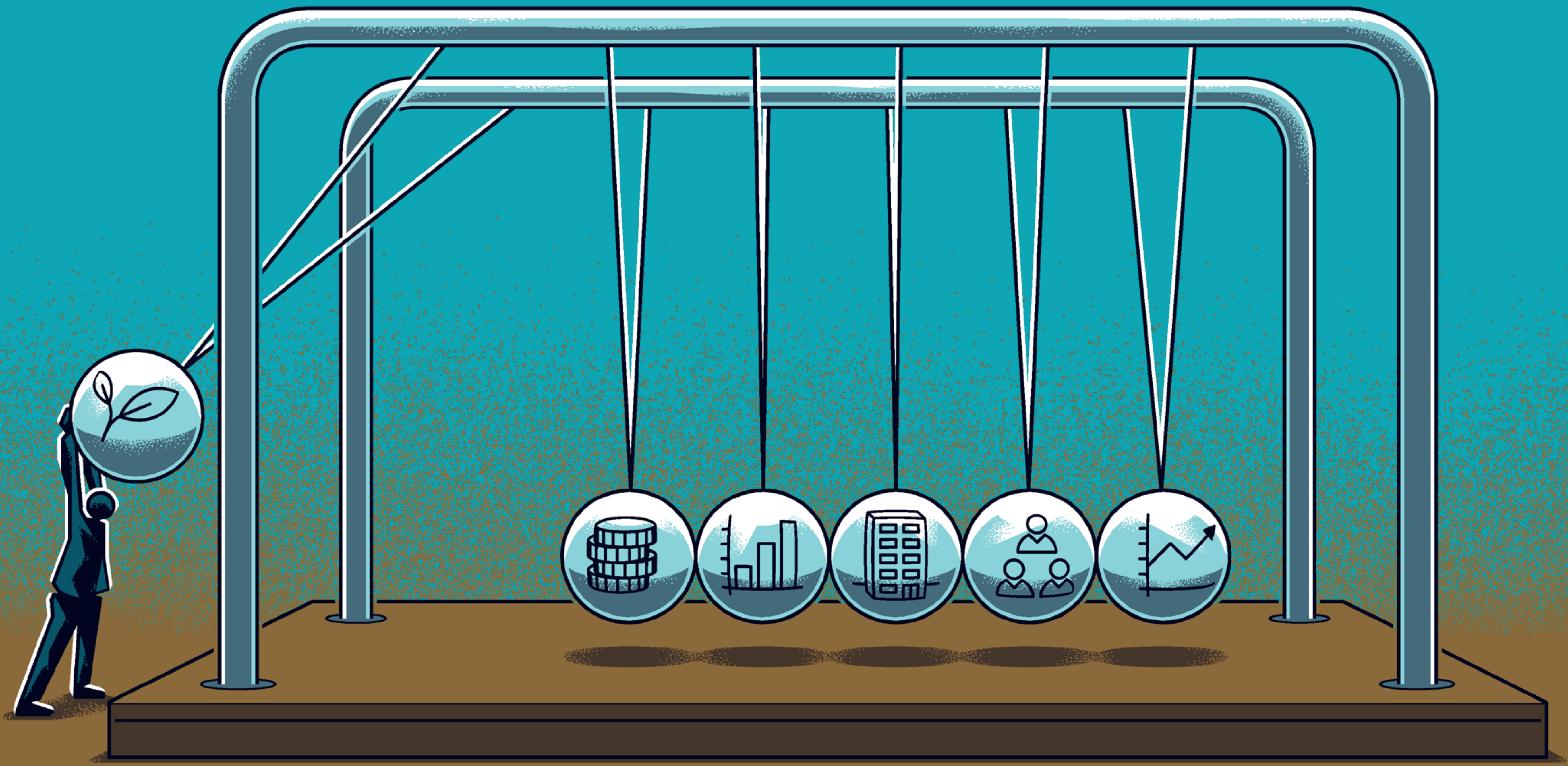
Moral Money Forum

FINANCIAL TIMES

How to get more impact into investing



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"To ensure a growing adoption of impact strategies, it is imperative investment managers deliver measurable impact and at least equivalent performance through the cycle compared to 'traditional' strategies"

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"Secondaries investors are showing interest in impact investing strategies, with several of the larger investors having recently launched dedicated secondaries impact teams that focus on delivering market rate returns"

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Foreword

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Financial returns are paramount for most investors — something that's unlikely to change in the foreseeable future.

Yet impact investing strategies — which put equal or greater weight on environmental or social impacts — are on the rise. Long a marginal feature of the financial landscape, such funds now manage more than $1.5tn, according to the Global Impact Investing Network. Some of the world's most powerful private equity firms, including Apollo and KKR, have been getting in on the action with impact fund launches.

The sector's growth could have important implications for the global response to challenges ranging from climate change to disease. Yet important questions abound.

Should funds in this area pursue market-rate returns, or should they expect to sacrifice some capital gains to maximise impact? How should they measure that impact — and is it a problem if different fund managers use a range of different approaches to do so? Will impact investing remain a discrete investment strategy, or can these principles be adopted more broadly in financial markets?

These are some of the issues explored in this latest Moral Money Forum report, with a deep-dive article from Sarah Murray and pieces from our partners Vontobel and White & Case. We hope you find it a rewarding and useful guide to this increasingly important part of the global asset management industry.

