

# Do impact investments deliver on their promise? Assessing mutual funds as vehicles for retail impact investments

# Munich Business School Working Paper 2019-01

#### Julian Klaiber

Email: <u>Julian.Klaiber@munich-business-school.de</u>

Barbara Scheck, Prof. Dr.

Email: Barbara.Scheck@munich-business-school.de

Christian Schmidkonz, Prof. Dr.

Email: Christian.Schmidkonz@munich-business-school.de

Munich Business School Working Paper Series, ISSN 2367-3869

#### **Abstract**

Impact investing aims to allocate capital in a way that it creates social and environmental impact simultaneously to a financial return. This investment strategy has received growing interest recently, and while it was associated mainly with institutional and high net-worth investors, the investing approach is currently on the verge of breaking into the mainstream market. As one of the most prominent investment vehicles among retail investors, impact mutual funds have the potential to be a driver for the growth of the impact investing industry and to unleash private capital to overcome the funding gap for societal issues.

Against this background, a sample of 102 mutual funds was studied relying on a qualitative content analysis of publicly available fund reports. The results of the research show that the majority of funds miss the defining aspect of impact investing to measure the generated impact. Based on these findings, mutual funds are considered investment instruments of limited suitability for mainstream investors pursuing an impact investing strategy.

#### Introduction

In the light of a growing awareness for global uncertainty, widespread social inequality, exploitation of third world countries, and an inexorable depletion of natural resources, consumers around the world increasingly express a demand for changes in the economic systems. The vision of a more sustainable, conscious future has become an essential factor in the public discourse, urging corporations to responsible, transparent business practices — including fair working conditions, environmentally conscious manufacturing processes, equal pay, and responsible farming methods, to name a few.

This momentum did capture the financial world, too. Just as consumers rethink purchase decisions, a rising number of investors aim to align their investments with their moral ideals and ethical values. Latest since the financial crash in 2007 resulting in a global economic crisis, pursuing a purely on return maximization focused strategy lost validity. Instead, also non-financial aspects as how an investee handles stakeholder interests, and which impact it creates on the environments it operates in, play a role in today's capital allocation decisions (Bouri et al. 2018).

In this context, under the term impact investing (II) an investment strategy has emerged that helps to bring the resources of the world's financial markets to fight societal problems. It encompasses the idea that private capital can intentionally create positive ecological and social impact in addition to financial returns (Addiset al. 2013).

II has raised growing interest over the past, and while it was long associated mainly with institutional and high net-worth investors, the investing approach is currently on the verge of breaking into the mainstream market. Several banks and financial firms – among them name-brand players such as Goldman Sachs, Morgan Stanley, and BlackRock – have recognized the potential of II to attract consumers and have launched retail products over the past years marketed as impact investments.

While these dynamics are essential to push II to a crucial point of scale, they are also seen as a risk for 'impact washing' (Mudaliar et al. 2017). Particularly large-scale institutions with background in for-profit investment are associated with an exploitation of the impact label for marketing purposes without sincere interest in societal value creation.

In a young industry that lacks uniform definitions, standards, and certifications, the assessment of an actor's true impact intention and realization is a critical issue. Facing a variety of products that are tagged as ethical, responsible, green, socially sustainable etc., notably retail investors – investors with limited expertise and resources – are likely to fall victim of impact dilution. By purchasing products with ambiguous impact integrity consumers are not only deceived in their intention to unleash the power of capital for good but also exposed to subpar financial performance. As several empirical studies found, environmental, social, and governance (ESG) factors are indicators for long-term market outperformance or reduced risk. This, as David Bank, CEO and Editor of ImpactAlpha, states, "makes impact washing not just bad marketing, but bad investing" (Bank, 2018).

Consequently, the main objective of this study was to understand whether mutual funds constitute a suitable investment vehicle for retail investors who aim to allocate capital in a way that creates social and environmental impact alongside a financial return. Existing research in the field of II to this point was mainly concerned with the

<sup>&</sup>lt;sup>1</sup> For example, Deutsche Asset & Wealth Management conducted a meta-analysis of more than 2,000 studies on SRI performance and concluded that companies with high ESG ratings outperform the market over the medium to long term.

financing of social innovation by venture capital, philanthropy, high-net-worth individuals, and public funds. However, since II moves into the mainstream market and mutual funds count among the most popular financial products with retail investors, existing insights should be transferred and extended to meet this development. Relying on a qualitative content analysis, this study aims to provide insights into how mutual funds implement and comply with the key defining characteristics of II, namely the commitment to intentional and measurable impact as well as an attractive financial yield.

#### The emergence of impact investing

Following social principles in investments is not a completely new movement – its beginning can be traced back to religious groups in the early 19<sup>th</sup> century – but it gained relevant traction under the term socially responsible investing (SRI) over the recent past (Berry & Junkus, 2013). SRI refers to the process of negative or positive screening of investment targets in the investment decision-making (Bettignies & Lépineux, 2009): Negative screening refers to the traditional understanding of SRI of filtering investment targets for non-investable criteria. For example, many investors exclude companies operating in the weapon or tobacco industries from their investment horizons. Positive screening – also termed best-in-class investment selection – on the other hand is the practice of investing consciously in organizations that perform better along sustainability aspects than their peers, or in certain sectors like renewable energy (Hill, 2011).

A second strategy that gathered steam over the past decade is ESG investing. It is characterized by the evaluation of companies under consideration of non-financial – environmental, social and governance – factors with the objective to make "more complete investment analyses and better-informed investment decisions" (Hayat & Orsagh, 2015, p.2). In traditional investing, the intended purpose of ESG integration is not to apply social values to investment decisions, but to consider whether ESG factors contribute to or detract from the value of a given investment opportunity. For sustainable investors the incorporation of ESG data is a source of information to make deeper and more comprehensive analyses and well-founded investment decisions.

Impact investors go further and direct capital actively towards organizations, corporations, and innovators pursuing societal challenges. Through global frameworks such as the United Nation's Social Development Goals (UN SDGs) objectives are given to end poverty, protect the planet and ensure the global well-being of human beings. And while they are commonly considered as desirable, the funding remains a critical issue. Just to achieve the SDGs in developing countries 3.9 trillion USD are needed annually according to estimations of the United Nations. Thereof, public and philanthropic funds are said to be able to cover 1.4 trillion USD, leaving an annual gap of 2.5 trillion USD (United Nations, 2014). This gap makes the case for the private sector as financier of social initiatives.

In this context, II is arguably the most innovative and promising instrument of today. Impact investors reject the notion that pursuing wealth accumulation and addressing social and environmental issues are mutually exclusive objectives (Credit Suisse & Schwab Foundation, 2012). Like philanthropists, they intend to create outcomes that are beneficial for the common good and otherwise would not be achieved. But they connect the requirement of financial sustainability to it (Brest & Bron, 2013). The maxim is 'doing good by doing well'.

