

**4th National Conference on:
“How to fight poverty
with Low Carbon Projects
in Less Developed Countries”**

**Panel: “How impact investment and
management could maximize social
value” – Opening the debate**

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Impact Investing: definition

GLOBAL IMPACT INVESTING NETWORK (GIIN) DEFINITION

Investments made with the intention
to generate
social and environmental impact alongside a
financial return

Impact Investing: definition

- **Intentionality** Investors have a clear objective to generate a positive social or environmental impact
- **Investment with return expectations** Impact investments are expected to generate a financial return on capital or, at minimum, a return of capital
- **Impact measurement** Investors have a clear commitment to measure and report the social and environmental performance and progress of underlying investments, ensuring transparency and accountability

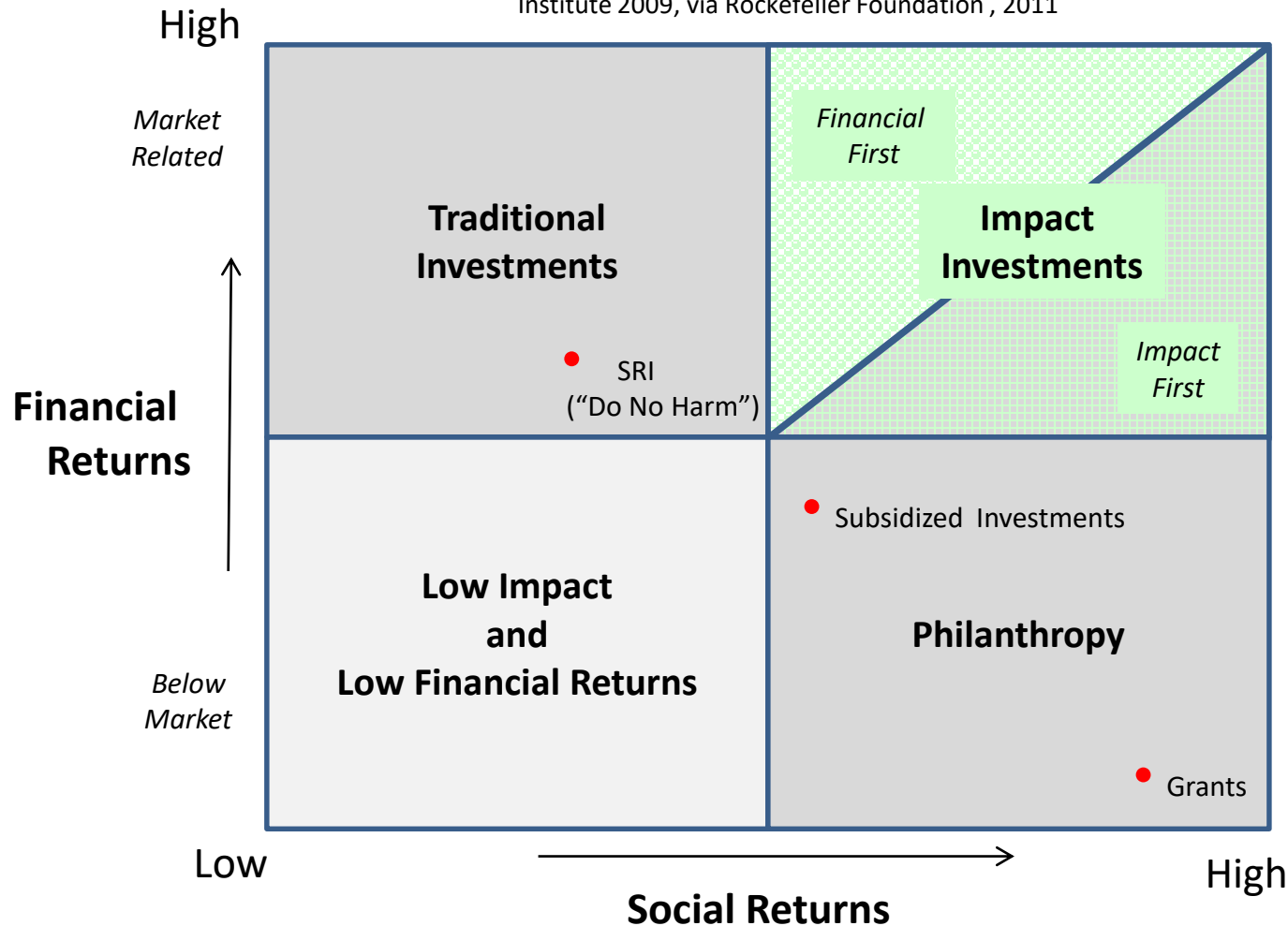
19th Century: Return

20th Century: Risk and Return

21st Century: Risk, Return and Impact

Impact Investing: mapping returns

Ted Jackson, The Rapid Globalization of Impact Investing Adapted from Monitor Institute 2009, via Rockefeller Foundation, 2011



A survey of the sector

Table v: Number of investments and amount of capital invested in 2016 and planned for 2017

n = 205; excludes two large outliers and two respondents that did not report investment activity.