Simon Mundy
Moral Money Editor
Financial Times

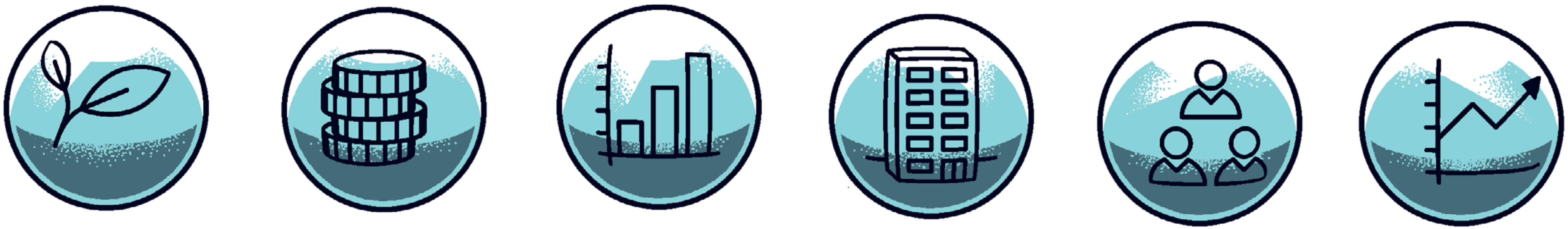


Illustration: Matt Kenyon

How to get more impact into investing

The impact investing market has been growing rapidly. Whether its tools and techniques can be applied more broadly remains to be seen, writes *Sarah Murray*

In 2006, while managing an impact venture capital fund at JPMorgan Chase, Nancy Pfund decided to invest in a clean energy start-up that was developing electric vehicles. Colleagues were sceptical. Would electric cars, they asked, really transform the auto industry? No, was the consensus. But today, almost one in five cars sold globally is electric. And the name of the start-up? Tesla.

For Pfund, who in 2008 founded impact-focused venture capital firm DBL Partners (taking the venture fund with her), Tesla's trajectory offers striking evidence that investments intended to bring about positive social or environmental impact can perform well financially. "Impact investing has the potential to catalyse systemic change," says Pfund. "And it's not on the margin — it's part of the business opportunity."

Back when Pfund was making her bet on Tesla, impact investors tended to be philanthropists deploying "catalytic capital" — investments that, in return for social impact, came with lower-than-market-rate returns or meant accepting higher risk for longer periods of time.

This is still how many see impact investing. "That's the massive cultural hurdle," says Sarah Gordon, a former Financial Times business editor and a visiting professor in practice at the London School of Economics' Grantham Research Institute. "The overwhelming perception still is that impact investing is by nature concessionary."

Even so, more investors are developing impact investing strategies that they believe can deliver market-rate returns. The Global Impact Investing Network now puts the value of investments whose purpose is to make a positive impact and a financial return at more than $1.57tn globally, after compound annual growth of 21 per cent since 2019.

Impact investments are generally seen as those targeting enterprises or funds whose explicit purpose is to make a positive impact, unlike those made using an environmental, social and governance lens, which screen out companies with high ESG risks or focus on companies that can show they are improving their societal footprint.

Impact investing's growth comes as ESG funds have started falling out of favour. Outflows from ESG funds have arisen partly from a US political backlash against "woke" capitalism and partly as a result of weak financial performance by many clean energy companies amid higher interest rates.

However, concerns have also been growing that ESG strategies do more to de-risk investment portfolios than to promote sustainability. A focus on risk screening can, for example, lead to excluding companies in emerging markets or in transition sectors such as energy, where many opportunities for impact exist. "I'd argue that ESG risk screening delivers the opposite of positive impact in many cases," says Gordon.

Jennifer Pryce, chief executive of Calvert Impact, a non-profit investment firm, points to one way in which the ESG fallout has been helpful. "It did educate the market that impact investing is something different," she says. "There's a lot more understanding that, at its core, impact investing is thinking about investment for solutions."

Impact investing has some way to go before it reaches the scale of ESG-focused investments, which were worth more than $30tn in 2022, according to Bloomberg. While ESG funds have been active investors in publicly listed equities and bonds, impact strategies have been deployed primarily in the much smaller private markets.

"I find this a bit frustrating," says Maria Teresa Zappia, deputy chief executive and chief impact and blended finance officer at Schroders' impact investing arm BlueOrchard, which has been developing listed debt and listed equity impact strategies with a select group of fund managers at both BlueOrchard and Schroders.

"Even with a strict selection process on the impact side, there is an investment universe [in public markets] that is diversified and has all the bells and whistles that impact investors are looking for," says Zappia, who is also global head of sustainability and impact at Schroders. "Listed equities are where we need to go next."

With barriers ranging from perceptions of risk to lack of measurement metrics, this will be easier said than done. Yet there is a growing sense that moving the needle on sustainable development will require going beyond growth in the impact investing market itself.

"It's not that there's no future for pure impact investing," says Gordon. "It's more that impact investing concepts need to be integrated more successfully into mainstream investing."

Putting impact into words

Among the factors Erika Karp believes is hampering broader adoption of impact investing is a divergence in definitions. "Some believe every investment has impact, which engages the public markets, and some think that by definition [impact investment must be] catalytic," says Karp, founder of Cornerstone Capital, now part of family office investment adviser Pathstone. "The problem with the former is you have the issue of greenwashing. The problem with the latter is that it's very hard to scale."

Karp is not alone in finding the language surrounding impact investing unhelpful. For Gordon, the very word "impact" can be exclusive rather than inclusive, placing the investment approach into a silo. "The biggest barrier to impact investing is people thinking it's a side hustle, something you do on top of the main event, which is your investing," she says.

Of course, for those analysing the size and state of the market, coming up with a definition is unavoidable. To be included in the GIIN's data set, for example, organisations must demonstrate an intent to create positive environmental or social impact and show that they are seeking a financial return and measuring the results of their investments.