Thus, II makes the claim that a trade-off between impact creation and profit generation is no longer applicable and positions itself in the long-existing void between philanthropy and for-profit investment:

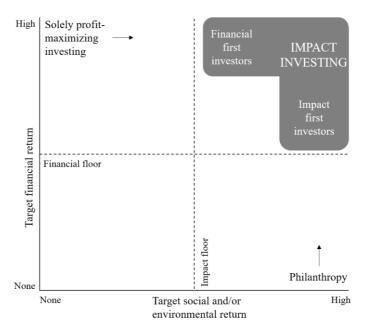


Figure 1: Categorization of impact investing (Adapted from: Freireich & Fulton, 2009)

Following the definition by the Global Impact Investing Network (GIIN), a non-profit organization dedicated to increasing the scale and effectiveness of II around the world, impact investments are

"investments made into companies, organizations, and funds with the intention to generate social and environmental impact alongside a financial return. They can be made in both emerging and developed countries, and target a range of returns from below market to market rate, depending upon the circumstances "(Saltuk & El Idrissi, 2015, p.11).

II is not uniformly defined across academics until now. However, as the definition by the GIIN (or similar formulations) is widely referred to in theory and practice, it provides the basis for the understanding of II in this paper.

This definition implies three core characteristics of II:

- Intentional impact: investments are made only into projects or organizations with the objective to positively influence society or environment. Social return is a vital component of the investment strategy.
- Measurable impact: the impact created by the investment needs to be measurable. Impact performance is included in the evaluation of the investment.
- Profit orientation: impact investors strive for a financial return. Preservation of the principal is the minimum requirement (O'Donohoe et al., 2010; Stirling, et al., 2018; Rangan, et al., 2011).

Socially Responsible Investing and Impact Investing are often interchangeably used terms to express the same investment strategy. Nevertheless, under consideration of these characteristics it becomes apparent that II is a more proactive approach towards creating impact. The objective is not to reduce the harm an investment causes but to maximize the positive outcomes (Brest & Bron, 2013). Additionally, academics attest SRI investors a greater demand to achieve market rate returns (Spiess-Knafl & Scheck, 2017). By contrast, the terms Social Impact Investing, Social Investment or Blended Value Investing are commonly used as synonyms for II (Calderini et al., 2018; Hochstädter & Scheck, 2014; Wilson et al., 2015).

	Profit	Socially responsible	Impact	Impact only	
	Delivering competitive	e financial returns			
		Reducing harm Pursuing ESG opport	ınities		
			Focusing on high-imp	act opportunities	
Investor profile	Limited or no regard for societal challenges	Mitigating risky ESG practices or adopting progressive ESG practices that can generate market competitive returns	challenges that generate	Addressing societal challenges that cannot generate financial returns	

Figure 2: Distinction between investing strategies (Adapted from: Wilson, Silva & Richardson, 2015)

The term II was coined in 2007 during a meeting at the Rockefeller Foundation when a group of investors came together who have performed II in form of microfinance or green technology investments even before the term existed (Bugg-Levine & Emerson, 2011). Since then, it was a leading subject among the Giving Pledge's 2012 convening, a topic on the World Economic Forum Annual Meeting in Davos in 2013, and on the agenda of former Prime Minister of the United Kingdom David Cameron at the G8 meetings in June 2013 (Drexler et al., 2013).

Amongst the early pioneers in the II industry count organizations as Ashoka, GIIN, Acumen Fund or B Labs. They lay the foundation for the development of the industry by proofing the viability of the II concept, developing standards and guidelines, and promoting exchange among different stakeholders. With increasing track records and professionalization, the interest in II has grown substantially among a variety of practitioners and service providers. While the worldwide II market was valued with just 4.3 billion USD in 2011, it advanced to 135 billion USD in 2015. Forecasts expect this value to reach 307 billion USD by 2020, some even see potential of up to 1 trillion USD (Maximilian, 2013, p.5; O'Donohoe et al., 2010). This means, II still is a niche compared to the 111 trillion USD in total financial assets under management (AUM) in 2020 globally (PWC, 2017). Nevertheless, assuming even the rather conservative

market size of 307 billion USD in 2020, the resulting compounded annual growth rate of 17.8 % from 2015 on is remarkable.<sup>2</sup>

Industry growth is currently boosted by the entering of large-scale firms like Morgan Stanley which raised its first global impact fund in 2017 (Higgins, 2017). By developing mainstream II instruments, they are likely to bring much needed capital in the early stage market and push II to a meaningful point of scale. Furthermore, the involvement of experienced financial institutions will enhance professionalization, ease the flow of capital, and strengthen the profile of II (Bouri et al., 2018).

#### The impact investing ecosystem

II combines investors with differing thematic impact intentions and backgrounds. Capital allocation is not restricted to a particular societal issue but usually is aligned with the UN SDGs. While II was long associated mainly with microfinance, the scope of action extended and at time of this writing, housing, energy and microfinance comprise the sectors with the highest share of AUM (Mudaliar et al., 2017). The spectrum of capital providers ranges from high-net-worth individuals to foundations, banks, pension funds, or insurance companies. Besides an orientation towards impact, investors need to be able to deploy assets and evaluate performance over the long-term as II strategies are long-term in their nature as societal change usually takes time to materialize. Therefore, impact capital is also related to the expressions "slow money" or "patient capital" (Roundy et al., 2017).

#### Participants in the II ecosystem include:

- Investors: individuals, foundations, family offices, development finance institutions, pension funds, insurance companies etc. who provide capital
- Investees: for-profit or non-profit enterprises that are funded in order to pursue an impact purpose
- Intermediaries: commercial banks, investment banks, financial advisors, consulting firms etc. that link stakeholders, help to create liquidity, structure deals, lower transaction and information costs, and reduce risk

<sup>&</sup>lt;sup>2</sup> Figures about the II market size vary among different sources. This can be explained by a differing definition and classification of II. The given numbers are regarded as reasonable by the authors as they are compatible with the GIIN Annual Impact Survey 2017. Results of this survey indicate that 209 of the most relevant impact investors manage 114 USD in II assets in 2017. (Mudaliar et al., 2017, p.13)

- Enablers: governments, development agencies, international organizations etc. that enact regulations, promote transparency, and create an attractive environment through incentives, tax reliefs, or subsidies
- Beneficiaries: stakeholders who benefit from the created impact through improved social or environmental conditions (Drexler et al., 2013, p.12ff; Wilson et al., 2015, p.23ff.).

Even though it is still in an early stage, the II environment is therewith built up similarly to traditional financial markets. Industry progress and the ability to build critical mass will depend on the different stakeholders working together to develop assets, tools and best practices.

To meet impact and financial criteria simultaneously, impact investors promote the incorporation of business concepts in the social sector. They are optimistic about the role businesses with capitalistic traits can play for the society, particularly for leveraging social innovation (Bugg-Levine & Emerson, 2011). Innovation is a key value driver for organizations as well as societies but a glance on commercial start-ups shows that it requires essential financial resources and undergirding ecosystem to flourish. In an environment which historically has been slow in coming up with breakthrough solutions, additional capital will help to attract new talent, develop new products and expand services (Bettignies & Lépineux, 2009).

