THIS SURVEY HIGHLIGHTS THE IMPRESSIVE DECADE OF MARKET EVOLUTION

Just 24 members responded to the 2010 report; this year, the survey provides insights from nearly 300 of the world’s leading impact investors.
Dear Reader,

When the GIIN launched its first survey of impact investors in 2010, I could never have imagined where we would be – as a market and as a world – ten years later.

We completed that original survey amid the lingering consequences of the financial crisis and the Great Recession. This year, our team pushed forward with a survey during the global coronavirus pandemic. The virus and its ripple effects are exposing global inequities in unsettling ways, leaving the world’s most vulnerable citizens more exposed to new harm.

Sadly, the crisis is highlighting – and even exacerbating – our most troubling global trends.

Even amidst the deadly pandemic, other existential concerns still loom. The climate crisis is growing continually more dire, while the global ‘inequality crisis’ is threatening lives in other ways. This year’s fifth anniversary of the adoptions of both the United Nations Sustainable Development Goals and the Paris Climate Accord is marked by insufficient progress. And around the world, we face a crisis of distrust in business and government – the very leaders we need guiding us toward progress.

But if crisis exacerbates our most troubling trends, I am convinced that it can also amplify our most encouraging trends, as well.

The growth and increasing sophistication I have witnessed in the impact investing market over the previous ten years give me solid reason for that hope. Each year, we have consistently seen impact investors doing more of what they do best: leveraging the power of finance to tackle our biggest challenges.

This year’s survey highlights that impressive decade of market evolution. Our 2010 report relied on data from just 24 members of the GIIN’s Investors’ Council. This year, the survey provides insights from our largest number of respondents ever: nearly 300 of the world’s leading impact investors, who collectively manage USD 404 billion in impact investment assets.

In their 2020 survey responses, we find encouraging signs of progress sprouting up in fresh ways. The impact investing industry is diverse in geography, asset class, and approach. The market is growing in both depth and sophistication: nearly seven out of every ten respondents believe that impact investing is growing steadily.

The industry is also showing signs of coalescing around a consistent set of impact measurement and management (IMM) frameworks. In 2010, most respondents used their own proprietary systems to track impact outcomes. Now, almost all are aligning around a core group of IMM systems, including the GIIN’s own IRIS+. And yet, respondents still see opportunity for refinement. The GIIN’s focus on impact performance is targeted at that opportunity – raising the bar on the real results of impact investing by supporting the comparability that will drive growth and build trust.

Perhaps most promising of all, the world’s concurrent crises are not scaring impact investors away from their important work. The survey finds most are maintaining a positive outlook for the future, despite substantial COVID-19-related headwinds: 57% say they are unlikely to change their capital commitments because of the pandemic, and 15% say they are likely to commit additional capital.

So, on the tenth anniversary of this survey, I am convinced that our moment of unprecedented crisis is also an unprecedented opportunity.

The global impact investing community can help rebuild into a more inclusive, more resilient, and more sustainable future.

Amit Bouri
Co-Founder and CEO, Global Impact Investing Network
@AmitKBouri
Executive summary

The 10th edition of the Global Impact Investing Network’s (GIIN) Annual Impact Investor Survey reflects insights from 294 respondents that collectively manage USD 404 billion of impact investing assets. Respondents shared their investment activity for the year ending 2019 and their plans for 2020, their reflections on developments over the past decade, and their views of future challenges facing the market. The report also includes longitudinal analysis of 79 repeat respondents that completed both this year’s survey and the 2016 survey (providing year-end 2015 data).

The survey data collection period (February to April 2020) coincidently took place as the novel coronavirus COVID-19 pandemic spread across the globe, the full consequences of which remain unclear. As the world wrestles with its response to and recovery from COVID-19, significant economic implications in every geography and sector appear likely. For this reason, following the close of data collection on April 5 2020, the GIIN additionally invited participating investors to share their reflections on the implications of COVID-19. Among respondents, 122 shared their perspectives on how COVID-19 might change their future allocations and risk assessments.

