



IMPACT 360 SURVEY

Inaugural edition

Summer 2024

BlueEarth Impact 360 Survey

This inaugural edition of the **BlueEarth Impact 360 Survey** focuses on the following topics, which were reviewed with 130 investors, Limited Partners, General Partners, asset managers, and other impact market participants.

Key topics covered in this Survey:

- *Impact investing is making its mark*
- *Market attractiveness*
- *Performance*
- *Impact industry opportunities*
- *Impact industry challenges*
- *Impact-linked compensation*
- *Industry regulation*

Foreword

It is clear that investor interest in the impact investment sector is growing at a remarkable rate. This is no doubt driven by the fact that the complex issues facing our world need impactful solutions, something which we outlined in our recent [Impact Report 2023](#). To better understand this trend and its implications, we are launching our inaugural *BlueEarth Impact 360 Survey*.

The *Impact 360 Survey* is a comprehensive report designed to capture the evolving landscape of impact investing, and enable everyone to learn first-hand the perspectives and insights of the entire impact investment sector.

This report, developed in partnership with a leading research firm, gathered insights from 130 impact market participants from across the globe.

The findings are both enlightening and encouraging as the Survey highlights the growing confidence among investors in the potential of impact investing to drive meaningful change. The data suggests that more and more investors are aligning their portfolios with their values, seeking to generate positive outcomes alongside financial returns.

We hope you find this Survey informative.



Stephen Marquardt
CEO, Blue Earth Capital AG.

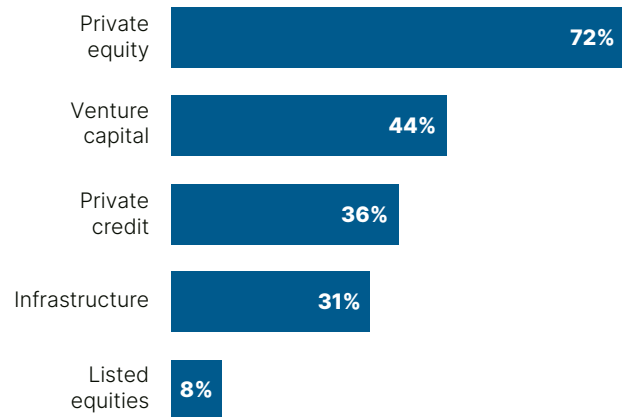
Impact investing is making its mark

1

Three out of four investors access the impact space with private equity investments

Investors access the impact space in multiple ways. Private equity and venture capital tend to be the most popular, followed by private credit. Fewer than one in ten investors surveyed (8%) enter the impact space through listed equities.

Figure 1. Investors access the impact space via the following asset classes (% of respondents)*



*Investors could select all that apply

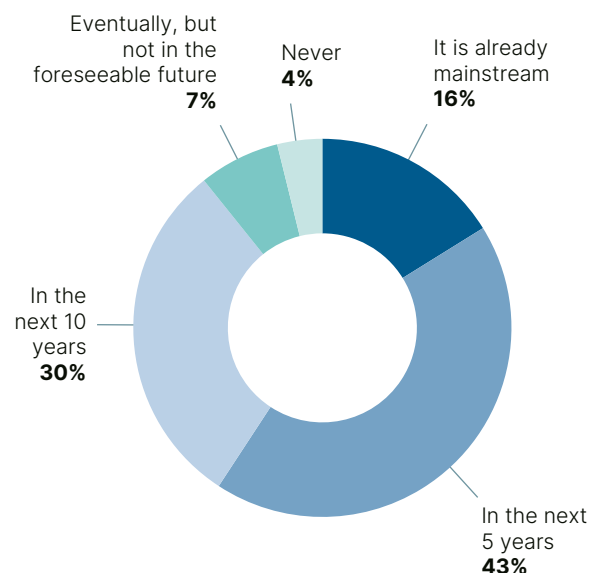
2

Investors expect that it will take up to a decade for impact investing to become a mainstream institutional investment strategy

Impact investing is not yet a mainstream strategy. Overall, almost three quarters (73%) of respondents think it will become a mainstream institutional investment strategy within the next 10 years. 16% of respondents say it is already mainstream.