Impact investors also aim to achieve "additionality" — that is, they should be able to show that their positive societal impact would not have been possible without the company's products or services or the capital supporting its growth.

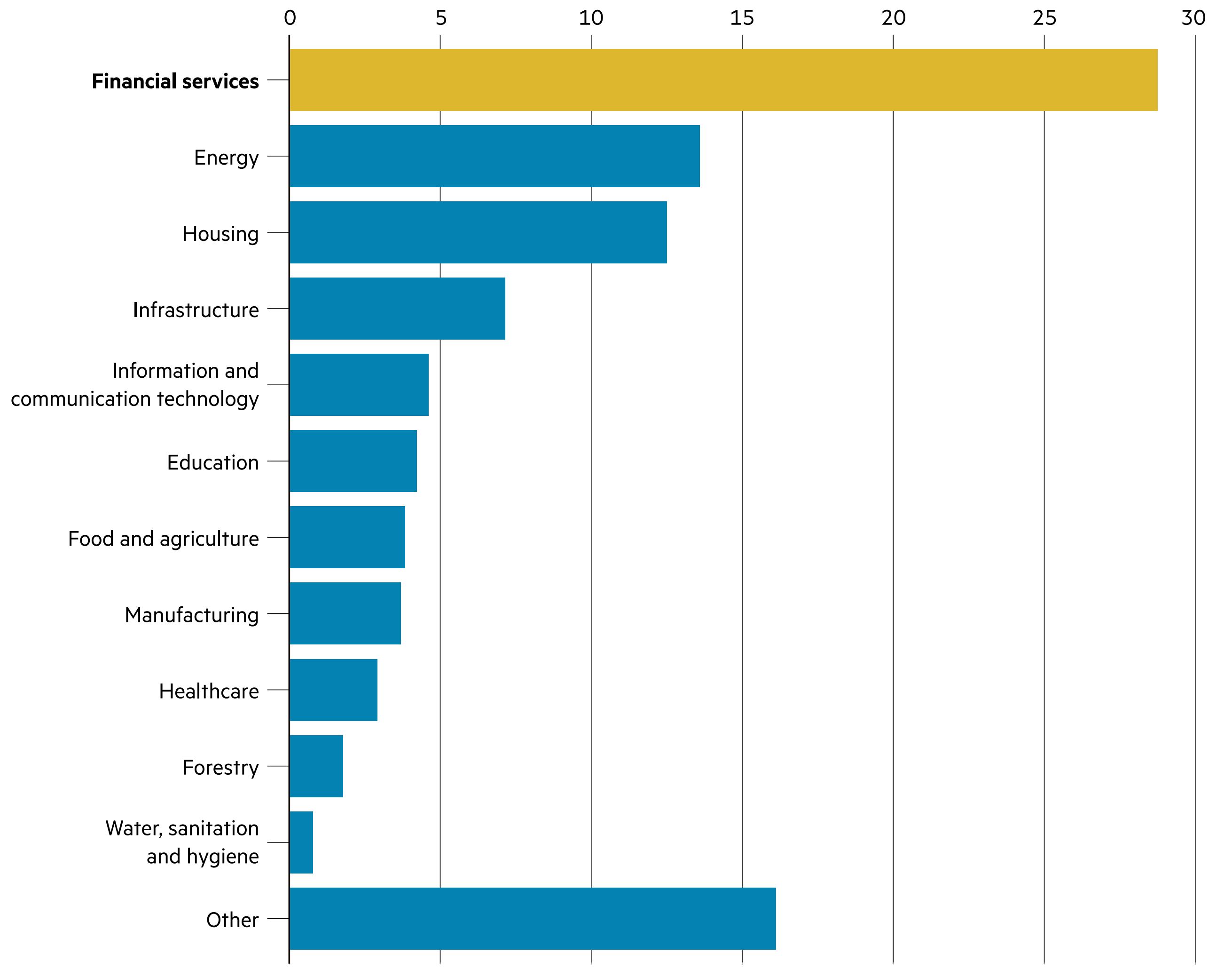
Dean Hand, GIIN's chief research officer, sees this as impact by design, not by default. "Any investor is going to have an impact of some sort," she says. "We're isolating the investments that are intentionally trying to do that."

Not everyone worries about such distinctions. With a dual mandate of maximising financial returns for its 6mn pensioners while supporting economic development in Canada's Quebec province, the $330bn pension fund CDPQ uses the term "constructive capital".

"We don't position ourselves as an impact investor per se. That's not the terminology we use," says Yana Watson Kakar, managing director and head of Americas at CDPQ. "But impact investments are made with the intention of generating measurable positive social and environmental impact — that's us."

Financial services are a key target area for impact investors

Impact investors' allocation by sector (%)



Source: Global Impact Investing Network, 2024

A place for the purists

With a $16bn endowment, the Ford Foundation has more money than most to spend on changing the world. And for much of its history, its endowment was invested to generate a financial return that could pay for grantmaking and operational costs. But in 2017, the foundation made an announcement: it would use $1bn of its endowment to seek "concrete social returns" as well as financial returns.

Aside from its sheer size, Ford's commitment was similar to those of the many philanthropists and foundation executives who at the time were making investments that would deliver lower-than-market rates of return but greater social or environmental impact than a philanthropic grant.

It's a practice that continues to thrive, particularly as many ultra-rich young people inheriting family wealth seek to define themselves as impact investors rather than as philanthropists, and as more foundations have followed Ford's example by tapping into their endowments to make "mission investments" that advance their philanthropic goals.

While it is only a tiny slice of the sustainable investment market, many see this catalytic capital as playing an important role. "It's absolutely critical," says Bella Landymore, co-chief executive of the UK's Impact Investing Institute. "Some activities that need funding are never going to be fully commercial."