Impact Investing									
Cash & Cash Equivalents	Investment Funds	Public Equities	Fixed Income	Infrastructure	Real estate	Other Real Assets			
Investment of cash assets into community banks or local financial institutions that serve low-income individuals and social enterprises	Investment in private equity and venture capital funds making debt and equity investments in impact enterprises	Investment in publicly listed impact enterprises	Investment in bonds issued by governments, corporations or financial institutions resulting in capital flow to social enterprises	Investment into facilities or structures of a society, e.g. into a wind power plant	Investment in properties or property projects that sought to solve social or environmental problems, e.g. affordable houses	Assets that produce long- term value to society and the environment, e.g. sustainable forestry			

Figure 3: Impact investing across different asset classes (Adapted from: Drexler et al., 2013)

Similarly, II is not limited to a geographical focus or to investments in developing countries. In fact, research shows that most impact capital is allocated to the USA and Canada, and Europe (Mudaliar et al., 2017). Thereby, most investors target enterprises

in the seed or growth stage, which is in concordance with the intention to spur young innovation (Saltuk et al., 2013).

#### Impact investing for retail investors

To date, II takes place mainly through institutional investors. Retail investors – individuals and household who purchase securities for their personal accounts with their savings or pension so far play only a minor role. This may be understandable given the early stage of the industry and the low degree of standardization. In addition, lower net worth and legal restrictions on the accessible investment vehicles compared to accredited investors automatically limit the possibilities of participation in financial markets for individuals (Harjiet al., 2016). Just a fraction of total II assets is available for retail investors and the market can be considered still relatively untapped. Yet, first banks, financial institutions, and fund managers in the US and Europe started to develop mainstream products to meet an increasing consumer demand for investment options that reflect social and environmental values. Individual investors, too, are interested in putting their capital to work for positive change (Bouri et al., 2018).

Especially millennials and women show a high interest in II. Compared to their parents or grandparents, millennials – the generation born between 1980 and 2000 – not only have a greater sense for corporate responsibility but also a greater ambition to align investments with social, political or environmental convictions. Similarly, women are twice as likely as men to consider financial and impact return in capital allocation decisions (Morgan Stanley, 2015). Both at the same time account for the groups with the largest deployable funds within the coming years. Due to a generation shift, millennials are expected to inherit 30 trillion USD over the next 40 years in North America alone (Pigliucci et al., 2015). Similarly, a study by the Boston Consulting Group estimates that women will be responsible for 5 trillion USD of incremental spending on goods and services within the next years (Silverstein & Sayre, 2009). Hence, the two groups build the key target audience for II retail products.

At this point, it is worth again to look at the development of the SRI as related investing approach. The SRI market, too, has long been dominated by institutional investors but opened up for retail investors over time. With a larger number of investment products available, the proportion of retail assets among total SRI assets in the USA, Canada

and Europe grew to 26% in 2016 up from 13 % in 2014 (Global Sustainable Investment Alliance, 2017).

Triodos Bank, Calvert Foundation, RSF Social, Finance or Wellington Management were among the pioneers to offer retail II products in form of mutual funds and community investment notes (Mudaliar et al., 2018). Major financial institutions followed suite: in 2012, Morgan Stanley launched its Investing for Impact Platform to provide consumers resources and tools to invest in line with their ethical believes and values. Shortly after, Goldman Sachs launched the GS Social Impact Fund, Blackrock the Impact US Equity Fund, and Barclays the Multi-Impact Growth Fund.

Further investment possibilities for individuals with impact orientation include fixed-income products such as green bonds or social impact bonds issued by governments and companies, or exchange traded funds that invest in companies with a commitment to responsible business principles. The latter often concentrates on one thematic focus, for example, the SPDR SSGA Gender Diversity Index ETF invests only in US companies that have a high share of women in executive positions. Recently, a number of online platforms emerged to offer easily accessible, uncomplicated investment instruments with low minimum investment requirements. These include crowdfunding and peer-to-peer platforms like StartSomeGood, robo-advisors like Swell Investing, Motif or OpenInvest, and online platforms for alternative saving accounts like CNote.

In general, retail investors are assumed to have lower financial expertise and fewer resources at hand to assess, screen and manage investments (Harji et al., 2016). Most commonly, they refer to data, estimations and recommendations of intermediaries, fund managers, advisors or other third parties in their financial decisions. In the context of II, an independent analysis and evaluation of investments is further complicated because besides financial information also impact aspects are to be incorporated. The lack of common definitions, standards and processes makes it nearly impossible for an individual to assess whether a company truly generates blended value. This creates a huge dependency on the impact commitment of intermediaries and the associated diligence in measurement and reporting. At the same time, it makes retail investors particularly likely to fall victim of the before mentioned issue of impact washing. To strengthen the credibility of II and to mobilize further retail capital it needs to be ensured that products marketed under the impact label are aligned with the II principles and intermediaries fulfill their fiduciary responsibility. If this is given and matched

with a stimulation of the awareness for II and an enlargement of the product portfolio, consumer capital can become a relevant contributor to bridge the UN SDGs funding gap (ABN Amro & Triodos Investment Management, 2016).

#### Measuring the impact of impact investing

Leaving financial aspects aside, at the heart of II lies the objective to create social or environmental impact. Even though the focus for many impact investors lies on funding businesses targeting underserved populations or bottom of pyramid markets, this shall not be mistaken as II per se (Arosio, 2011). Similarly, investing into a poor country does not automatically classify as II (Bugg-Levine & Emerson, 2011). As defined previously, the critical aspects of II are the intentionality and measurability of impact (Graham & Anderson, 2014).

Thereby, impact is described as the difference in outcomes between what happened due to a given action and what would have happened anyway (Olsen & Galimidi, 2008). Alternatively, it is defined as significant and lasting change triggered by a given action or series of actions (Roche, 1999). Brest and Born note that investors create impact only if the quantity or quality of the investee's output is increased "beyond what would otherwise have occurred" (Brest & Born, 2013, p.24). The impact value chain has become a popular tool to illustrate the difference between outputs, outcomes, and impact. As final stage along this chain, impact is the sum of outcomes triggered by the inputs, activities, and outputs of a social organization, adjusted for uninfluenced factors that contribute to increasing or decreasing the impact of the organization (Crutchfield & Grant, 2008). In contrast, the prevalent definition of impact in Continental Europe, understands impact as the long-term effects of interventions that go beyond the primary target group and reach additional beneficiaries, while outcomes refer to the change effected within the primary target group (Epstein & Yuthas, 2017).

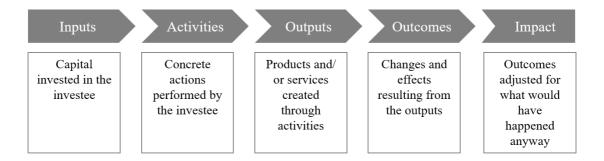


Figure 4: Impact value chain from the investor's perspective (Adapted from: Clark, Rosenzweig, Long & Olsen, 2004, p.7)

While every form of investing has some social or environmental impact, for II it needs to be intentional and not a product of coincidence. Impact investors are to develop and follow a theory of change, or impact plan that illustrates how and why a desired impact is to happen and how the stages of the value chain are interconnected (Hornsby & Blumberg, 2013). With a reasoned and consistent theory of change, investors strengthen the aspect of impact generation as a superordinate element in the investment strategy and prevent the danger of impact dilution.