	Capital invested (USD millions)		Number of investments	
	2016 Reported	2017 Planned	2016 Reported	2017 Planned
Mean	111	128	41	47
Median	12	20	7	8
Sum	22,142	25,905	7,951	9,557
% growth (projected)		17%		20%

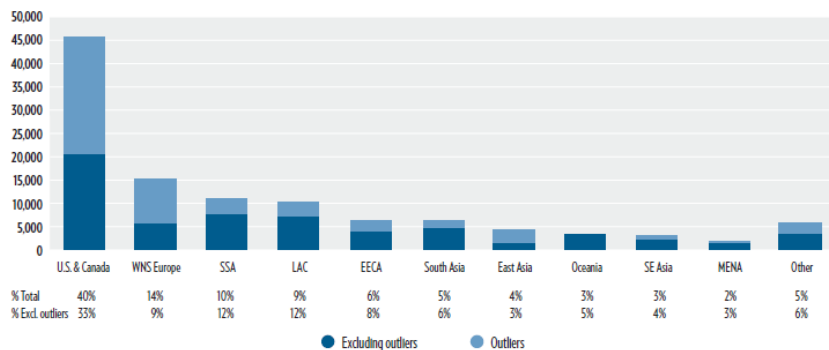
Source: GIIN

Total AUM of the respondents: 114 bn USD (64 bn without 5 outliers)

Key findings

Figure 25: AUM by geography

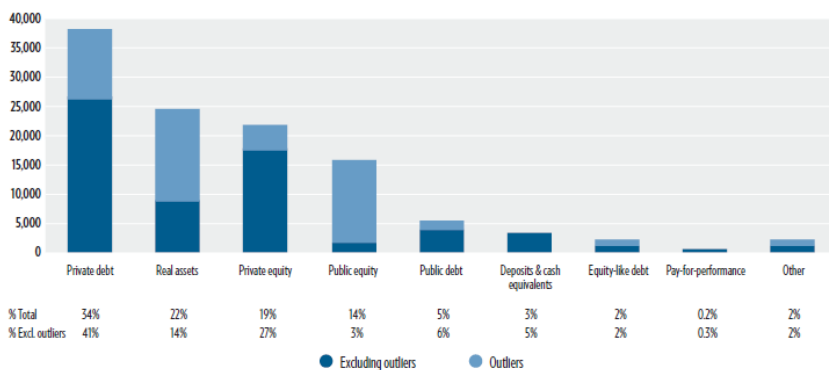
Full sample: n = 208; AUM = USD 113.7 billion
Excluding outliers: n = 203; AUM = USD 63.9 billion



Note: Respondents that allocated to 'other' geographies primarily described investments with a global focus and/or cash holdings.
Source: GIIN

Figure 29: AUM by instrument

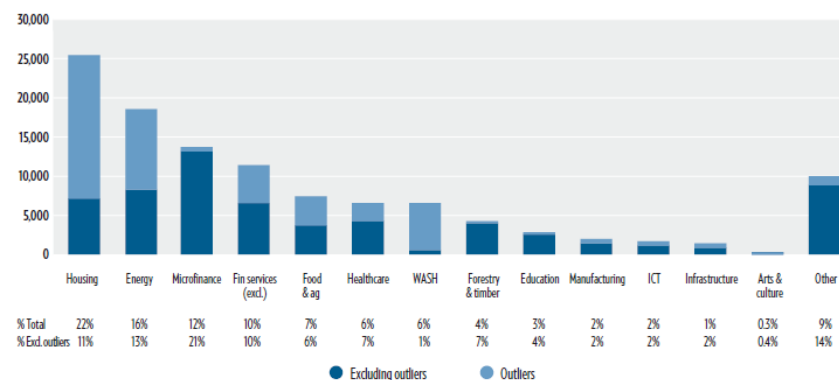
Full sample: n = 208; AUM = USD 113.7 billion
Excluding outliers: n = 203; AUM = USD 63.9 billion



