



Sizing the Impact Investing Market



Acknowledgments

Authors

Abhilash Mudaliar, GIIN Research Director
Hannah Dithrich, GIIN Research Senior Associate

Reviewers

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About the Global Impact Investing Network

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



Statement from the CEO

Dear Reader,

The impact investing industry is experiencing significant momentum. Major firms, large and small, are entering the impact investing market every week, and the industry has received a swell of support from governments, academics, and business leaders. And around the world, people are shifting their attitudes about the role capital should play in our society — from building stronger communities locally to mitigating climate change globally.

But as the market expands, we need to be sure those making impact investments remain committed to driving intentional and measurable impact. For this reason, our team at the Global Impact Investing Network (GIIN) will focus our efforts on a key theme for our industry-building work in the next three years: scale with integrity.

The first step in this initiative is to determine the current scale of the impact investing market and examine what that may mean for future growth and development. There has been strong demand for this data, and we have leveraged our dataset and collaborated with partners to provide a rigorous, comprehensive estimate of the market size. This research is critical to understanding where we are as a market, which can lead to deeper conversations about where we may be going and how we get there.

As you read this brief, I expect it will help you gain a better understanding of the impact investing market as it stands today. I hope it will also inspire you to look ahead to the future and to envision the powerful potential impact investing has to drive progress for our communities and our planet.



Amit Bouri
Co-Founder and CEO, Global Impact Investing Network
[@AmitKBouri](https://twitter.com/AmitKBouri)

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Executive Summary


This whitepaper presents the first rigorous analysis and estimate of the size of the impact investing market. It estimates that over 1,340 organizations currently manage USD 502 billion in impact investing assets worldwide. This research also underscores the diversity of the market, capturing data from many types of investors — from family offices to foundations to banks to pension funds — who are based in every region of the world and investing worldwide. Over 800 asset managers account for about 50% of industry assets under management, while 31 development finance institutions (DFIs) manage just over a quarter of total industry assets. Most impact investing organizations are relatively small, with about half managing less than USD 29 million each, yet there are also many large players managing over USD 1 billion each.

Overall, this research indicates that a significant amount of capital is at work to address the world's social and environmental challenges. And the market continues to grow rapidly, with new investors entering to establish impact investing practices and to allocate additional capital to positive impact.

Over 1,340 organizations currently manage **USD 502 billion** in impact investing assets worldwide.



Introduction and Motivation



An accurate estimate of market size is in high demand. This report provides the most rigorous estimate of the current size of the impact investing market.

Over the past decade, impact investing has gained significant momentum as both an investment strategy and an approach to addressing pressing social and environmental challenges. Through impact investments, investors seek to generate both a financial return and positive, measurable social and environmental impact.

One of the most fundamental data points about any industry is its current size. However, a well-defined estimate of the size of the impact investing market does not exist, and is often the subject of speculation and debate. To date, industry practitioners and stakeholders have relied on proxies, such as aggregate assets under management (AUM) figures from the GIIN's Annual Impact Investor Survey or estimates of the size of related markets (such as ESG or socially responsible investing). Neither, of course, are accurate or complete indicators of the current impact investing market size.¹

An accurate estimate of market size is in high demand. Not only does it act as a central point of reference, but it enables comparison across various dimensions: to compare the size of the impact investing market to that of analogous markets, to compare the volume of assets allocated to impact investment with the estimated need for impact capital, to help assess its potential future size, and lastly, to compare the impact investing market to itself over time.

¹ Although extensive, the GIIN's Annual Impact Investor Survey captures only the assets managed by a sample of investors — it does not encompass all impact investing organizations. Access the full report here: theGIIN.org/assets/2018_GIIN_Annual_Impact_Investor_Survey_webfile.pdf