To articulate their intention – something that is neither tangible nor can be expressed in numbers – impact theses or mission statements are employed by many investors (Saltuk & El Idrissi, 2015). For example, Microlumbia states: "The Microlumbia Impact Fund supports financial inclusion in underserved communities around the world, while educating and inspiring the next generation of impact investors" (Microlumbia, n.d.). Additionally, investments commonly are linked to one or more impact objectives. These help to narrow down the societal issue that is tracked and serve the investor and investee as a strategic guideline on the one, and performance evaluation criteria on the other hand (Hornsby & Blumberg, 2013).

Impact objectives commonly evolve around the themes microfinance, food and agriculture, clean technology, healthcare, housing, ecotourism, transportation, and education (Svedova et al., 2014). Most investors target social and environmental objectives simultaneously, while a greater portion targets primarily social objectives than primarily environmental objectives (Mudaliar et al., 2017). Thereby, they are often inspired by aims formulated in overarching concepts as the UN SDGs. Due to their global nature and broad thematic bandwidth, those 17 goals address intentions of different investor types and with their 23 underlying performance indicators form an adequate

framework for identifying, evaluating and quantifying impact. De facto, most investors actively track the performance of their assets against the UN SDGs (Mudaliar et al., 2017).

While the intention to create positive change is a prerequisite, impact assessment is a further essential feature of II. Just as assets are evaluated from a financial perspective, they are examined on the tangible impact they effectively generate to determine the total blended value return (Hill, 2011).

To overcome the subjectivity bias of intentionality, impact measurement as part of impact assessment is a particularly crucial and inevitable aspect of II (Social Impact Investment Taskforce, 2014). Without objective, transparent and accurate data on environmental and social return, impact investors cannot ensure they are achieving positive change and II would not differ from traditional investing. Investors reportedly measure impact to better understand the effects of an investee's activities and to leverage the process of value creation (Hornsby & Blumberg, 2013). Insights are valuable along the entire investment lifecycle, be it upfront during the due-diligence process, for ongoing performance tracking, or for exit considerations (Olsen & Galimidi, 2008).

Additionally, the quantification of non-financial value is crucial for the external communication. With respect to the growing interest in II, not only the number of players in the industry rises but also the concern for impact washing. Particularly, name-brand financial institutions are associated with the risk of mission drift. The measurement and disclosure of non-financial data is vital to earn trust of stakeholders and establish a legitimacy as impact creator (Schiff, Bass, Cohen, 2016). Relevant criterion for external communication is that data should be understandable, relevant, universal, and comparable (Social Impact Investment Taskforce, 2014).

The measurement of impact is considerably more complex than the tracking of financial performance because of the intricacy of placing values on societal outcomes (Brest & Bron, 2013). It requires investors and ventures to translate impact mission and goals into metrics based on which assets can be monitored, evaluated, compared and benchmarked. Only due to data-driven assessment of social return, objective statements can be made, and the credibility of impact generation enhanced (Mudaliar et al., 2017). Thereby, any direct or indirect outcome created by a venture shall be considered irrespective of whether it was triggered by the product or service after it was placed in the

market or along its value chain (Olsen & Galimidi, 2008). Performance indicators might be for example the number of workers who received job-related training, of solar panels installed, or of households connected to running water because of a newly built well.

Among the challenges in identifying of and reporting on metrics is that impact can be multidimensional, not intuitively apparent or takes effect only in the long-term (Reeder & Colantonio, 2013). Additionally, the thematic diversity of social or environmental values is broad and target groups might be affected which go beyond the primary beneficiaries (Spiess-Knafl & Scheck, 2017). As a result, impact assessment so far focuses mainly on evaluating outcomes and outputs rather than the additional value created through an investment (Mudaliar et al., 2017).

Another challenge is that while assessing financial return has become a familiar practice quantifying social return still is in a nascent phase. Even though a majority of investors conducts some form of impact measurement, until today, there is no uniform approach or system for doing so (Bouri et al., 2018). As the most prominent tools for impact assessment, the Impact Reporting Investment Standards (IRIS) and the Global Impact Investing Rating System (GIIRS) emerged (Toniic, 2016). Both tools aspire to set standards that are fundamental to facilitate the process of measurement, to allow comparability across the industry and to lower diligence costs. They orientate towards financial analysis systems as the Morningstar rating and include more established sustainability concepts as ESG integration (Reeder & Colantonio, 2013). Based on these methods, most investors develop proprietary frameworks that fulfill self-defined criteria.

## Assessment of mutual impact investing funds

### Methodology

With respect to the growing interest among individuals to participate in the investing for good movement we evaluated mainstream investing products on their compliance with the concept of II. For this study, we developed an assessment framework tied to the objective of identifying if and to what extent instruments meet the expectations connected to the strategy and orientate towards the approaches and practices of more established II vehicles.

A great number of investment products accessible for retail impact investors are mutual funds. A mutual fund describes a professionally managed investing scheme that pools money from many investors to invest in multiple stocks, bonds and other securities. It is an investment vehicle that enjoys great popularity among individuals because it requires limited financial knowledge and provides access to a diversified portfolio even with a small amount of capital. Mutual funds differ i.a. in asset weighting, geographic focus and thematic specialization (Law, 2018). Since large-scale banks and financial institutions recognized the demand for more sustainable investment products, the number of mutual funds tagged with the terms impact, ethical, fair, green etc. rose sharply. While investing directly in companies, e.g. in form of stocks, requires the review and analysis of single enterprises, fund investors allocate capital under considerations of a fund's top-level performance, investment strategy, and management. Consequently, the framework is geared towards examining funds as a whole, not single investments and issuers of securities. Moreover, the objective is not to evaluate the quantity or quality of impact created by the respective fund but to identify if true impact creation is pursued at all, irrespective of the target beneficiaries or the sector of influence.

The framework was developed to allow an assessment with publicly available information and comprises the high-level defining characteristics of impact investing, namely (1) the intention to generate social impact, (2) the assessment of this impact and (3) the achievement of a financial return with this investment. The valuation model used a three-point Lickert scale to rate performance on the three variables based on the following principle:

- The score of 1 indicates requirements/ expectations of II are not fulfilled.
- The score of 2 indicates requirements/ expectations of II are partially fulfilled.
- The score of 3 indicates requirements/ expectations of II are fully fulfilled.

#### (1) <u>Intention to generate social impact</u>

The intention to generate social impact was assessed by looking at the publicly available information of the fund objectives and screening process. By including the actual selection of portfolio companies, we wanted to ensure that impact objectives are not only ornately communicated but are also truly adhered to when making an investment decision. For example, a pure investment selection based on the popular approach of negative screening would not meet the requirements of an impact investment.