Of the various investor types, LPs are least convinced about impact investing becoming a mainstream institutional investment strategy. Almost 30% of them either say this will not happen in the foreseeable future or it will never happen. This compares to just 11% of respondents overall.

Figure 2. Length of time for impact investing to become a mainstream institutional investment strategy (% of respondents)



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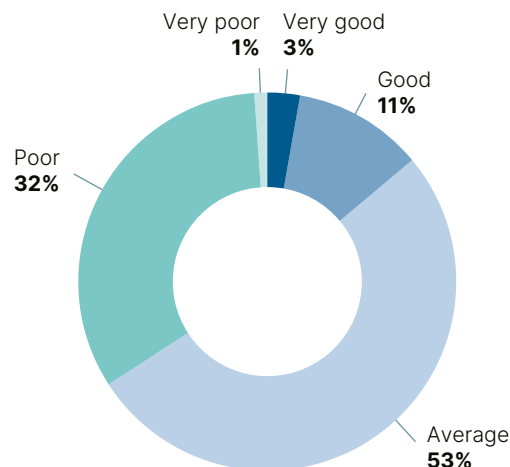
Some work needed to enhance awareness of the impact space

Overall, one third of respondents (32%) believe the broader (non-impact) finance community has a poor understanding of the impact space. This includes a limited appreciation of the key characteristics of impact investing, the investment opportunities, the impact agendas of businesses, and the particular investor skill sets required for the space.

The figures are even more startling when broken down by respondent type. Almost half of LPs (45%) believe the wider finance community is not familiar enough with the impact space.

Just 14% of respondents find the broader 'non-impact' community has a good / very good understanding.

Figure 3. Level of understanding of the impact space by the 'non-impact' finance community (% of respondents)



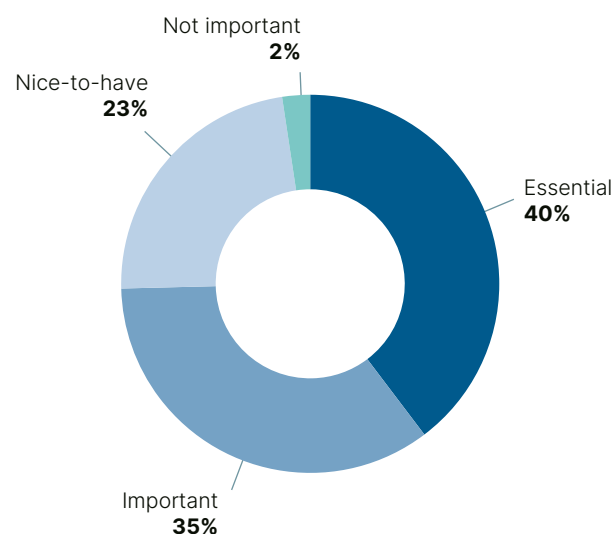
4

Investors play a crucial role in enhancing the impact delivered by the companies that they invest in

Three-quarters of respondents consider it either essential (40%) or important (35%) for impact fund managers to demonstrate 'investor contribution'.

'Investor contribution' refers to the specific role that an investor itself plays in increasing the impact of their investee, either through financial contribution (providing capital on terms not readily available from the wider market) or non-financial contribution (actively engaging with and supporting investees to enhance their impact).

Figure 4. The importance of impact fund managers demonstrating 'investor contribution' (% of respondents)