To place the Annual Survey’s insights in the context of the broader impact investing market, this report updates the estimate of the size of the impact investing market, drawing on the market-sizing methodology, as part of the initial release in April 2019.1 Based on a database of over 1,720 impact investors, this methodology estimates the size of the current market at USD 715 billion.

KEY FINDINGS

1. THE IMPACT INVESTING INDUSTRY REMAINS DIVERSE.
2. IMPACT INVESTING HAS GROWN IN DEPTH AND SOPHISTICATION OVER TIME, in terms of:
   - Market evolution over the past decade;
   - Indicators of market growth over the past decade;
   - Motivations for making impact investments; and
   - Growth of realized gross returns and assets over time.
3. IMPACT MEASUREMENT AND MANAGEMENT PRACTICES HAVE MATURED, BUT OPPORTUNITIES FOR REFINEMENT REMAIN.
4. IMPACT INVESTORS HOLD A POSITIVE OUTLOOK FOR THE FUTURE, DESPITE HEADWINDS.

The respondent sample is diverse. Hailing from 46 countries, respondents are headquartered in both developed markets (DM, 77%) and in emerging markets (EM, 21%).2 The focus of their investment activity is more balanced regardless of headquarter location. In terms of the geographic allocation of assets, 48% of respondents invest primarily in DMs while 43% are focused on investing in EMs. Approximately two-thirds (65%) of respondents are asset managers (either for profit or non-profit). Sixty-one percent of organizations in the sample are exclusively impact investors; the remainder (39%) additionally allocates a portion of their assets to impact-agnostic investments.3

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1 Abhilash Mudaliar and Hannah Dithrich, Sizing the Impact Investing Market (New York: The GIIN, 2019).
2 The remaining 2% of respondents have no single headquarter location.
3 ‘Impact-agnostic investments’ are investments that do not have an intention of a positive social or environmental impact and consequently do not seek to measure impact performance.
Collectively, respondents to the survey manage USD 404 billion of impact investing assets, but the median investor manages USD 89 million. The large amount of assets under management (AUM) is heavily skewed by three large outliers, which account for 45% of the sample’s AUM. In fact, small investors - or those managing less than USD 100 million in impact investing assets - comprise 53% of the respondent sample. In terms of overall impact AUM, excluding outliers, 55% of impact investment assets are directed to developed markets while 40% are allocated to emerging markets. Including outliers, however, most capital (59%) is allocated to emerging markets, with sub-Saharan Africa (SSA) attracting the most assets (21%).

In another reflection of diversity, respondents allocate impact investing capital across asset classes. Excluding outliers, private debt accounts for 21% of respondent AUM, followed by public equity at 19%. Including outliers, private debt still attracts the highest capital allocation (34%). Although public equity attracts the second largest allocation of AUM, only 17% of the respondents in the sample utilize this asset class in their portfolio. This reflects the larger average size of investments in public equity compared to those in private debt and private equity.

In terms of specific investment activity for 2019, investors used the full gamut of asset classes, with private debt (37%), publicly traded debt (24%), and private equity (16%) attracting the most capital during 2019. These asset classes were also the most commonly used by number of transactions in 2019 — 61%, 16%, and 11% of transactions respectively, used private debt, publicly traded debt, and private equity.

Regarding how respondents set their impact performance goals, 60% target both social and environmental impact in their investments. There is broad use of the SDGs with 73% using this framework for at least one measurement and management purpose. Nearly three-quarters of respondents to this year’s survey target ‘decent work and economic growth’ (SDG 8). On average, respondents target eight different SDG-aligned impact themes, reflecting the diversity of their impact goals.

Impact investing has grown in depth and sophistication over time

Impact investing is growing in depth of practice and sophistication of issues that investors already have and plan to address going forward. This is reflected in investors’ perceptions of indicators of market growth and evolution over the past decade, their motivations to commit capital, and the nature of geographic and sector allocations over the past five years.

