

The Future of Impact Investing is Emerging

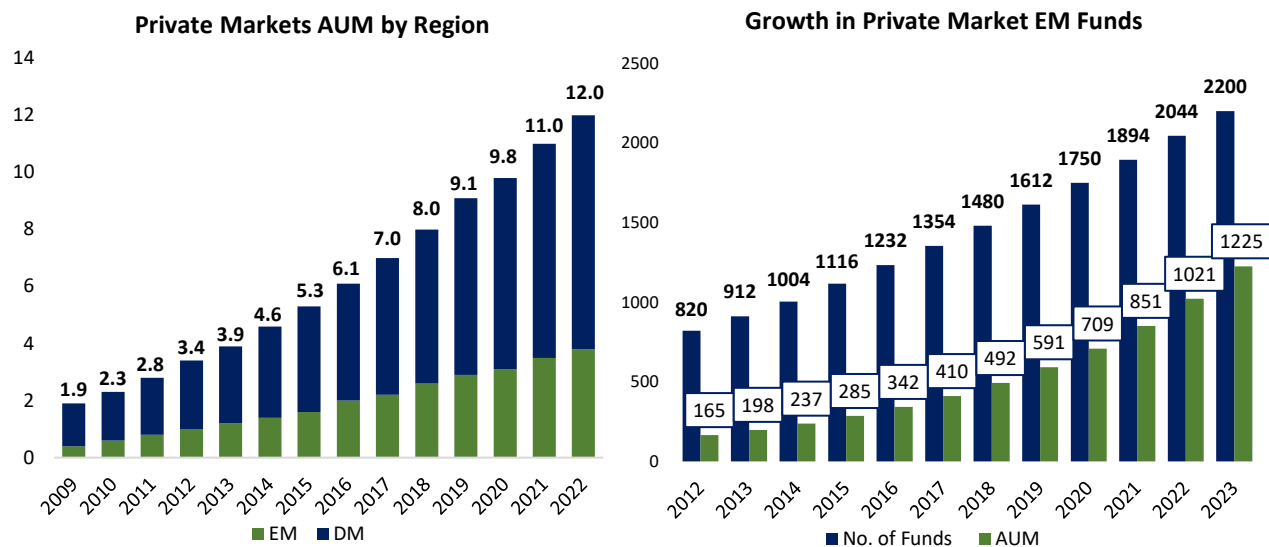
The impact investment industry has surpassed \$1 trillion. However, the world still lacks the scale of funding necessary to achieve the UN Sustainable Development Goals (“SDGs”) by 2030, with \$4 trillion more investment needed annually - four times the current impact investment market.

We believe that private market investing in Emerging Markets has huge potential to create attractive financial returns and generate much needed social and environmental impact. However, until now institutional investors have largely been excluded from accessing these opportunities. The Global Asset Impact Network (GAIN) platform is a synergistic partnership between capital allocators, public institutions, and other market participants to overcome these challenges and build exposure to financial-first, impact-driven, private market investments.



Emerging Markets: Huge Potential

Over the last decade, Emerging Market (EM) funds have seen a substantial surge in capital, with AUM rising to over \$2.2 trillion, accompanied by a 7x growth in number of funds to over 1,200. This rapid growth is attributed to the opportunities arising from economic and demographic growth, coupled with rising demand for impact and sustainable investment. Consequently, market participants, notably development finance institutions, have played a pivotal role by deliberately supporting and fostering the growth of EM fund managers and funds.



The SDG targets are still only 60% funded in Emerging Markets (“EM”) and 10% funded in Africa. Importantly, Emerging Markets not only represent the greatest need for investment, but they also offer greater impact potential, at a lower cost. For example, fighting hunger is 8x less expensive and funding education is 70x less expensive in EM than Developed Markets (“DM”). Private market funds can offer competitive financial return investment opportunities in Emerging Markets, characterized by:

- low risk (through diversification and portfolio construction);
- scalable access (by avoiding small direct investments); and
- genuine impact (when fully integrated in the investment process)

There are several reasons why Emerging Markets represent an attractive opportunity for impact-focused investors who do not want to compromise on financial returns:

1. **Performance** - Emerging Markets can outperform developed markets over the long term.

According to the MSCI World Index, Emerging Market equity has returned an average of 12.7% per year since 1988 compared to 8.4% for Developed Markets. Whilst Emerging Markets have lagged developed markets over the last decade, valuations are now attractive, with EM trading at a steep valuation discount to DM, offering the potential for outperformance.

2. **Growth** - Emerging Markets account for almost two-thirds of the world's GDP growth.

EM is growing two times faster than developed markets, contributing to 80% of global growth. By 2050, 6 out of 7 of the largest economies will be Emerging Market countries. EM has the fastest growing populations, currently comprising 6.6 billion people, or 83% of the global population

3. **Impact** - Emerging Markets have high impact potential.

Impact needs are acute, and solutions underfunded in EM, despite being more cost effective. For example, the cost of fighting hunger is 8 times less expensive than in DM. Funding primary education in EM is 70 times less expensive than in DM. Additionally, every \$1 invested in health has a \$4 economic effect (vs \$2 in DM). Investing in poverty eradication yields up to 10x the impact in EM compared to developed countries.

4. **Opportunity** - Private Markets are a huge and growing opportunity in EM.

Global private markets AUM has grown significantly over the past 20 years. Emerging markets have also seen significant growth, as the attributable percentage of global AUM has increased from 13% in 2003 to 32% in 2022. This growth is expected to continue over coming years, with McKinsey & Company projecting that EM could account for half of all global private markets AUM by 2030.

The Challenge: Sub-scale Funds, Limited Access, and Stuck Capital

One of the biggest problems for investors in Emerging Markets is access to quality and scalable institutionally investable opportunities. Portfolios are typically underweight relative to the growing demand from stakeholders to integrate positive environmental and social impact factors, with competitive financial returns. This can be due to a lack of in-house impact investment expertise; implementation challenges, such as impact reporting; and the scarcity of investable financial-first, impact-driven opportunities. Most EM funds are too small for large institutional investors. 67% are less than \$100m AUM, and only 1.5% have AUM over \$1 billion. Additionally, low liquidity limits deal flow, meaning many EM funds have to hold investments beyond their intended liquidation dates, meaning capital is not recycled and new investment is put off.

Towards a solution: the GAIN Platform

To address these challenges, Impactable Investment Group has created the GAIN Investment platform, which provides a way for institutional investors to access high quality impact investments at scale. The Platform is a collaborative effort in partnership with Phenix Capital Group BV, combining professional investment and impact fund advisory expertise to provide a full-service impact investment offering. The GAIN platform will launch a series of EM Funds to address the significant opportunities for both impact and financial return in Emerging Markets, with both debt and equity offerings. Please contact us if you would like to know more. Together we can unlock capital to generate competitive financial returns and deliver on the Sustainable Development Goals.

To partner with the Global Impact Asset Network (GAIN) platform, visit www.impactablegroup.com or get in touch at info@impactablegroup.com.