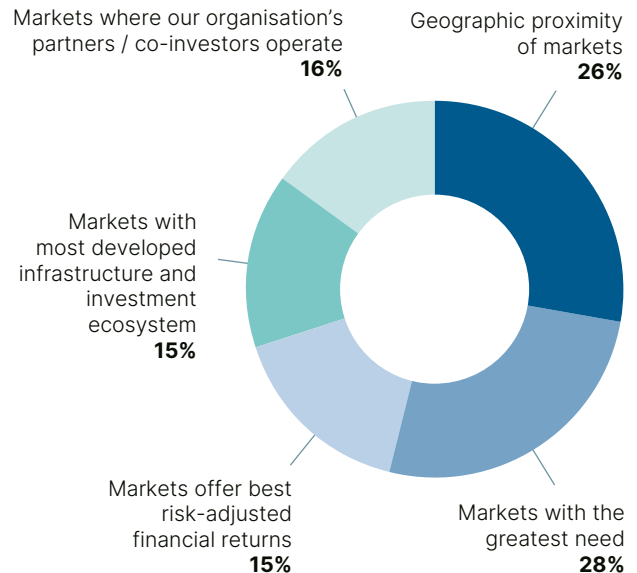
Market attractiveness

5

Impact community heavily swayed by geographic proximity and a focus on markets with most pressing impact needs when deciding where to invest

Impact investors are most strongly influenced by two factors when deciding where to invest. Over one quarter (28%) of investors look to markets that have the greatest addressable impact needs, while a further one quarter (26%) choose to concentrate their investments in geographies that are in close proximity to their own organisations.

Figure 5. Factors having the greatest influence on where respondents invest in impact markets (% of respondents)

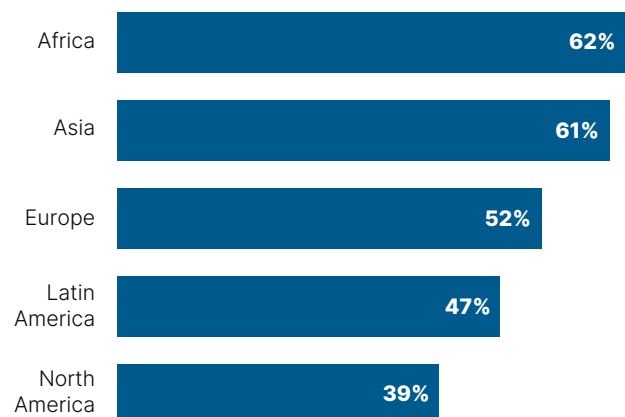


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Africa and Asia have the greatest investment opportunities for impact investors...

While impact investors see attractive investment opportunities across the globe, Africa and Asia have the edge.

Figure 6. Regions with the greatest investment opportunities for impact investors (% of respondents)*



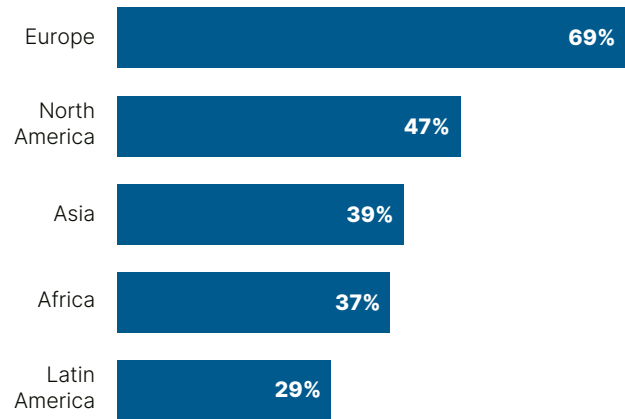
*Investors could select all that apply

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...And investors are accessing these opportunities predominantly with managers in Europe

The majority of respondent organisations (69%) access impact opportunities through managers in Europe versus 47% who do so with managers in North America.

Figure 7. Regions where respondents' organisations currently invest in the impact space (% of respondents)*



*Investors could select all that apply

Performance

8

Impact funds need to deliver on both financial returns and impact KPIs to be considered successful

Majority of respondents (70%) would consider an impact fund a failure if it outperforms its impact KPIs but does not meet its financial return expectations across the fund's investment cycle.

A lesser but not insignificant majority (56%) believe an impact fund is a failure if it outperforms financially but does not meet its impact KPIs.