Market evolution over the past decade

A clear majority of respondents consider the impact investing market to be ‘growing steadily’ (69%, Figure i) with 21% describing the market as ‘about to take off.’ Notably, no respondents see the impact investing market ‘declining.’ When asked a similar question on the 2011 survey, 75% of respondents indicated then that the market was in its very early stages.

Figure i: Stages of industry evolution

<table>
<thead>
<tr>
<th>Stages of Industry Evolution</th>
<th>Percent of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>In its infancy</td>
<td>9%</td>
</tr>
<tr>
<td>About to take off</td>
<td>22%</td>
</tr>
<tr>
<td>Growing steadily</td>
<td>69%</td>
</tr>
<tr>
<td>Established/mature</td>
<td>2%</td>
</tr>
<tr>
<td>Saturated</td>
<td>0.3%</td>
</tr>
<tr>
<td>Declining</td>
<td>0%</td>
</tr>
</tbody>
</table>

Source: GIIN, 2020 Annual Impact Investor Survey

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4 Two respondents chose not to share their assets under management.
Indicators of market growth over the past decade

Respondents reflected on several indicators of industry growth over the past ten years (Figure ii) citing that the greatest area of progress was in ‘research on market activity, trends, performance, and practice’ (42% see ‘significant progress’ made over the past decade). Additionally, many respondents believe that ‘significant progress’ has been made on the ‘sophistication of impact measurement and management practice’ and ‘professionals with relevant skill sets’ (39% and 32%, respectively).

Figure ii: Progress over the past decade on indicators of market growth

Number of respondents shown above each indicator; some respondents chose ‘not sure / not applicable’ and are not included. Ranked by percent selecting ‘significant progress.’

<table>
<thead>
<tr>
<th>Indicator</th>
<th>n</th>
<th>Significant progress</th>
<th>Some progress</th>
<th>No progress</th>
<th>Worsened</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research on market activity, trends, performance, and practice</td>
<td>283</td>
<td>42%</td>
<td>55%</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>Sophistication of impact measurement and management practice</td>
<td>286</td>
<td>39%</td>
<td>66%</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Professionals with relevant skill sets</td>
<td>281</td>
<td>42%</td>
<td>65%</td>
<td>3%</td>
<td>0%</td>
</tr>
<tr>
<td>Common understanding of definition and segmentation of impact investing market</td>
<td>285</td>
<td>4%</td>
<td>4%</td>
<td>96%</td>
<td>0%</td>
</tr>
<tr>
<td>Data on investment products and opportunities</td>
<td>278</td>
<td>25%</td>
<td>66%</td>
<td>9%</td>
<td>0%</td>
</tr>
<tr>
<td>High-quality investment opportunities (fund or direct) with track record</td>
<td>272</td>
<td>0%</td>
<td>69%</td>
<td>8%</td>
<td>0%</td>
</tr>
<tr>
<td>Innovative deal/transaction structures to accommodate investors’ needs</td>
<td>272</td>
<td>0%</td>
<td>68%</td>
<td>7%</td>
<td>0%</td>
</tr>
<tr>
<td>Appropriate capital across the risk/return spectrum</td>
<td>259</td>
<td>2%</td>
<td>25%</td>
<td>58%</td>
<td>69%</td>
</tr>
<tr>
<td>Government support for the market</td>
<td>249</td>
<td>10%</td>
<td>2%</td>
<td>58%</td>
<td>69%</td>
</tr>
<tr>
<td>Suitable exit options</td>
<td>249</td>
<td>1%</td>
<td>22%</td>
<td>69%</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: GIIN, 2020 Annual Impact Investor Survey

Motivations for making impact investments

Impact investors’ motivations stand at the root of the industry’s development. Unsurprisingly, the top three reasons for making impact investments all concern impact. Nearly all respondents (87%) consider both ‘impact being central to their mission’ and ‘their commitment as responsible investors’ as ‘very important’ motivations. Furthermore, 81% believe that impact investing is an efficient way to achieve impact goals.