In the case of mutual funds, specific objectives of change serve managers as reference points in determining the investment universe and as criteria in the composition and evaluation of the portfolio. For retail investors on the other hand, they are essential to compare the fund's focus with their own impact intention and preferences, and to recognize a fund's differentiation from other assets or forms of investing. This requires an explicit, understandable formulation and communication, be it in fund prospectuses or as mission statements. Considering that mutual funds unite several – frequently up to 100 or more – securities of different issuers in their portfolios, objectives should be formulated broad enough and "indicate only the general direction of intended actions" to not limit the investment universe too strongly (Ireland & Hirc, 1992). Otherwise, a desirable diversification within the portfolio for the purpose of risk mitigation is not realizable. By setting the targeted spheres of impact in the context of the UN SDGs, the categorization of the intended value creation is even clearer and decision-making is further facilitated for the investor.

For the assessment of the metric, the understanding of impact as significant and lasting change shall be considered (Roche, 1999). As has been stated, impact investors do not aim to only reduce harm but to actively create good. Consequently, the objective of the respective fund shall reflect a proactive intention to deliver change for the better. Funds that invest in companies that respect social and environmental aspects or perform better than their peers in sustainability issues but do not actively contribute to the development of societal value do not meet the aspirations of II.

The score of this criterion was thus awarded as follows:

- 1 point: no impact/sustainability objectives/screening at all.
- 2 points: generally formulated impact objectives and non-financial screening criteria, such as ESG performance.
- 3 points: precisely formulated impact objectives, e.g. contribution to SDGs.

#### (2) Measurement and reporting of social impact

This metric is to assess if and to which degree the respective mutual fund measures the impact created by its investments. Measurement processes are analyzed on their integrity as well as their comprehensiveness. Furthermore, a differentiation is made between measuring the avoided damage or saved external costs and the impact, defined

as a lasting contribution to societal challenges by the investment that otherwise would have not occurred.

We thus evaluated the assessment of the achieved societal change by the fund management as well as its public communication to the investors – as this is the only way for them to reconstruct and verify this criterion. Thus, the score was set-up accordingly:

- 1 point: no reporting of non-financial data at all. This also includes the measurement of non-financial performance that is not reported and thus accessible for the investor.
- 2 points: non-financial data is measured and reported, incl. ESG data.
- 3 points: non-financial data that represents real impact is measured and reported. Measurement and reporting of ESG data would not be sufficient.

#### (3) Financial return

Impact investments aim to achieve a financial return alongside the social impact reimbursing at least the nominal capital. With respect to the market rate orientation, II funds are to achieve returns comparable to those of common mutual funds. Considering the differentiation between impact first and finance first investors, there is, however, some leeway to fall below market rates without being excluded from the II scope. For this study, financial return is determined as total trailing return to include both income (in the form of dividends or interest payments) and capital gains or losses (the increase or decrease in the value of the mutual fund), account for management, administrative and other operational fees. This key figure is commonly reported on and accessible via fund prospectuses or third-party online platforms. If available, the total trailing return over a three-year horizon is considered to evade short-term fluctuations in financial markets. The performance of each mutual fund is measured against an individual benchmark matching the market characteristics of the respective fund, such as geographical or asset class focus. Performance data on the funds and their benchmarks was derived from Morningstar. The score was set-up as follows:

- 1 point: the fund achieves 20% or less return of its benchmark.
- 2 points: the fund achieves 21-80% return of its benchmark.
- 3 points: the fund achieves over 80% return of its benchmark.

#### Data

For this study, we assessed 102 mutual funds. A list of relevant funds was identified by combining the databases of The Forum for Sustainable and Responsible Investment and Morningstar, whereby the database of latter was screened for funds that match the search terms 'impact', 'sustainab', 'responsib', 'ethic', 'green', 'sri', 'ecology', 'fair', 'esg', 'social', and 'purpose'. Funds meeting the following criteria were included in the research sample:

- The fund is an open-end mutual fund.
- The required minimum initial investment is not above 2,500 EUR or its equivalent in any other currency.
- The total fund volume is not lower than 60 million EUR, or its equivalent in any other currency.
- The fund does not track an index, except the index is developed by the management or within the organization of the respective mutual fund.
- The fund has not more than 10% of its AUM invested in governmental securities.

The sample is not restricted to a specific portfolio strategy, geographic alignment, market focus, or capitalization spectrum. The respective funds might not be available for investors in every country.

The framework was developed to allow an assessment with publicly available data. As consequence, the research is based on information gained from investment prospectuses, sales brochures, annual reports, websites, analyst recommendations, or other publications of the respective research subject. The restriction to open data is justified by the objective to simulate the situation of a retail investor who in investment decisions is commonly restricted to openly accessible information. Financial data is derived from Morningstar dating back to 30/06/2019.

#### **Results**

#### (1) Intention to generate social impact

The research found that less than a quarter of the examined mutual funds pursue and communicate precisely formulated impact objectives, hence concentrate their impact intention thematically on a specific area within which social or environmental value

will be created. This includes for example, the Parvest Aqua Fund, which claims to invest in securities of companies that provide technology, products and services relating to the water value chain, such as water distribution, management, treatment and analysis as well as irrigation of water. Going beyond the declaration of certain impact objectives and looking at the actual screening process, these funds include – on top of exclusionary and ESG screening – the assessment of the social mission and the contribution to transition themes reflecting the UN SDGs in the analysis of potential investees. Furthermore, it is examined whether and how this contribution is a value driver for the business; thereby, it is ensured that portfolio companies have a lasting interest in and commitment to impact creation. The concrete criteria by which issuers of securities are assessed, or the data relied on are not communicated. In the case of the Dual Return Fund-Vision Microfinance – a fund granting loans to microfinance institutes – it is pointed out that the screening process includes on-site visits of the institutes and their borrowers to verify that investments actually generate impact. The majority of funds – nearly three-quarters of the sample – state to invest in securities of companies that make a positive contribution to environment and society, but these contributions are not further specified or classified into spheres of action. Rather, they have very generally formulated aims of preserving nature or improving the quality and safety of human life. These funds screen for companies that perform superior than their peers on sustainability criteria and evaluate them on their ESG ratings and their involvement in sustainable growth themes according to the best-in-class concept. Relevant nonfinancial data is partially collected based on proprietary questionnaires sent to companies, but mainly is derived from external providers, particularly MSCI ESG Research and Sustainalytics. In addition, the evaluation of ESG data is either covered by inhouse analysts and follows a proprietary ranking system, or is done in cooperation with partners. To account for the differing sustainability issues and opportunities affecting companies, the assessment is industry-specific and differentiates among the weighting of relevant aspects. While this process of target screening may ensure that investees operate responsible and sustainable, it is not focused on identifying companies that go beyond that and drive positive change. Thus, it is suitable for SRI but only limited for II.

None of the analyzed funds does not have neither impact nor sustainability aspects directly integrated in the investment objective and selection process. Negative screens are deployed by all funds and demonstrates the lowest commitment to contributing to

societal change. These investment policies in most cases imply the exclusion of companies that generate more than 5-10% of their revenue from the sales of weapons, tobacco, pornography, gambling, or that do not comply with the ten principles set out in the United Nations Global Compact.