Figure 8. Respondents' views on an impact fund that outperforms its impact KPIs but does not meet its financial return expectations (% of respondents)

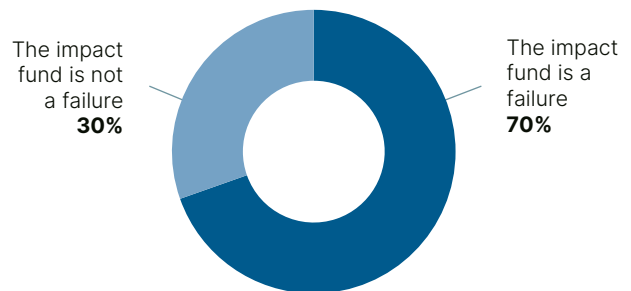
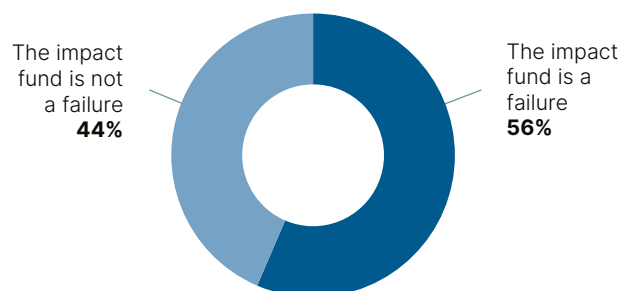


Figure 9. Respondents' views on an impact fund that outperforms financially but does not meet its impact KPIs (% of respondents)

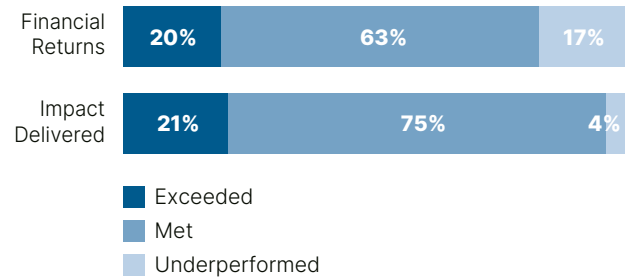


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Significant majority believe the financial returns of their impact investments have met or exceeded expectations

Over four out of five respondents (83%) find that the financial returns of their impact investments have either met or exceeded their expectations. When it comes to the impact delivered of said investments, almost all respondents (96%) say the same.

Figure 10. Respondents' views on the performance of their impact investments to-date versus their expectations (% of respondents)

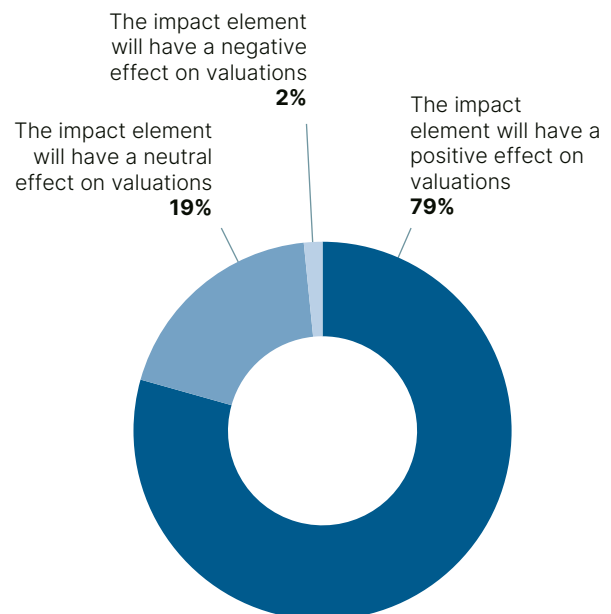


10

Respondents overwhelmingly agree that businesses with impact elements will have a positive effect on valuations versus those without

Four out of five respondents (79%) believe that businesses incorporating impact elements will have a positive effect on valuations over the next five years, when compared to 'non-impact' businesses.

Figure 11. Respondents' views on the valuations of impact businesses versus 'non-impact' businesses over the next five years (% of respondents)



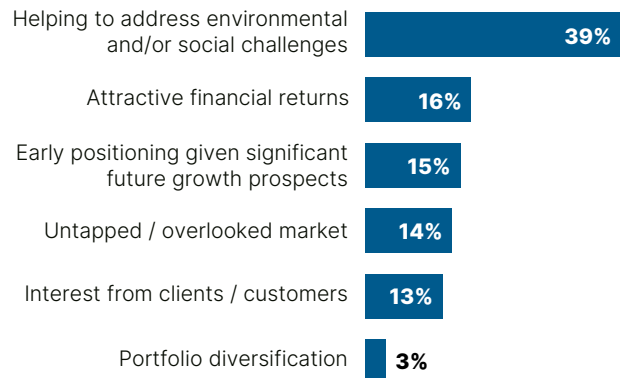
Impact industry opportunities

11

The primary driver for impact investing is to address environmental and/or social challenges

Respondents are drawn to impact investing primarily to help address environmental and / or social challenges. Three times as many respondents said so versus other factors, such as gaining attractive returns or because they perceive the market as untapped so far.