Interestingly, 70% of investors find the financial attractiveness of impact investing relative to other investment strategies at least somewhat important. Together with the fact that 88% of respondents report meeting or exceeding their financial expectations and over two-thirds of respondents (67%) seek risk-adjusted, market-rate returns for their assets, this finding may imply a shift from the increasingly outdated perception of an inherent tradeoff between impact and financial performance. The initial survey conducted a decade ago noted investor’s expectation of a tradeoff. It also found wide variance in return expectations; by contrast, respondents to this year’s survey appear to have consolidated more strongly around risk-adjusted, market-rate returns but are satisfied with concessionary financial performance, if this is in line with what they target.

Growth of realized gross returns and assets over time

Over time, impact investments across asset classes in private markets have generated strong realized returns.\(^7\)

Figure iii: Average realized gross returns since inception for private markets investments

Number of respondents shown above each bar; year of first impact investment ranges from 1956 – 2019, with 2011 as the median year. Averages shown beside each diamond; error bars show +/- one standard deviation.

Source: GIIN, 2020 Annual Impact Investor Survey

Given the volatility of private equity as an asset class, returns on this instrument naturally have the greatest variance. As expected, market-rate investments generally performed better than their below-market-rate counterparts. Emerging market investments performed similarly to developed market investments across asset classes and had similar ranges of returns. Notably, half of respondents began impact investing either before or during past recessionary cycles and have retained reasonable performance. This track record may bode well for impact investors during the potential economic downturn they currently face.

Among repeat respondents to both this year’s and the 2016 surveys (the latter reporting year-end 2015 data), aggregate impact AUM grew from USD 52 billion to USD 98 billion, at a compound annual growth rate (CAGR) of 17%.\(^8\) The fastest-growing regions of investment were Western, Northern, and Southern Europe (WNS Europe) and East and Southeast Asia (SE Asia), which grew at 25% and 23% CAGR, respectively. Growing interest in SE Asia is also reflected in the full sample’s investment plans, as over half of respondents (52%) plan to grow allocations to SE Asia over the next five years. The same share of respondents intends to increase their future allocations to Sub-Saharan Africa (SSA).

Table v: Changes in geographic allocations among repeat respondents (2015 – 2019)

\(n = 79\); figures in USD millions.

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2019</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>WNS Europe</td>
<td>6,365</td>
<td>15,318</td>
<td>25%</td>
</tr>
<tr>
<td>East and SE Asia</td>
<td>4,080</td>
<td>9,385</td>
<td>23%</td>
</tr>
<tr>
<td>LAC</td>
<td>6,216</td>
<td>13,167</td>
<td>21%</td>
</tr>
<tr>
<td>U.S. &amp; Canada</td>
<td>10,036</td>
<td>20,625</td>
<td>20%</td>
</tr>
<tr>
<td>MENA</td>
<td>1,447</td>
<td>2,881</td>
<td>19%</td>
</tr>
<tr>
<td>Oceania</td>
<td>1,915</td>
<td>3,419</td>
<td>16%</td>
</tr>
<tr>
<td>South Asia</td>
<td>4,535</td>
<td>7,822</td>
<td>15%</td>
</tr>
<tr>
<td>EECA</td>
<td>5,997</td>
<td>9,264</td>
<td>11%</td>
</tr>
<tr>
<td>SSA</td>
<td>9,602</td>
<td>12,808</td>
<td>7%</td>
</tr>
<tr>
<td>Other</td>
<td>1,625</td>
<td>2,795</td>
<td>15%</td>
</tr>
<tr>
<td>Total</td>
<td>51,817</td>
<td>97,483</td>
<td>17%</td>
</tr>
</tbody>
</table>

Note: East and SE Asia were combined in the 2016 survey but disaggregated in the 2020 survey, so have been combined for this analysis.

Source: GIIN, 2020 Annual Impact Investor Survey

\(^7\) While respondents to the survey did share public market realized return data since inception, the sample sizes are too small to make meaningful inferences.