Many of these types of impact investors also use their investments to bring others on board. In 2017, the Ford Foundation made this clear. "The move sends a signal to other foundations and institutional investors that perhaps the time has come to consider the potential of impact investing," it said in announcing its $1bn commitment.

Catalytic capital often helps fill funding gaps for projects that, because they are in emerging markets, are in challenging political environments or involve technology risk, are seen as too risky by mainstream investors.

"That type of risk-taking, boundary-pushing philanthropy needs to keep at it," says Georgia Levenson Keohane, chief executive of the Soros Economic Development Fund at the Open Society Foundations. "Because there is so much it can do that the more commercial field can't."

Liesel Pritzker Simmons — a member of the billionaire Pritzker family, which made its fortune through the Hyatt hotel chain — highlights the constraints facing some mainstream investors, particularly pension funds. "Their job is to keep safe and increase the value of the hard-earned dollars of pensioners," says Pritzker Simmons, whose Blue Haven Initiative family office makes both market-rate and catalytic impact investments. "Where something has too much risk or a slightly lower return as a market is being built, let's use philanthropic capital."

In addition, says Landymore, investors who are prepared to take lower-than-market rates of return can help bring commercial investors to the table. "It's providing that runway, that first loss and buffer through risk mitigation tools so other private capital can crowd in," she says. "That's where it's most needed."

An expanding investment universe

As impact investing has made its way into the commercial corners of the capital markets, its growth has been most rapid in private asset classes, with venture capital and private equity offering opportunities for impact investors to build portfolios of high-growth companies.

Today, some of these portfolios have large amounts of assets under management. DBL Partners, for example, manages more than $1bn while private equity giant TPG manages $25bn of impact-oriented capital in its Rise, Rise Climate and Evercare Health funds.

Lyel Resner, an MIT visiting faculty member, sees growing opportunities for impact-focused venture capital investments in tech founders who are using an alternative to the typical Silicon Valley model to build their companies. "It's a different set of skills from the move-fast-and-break-things approach," he says.

"And the good news is that there are plenty of people who are moving with intention, building trust and creating exceptional companies."

Real estate is another asset class that can lend itself to impact investing. According to Better Society Capital (the UK social impact investor formerly known as Big Society Capital), the highest concentration of impact investments by UK pension funds — which BSC says make up 21 per cent of the country's impact investors — is in social and affordable housing.

LSE's Gordon argues that what she calls "place-based impact investing" can improve lives in specific underserved regions while offering market-rate returns for institutional investors. "We need decent, affordable housing so children aren't living in poverty," she says. "The housing problem is an impact problem."

For now, impact investing allocations to public equities are small, at 7 per cent of total assets compared to the 43 per cent of impact funds allocated to private equity, according to 2024 GIIN data.

Even so, this may be changing. When we asked FT Moral Money readers which asset classes were best suited to impact investing, venture capital topped the list, at 36 per cent of respondents. But while private equity ranked second at 27 per cent, so did public equities, also at 27 per cent.

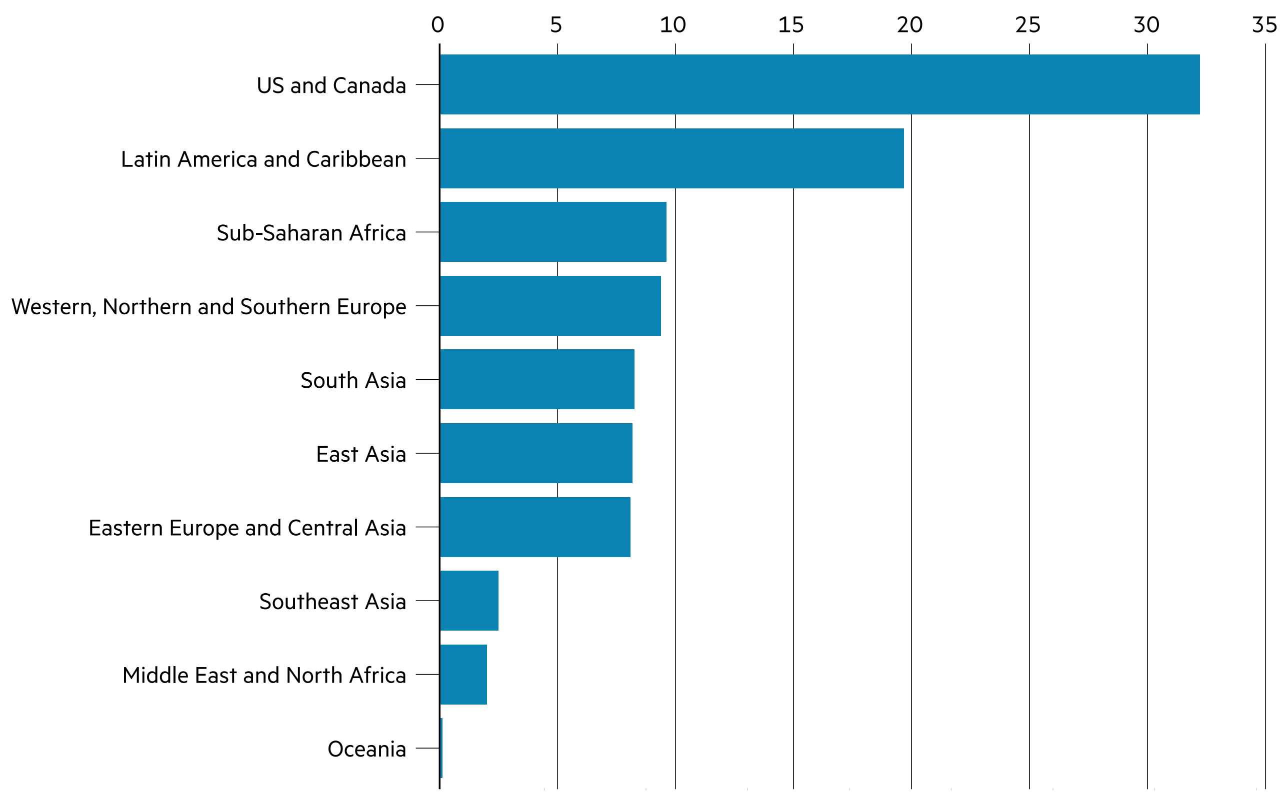
GIIN's Hand sees a shift emerging in the data. "The volume of capital allocated to listed asset classes is growing at a far faster rate over a five-year period than the allocations to private markets," she says.