Figure 12: Main drivers of interest in the impact space - respondents views*



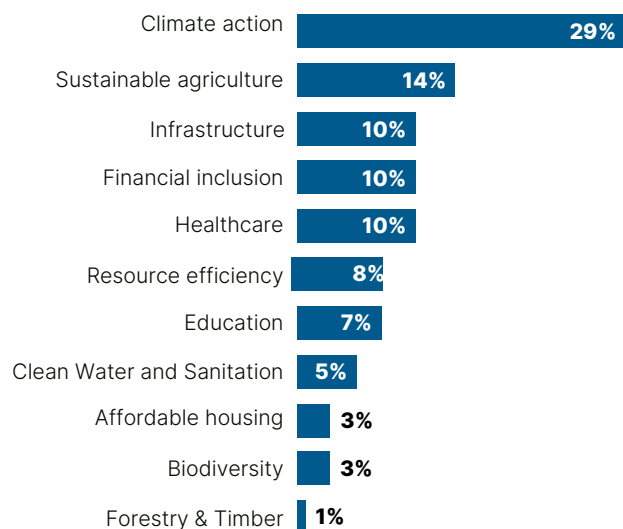
*Respondents rank their top 3 factors for their organisation. To compile the ranking, 3 points have been attributed to a factor ranked in first place, 2 points for second place and 1 point for third place. We have then taken an aggregate of these points to show the above results.

12

Taking action on climate change is by far the biggest focus for impact investors

In terms of addressing environmental and social challenges, impact investors believe taking action on climate change is by far the greatest opportunity, followed by other environmental and social themes, such as sustainable agriculture, infrastructure, financial inclusion, and healthcare.

Figure 13. Impact themes which present the biggest opportunities for impact investors - respondents views*



*Respondents rank their top 3 factors for their organisation. To compile the ranking, 3 points have been attributed to a factor ranked in first place, 2 points for second place and 1 point for third place. We have then taken an aggregate of these points to show the above results.

Impact industry challenges

13

Customised investment products would be attractive to investors

Respondents feel they are held back from becoming more engaged in the impact space primarily due to a lack of investment products tailored to their needs, as well as concerns about the complexity of measuring and reporting on impact.

Figure 14. Factors holding respondents back from becoming more engaged in the impact space - respondents views*



*Respondents rank their top 3 factors for their organisation. To compile the ranking, 3 points have been attributed to a factor ranked in first place, 2 points for second place and 1 point for third place. We have then taken an aggregate of these points to show the above results.

Impact-linked compensation

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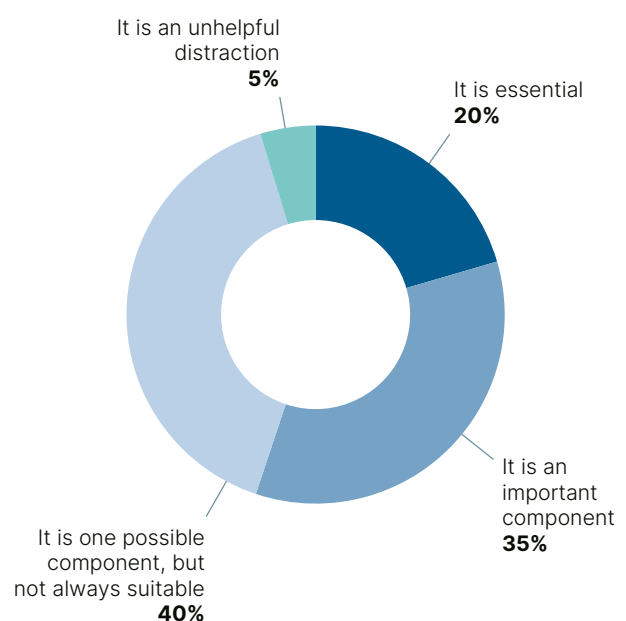
The impact community is divided on the benefits of impact-linked compensation...