\(^8\) Two large outliers within the sub-sample of repeat respondents skew this growth. CAGR excluding these two outliers (\(n=77\)) is 9% per annum.
By sector, repeat respondents grew their capital allocation most quickly to water, sanitation, and hygiene (WASH), at a CAGR of 33% from 2015 to 2019 and to financial services (excluding microfinance) at a CAGR of 30%. Half of respondents plan to increase the volume of capital allocated to WASH over the next five years.

While food and agriculture accounts for a relatively small proportion of AUM (9% excluding outliers), it is the most common sector for investment, with 57% of respondents having some allocation and the highest proportion of respondents (54%) planning to increase their allocations over the next five years. Healthcare is another common sector; almost half of respondents have some allocation to healthcare. Among repeat respondents, healthcare was the third-fastest-growing sector, and 51% of respondents plan to increase their capital allocations to healthcare over the next five years.

Table vi: Changes in sector allocations among repeat respondents (2015 – 2019)

<table>
<thead>
<tr>
<th>Sector</th>
<th>2015</th>
<th>2019</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>WASH</td>
<td>3,083</td>
<td>9,735</td>
<td>33%</td>
</tr>
<tr>
<td>Fin services (excl. microfinance)</td>
<td>5,667</td>
<td>16,452</td>
<td>30%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>2,405</td>
<td>5,590</td>
<td>23%</td>
</tr>
<tr>
<td>Food &amp; ag</td>
<td>3,746</td>
<td>8,284</td>
<td>22%</td>
</tr>
<tr>
<td>Energy</td>
<td>9,007</td>
<td>19,077</td>
<td>21%</td>
</tr>
<tr>
<td>ICT</td>
<td>1,198</td>
<td>2,058</td>
<td>14%</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>1,144</td>
<td>1,818</td>
<td>12%</td>
</tr>
<tr>
<td>Housing</td>
<td>4,238</td>
<td>6,322</td>
<td>11%</td>
</tr>
<tr>
<td>Microfinance</td>
<td>9,525</td>
<td>13,459</td>
<td>9%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1,667</td>
<td>1,356</td>
<td>-5%</td>
</tr>
<tr>
<td>Education</td>
<td>1,695</td>
<td>1,257</td>
<td>-7%</td>
</tr>
<tr>
<td>Arts &amp; culture</td>
<td>142</td>
<td>52</td>
<td>-22%</td>
</tr>
<tr>
<td>Other</td>
<td>8,298</td>
<td>12,063</td>
<td>10%</td>
</tr>
<tr>
<td>Total</td>
<td>51,817</td>
<td>97,483</td>
<td>17%</td>
</tr>
</tbody>
</table>

Note: The 2016 survey included a category for ‘conservation,’ which was not included in the 2020 survey, and the 2020 survey included a category for ‘forestry & timber,’ which was not available in the 2016 survey. Both categories have been combined with ‘other’ for this analysis.

Source: GIIN, 2020 Annual Impact Investor Survey

Yearly investment activity sheds light on how these overall AUM allocations translate to specific annual results. Respondents reported both the number of deals and the amount of capital deployed. During 2019, the full sample of respondents executed 9,807 transactions amounting to USD 47 billion in capital.9 The activities of the 79 repeat respondents illustrate growth over a longer period: the number of impact investments made by this group grew 9% per year, from 4,885 investments made in 2015 to 7,014 in 2019, and their volume of capital invested grew by 12% per year, from USD 14 billion invested in 2015 to USD 22.5 billion in 2019.

Since inception, 99% of investors in the full sample have met their impact performance expectations. Even more impressively, as indicated above, 88% of respondents also met their financial return expectations.

Impact measurement and management practices have matured, but opportunities for refinement remain

A cornerstone of impact investing is the ability to translate intention into impact results. Impact measurement and management (IMM) practices have evolved over the past decade and now reflect an increasingly strategic use of tools for different purposes at different stages of the IMM cycle. Despite their maturation, respondents still identify opportunities for greater development of these practices, especially concerning the comparison and verification of impact results.