In data the GIIN collected from more than 300 organisations in the first three months of 2024, large investors managing more than $500mn in assets held 92 per cent of the total assets held by the 300 organisations surveyed.

Hand also sees large investors such as pension funds beginning to seek not only to boost the retirement income of their members, but also to use their investments to help members to retire in a more equitable and environmentally sustainable world. It is, she says, a new focus on "changing the context that may affect their beneficiaries down the line."

Impact investors have invested heavily in North America...

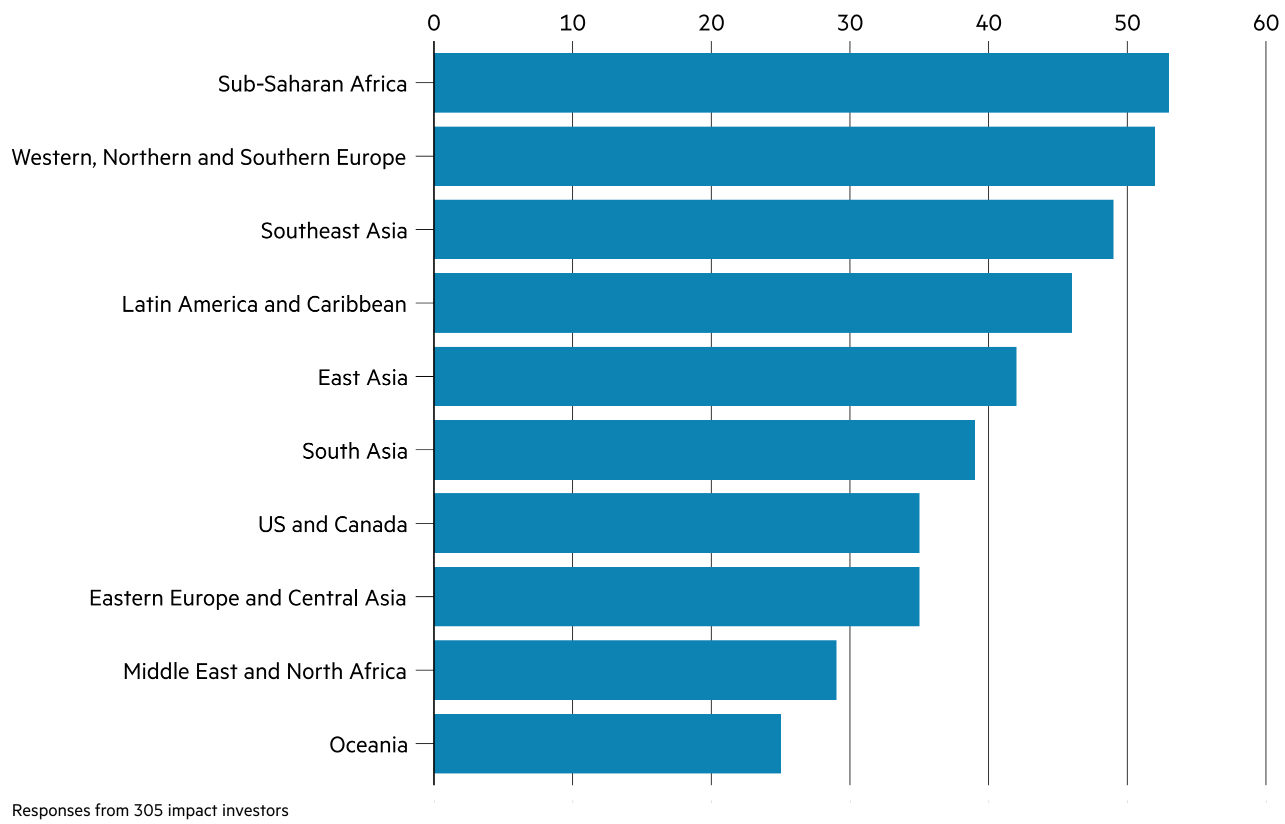
Asset allocation to regions (% of total)



Source: Global Impact Investing Network, 2024

...but are planning to increase allocations elsewhere

Impact investors planning to increase allocations to regions over next five years (%)



Responses from 305 impact investors
Source: Global Impact Investing Network, 2024

Seeking impact in listed equity

If some are frustrated by the pace at which impact investing is permeating public markets, the experience of Axa Investment Managers demonstrates why it cannot happen overnight.

To ensure that its impact investments make a difference, the investment management team at Axa IM selects companies whose products or services provide solutions to social or environmental problems, explains Anna Väänänen, its head of listed impact equity.

She cites the firm's biodiversity strategy. This includes investments in agricultural technology companies that are, for example, developing systems that use computer imaging and machine learning to target only weeds with pesticides. This reduces the use of environmentally harmful chemicals while avoiding unnecessary crop damage.