Key Findings

Approach and Sample Characteristics

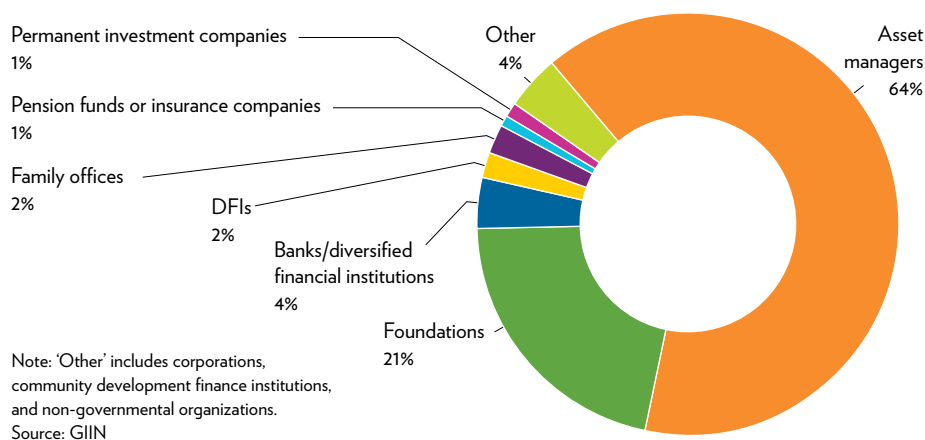
Impact investing is defined as investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return. Impact investments are made in both emerging and developed markets as well as across all asset classes, including private and public markets. Impact investors also target a range of financial returns from below market to market rate, depending on their strategic goals.²

This report examines the current supply of capital allocated to impact investing, using aggregate impact investing AUM as the indicator of market size. To calculate this figure, the Research Team built and analyzed a comprehensive database of impact investing organizations and their AUM. (A detailed methodology is described in the next section, including assumptions used to estimate various inputs.)

The database captures many types of organizations. Over 60% are asset managers. About one in five are foundations, and the rest include banks, development finance institutions (DFIs), family offices, and institutional asset owners (Figure 1).

FIGURE 1: Organizations by type

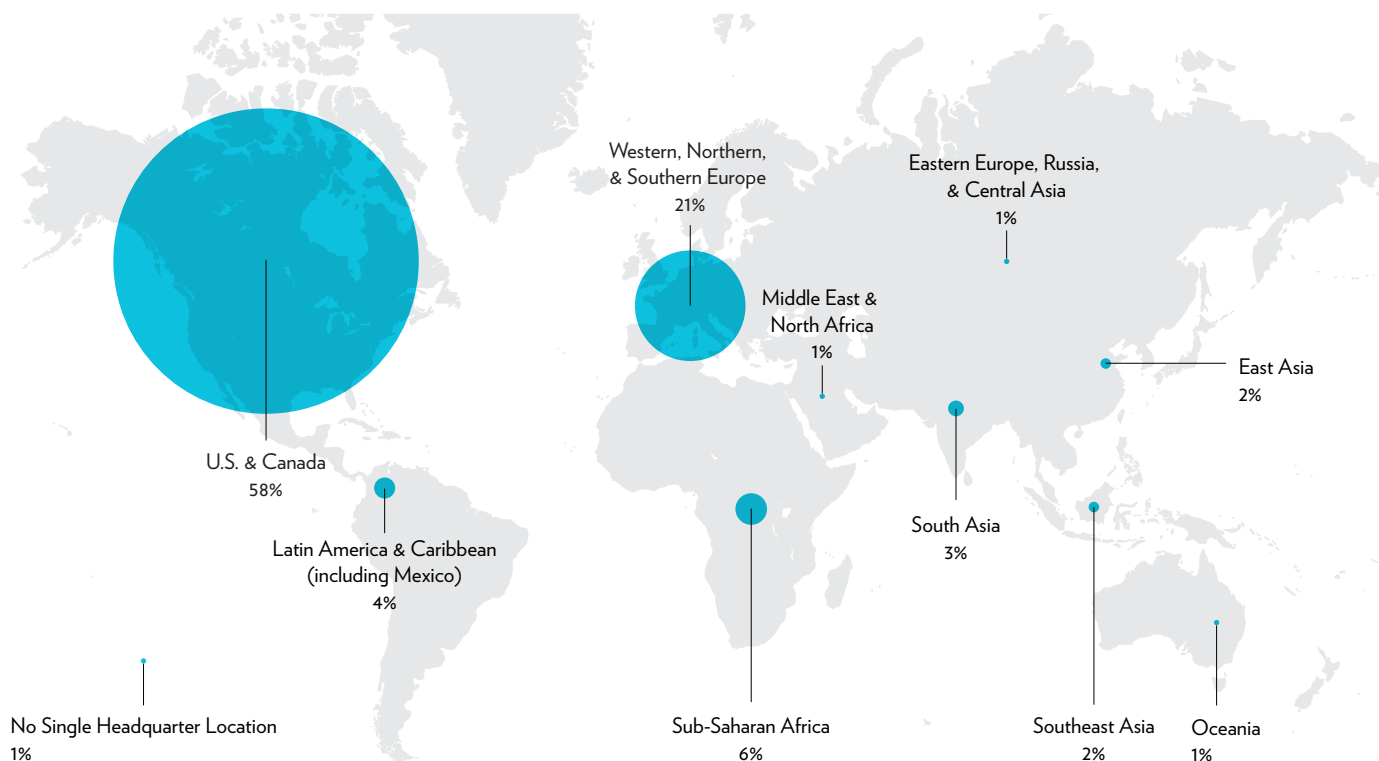
n = 1340; includes all organizations in the database.