Respondents are broadly split on the benefits of impact-linked compensation for fund managers. Only one in five respondents (20%) thinks that impact-linked compensation is an essential tool for managers to achieve genuine impact, while one in three (35%) feel it is an important component of an impact framework.

On the other hand, 40% of respondents believe this approach is not suitable for all fund managers, but could be one possible component of an impact management framework.

The remaining 5% of respondents see impact-linked compensation as an unhelpful distraction, which can create perverse incentives and should not be promoted widely across the impact industry.

Figure 15. Respondents' views on impact-linked compensation for fund managers (% of respondents)



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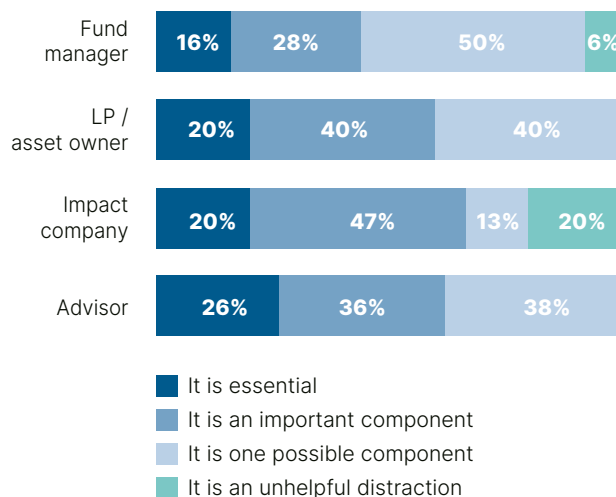
...And even have greatly differing views within their own respondent groups

Interestingly, the overall respondent breakdown disguises the significant variation between the four main groups of respondents.

Fund managers appear least optimistic on the benefits of impact-linked compensation, with 50% saying it is not always suitable, and a further 6% finding it a distraction.

LPs are more in favour of impact-linked compensation, with 60% saying it is essential or important.

Figure 16. Respondents' views on impact-linked compensation for fund managers (by respondent type)



Industry regulation

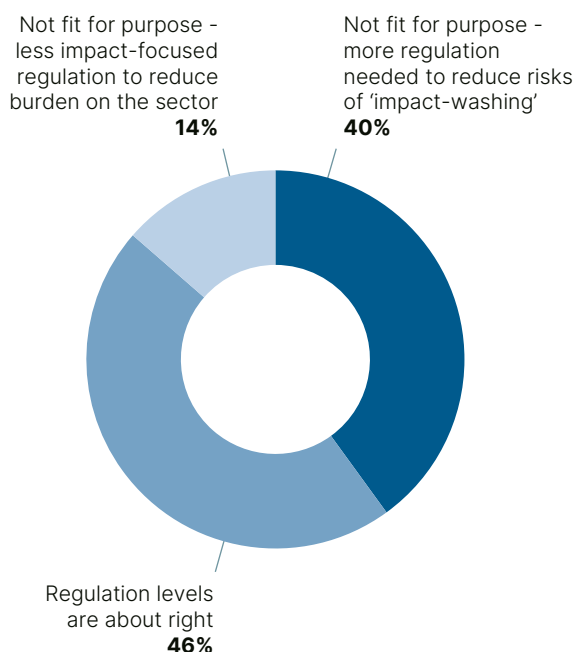
16

Impact community split on levels of regulation for their industry

Almost half of respondents (46%) believe regulation levels are about right and strike a good balance alongside existing guidance and voluntary standards for impact investing. Meanwhile, the other half feels the amount of regulation is not fit-for-purpose, either saying there needs to be more to mitigate 'impact washing' (40%) or less to reduce the burden on the sector (14%).