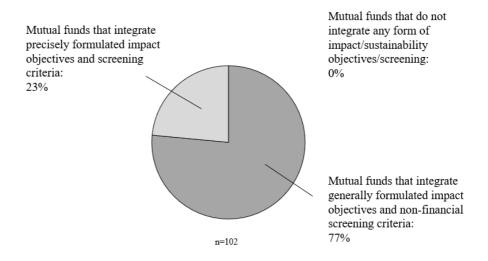


Figure 5: Categorization of examined mutual funds by intention to generate social impact (Based on authors' own research)

Having a closer look on the mutual funds with concrete impact objectives, most focus specifically on environment-related themes or regard them as key priority among others. Particularly the topics energy efficiency, renewable energy, water infrastructure, and sustainable food and agriculture are favored. Only around 20% concentrate exclusively on social issues. A possible explanation for this tendency might be that the clean technology sector is comparably well-developed and represented on public markets and therefore accessible for fund managers.

Within the category of funds with concrete impact objectives, about half refer directly to the UN SDGs and determine their investment universe thematically according to one or several of the 17 goals. They openly point out which SDGs are promoted and implement this target setting into the screening process. The difference between funds with precise and imprecise impact objectives can be demonstrated exemplary by comparing those issued by RobecoSAM and those by Calvert Research and Management: The sample includes four funds of RobecoSAM – Sustainable Water Fund, Smart Energy Fund, Smart Materials Fund, and Sustainable Healthy Living Fund – which all clearly differ among each other due to their thematic impact target and their contribu-

tion to different UN SDGs. Contrarily, Calvert Research and Management is represented by 12 funds which all have the objective to generally promote environmental sustainability and resource efficiency, equitable societies and respect for human rights, and accountable governance and transparency. While in the first case, the interested retail investor immediately has an understanding which positive change the allocated money will affect, this is not given in the second case.

The large portion of instruments with rather generally formulated impact objectives might be explainable with the fundamental idea of mutual funds to spread risk by investing in securities of different issuers, sectors and markets. In fact, no fund of the total sample specifies goals connected to an explicit group of beneficiaries or realization time. In addition, the concrete manifestation or the foreseeable quantity of impact is not defined. This too, is likely due to the requirement of a sufficiently broad enough investment universe and a changing portfolio composition.

#### (2) Measurement and reporting of social impact

For this metric, it has been assessed if and how the extra-financial performance of the respective fund and the impact created through its investments is measured and reported. Thereby, a differentiation was made between the measurement of impact — defined as positive contribution to an environmental or social challenge or change that otherwise would have not occurred — and the measurement of reduced societal harm or of performance along ESG standards.

Given this distinction, the analysis reveals that just 2% of the examined funds have processes in place to measure actual impact. Considering that measurability of impact is a key feature of II, this means that the vast majority of funds do not comply with the standards of this strategy.

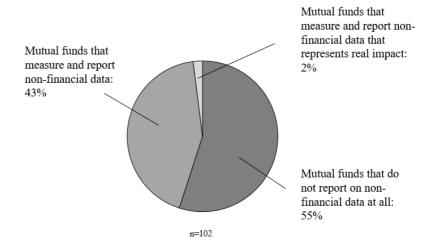


Figure 6: Categorization of examined mutual funds by impact measurement and reporting (Based on authors' own research)

As the results on the screening process of the mutual funds have already shown, the reflection on ESG metrics has become established in the investment industry. All examined funds track the ESG performance of their investees – usually against a benchmark – and include the results in decisions about possible stake in- or decreases. The observation is done at least once a year, in some cases even quarterly, and commonly integrates data from external research providers as MSCI ESG Research, Trucsot, Sustainalytics, Vigeo-Eiris, ISS-Ethix and others. Combined with a regular review that investees do not meet exclusion criteria – e.g. augment their revenue from the sales of tobacco – the tracking of ESG data is particularly suitable to recognise inevitable divestments and to ensure a high level of social or environmental sustainability within the portfolio. However, it does not provide any information about if and which societal added value is generated.

While all examined mutual funds measure the non-financial performance of portfolio holdings at least in some form, only a minority report on it. 55%, of the funds do not report on non-financial performance at all, 25% report at least on the performance along ESG or sustainability metrics accumulated for all portfolio holdings. For example, several funds of Calvert Research and Management publish information about the portfolio's exposure to fossil fuel reserves, carbon emissions, toxic emissions, landfill waste and tobacco. Other aspects commonly reported on include exposure to social controversies, gender diversity, or compliance with international standards and conventions. Performance on the metrics is expressed in scores and compared to a non-sustainability-oriented fund. Again, the numeric score allows investors benchmarking

with other investment products and performance evaluation over time. It should be emphasized that the extent to which sustainability is reported on differs among the funds. Several funds, including two funds of SparInvest or the Domini Impact Equity Fund, communicate merely the carbon intensity of the fund, even though their thematic investment scope goes beyond environmental issues. Overall, a fund's carbon footprint is the most frequently found published information among the sample which suggest that these data are most readily available. Only two funds were identified to measure more precisely how they promote societal change. More specifically, the Dual Return Fund-Vision Microfinance – a fund providing loans to microfinance institutes in underdeveloped countries – measures the number of microfinance investments made, the number of micro-entrepreneurs and families who received microloans, and the monetary value of microloans issued. Strictly speaking, also these metrics are of limited use to determine impact; therefore e.g. the increase in disposable income of the microentrepreneur should be measured. Nevertheless, this approach at least indicates that the fund management is interested in verifying that its investments actually fulfill their intended purpose. (In this case, the management verifies impact creation additionally by on-site visits of the microfinance institutes and their clients.) Furthermore, they meet the demand to be material, reliable, comparable, additional and universal. The second fund is the Pax Global Environmental Markets Fund that measures the renewable energy generated, the water provided, saved or treated, and the materials recovered, or waste treated by the fund. Furthermore, it calculates the fund's net carbon dioxide impact. Therefore, a proprietary system was developed that takes into account secondary data or information gained through direct engagement with the management of portfolio companies. Both funds not only measure, but also report on impact accumulated for the whole portfolio; a breakdown of the performance of single securities is not given. The selection of metrics is considered adequate for investors to understand and evaluate the impact contribution of their capital. They cover information that reflects the fund's impact objectives, that is comparable and enables stakeholders to analyse changes in the fund's performance over time, that is understandable and accessible to stakeholders, and that includes positive and negative aspects of extra-financial performance.

It remains questionable whether the high number of funds that do not measure impact is due to a lack of adequate tools and knowledge, or since these funds do just not generate impact. It is a fact, however, that without measurable data, the management

and optimization of impact is limited to subjective assessments. The undertaking of measures to enhance societal value generation though is in the interest of impact investors and an indicator for intentionality.

#### (3) Financial return

Results of this research confirm findings of previous studies that financial products that respect social or environmental concerns can achieve competitive financial returns. 72% of the examined mutual funds gain profits that are not more than 20% lower than those of comparable, purely financial oriented funds, about 30% even outperform their peers. For this metric, the following picture emerges:

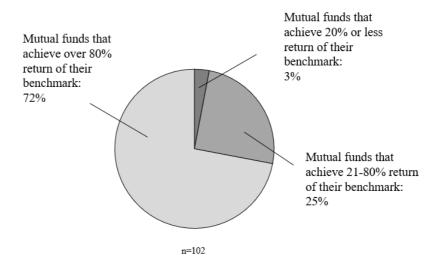


Figure 7: Categorization of examined mutual funds by financial return (Based on author's own research)

The analysis is based on a comparison of the total trailing return of the respective fund against its benchmark – a fund with similar investment characteristics but no impact orientation.