² Impact investing is distinct from philanthropy in that investors target a financial return (or at least a return of capital). It is different from negative screening strategies, which seek to minimize negative impacts by eliminating certain harmful investments (e.g. tobacco or firearms). It is also different from strategies that assess environmental, social and governance (ESG) factors in investment decisions; impact investments proactively target positive impact.

FIGURE 2: Organizations' headquarters location

n = 1102; excludes organizations for which headquarters location was unknown.



Source: GIIN

The database also includes a global group of investors. The majority are based in developed markets, including the U.S. and Canada (58%) and Western, Northern & Southern Europe (21%), shown in Figure 2. It also includes investors based in regions like Sub-Saharan Africa, Latin America & the Caribbean, the Asia-Pacific, and the Middle East & North Africa.

USD 502 billion

The impact investing market size, estimated as of the end of 2018

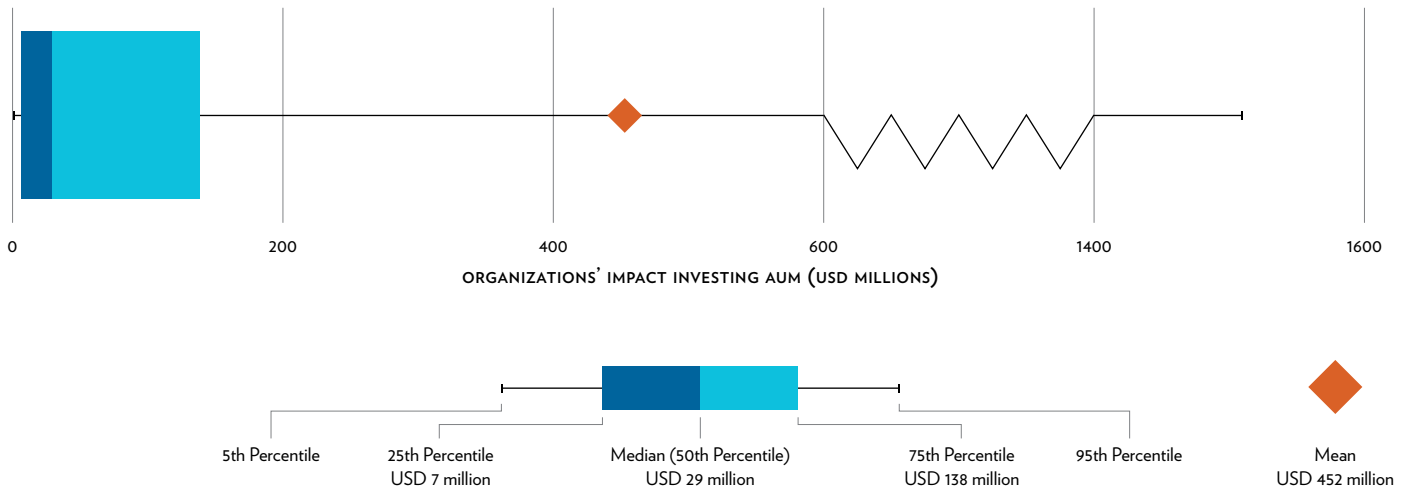
Market Size

The overall impact investing industry AUM is estimated at USD 502 billion as of the end of 2018. While aggregate AUM is estimated at USD 502 billion, individual investor portfolios vary widely in size. Whereas the median investor AUM is USD 29 million, the average is USD 452 million, indicating that while most organizations are relatively small, several investors manage very large impact investing portfolios (Figure 3).