LPs as a group, tend to be most optimistic about current regulation levels, with 61% believing they are about right.

Figure 17. Levels of impact-focused regulation for the sector (% of respondents)



Respondent breakdown

Figure 18. By location

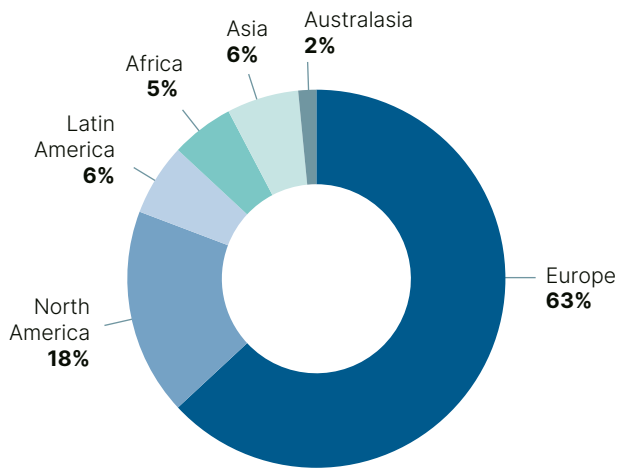


Figure 19. By year in which respondents started to invest in the impact space

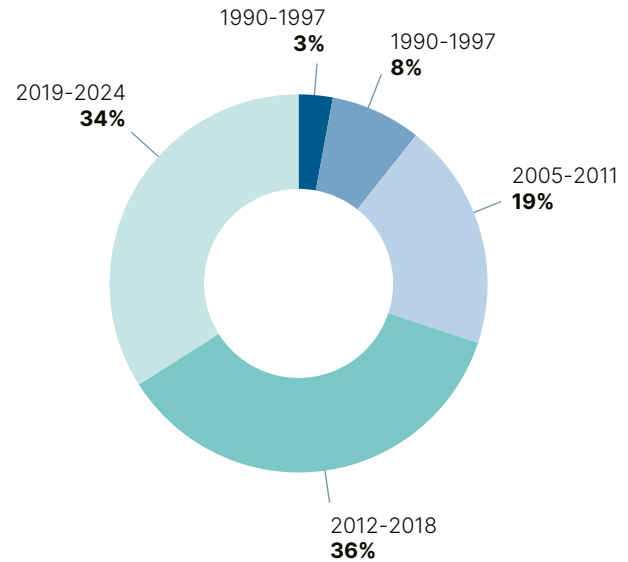
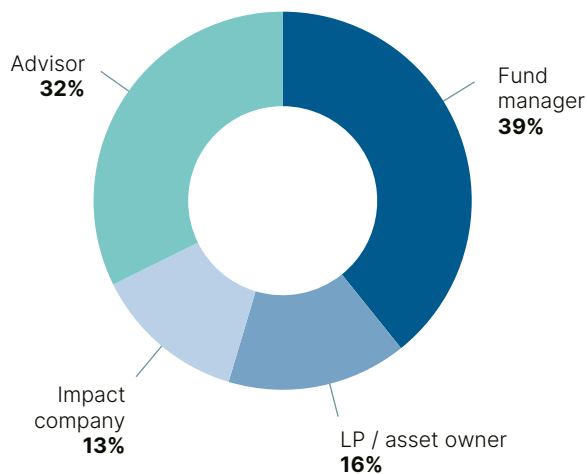


Figure 20. By type of firm*



- Fund managers include private equity, private credit and infrastructure firms, and microfinance organisations
- Limited Partners / asset owners include LPs, along with banks, institutional investors, and asset managers
- Impact companies are corporate entities whose core business operations deliver positive social and/or environmental impact
- Advisors include corporate finance firms, placement agents, law firms, impact / ESG advisors and consultants, and headhunters

Research methodology

Fieldwork for the BlueEarth Impact 360 Survey was undertaken for Blue Earth Capital from February to May 2024 by Arbor Square Associates, a specialist alternative assets research team, which has been undertaking private markets research since 2006.



Blue Earth Capital AG

Neuhofstrasse 4

6340 Baar-Zug

Switzerland

www.blueearth.capital