Among the funds, large differences on the level of returns can be identified, with the greatest return being 20.31% and the lowest -1.19%. This trend is explainable due to a differing investment focus and portfolio composition and mirrors the overall financial and economic development at the time of this writing. Hence, funds with a large equity proportion and a technology focus show significant growth rates, while funds with a concentration on European and North American bonds gained only by a few percentage points due to politically triggered low interest rates.

#### **Discussion**

The research intended to reveal if mutual fund investing is an appropriate strategy for retail impact investors. The objective was not to rank the funds and identify the single best performing one, but to discover whether vehicles are available at all that meet the fundamental characteristics and requirements of II. In short, the analysis shows that this applies to a very limited number of mutual funds only. The majority of funds of the assessed sample orientate towards the concept of social and environmental sustainability but miss the defining II aspects to intentionally generate measurable impact. Already the examination whether the most basic processes required to meet these demands are implemented, proofs that almost all funds of the research sample are ineligible as II instruments: only 23% of the funds pursue impact intentions, and only 2% measure this impact and report on it. Even though a larger number of funds includes extra-financial aspects in screening, performance measurement and reporting processes, only for a few these processes can be declared as impact – defined as positive change which otherwise would have not occurred. Merely two funds - namely the Dual Return Fund-Vision Microfinance and the Pax Global Environmental Markets Fund – could be taken into closer consideration to be an eligible II instrument.

However, the former demonstrates an unsatisfactory financial performance. If a market-rate, or slightly below market-rate, return is considered essential for an II vehicle, the investor is currently left with only a single investment option.

The results of the research confirm that sustainability-oriented mutual funds – regarded as funds that integrate extra financial aspects in investment decision-making – overall perform financially on a level with purely for-profit instruments. 72% of the funds of the sample achieve at least 80% of the total trailing returns of their benchmarks, or even outperform them. This finding is in concordance with existing research stating that the consideration of ESG issues positively influences financial returns.

Based on these findings, it must be clearly stated that mutual fund investing demonstrates at the moment a very limited suitability for retail impact investors. The main reason for this is that most funds cannot demonstrate to generate measurable impact and to have implemented processes that would be required for it. While mutual fund investing shall not be considered as incompatible with II per se, this is the case at the time of this writing. Thus, for the moment, the conclusion for impact retail investors

is that the examination of target screening, measurement and reporting processes should be the first step to determine whether the respective mutual is an adequate II instrument. This step will already severely restrict the investment options without requiring further fund analysis. As long as relevant techniques and practices are not established, funds cannot fulfill the defining characteristics of II and investors have to fall back on alternative investment vehicles.

Given the popularity of mutual fund investing among mainstream investors, the development of a greater range of products classifiable as II solution would be highly desirable. Not only would it allow consumers to align investments with their moral ideals and ethical values, it also would account for a major contribution to reach the UN SDGs and to solve societal problems. Consequently, financial organizations but also public institutions, intermediaries, and enablers should have an interest in promoting this progression and support the creation of a favorable market environment.

#### **Limitations and future research**

While the research sample was chosen to be relevant for the research objective, the gained findings may not be representative for the entire population of mutual funds available on markets for mainstream investors. Furthermore, since the research was based on publicly available data, the analysis depended on the quality and quantity of information, which the authors had not influence over. It cannot be fully ensured that relevant information was missed or misinterpreted due to subjective impressions of the author.

The finding that the majority of mutual funds do not qualify as an II strategy opens up a range of starting points for further research to understand the underlying causes. As measurability of impact is among the key challenges in the context of II, of particular interest would be to identify in detail which aspects are most challenging for mutual fund managers when it comes to impact measurement and how they could be overcome. Additionally, since the launch of new financial products targeted at impact investors within the coming years is likely, an observation of the development of the market for impact mutual funds over time is conceivable.

#### **Bibliography**

- ABN Amro & Triodos Investment Management (Eds.) (2016). *Mobilizing Impact Capital from Retail Investors: SDG Investing as the "New Normal"*. ABN Amro & Triodos Investment Management.
- Addis, Rosemary, McLeod, John & Raine, Alan (2013). *Impact-Australia: Investment for Social and Economic Benefit*. Australian Government Department of Education, Employment and Workplace Relations, and JBWere.
- Arosio, Marco (2011). *Impact Investing in Emerging Markets*. Singapore: Responsible Research.
- Bettignies, Henrie-Claude & Lépineux Francois (Eds.) (2009). *Finance for a Better World: The Shift Toward Sustainability*. Basingstoke: Palgrave Macmillan.
- Berry, Thomas & Junkus, Joan (2013). Socially Responsible Investing: An Investor Perspective. *Journal of Business Ethics*. Vol.112, Ed.4, pp.707-720.
- Bouri, Amit, Mudaliar, Abhilash, Schiff, Hannah, Bass, Rachel & Dithrich, Hannah (2018). Roadmap for the Future of Impact Investing: Reshaping Financial Markets. Global Impact Investing Network.
- Brest, Paul & Born, Kelly (2013). When can Impact Investing Create Real Impact. Stanford Social Innovation Review. Vol.11, Ed.4, pp.22-31.
- Bugg-Levine, Antony & Emerson, Jed (2011). *Impact Investing: Transforming How We Make Money While Making a Difference*. San Francisco: Jossey-Bass.
- Calderini, Mario, Chiodo, Veronica & Michelucci, Fania (2018). The Social Impact Investment Race: Toward an Interpretative Framework. *European Business Review*. Vol.30, Ed.1, pp.68-81.
- Chodos, Michael & Johnson, Anne (2017). From Innovation to Practice: Impact Investing Education and Training. Georgetown: Beeck Center for Social Impact Innovation.
- Clark, Catherine, Rosenzweig, William, Long, David & Olsen, Sara (2004). *Double Bottom Line Project Report. Assessing Social Impact in Double Bottom Line Ventures*. University of California.