Overall, asset managers account for about 50% of estimated AUM, reflecting the fact that many impact investors choose to channel capital via specialized managers. These include managers of many types, such as those investing in venture capital, private equity, fixed income, real assets, and public equities (Figure 4). DFIs account for just over a quarter of total AUM. Others include banks, pension funds, insurance companies, foundations, and family offices.

FIGURE 3: Distribution of organizations' impact investing AUM

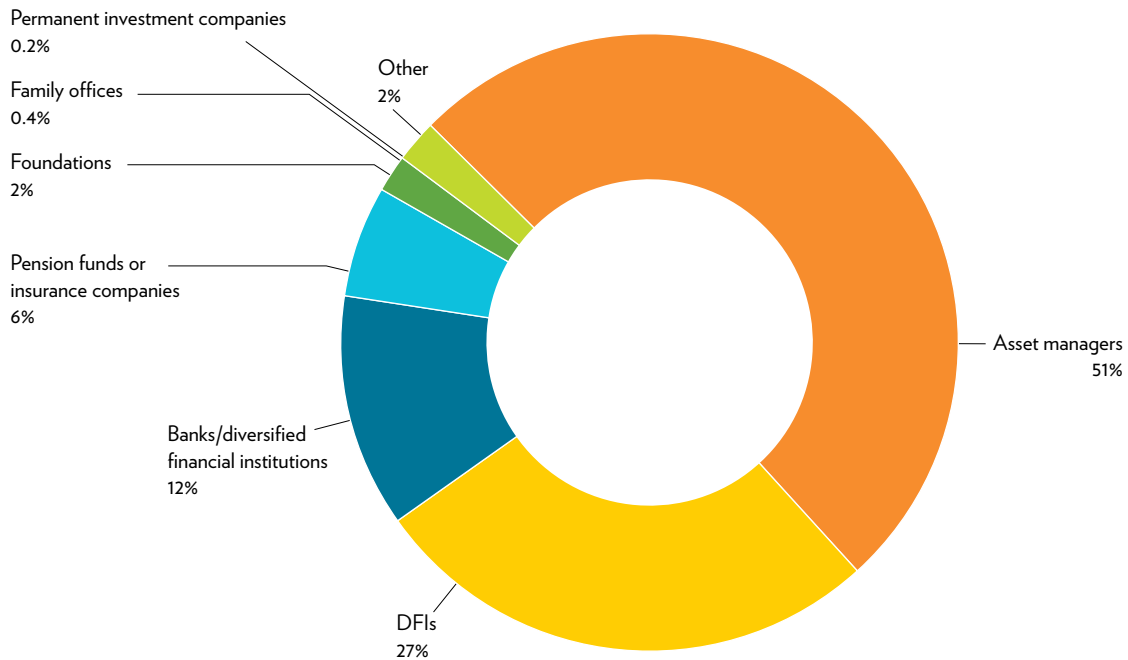
n = 752 organizations with known AUM data, showing directly invested capital only, as of end 2018. Showing 5th through 95th percentiles. All figures in USD millions.



Note: Twenty organizations invest 100% of their capital indirectly and thus have a direct AUM of USD 0.
Source: GIIN

FIGURE 4: AUM by organization type

n = 1,340; figures represent direct investments only, as of the end of 2018.



Note: Total AUM represented in chart is USD 418 billion, which is the aggregate AUM before accounting for organizations not included in the database. (See Methodology for more details). 'Other' includes corporations, community development finance institutions, and non-governmental organizations.
Source: GIIN

Methodology

To calculate the current supply of capital allocated to impact investing, the GIIN Research Team examined aggregate impact investing AUM as the indicator of market size. The team used the following steps in the process:

1. Compiled a database of impact investing organizations

The Research Team compiled a database of 1,340 impact investors (including only organizations, not individual investors). To build the list, the team drew from a variety of sources, including datasets owned by the GIIN from past research studies and the GIIN's own membership network.³ The list also includes organizations that are members of other impact investing networks worldwide, such as the New Ventures Network, Mission Investors Exchange, and the Indian Impact Investors Council.

2. Gathered data on impact investing AUM for as many of these organizations as possible

From this list of 1,340, the team attained impact investing AUM information for over 750 organizations. AUM data were identified from various sources, including data submitted by investors to various research studies conducted by the GIIN, information submitted by investors to online platforms, data submitted by investors to network organizations to which they belong, and online research of public sources.⁴ The GIIN did not determine which investments to include or exclude; rather investors self-reported their impact investing AUM.

