

The LP Impact Primer

The Opportunity to Invest for Impact in Private Markets

What is Impact Investing?

The practice of investing for positive impact, thereby aiming to generate positive social and/or environmental outcomes, has a long and rich history. Over recent years, the movement has evolved to include a targeted and proactive approach, formalised under the umbrella term 'impact investing' – which is now estimated to represent a \$1.6 trillion USD market according to the [Global Impact Investing Network \(GIIN\)](#).

Indeed, with growing global concern for challenges such as climate and economic resilience, impact investing has increased in prominence as a key tool for mobilising capital to close the United Nations Sustainable Development Goals funding gap of \$2.4 - 4 trillion USD per annum.

The Sustainable Development
Goals funding gap is USD

\$2.4 - 4 trillion

per annum

As the practice of impact investing has grown and matured, the market has established three key characteristics that define what it means to make impact investments and to differentiate this practice from other related approaches, such as incorporating ESG factors to mitigate risk or complying with sustainability-oriented reporting requirements:



IN COLLABORATION WITH:



The LP Impact Primer was written by BlueMark and Tideline in conjunction with the Institutional Limited Partners Association (ILPA). This piece is the first in a partnership series ("Exploring Institutional Impact") aimed at providing practical guidance, research insights, and tools related to impact and sustainable investing for the ILPA member community. The primer is intended to serve as a foundational resource for LPs to orient themselves to impact investing.

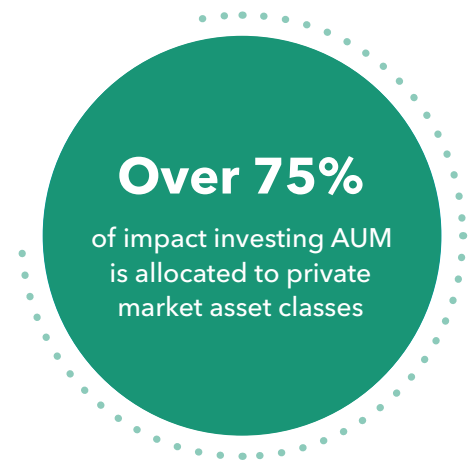
Exploring Institutional Impact publications and associated practitioner events will be designed in partnership with ILPA members and are expected to address the following themes:

- Best-in-class tools and practices to measure and manage impact
- Scaling impact through institutional investment approaches
- Emerging thematic and sector opportunities

If you have interest in collaborating on the above series or proposing research themes, please reach out to Susannah Preston, Director of Sustainable Investing (ILPA) at spreston@ilpa.org.

- **Intentionality:** Impact investing is marked by an investor's intentional desire to generate explicit social and environmental benefits, backed by an evidence-based strategy (an 'impact thesis' or 'theory of change')
- **Contribution:** Impact investors seek to play a differentiated role to enhance or contribute to the achievement of their targeted social or environmental impacts by leveraging their influence and capital
- **Measurement:** Impact investors are committed to playing an active management role in achieving their target impacts by integrating measurement and analysis of impact within their investment processes

While investors can and do make impact investments across public and private asset classes, the three defining characteristics of impact investing are more commonly associated with private markets, which are known for their relatively higher degree of control, influence, and flexibility. For example, private market investors typically have more direct influence over how their capital is used, can establish investment terms that align with both their impact and financial objectives, and can work directly with companies to identify and track impact metrics. As a result, the GIIN estimates that over 75% of impact investing AUM is allocated to private market asset classes.¹



Why make impact investments?

Impact investors are driven by the belief that financial markets can play a role in tackling critical social and environmental issues. While this core belief unites impact investors, different institutions are drawn to impact investing for a variety of reasons, shaped by their unique missions, stakeholders, and mandates.