Initially, many of the impact investments by Axa IM were in young, small-scale businesses based on unproven technologies. "Many start-ups didn't make it and ended up having zero or very little positive impact," explains Väänänen.

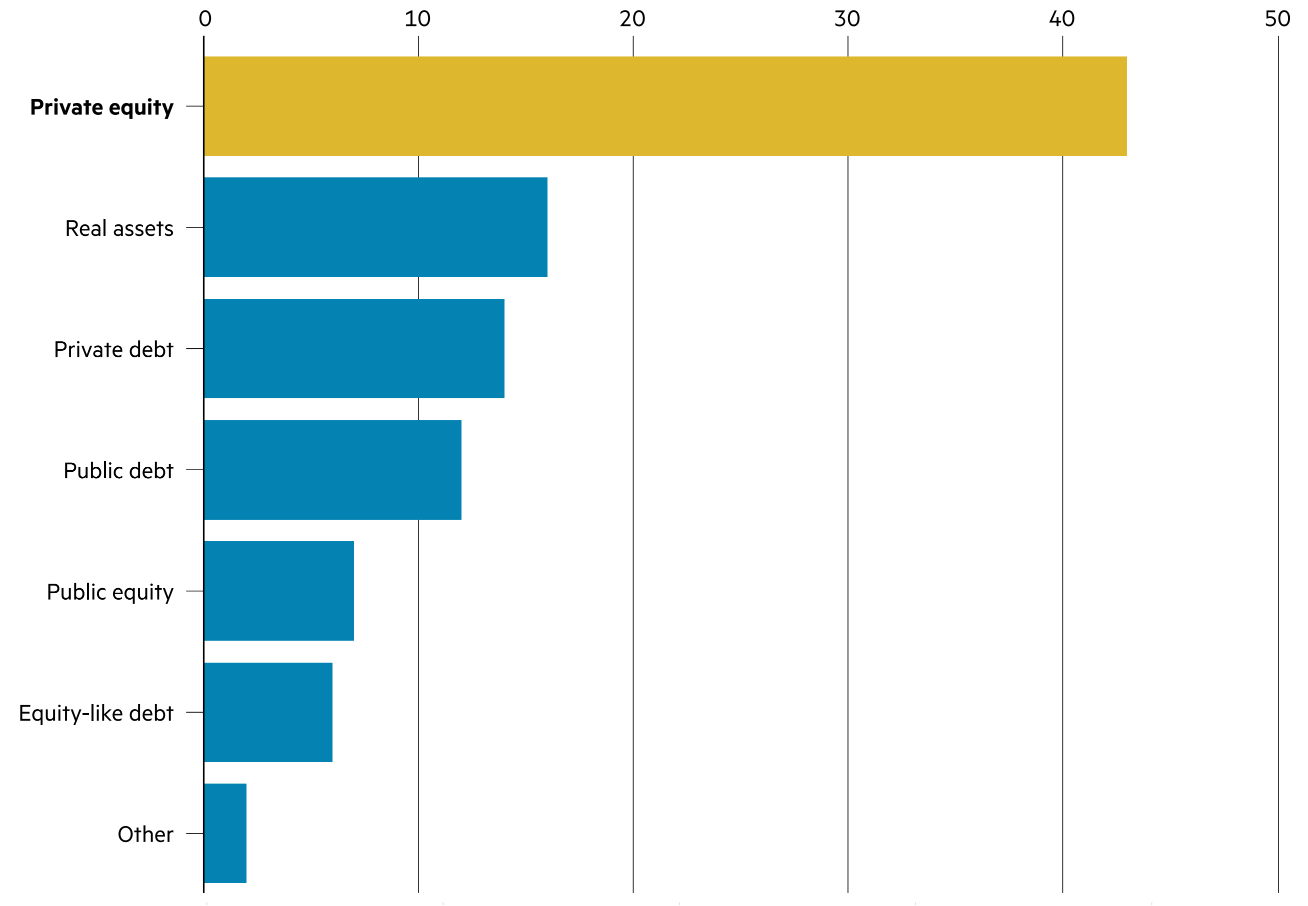
As a result, her team refined its listed equity impact strategy. As well as screening companies for their potential positive impact, it now also builds its portfolios using strict financial criteria, selecting companies with proven technologies that can demonstrate growth potential and that have differentiated products and pricing power.

"As they grow, and their profitability and cash flow increases, they can continue to invest in R&D and drive change," says Väänänen. "That's the profile we're looking for."

Of course, in listed equities, this leaves fewer options. "It's not that there are hundreds of companies like this," says Väänänen. However, because they now meet the firm's financial as well as impact criteria, those her team now selects can deliver something all impact investors are seeking. "These companies have a very big impact," she says.

Private equity accounts for the lion's share of impact investment

Impact investors' allocation to asset classes (%)



Source: Global Impact Investing Network, 2024

Putting a number on impact

Among the barriers to impact investing that FT Moral Money readers picked, a lack of metrics for assessing positive social or environmental impact ranked second, at 30 per cent of respondents.

Calls for better measurement tools and increased transparency have long been heard across the sustainable finance landscape. Yet Gordon says that much has changed since 2019, when she entered the world of impact investing. "In the five years since then we've made incredible progress on transparency and standards," she says. "This could move quite quickly."

Some of that progress has been the result of collective efforts. For example, between 2016 and 2018, the Impact Management Project brought together more than 3,000 companies and investors to hammer out consensus on how to measure and disclose both positive and negative impact.

Other efforts have taken place in-house. TPG's approach to measuring impact as rigorously as financial returns was to develop Y Analytics, a system that uses data, evidence and third-party research in its impact assessments.