3 Such as GIIN Annual Impact Investor Surveys (theiiin.org/research/publication/annualsurvey2018), The State of Impact Measurement & Management Practice (theiiin.org/research/publication/imm-survey), the GIIN regional landscaping studies (theiiin.org/research/publication/landscape-southeast-asia), and its Impact Investing Benchmarks. The latter includes Introducing the Impact Investing Benchmark (specific to private equity and venture capital, theiiin.org/research/publication/introducing-the-impact-investing-benchmark), The Financial Performance of Real Asset Impact Investments (theiiin.org/research/publication/real-assets-impact-investments), and The Financial Performance of Impact Investments through Private Debt (theiiin.org/research/publication/private-debt).

4 For 38% of the organizations, the team obtained data as of year-end 2018, while others were from previous years. For earlier AUM figures (data was accepted from the past five years), the team estimated AUM as of the end of 2018 by applying a growth rate to investor portfolios based on industry averages. See the 2018 GIIN Annual Impact Investor Survey, page 12, at theiiin.org/assets/2018_GIIN_Annual_Impact_Investor_Survey_webfile.pdf.

3. Counted only directly invested assets (to eliminate potential double-counting)

The database includes both asset managers and asset owners. It includes those that make only direct investments into projects and organizations, those that make only indirect investments through funds or other vehicles, and those that do both. This means that the AUM of some organizations likely includes investments into other organizations in the database.⁵ Based on multiple years of investor portfolio data, the GIIN has detailed estimates of the proportion of assets invested directly/indirectly by various organization types and applied these to the analysis to estimate only direct investments.⁶

4. Estimated the AUM of organizations for which AUM figures were unknown

Next, the team estimated the assets managed by the remaining nearly 600 organizations for which AUM figures were unknown. The team identified each investor by their organization type and then applied the average direct AUM of each organization type (drawing from averages of those with known AUM).⁷

5. Estimated the proportion of the full universe captured

While the Research Team made best efforts to build as comprehensive a database of active impact investors as possible, there are undoubtedly actors that have not been captured. The market is fast-growing and dynamic, and new investors are entering the market frequently all over the world. Based on an understanding of the GIIN's own coverage of the market, the team estimated what proportion of the universe it might not have captured in the database and extrapolated an overall market size.⁸

5 For instance, a family office might invest in a fund manager who then invests into a social enterprise. The family office might be in the database as well as the fund manager managing a portion of the family's assets. To avoid such cases of potential double-counting, the team sought to include only the proportion of assets invested directly by each organization, versus those invested indirectly.

6 The total estimated direct AUM for these 753 organizations was USD 361 billion.

7 The team excluded large outliers to be more conservative and realistic with its estimates. The total estimated direct AUM for all 1,340 organizations in the database was USD 418 billion.

8 The extrapolation added USD 84 billion to the above estimated AUM (roughly 20%).

Interpreting the Findings

To interpret the analysis in this report accurately and responsibly it is useful to understand how data were gathered and analyzed.

First, it is important to note that all data is self-reported. While investors have shared AUM information based on the GIIN's definition of impact investing (see page 5), there is some subjectivity involved in determining what counts and what doesn't. For instance, some organizations include all their green or climate bond investments as impact investments. Others include some and many don't include any. Elsewhere, DFIs — who are among the largest investors in the impact investing ecosystem — think about impact investing in quite diverse ways. Some only consider a small portion of what they do to be 'impact investing', believing most of what they do to be 'development finance'.⁹ Others consider everything they do to be 'impact investing'.

Practically, this means that some activity may be underreported in our database — such as that of green bonds or renewable energy — where investors are being truly intentional about solving a social or environmental problem, but perhaps do not self-identify the allocation as 'impact investing'. At the same time, some allocations may also be overreported, such as some investors counting ESG investing or development finance as 'impact investing'.

These definitional challenges are not unique to this report, of course; they are a feature of the industry at large. The GIIN provides the greatest clarity to date on the baseline expectations of impact investing in its newly completed *Core Characteristics of Impact Investing*.¹⁰ The core characteristics outline the elements that define impact investing and distinguish it from other complementary investment approaches, so investors entering the market will know exactly what sound impact investing is.