- Credit Suisse and the Schwab Foundation (2012). *Investing for Impact: How Social Entrepreneurship is Redefining the Meaning of Return.*
- Crutchfield, Leslie & Grant, Heather (2008). Forces for Good The Six Practices of High-Impact Nonprofits. San Francisco: Fuqua School of Business.
- Drexler, Michael, Noble, Abigail & Bryce, Joel (2013). From the Margins to the Mainstream: Assessment of the Impact Investment Sector and Opportunities to Engage Mainstream Investors. World Economic Forum.
- Emerson, Jed (2013). The Blended Value Proposition: Integrating Social and Financial Returns. *California Management Review*, Vol.45, Ed.4, pp.35-51.
- Epstein, Marc & Yuthas, Kristi (2017). Measuring and Improving Social Impacts: A Guide for Nonprofits, Companies, and Impact Investors. Oxon: Routledge.
- Freireich, Jessica & Fulton, Katherine (2009). *Investing for Social & Environmental Impact. A Design for Catalyzing an Emerging Industry*. Monitor Institute.
- Graham, Bessi & Anderson, Elliot (2014): *Impact Measurement: Exploring Its Role in Impact Investing*. National Australia Bank and The Difference Incubator and Benefit Capital.
- Harji, Karim, Hachigian, Heather, Jeyaloganathan, Mathu, Biron-Bordeleau, Dominique & Martin, Kate (2016). *Retail Impact Investing. A Guidebook for Canadian Credit Unions*. Purpose Capital and Canadian Credit Union Association.
- Hayat, Usman & Orsagh, Matt (2015). Environmental, Social, and Governance Issues in Investing: A Guide for Investment Professionals. CFA Institute.
- Hehenberger, Lisa, Harling, Anna.Marie & Scholten, Peter (2015). A Practical Guide to Measuring and Managing Impact. European Venture Philanthropy Association.
- Higgins, Sarah (2017, May 17). Morgan Stanley Investment Management Raises More

  Than \$125 Million for its First Global Impact Fund. Retrieved from:

  https://www.morganstanley.com/press-releases/morgan-stanley-investme
  nt-management-raises-more-than--125-milli.

- Hill, Katie (2011). *Investor Perspectives on Social Enterprise Financing*. London: City of London.
- Hochstädter, Anna & Scheck, Barbara (2014). What's in a Name: An Analysis of Impact Investing Understandings by Academics and Practitioners. *Journal of Business Ethics*. Vol.132, Ed.2, pp.449-475.
- Hornsby, Adrian & Blumberg, Gabi (2013). *The Good Investor. A Book of Impact Practice*. London: Investing for Good.
- Ireland, Duane & Hitt, Miachel (1992). Mission Statements: Importance, Challenge, and Recommendations for Development. *Business Horizons*. Vol. 35, Ed.3, pp.34-42.
- Law, Jonathan (2018). *A Dictionary of Finance and Banking*. Oxford: Oxford University Press.
- Ma, Linlin, Tang, Yuehua & Gomez, Juan-Pedro (2016). *Portfolio Manager Compensation and Mutual Fund Performance*. Retrieved from: https://www.rsm.nl/fileadmin/home/Department\_of\_Finance\_\_VG5\_/PAM2016/Final\_Papers/Juan\_Pedro\_Gomez.pdf.
- Maximilian, Martin (2013). *Status of the Social Impact Investing Market: A Primer*. Geneva: Impact Economy.
- Microlumbia (n.d.). *Mission & Business Model*. Accessed on: 2018, June 21. Retrieved from: http://www.microlumbia.org/what-we-do/.
- Morgan Stanley (2015). Sustainable Signals. The Individual Investor Perspective.

  Morgan Stanley Institute for Sustainable Investing.
- Mudaliar, Abhilash, Pineiro, Aliana & Bass, Rachel (2016). *Impact Investing Trends*. *Evidence of a Growing Industry*. Global Impact Investing Network.
- Mudaliar, Abhilash, Pineiro, Aliana, Bass, Rachel & Dithrich, Hannah (2017). *The State of Impact Measurement and Management Practice*. Global Impact Investing Network.

- Mudaliar, Abhilash, Schiff, Hannah, Bass, Rachel & Dithrich, Hannah (2017). 2017

  Annual Impact Investor Survey. New York: Global Impact Investing Network.
- Mudaliar, Abhilash, Bass, Rachel & Dithrich, Hannah (2018). 2018 Annual Impact Investor Survey. New York: Global Impact Investing Network.
- O'Donohoe, Nick, Leijonhufvud, Christina, Saltuk, Yasemin, Bugg-Levine, Antony & Brandenburg, Margot (2010). *Impact Investments: An Emerging Asset Class*, JP Morgan Chase & Co., Rockefeller Foundation and Global Impact Investing Network.
- Olsen, Sara & Galimidi, Brett (2008). Catalog of Approaches to Impact Measurement.

  Assessing Social Impact in Private Ventures. Social Venture Technology

  Group.
- Pigliucci, Alex, Thompson, Kendra & Halverson, Mark (2015). *The 'Greater' Wealth Transfer: Capitalizing on the Intergenerational Shift in Wealth*. Accenture.
- PwC (2017). Asset & Wealth Management Revolution: Embracing Exponential Change.
- Rangan Kasturi, Appleby, Sarah & Moon Laura (2011). *The Promise of Impact Investing*. Havard Business School.
- Reeder, Neil & Colantonio, Andrea (2013). *Measuring Impact and Non-Financial Returns in Impact Investing: A Critical Overview of Concepts and Practice*.

  London: London School of Economics.
- Roche, Chris (1999). Social Impact Assessment for Development Agencies: Learning to Value Change. Oxford: Oxfam.
- Roundy, Philip, Holzhauer, Hunter & Dai, Ye (2017). Finance or Philanthropy? Exploring the Motivations and Criteria of Impact Investors. *Social Responsibility Journal*. Vol.13, Ed.3, pp.491-512.
- Saltuk, Yasmin, Bouri, Amit, Mudaliar, Abhilash & Pease, Min (2013). *Perspectives on Progress: The Impact Investor Survey*. London: J.P. Morgan.

- Saltuk, Yasemin & El Idrissi, Ali (2015): Eyes on the horizon: The Impact Investor Survey. London: J.P. Morgan.
- Schiff, Hannah, Bass, Rachel & Cohen, Ariela (2016). *The Business Value of Impact Measurement*. New York: Global Impact Investing Network.
- Silverstein, Michael & Sayre, Kate (2009). Women Want More: How to Capture More Than Your Share of the Female Economy. Boston Consulting Group.
- Social Impact Investment Taskforce (2014). Measuring Impact: Subject Paper of the Impact Measurement Working Group.
- Spiess-Knafl, Wolfgang & Scheck, Barbara (2017). *Impact Investing: Instruments, Mechanisms and Actors*. Palgrave Macmillan.
- Stirling, Euan, Young, Amanda & Byrne, Dominic (2018). *Impact Investing. Embracing the UN's Sustainable Development Goals in Institutional Investment*.

  Aberdeen Standard Investments.
- Svedova, Jana, Cuyegkeng, Alfonso & Tansey, James (2014). *Demystifying Impact Investing*. ISIS Research Center.
- Toniic (2016). *Insights from the Frontier of Impact Investing: 2016*. Utrecht: Drukkerji Libertas Pascal.
- United Nations (2014). World Investment Report 2014: Investing in SDGs: An Action Plan. Retrieved from: http://unctad.org/en/PublicationsLibrary/wir2014\_en.pdf.
- Weber, Melinda & Scheck, Barbara (2012). *Impact Investing in Deutschland: Bestandsaufnahme und Handlungsanweisungen zur Weiterentwicklung*. Impact in Motion.
- Wilson, Karen, Silva, Filipe & Richardson, Dominic (2015). *Social Impact Investment: Building the Evidence Base*. OECD.