Note: 'Other' instruments include guarantees and leases.
Source: GIIN

Figure 26: AUM by sector

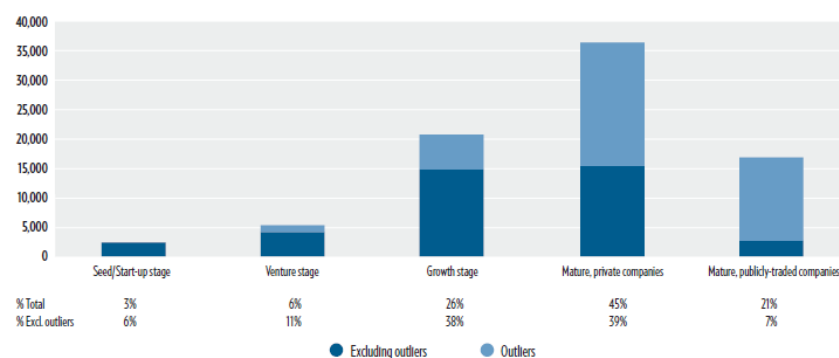
Full sample: n = 208; AUM = USD 113.7 billion
Excluding outliers: n = 203; AUM = USD 63.9 billion



Note: 'Other' sectors include services, waste management and recycling, tourism, transportation, community facilities, sustainable consumer products, and multi-sector investments.
Source: GIIN

Figure 32: Allocations by stage of business

Full sample: n = 163; AUM = USD 81.7 billion
Excluding outliers: n = 159; AUM = USD 39.6 billion



Note: Excludes respondents that allocate exclusively to 'N/A' or did not answer the question.
Source: GIIN

Key findings

- **Geography:** excluding a handful of outliers with concentrated portfolios, roughly half of sample AUM was invested in developed markets and half was invested in emerging markets.
- **Sector:** Sectors meeting basic needs, such as housing, energy, financial services, food and agriculture, and healthcare, comprise the bulk of AUMs. Although food and agriculture and healthcare are relatively small in terms of their proportion of AUM-weighted allocations, the largest number of investors have allocated at least some capital to these two sectors.
- **Instruments:** impact investing primarily takes place in private markets. The predominant instruments in this year's sample AUM are private debt (34%), real assets (22%), and private equity (19%). The most-used instrument by number of respondents is private equity,
- **Stage of business:** The greatest number of respondents allocate capital to companies in the growth stage (126), followed by those allocating to the venture stage (102). However, the greatest share of AUM was allocated to mature, private companies (45% of total AUM), followed by growth-stage companies (26%).

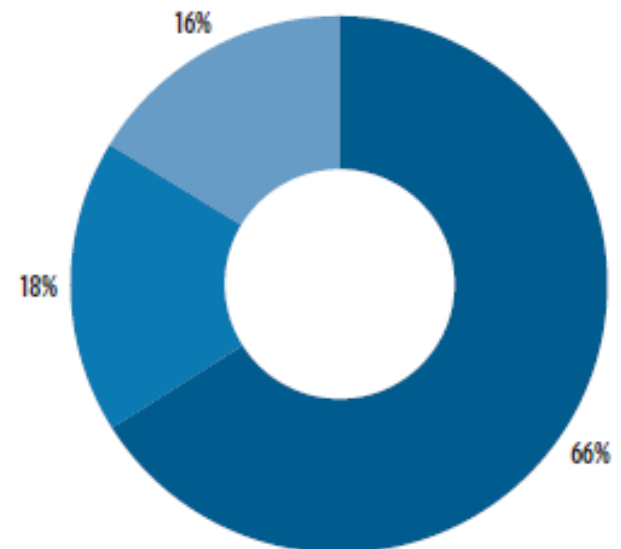
Target financial returns

Figure 4: Target financial returns principally sought by percentage of respondents

n = 209

- 66% Risk-adjusted market-rate returns
- 18% Below-market-rate returns: closer to market rate
- 16% Below-market-rate returns: closer to capital preservation

