enterprise sectors, with government playing a leading role (Social Enterprise Development and Investment Funds, CDFI pilot program, and National Rental Affordability Scheme)28, 29

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- Acumen Fund

Africa

**GENERAL MARKET TRENDS**
Micro-finance, private equity VC, DFIs, and NGOs are prevalent. However, market growth is limited due to a mismatch in the supply/demand of capital and a lack of market infrastructure.23

**FUND EXAMPLES**
- Cadiz-GreaterCapital JV SRI Bond Fund
- ManoCap
- Mergence Investment Managers
- Root Capital

Asia

**GENERAL MARKET TRENDS**
While the well-known microfinance industry faces hurdles, regulations are encouraging larger institutions to participate – such as priority sector lending requiring banks to provide a percentage of loans to social enterprise.26, 27 In addition a few specialized equity funds operate.

**FUND EXAMPLES**
- Aavishkaar India Micro VC Fund
- Grameen Capital
- IMFR Ventures
- Acumen Fund

Europe

**GENERAL MARKET TRENDS**
A growing market spurred by government regulation encouraging investments for social impact. Primary focus on non-profit/social enterprise finance with semi-government entities and CDFIs participating.25

**FUND EXAMPLES**
- BlueOrchard Group
- SNS Asset Management
- Triodos Bank
- Rabo Bank Dutch Greentech Fund

India

**GENERAL MARKET TRENDS**
While the well-known microfinance industry faces hurdles, regulations are encouraging larger institutions to participate – such as priority sector lending requiring banks to provide a percentage of loans to social enterprise.26, 27 In addition a few specialized equity funds operate.

**FUND EXAMPLES**
- Aavishkaar India Micro VC Fund
- Grameen Capital
- IMFR Ventures
- Acumen Fund

United Kingdom

**GENERAL MARKET TRENDS**
Developed markets for nonprofit enterprise support and banking. Impact investing (or social finance) markets, especially risk capital funds and those focused on social business, are less prominent, albeit with pioneering efforts. Supportive public policy is encouraging investments in community development finance, venture capital funds and structured finance i.e. social impact bonds.31,32

**FUND EXAMPLES**
- Big Issue Invest
- Bridges Community Ventures
- Energy4All
- London Rebuilding Society
6. HOW YOU CAN ADVANCE THE FIELD

While there are a number of seminal research pieces contributing to the knowledge around impact investing, the industry needs more practitioner-led insights. This includes clarifying and prioritizing what matters most to investors, developing a set of best practices through the sharing of successes and failures, and extending the discussion to new audiences.

You are the custodians of these insights. The accumulation, consolidation and dissemination of knowledge in impact investing are contingent upon your willingness to share your own illuminating experiences and data. Our convening of practitioners begins at the Skoll World Forum at Oxford University, March 2012, and will be followed over the next two years with additional sessions at SOCAP in the US and other gatherings of key impact investing leaders. We will remain open and responsive to the perspectives of those managing and investing in funds—yet we will also maintain an objective, sound research perspective within our approach and assessment.

Our first phase of work is to identify funds from around the world to learn from. If you are a fund manager and have lessons to share, we want your insights. If you are aware of funds in a certain geography or industry area we should consider, please make the introduction. The future growth of impact investing depends on your support and involvement; we look forward to learning from you.
ENDNOTES

1 The authors know the US market well – and the experience there is instructive, but not sufficient. This overview of recent developments over-emphasizes the US, but is simply a starting point.


9 FreshWorks, About FreshWorks, http://www.cafreshworks.com/about


24 The European Trade Association for Business Angels. 2011, White Paper: Seed Funds, and other Early Stage Market Players, 2011, European Early Stage Impact Investing


28 Burkett. 2011, Place-Based Impact Investing in Australia

29 Economics References Committee. 2011, Investing for good: the development of a capital market for the not-for-profit sector in Australia