In the first edition of the Annual Survey, 85% of respondents used their own proprietary IMM systems.10 One decade later, 89% use external systems, tools and frameworks for IMM. The most commonly used IMM resources are the SDGs (73%), the IRIS Catalog of Metrics (46%), IRIS+ Core Metrics Sets (36%),11 and the Impact Management Project’s five dimensions of impact convention (32%).

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9 This figure excludes six outliers. Including these outliers, total capital invested was USD 79 billion through 23,029 investments. Figures also exclude nine organizations that did not report 2019 investment activity.
11 IRIS+ Core Metrics Sets are short lists of evidence and best practice-based sets of IRIS metrics, by impact theme. About one-third of respondents indicated using both the IRIS Catalog of Metrics and IRIS+ Core Metrics Sets. See more: https://iris.thegin.org/
Coalescence around the SDGs in particular, as well as IRIS, IRIS+, and the IMP, has meant that approaches to IMM are now becoming more standardized. Consequently, the smallest share of respondents (20%) anticipates ‘fragmentation of IMM approaches’ to remain among the challenges facing the market over the next five years.

Impact investors use IMM frameworks, tools, and systems for several primary purposes: to set impact objectives; measure their impact performance; and report on their impact results. The average investor uses at least three such resources (frameworks, tools, and systems) to fulfill these complementary purposes. The SDGs are used most across all purposes, whereas IRIS and IRIS+ are mainly used to measure and report on impact (Figure iv).

Figure iv: Use of tools, frameworks, and systems, by purpose

n = 294; respondents could select multiple answer options for each purpose.

Compared to when they first started making impact investments, 88% of respondents believe they have increased the rigor of their IMM practices. Nevertheless, impact investors describe a range of challenges they expect to face over the next five years that could be addressed by further development of IMM practices.

Concerns about impact washing (66%) loom largest, followed less acutely by the market’s ‘inability to demonstrate impact results’ (35%) and the ‘inability to compare impact results with peers’ (34%). Notably, the GIIN’s recently published report The State of Impact Measurement and Management Practice, also highlighted comparing and validating impact results as the most significant challenge impact investors face.12

While 39% of respondents cited ‘sophistication of impact measurement and management practice’ as an area of ‘significant progress’ over the past decade, 48% indicated the same area as a ‘significant challenge’ for impacting investing over the next five years.

Comparability and validation of impact performance can address investor’s concerns regarding impact washing. Nearly a quarter of respondents (23%) do not yet compare their impact performance with industry peers and 39% do not independently verify their impact performance, compared to when they first started making impact investments. Thus, opportunities remain to refine IMM practices in these areas, building upon the progress made to date.

Several notable initiatives are afoot to address these concerns, including the International Finance Corporation’s Operating Principles for Impact Management which, among other principles, require verification. The GIIN’s Impact Performance Studies and the Impact Weighted Accounts initiative out of Harvard Business School are both developing working methodologies to interpret and compare impact results.

IMPACT INVESTORS HOLD A POSITIVE OUTLOOK FOR THE FUTURE, DESPITE HEADWINDS

Investors were asked to identify financial and impact risks to their portfolios. While current risks are useful to consider, the prospect of a changing risk profile for impact investors cannot be ignored. This report considers risks in the context of forward-looking financial and impact performance expectations against the backdrop of a fast-changing macro environment due to the COVID-19 pandemic. Investors remain relatively positive about their prospective performance despite the effects of the pandemic, sharing cautious optimism as they continue to forge ahead with priorities identified in the GIIN’s Roadmap for the Future of Impact Investing: Reshaping Financial Markets.13

In terms of financial risk, the largest share of investors stated ‘business model and execution risk’ (77%), and ‘liquidity and exit risk’ (68%) as at least moderate risks facing their portfolios. Furthermore, over a third of investors consider ‘country and currency risk’ and ‘macroeconomic risk’ to be severe.