- For banks and wealth managers, offering investment options focused on specific social or environmental themes allows them to respond to the growing interest among both individual and institutional clients
- Asset owners and allocators can introduce unique dimensions of value and diversification by integrating impact investments into their portfolios, aligned with sustainability mega trends
- Foundations, endowments, and other mission-driven organizations can direct more assets to advance their mission by allocating endowment assets to impact investments, complementing their programmatic efforts
- Finally, development institutions can provide proof of the financial viability of investments that drive positive social and environmental outcomes, encouraging additional private sector engagement

¹GIIN, *State of the Market 2024 Report*

Examples of Impact Investing Programs

INSTITUTION (TYPE)	OVERVIEW	LEARN MORE
Temasek (Sovereign Wealth Fund)	Temasek is a Singapore-based sovereign wealth fund with over \$300B in AUM. Temasek believes that its long-term success as an investor and as an institution is contingent on the presence of thriving businesses and economies, cohesive societies and communities, and resilient people and planet. As part of deepening its commitment to sustainability, the firm launched an impact investing program in 2020 with a mandate to invest in experienced impact GPs and high-impact companies, as well as contribute to the ecosystem by capability building and thought leadership. The firm seeks to generate positive impact for underserved communities in emerging markets in Africa, Asia, and Latin America, whilst also achieving sustainable returns over the long term.	Temasek 2024 Sustainability Report
M&G (Asset management, wealth management, and insurance)	M&G is a global asset owner and manager, headquartered in London, with over \$350B in AUM. M&G launched M&G Catalyst in 2021, with an allocation of 5B GBP and a focus on private credit and private equity investments supporting enterprises addressing planetary health, human health, access & inclusion, and enabling technologies. Catalyst aims to deliver positive social and environmental impact alongside financial returns, leveraging M&G's expertise in private markets and addressing the gap in capital for scale-up businesses.	M&G Catalyst Launch Announcement M&G Catalyst Overview
CalSTRS (Pension Fund)	CalSTRS is a California-based pension fund with over \$358B in AUM. Its Sustainable Investment & Stewardship Strategies (SISS) program was launched in 2021 to promote sustainable business practices across asset classes that drive long-term financial success for California's public educators. Within CalSTRS' private portfolio, the SISS program is focused on low-carbon solutions, including climate infrastructure investments and hybrid/innovation climate investments.	2023-2024 Sustainability Report Path to Net Zero
APG (Pension Fund)	APG is a Dutch pension asset manager with over \$664B in AUM. APG began integrating sustainable and responsible investing into its investment decisions in 2015. In 2017, APG began to prioritize investments that contribute to the Sustainable Development Goals. More recently, APG has set a target of allocating \$30B EUR to impact investing, with a focus on climate and biodiversity investments as well as affordable housing.	2024 APG Annual Report
J.P. Morgan (Wealth Management)	J.P. Morgan is a global financial institution, headquartered in New York City, with over \$3.7T in AUM. J.P. Morgan's Private Bank developed an impact investing offering in 2020, building on the firm's prior experience in the space. The bank offers its clients investment strategies that achieve competitive market returns while also promoting positive social and environmental outcomes across themes of Inclusive Growth, Climate Solutions, and Health and Wellness.	J.P. Morgan Impact Assessment Framework
Builders Vision (Family Office)	Builders Vision is a U.S.-based family office founded in 2021 with \$15B in AUM. Builders Vision is a team of investors and philanthropists, making direct investments, investments in funds (both in public and private markets), and grants focused on solutions related to oceans, food & agriculture, and energy.	Report: "Builders Vision 2023 Impact Report"

Do impact investments deliver competitive returns?

Impact investors have a wide range of financial return expectations in line with their associated strategies. While some strategically target below-market returns, most impact investors seek market-rate or higher returns.² In fact, research has supported the view that impact can be an important value creation lever and opportunity for alpha in private markets – debunking the notion that pursuing impact means sacrificing financial returns.

Recent research on the opportunity for outsized performance in private markets impact:

- [*Schroders, The Investment Case for impact in private equity*](#)
- [*NPM, How the early mainstream private equity impact funds are performing*](#)
- [*Tideline-ICM, The Alpha in Impact*](#)

To learn more:

- [*A Field Guide: Impact Due Diligence and Management for Allocators*](#) (BlueMark)
- [*Truth in Impact: A Tideline Guide to Using the Impact Investment Label*](#) (Tideline)
- [*What you need to know about impact investing*](#) (the GIIN)
- [*Operating Principles for Impact Management*](#)
- [*The 5 Dimensions of Impact*](#) (Impact Frontiers)
- [*Catalogue of Impact Metrics*](#) (Iris+)

Our Partners

[BlueMark](#) provides independent verifications, ratings, and market intelligence to help investors validate and improve their impact investing approach

[Tideline](#) provides advisory support to institutional investors seeking to develop best-in-class impact investing strategies, systems, and tools

² 74% of impact investments target market rate or above returns according to GIIN 2024