As well as the ability to measure impact, BlueOrchard's Zappia says that demonstrating correlations between positive impact and financial performance will be critical to expanding impact investing practices across mainstream markets. "There is interest in new asset classes," she says. "But the elephant in the room, which is financial performance going hand in hand with impact, is still there."

For this reason, BlueOrchard is working with Oxford university's Saïd Business School to track the relationship between impact and financial performance across its portfolio, starting with listed equities. "Preliminary results show a positive correlation," says Zappia.

More and better data could also help solve a problem identified by Pryce of Calvert Impact: a lack of nuance in the market. "Different impact investors have different types of profiles," she says. "Some are longer-term, some shorter-term, some carry more risk and need a higher return, some take on lower risk so should carry a lower return."

In Pryce's view, the absence of differentiation between different types of impact investors is another factor leading to the focus on whether or not impact investing delivers market-rate returns. "It devolves into a binary conversation," she says.

Priya Parrish, chief investment officer at Chicago-based Impact Engine, whose venture capital and private equity investments target market-rate returns, also sees the need to identify nuances in impact investing. "There are funds out there that are not targeting market rate on purpose because there's a quantity of impact that would not be possible at market rate returns," she says. "That may not be appropriate for all institutions, but it is for some."

Moving to the mainstream

If impact investing is having a moment in the sun, a future where an impact lens is applied to all investments remains some way off. And among the obstacles are two factors commonly cited as hampering efforts to push all private capital in a more sustainable direction: the relentless focus of investors on short-term profits and lack of regulatory signals.

When we asked FT Moral Money readers what they thought was holding back impact investing, the focus on short-term gains over long-term value topped the list, as did the failure of regulation to force appropriate pricing of negative externalities. Some 40 per cent of respondents pointed to both as key barriers.

Worries over policy gaps unite many advocates of more sustainable capital markets — including impact investing. "The pricing in of externalities is fundamentally a regulatory challenge," says Gordon. "At the moment a positive impact is seen as extra and meanwhile all these companies are not paying for their negative externalities."

Blue Haven's Pritzker Simmons agrees. Real progress, she argues, cannot be achieved through the voluntary efforts of the private sector. "For a very long time businesses have not had to pay for the messes they make," she says. "The world cannot afford to subsidise this kind of sloppy accounting."

Prospects for global government action on these issues have taken a knock as a result of Donald Trump's US election victory, given that he has strongly opposed tighter environmental and social regulations on business.

Government intervention aside, some argue that applying an impact lens to all investing requires a shift in mindset from asset allocators. "It's not a niche pursuit or a carve-out," says Landymore of the Impact Investing Institute. "It's a more expansive view of risk and a more intentional approach to creating opportunities."

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Vontobel

Embracing the potential of impact investing in public markets

Christel Rendu de Lint

Impact investing originated with philanthropists and then ethical investors who were primarily focused on "doing good". But to truly effect change and attract the required amount of investment, impact investing needs to broaden its scale and genuinely appeal to as wide an investor set as possible. This can and will be best achieved whenever ethical outcomes do not come at the expense of financial performance, but in addition to it. At Vontobel, we refer to this as investing for a double dividend. The investment universe also needs to expand from private assets in select sectors to include global listed equities to allow for scale.

As the investor base expands, credible and universally accepted metrics are required to maintain the integrity of impact investing. As a member of the Global Impact Investing Network since 2020, Vontobel has actively contributed to the working group that sets strict global guidelines for this approach in public equities. This is critical since impact investing still lacks full uniformity in both terminology and data. The importance of reliable data cannot be overstated as it ensures that investments deliver measurable real-world results. As a fiduciary, we believe in transparency and regularly publish impact reports that detail our full methodology, assumptions and any limitations of our framework.

Regulation is not a panacea

There is a widespread perception that investing into businesses making a positive impact can only be profitable if supported by a change in regulation or policy. This rationale is widely held for good reason: businesses striving for positive impact often repair what public services are not in a position to adequately address or provide a novel service focusing on a yet unserved societal need. In the absence of policy support, these businesses would often face too high an entry barrier, in terms of costs or size of the initially addressable market, making it difficult to compete with "traditional" businesses and thus to get the new service off the ground. However, once the conditions for a new market are established — or a path for market substitution is clearly communicated to investors — the influence of regulation and policy diminishes. In some cases, it can even generate an adverse effect by stimulating supply beyond demand, weighing on profitability. Many segments of renewable energy faced similar challenges over the past 18 months.

This dynamic becomes particularly relevant in the context of changing political landscapes. Some investors are concerned that a halt, or even a reversal, of previous climate friendly government policies will have a detrimental influence on the future returns of impact investments. While this may be true for some investments, there are mature segments of the market where the convergence of production costs and scale have already occurred, making them less dependent on policy support or economic conditions.

The climate transition: leveraging a long-term structural shift

Impact investors typically have a deep-rooted commitment to the secular shift of the economy towards a more sustainable future as laid out in the globally ratified objectives of the Paris Agreement, the Kunming-Montreal Global Biodiversity Framework, and the UN's Sustainable Development Goals. As governments and private entities adopt targets set by these global accords, demand for advanced infrastructure is poised to accelerate, especially for decarbonisation and sustainable urban planning. This sets the stage for fertile investment opportunities in impact strategies.

A groundswell of support has already created a healthy foundation to capitalise on these opportunities. Investments in low-carbon energy transition technologies surged 17 per cent to a new annual record of $1.77tn in 2023. Global energy transition investments also outpaced fossil-fuel supply investments by nearly $700bn that year. However, capital directed towards a more resource-efficient energy transition still needs to increase significantly. It is estimated that the global annual investment to achieve net zero climate targets by 2050 represents an approximate $200tn accumulated opportunity — the equivalent of about 2 per cent of annual global GDP. This forecasted investment level suggests substantial inflows into the target universe of impact strategies.