Second, this estimate is based on an extensive database as well as a handful of assumptions, each of which has some degree of uncertainty around it. Thus, the team conducted sensitivity analysis on each assumption — such as the yearly AUM growth rate, proportion of investments that are direct/indirect, and extrapolation of AUM for organizations for which AUM was not known — varying them in each direction to determine how it would affect the estimate of market size. In each case, doing so had only marginal impact on final estimates, not causing the final number to change by more than $\pm 10\%$.

⁹ Development finance can be seen differently from impact investing in that it intends to create broad-based economic development (through boosting the economies of developing countries) but does not always necessarily intend to address or solve specific social or environmental challenges.

¹⁰ See a full description of the *Core Characteristics of Impact Investing* here: thegiin.org/characteristics.

Conclusion

Since the term ‘impact investing’ was formally coined in 2007, the industry has grown in leaps and bounds. With a growing recognition of the power of investment capital to address pressing social and environmental challenges, impact investing has attracted the attention of an increasing number of investors of all types and from all over the world. Indeed, over 50% of active impact investing organizations made their first investment in the past decade.¹¹

In order to meet global need, much more capital will need to be unlocked for impact investing — but there is good reason to be optimistic.

This research shows that there are over 1,340 active impact investing organizations across the world who collectively manage USD 502 billion in investments intended to bring about positive change. These figures are a snapshot as of the end of 2018, yet the market is quickly growing and will continue to do so. Indeed, it must: trillions of dollars are needed to effectively address the critical social and environmental challenges that face the world today, such as those outlined in the Sustainable Development Goals.

In order to meet global need, much more capital will need to be unlocked for impact investing — but there is good reason to be optimistic. One in four dollars of professionally managed assets (amounting to USD 13 trillion) now consider sustainability principles.¹² There is great potential for these investors, who have already aligned their capital with their values, to more intentionally use their investments to fuel progress through impact investments. The growing consideration of social and environmental factors in investing is also a signal of a larger shift in the global financial markets — an increasing number of people are recognizing that their money should do more than just make more money. Their investments can — and should — also seek to fuel meaningful, sustainable social and environmental impact.

11 Abhilash Mudaliar, et al., 2018 Annual Impact Investor Survey (New York: The GIIN, 2018), theGIIN.org/assets/2018_GIIN_Annual_Impact_Investor_Survey_webfile.pdf

12 Report on US Sustainable, Responsible and Impact Investing Trends 2018 (Washington, D.C.: US SIF Foundation, 2018), ussif.org/files/Trends/Trends%202018%20executive%20summary%20FINAL.pdf

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Research

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

thegiin.org/research

Impact Measurement and Management (IMM)

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

thegiin.org/imm

Membership

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

thegiin.org/membership

Initiative for Institutional Impact Investment

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

thegiin.org/giin-initiative-for-institutional-impact-investment

Roadmap for the Future of Impact Investing

Interested in helping to build the field of impact investing? The GIIN's *Roadmap for the Future of Impact Investing: Reshaping Financial Markets* presents a vision for more inclusive and sustainable financial markets and articulates a plan for impact investing to lead progress toward this future. To download the Roadmap and find more information about opportunities to get involved, visit roadmap.thegiin.org.

Additional GIIN Research

The GIIN conducts research to provide data and insights on the impact investing market and to highlight examples of effective practice. The following selection of GIIN reports may also be of interest:

Since 2011, the GIIN has conducted an **Annual Impact Investor Survey** that presents analysis on the investment activity and market perceptions of the world's leading impact investors.



The **Impact Investing Benchmarks** analyze the financial performance of private debt, private equity/venture capital, and real assets impact investing funds.



Lasting Impact: The Need for Responsible Exits outlines impact investors' approaches to preserving the positive impact of their investments after exit.



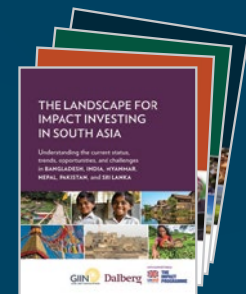
The Business Value of Impact Measurement demonstrates how investors and their investees use social and environmental performance data to improve their businesses.



The State of Impact Measurement and Management Practice surveys investors on their approaches to impact measurement and management.



The **regional landscape reports** analyze the state of the impact investing market at a country level. The GIIN has conducted landscape studies on South Asia, Southeast Asia, and East, West, and Southern Africa.



Visit the GIIN's website to find more resources from the GIIN and other industry leaders at thegiin.org.



info@thegiin.org | www.thegiin.org | [@theGIIN](https://twitter.com/theGIIN)