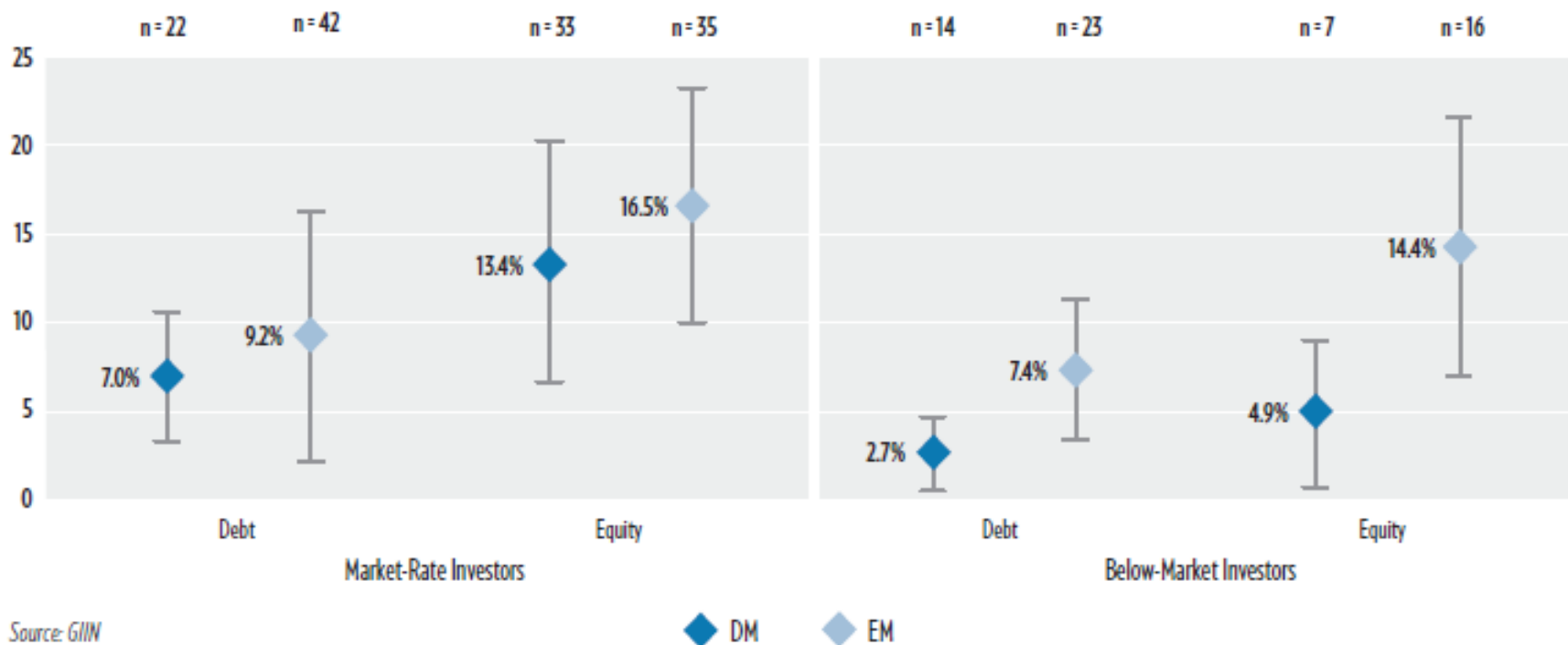
Source: GIIN



Gross return expectations

Figure 50: Average gross return expectations for 2016 vintage investments

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

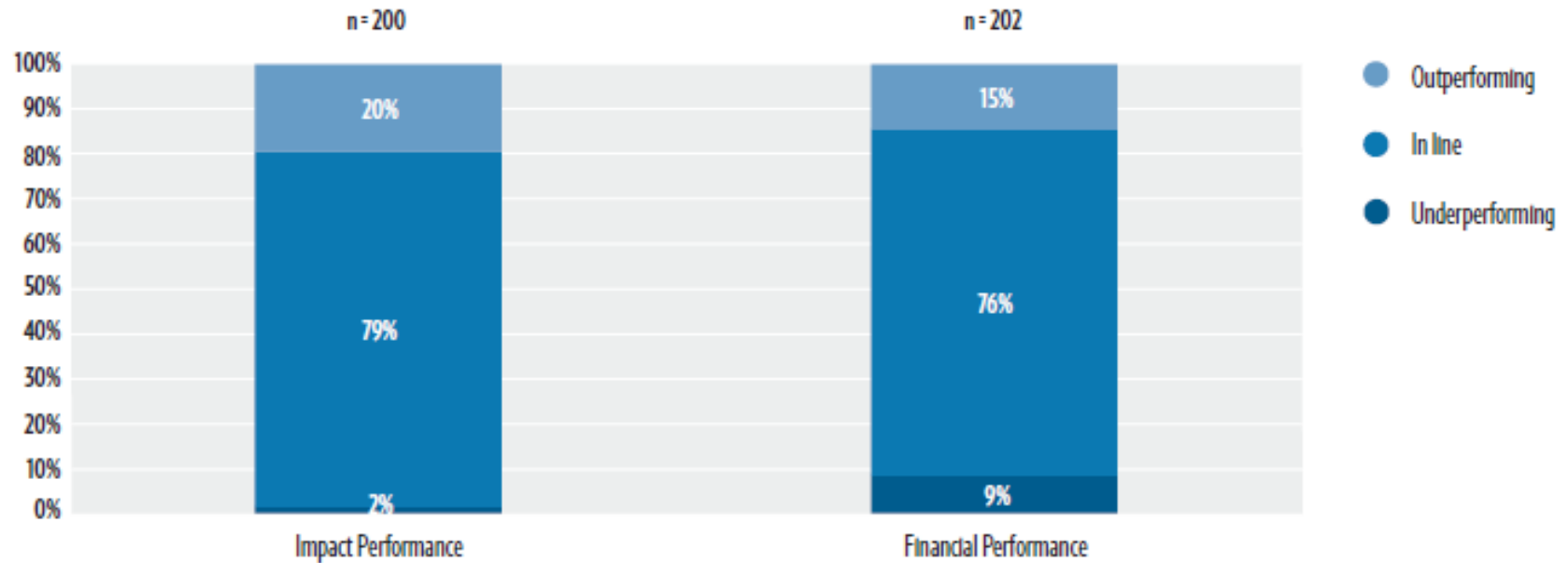


Source: GIIN

Performance vs expectations

Figure 51: Performance relative to expectations

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

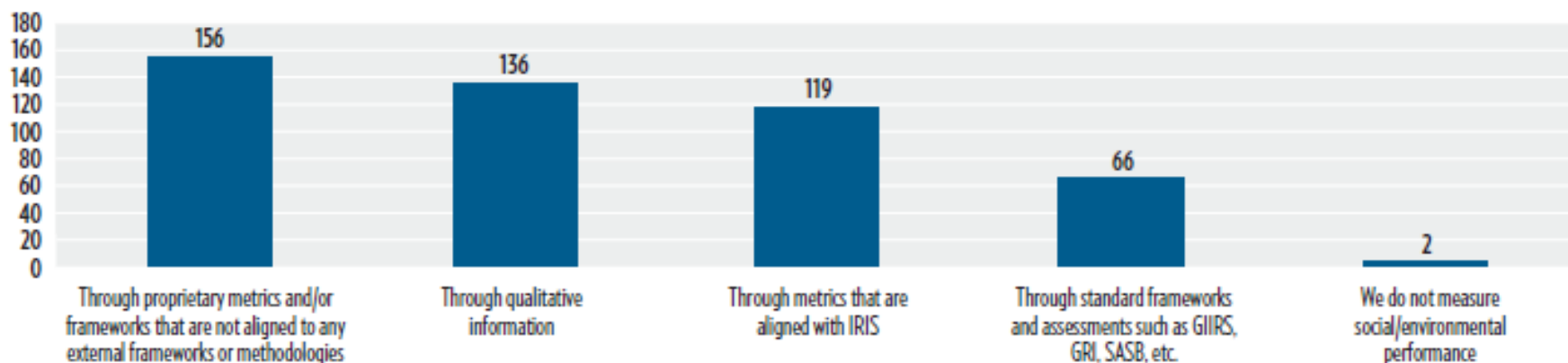


Source: GIIN

Social/environmental performance

Figure 44: How social/environmental performance is measured

n = 209; respondents could select multiple options. Number of respondents selecting each option shown above each bar.



Note: Respondents that said they do not measure their social/environmental performance noted that they invest in companies whose impact is embedded in their products and services.

Source: GIIN

Challenges

Table 5: Challenges and progress in the growth of the impact investing industry

		Severity of challenge	
		Very significant challenge	Significant challenge
		n = 184–201	
1	Appropriate capital across the risk/return spectrum	17%	35%
2	Suitable exit options	13%	34%
3	High-quality investment opportunities (fund or direct) with track record	11%	31%
4	Common understanding of definition and segmentation of impact investing market	11%	36%
5	Sophistication of impact measurement practice	10%	28%
6	Research and data on products and performance	9%	31%
7	Government support for the market	7%	29%
8	Professionals with relevant skill sets	6%	23%
9	Innovative deal/fund structures to accommodate investors' or investees' needs	6%	27%


Source: GIIN

Some trends

- Entry of large scale financial firms (ie Bain Capital Double Impact Fund, TPG Rise Fund): more professionalism and scale but risk of mission drift
- From Green Bonds to Social bonds
- Impact investing in public equities

Open issues

- Strong interest in the sector and relevant expectations but the sector is still young and the pipeline is limited (especially in some sectors)
- Lack of relevant track record: risk return matrix still to be well defined
- Business models (in particular in some sectors) to be refined
- Impact measurement is key: reputational risk
- Risk of social "washing"
- Exit could be an issue



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