Many clean solutions are attractive and cost competitive investments, regardless of policy support, incentives, or subsidies. Both established and disruptive companies that leverage climate change can provide innovative and scalable technologies that address major global issues, such as depletion of resources or rising pollution. These companies have the potential to outperform their peers and gain market share, particularly if they possess robust balance sheets and superior long-term profitability.

Targeting a double dividend

At its core, impact investing is about targeting a double dividend. Given the estimated needs for transition and green financing, we believe that the success of impact investing in public markets is critical to achieve the necessary scale. To ensure a growing adoption of impact strategies, it is imperative that investment managers deliver measurable impact and at least equivalent performance through the cycle compared to "traditional" strategies.

For investors, the critical consideration becomes the trade-offs they are willing to accept between short-term deviations from market performance in exchange for long-term gains. This willingness could expand the appeal to a wider range of investors, thereby strengthening the positive impact on both the environment and society.

Advisory Partner

Sustainability under the microscope: legal considerations for impact investors
Alex Chauvin, Lavanya Raghavan, Robert Nield and Janina Moutia-Bloom

In a choppy private fundraising environment, asset allocators to private markets face difficult choices. Does one stick to the path well-trodden by allocating capital to existing managers running classic fund strategies, or back emerging managers launching newer strategies with less rigorously tested theses? The tendency to minimise risk, has, however, not been enough to stymie the recent proliferation of impact funds in the market. Impact funds come in all shapes and guises, from maiden single-country focused sustainable forestry funds to buyout behemoth-sponsored global energy transition funds.

As asset allocators to private markets increasingly consider impact criteria in their own portfolio of fund investments, their discussions with sponsors are getting more detailed, and so are their contractual provisions in the fund documentation. A decade ago, investors seeking detailed criteria linked to tangible impact outcomes tended to be development finance institutions backing emerging managers, often in emerging markets. Larger, conventional institutional investors in private markets would have settled for the fund manager simply confirming that it had seen a copy of the investor's policies and commitments around sustainability and corporate social responsibility, or, at a push, that the fund manager was a signatory (or would otherwise have regard) to the UN Principles for Responsible Investment.

The market has come a long way from the nebulous commitments of managers to monitor ESG improvements in their portfolio investments. Impact funds are demonstrating that creating and/or contributing to positive social or environmental outcomes through portfolio investments is not at odds with aspiring to, and achieving, financial returns commensurate with more traditional private funds. Of course, in an industry that has been reluctant for decades to move away from the traditional "two and twenty" model, it is hardly surprising that only a small minority of managers are willing to embed impact-linked metrics on calculation of carried interest or performance-based fees.

More frequently, we see fund managers retaining dedicated impact specialists (usually engaged by the manager centrally and deployed across all relevant fund products) to provide investors with additional comfort regarding the approach to investment diligence and ongoing operation. Special governance measures are also increasingly being introduced such as a dedicated ESG subcommittee of the investor advisory committee that will have relevant matters for consideration and approval referred to them. In part, this is attributable to the lack of uniform standards and metrics for assessing impact outcomes.

To begin with, there is no definition of impact investing that has been universally adopted by private market sponsors or investors. For example, a strategy that focuses on investments in technology venture capital companies in emerging markets would not traditionally have been viewed as an obvious proposition through an ESG lens, but from a wider impact perspective, shows tremendous potential for sector disruption. Such disruption could lead to a positive social or environmental impact through, for example, financial inclusion, or the development of blockchain solutions which could deliver more sustainable infrastructure. Strategies would also need to take account of potentially negative social or environmental impact such as distributed ledger technology facilitating financial crime, or blockchain validation processes requiring excessive energy consumption and electronic hazardous waste.

The importance of impact investing is not only rising in the context of primary investments (when the fund is open to new investors) but has recently also permeated the burgeoning secondaries market, comprising transfers of existing fund interests, fund restructurings and other transactions aimed at providing liquidity to investors. In traditional secondary transactions, investors acquire fund interests from existing investors, to gain exposure to identified companies held by a given fund. Because of the stage of the fund's life in which secondaries investors enter the fray, there is often no room for such investors to negotiate forward-looking side letters (being bilateral agreements between the fund and the investor covering a range of issues on which the investor seeks more specific contractual comfort, from ESG to economic entitlements).

Therefore, more emphasis is placed on the due diligence of the actual assets that have been acquired by the fund and, for the impact-minded investor, making sure the strategy meets certain key performance indicators. This can help mitigate the risk of investors being accused of greenwashing, or being faced with regulatory enforcement risk in view of the anticipated substantial evolution (particularly in Europe) of sustainable finance disclosure rules, such as the relevant regulatory technical standards and published guidance with respect to the EU's Sustainable Finance Disclosure Regulation (SFDR). Despite expected changes to the SFDR regime, national authorities indicate that they will ramp up enforcement in its present form, in connection with existing practices.

Secondaries investors are increasingly scrutinising existing or contemplated impact investing strategies, with several of the larger investors having recently launched dedicated secondaries impact teams that focus on delivering market rate returns. Impact investors' emphasis on market rate returns has been seen in the purchase and sale agreements for these secondary fund interests exposed to portfolio companies engaged in delivering impact outcomes. Such agreements usually include a purchase price that reflects a discount to the fund's reported valuation, as agreed between the seller (the existing investor) and the buyer. Of note, the discount for impact investing portfolios tends to be steeper than traditional buyout fund interests (in the order of 30 to 50 per cent), given the higher risk associated with these strategies. The pricing itself is an indication that impact investors are seeking to derive a financial return in addition to promoting systemic change.

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