Interestingly, 13% of investors primarily allocating capital to WNS Europe reported severe macroeconomic risk, compared to just 4% of U.S. & Canada-focused investors. Because some respondents specifically noted COVID-19 and a general recessionary outlook, this contrast between two major economic blocks may reflect the difference in timing of the pandemic’s full severity between Europe and North America over the data collection period.

Investors are more relaxed about the impact risks they foresee affecting their portfolios with far fewer impact-associated risks cited as ‘severe.’ Nearly two-thirds of respondents cited at least moderate execution risk (the likelihood activities are not delivered as planned and do not result in the target outcomes), while 61% of investors perceive at least moderate levels of external risk (the probability that external factors disrupt an investor’s ability to deliver the expected impact).

Uncertainty is inevitable in the face of a significant global event like COVID-19; as such, respondents to an additional questionnaire concerning plans in light of the global pandemic (n=122) reflect varying approaches. Most respondents (57%) indicated that they are ‘unlikely’ to change the volume of capital they had planned to commit to impact investments in 2020. While 20% are at least ‘somewhat likely’ to commit less capital than they had planned, 15% say they will ‘likely’ commit more capital than planned. Sixty-three percent of respondents who shared insights on how COVID-19 might affect their work are ‘unlikely’ to change their SDG-aligned impact themes over the next five years.

The historically positive expectations for financial and impact performance reflected by investors’ responses for the period as of year-end 2019 - referenced above - may not prevail given the current macro context. The follow-up survey found that as COVID-19 spread, respondents’ perceptions of market stability and performance expectations shifted. Almost half of respondents to the COVID-19 questionnaire (46%) expect their portfolios to underperform relative to their financial expectations, while 34% expect performance in line with expectations. By contrast, only 16% of investors expect to underperform in terms of impact, while 18% expect outperformance relative to impact expectations.

While 41% of respondents to the COVID-19 sub-survey believe that overall risk severity has ‘very likely’ changed because of COVID-19, just 13% believe that the severity of impact risk has ‘very likely’ changed as a consequence of the pandemic.

Respondents’ narrative comments suggest that, in general, impact investors are responding to this crisis with flexibility and resolve. They are mitigating the potential for defaults by renegotiating loan terms, investing more funds to support their investments, and exercising patience to still realize their performance expectations over the longer term. Some further comment that, especially at this time, impact investors are well-placed to support the underserved, recognizing the extent to which marginalized communities are most negatively affected by the COVID-19 pandemic.

In these respects, then, impact investors hold fast to one of the industry’s core characteristics, the principle of contributing to the development of the field. The Annual Survey asks how investors intend to contribute to the sector over the next five years in light of the GIIN’s Roadmap for the Future of Impact Investing: Reshaping Financial Markets, which presents a vision for more inclusive and sustainable financial markets and articulates a plan for impact investing to lead progress toward this future.14 Respondents to this survey intend to contribute across all six action areas,15 with particular focus on ‘Identity,’ ‘Education & Training,’ and ‘Policy and Regulation.’ Specifically, most respondents plan to contribute by ‘sharing best practices for reporting and IMM’ (65%), supporting the development of businesses focused on impact (52%), and ‘creating an environment conducive to impact investing’ (51%).

If translated into action, investors’ plans augur well for growth and maturation of impact investing practice and activity, despite the current headwinds.

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15 The six areas of action set out in the Roadmap are: (1) Strengthen the identity of impact investing by establishing clear principles and standards for practice; (2) Change the paradigm that governs investment behavior and expectations about the responsibility of finance in society via asset owner leadership and updated finance theory; (3) Design tools and services that support the incorporation of impact into the routine analysis, allocation, and deal-making activities of investors; (4) Develop products suited to the needs and preferences of the full spectrum of investors, from retail to institutional and of various types of investees; (5) Increase supply of trained investment professionals and pipeline of investment-ready enterprises through targeted professional education; and (6) Introduce policies and regulation that both remove barriers and incentivize impact investments.
About the Global Impact Investing Network

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

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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
For more information

Please direct any comments or questions about this report to research@thegiin.org.
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Disclosures

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