



Impact Report 2024


Celebrating ten years of mobilising
capital for a better tomorrow

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ACKNOWLEDGEMENT OF COUNTRY

We acknowledge the Aboriginal and Torres Strait Islander peoples of this nation. We acknowledge the Gadigal people of the Eora Nation and the Bundjalung people as the traditional custodians of the land we make our living on. We acknowledge their connection to the land and waters. We pay our respects to their culture. We acknowledge their history. We acknowledge their Elders, past and present. Sovereignty was never ceded. Always was, always will be Aboriginal land.

 [Visit our website](#)



A Word from our Team

A Decade of Driving Impact

As we reflect on the journey of Australian Impact Investments (Aii) over the past decade, we are filled with immense pride and gratitude for the community that has supported and propelled our mission forward. From our founding shareholder, Ethinvest, and long-standing clients, to the managers, partners and founders we have had the privilege to work with – your trust and collaboration have been instrumental in shaping Aii. We also extend our heartfelt thanks to our dedicated team, past and present, whose passion, commitment and energy have been the driving force behind our achievements. Together, we have navigated challenges, seized opportunities, and continuously evolved to ensure that impact investing in Australia is not just a trend, but a powerful force for long-lasting change.

From the very beginning, we set out with the bold vision to transform the paradigm for wealth creation – aligning capital with purpose to drive meaningful outcomes for people and planet while meeting the financial objectives of our clients. Over the last 10 years, we have witnessed this vision come to life, bridging the gap between investors and investees and mobilising capital to empower meaningful social and environmental outcomes.

Every impact investment we have made has been a step towards a better tomorrow, advancing us toward a fairer, more sustainable future. Whether supporting early-stage ventures tackling climate change or backing initiatives that foster social equity, our focus has remained on driving

systemic change through intentional, values-aligned investments. This unwavering focus has given us the privilege of playing a critical role in shaping the evolving impact investment landscape – supporting first-time fund managers, innovative products and breakthrough ideas. We have also championed the development of authentic frameworks and strategies that thoughtfully mobilise every dollar in an investment portfolio with regard to impact, alongside risk and reward.

As we celebrate this milestone, we recognise that the next ten years will demand even greater ambition and innovation from all of us. The challenges we face today—economic inequality, climate crises, biodiversity loss and social unrest—underscore the need for capital to be a force for positive change, now more than ever. But with the continued support of our current and growing community, we remain committed to mobilising capital for a better tomorrow. We aim to stay at the forefront of the industry, advocating for total impact portfolios, blending risk-adjusted and catalytic impact investments, and pushing boundaries to meet the needs of our rapidly growing sector.

Thank you to all who have been part of our journey. We look ahead to the next decade with excitement, knowing that together, we can create even more profound, lasting impact.

**KYLIE CHARLTON, MANAGING DIRECTOR
& MARA BUN, CHAIR**

Celebrating ten years of Aii_

As we celebrate Australian Impact Investments' (Aii) tenth anniversary, we reflect on a decade of milestones, lessons and challenges. This moment is not just a retrospective, it is a celebration of our contribution to the emergence and evolution of the impact investing landscape in Australia and globally. Over the past decade, Aii has committed itself to proving that financial objectives can coexist with social and environmental goals, transforming how capital is allocated to benefit people and planet.

A vision in a nascent industry

Aii was founded in August 2014 by Ethinvest, Australia's pioneering ethical investment advisory practice, in partnership with Aii's Managing Director, Kylie Charlton. The growing demand from investors to align their capital with their values, spurred by the emergence of Australia's early impact investing initiatives – such as the Goodstart Early Learning Social Capital Notes, Social Enterprise Development and Investment Fund (SEDIF) that seeded Social Enterprise Finance Australia (SEFA) and Social Ventures Australia Diversified Impact Fund and social benefit bonds – along with a noticeable lack of accessible expertise to assess these opportunities, were the driving forces behind the establishment of Aii.

Established with a mission to transform the paradigm for wealth creation and prove capital can be allocated to empower a better society and healthy planet, Aii, as Australia's first dedicated impact asset consultant, set

out to connect investors with opportunities that balance financial returns with positive impact.

Guiding impact pioneers

From providing services solely to Ethinvest in our first two years of operation, Aii has expanded to offer a comprehensive suite of services for clients to support their impact journey. We work directly with foundations, family offices, trusts, high-net-worth individuals and not-for-profit organisations, all united by their commitment to driving positive change, and support wealth advisers to service their clients. Many of our clients are pioneers in impact investing, helping to strengthen the sector through market leading strategies, participation in innovative financial instruments and support of first-time fund managers.

Our research breadth is unparalleled, with no other firm in Australia supporting their clients to direct capital across such a wide and diverse range of impact investments.

We are also proud to have arranged pioneering impact investment opportunities for our clients – Sycamore College, Ngutu College and Kurrawang Community Solar – which have generated financial returns while supporting inclusion and providing opportunities for marginalised communities.

Innovative investments and market leadership

Over the past decade, Aii has evaluated 876 investment opportunities and recommended 75, facilitating projects that blend financial performance with social and environmental outcomes. From innovative investments that facilitate environmental watering and Specialist Disability Accommodation (SDA) to reconciliation-led education models and climate solutions, our clients' capital has played a crucial role in catalysing and scaling impact.

Collaboration and thought leadership

Aii has played an active role in shaping the broader impact investing ecosystem by contributing to key sector initiatives, including the 2015 Blueprint to Market: Impact Capital Australia, the Benchmarking Impact Reports of 2016, 2018 and 2020, the Australian Social Impact Investing Taskforce, and global work such as the Impact Management Project.

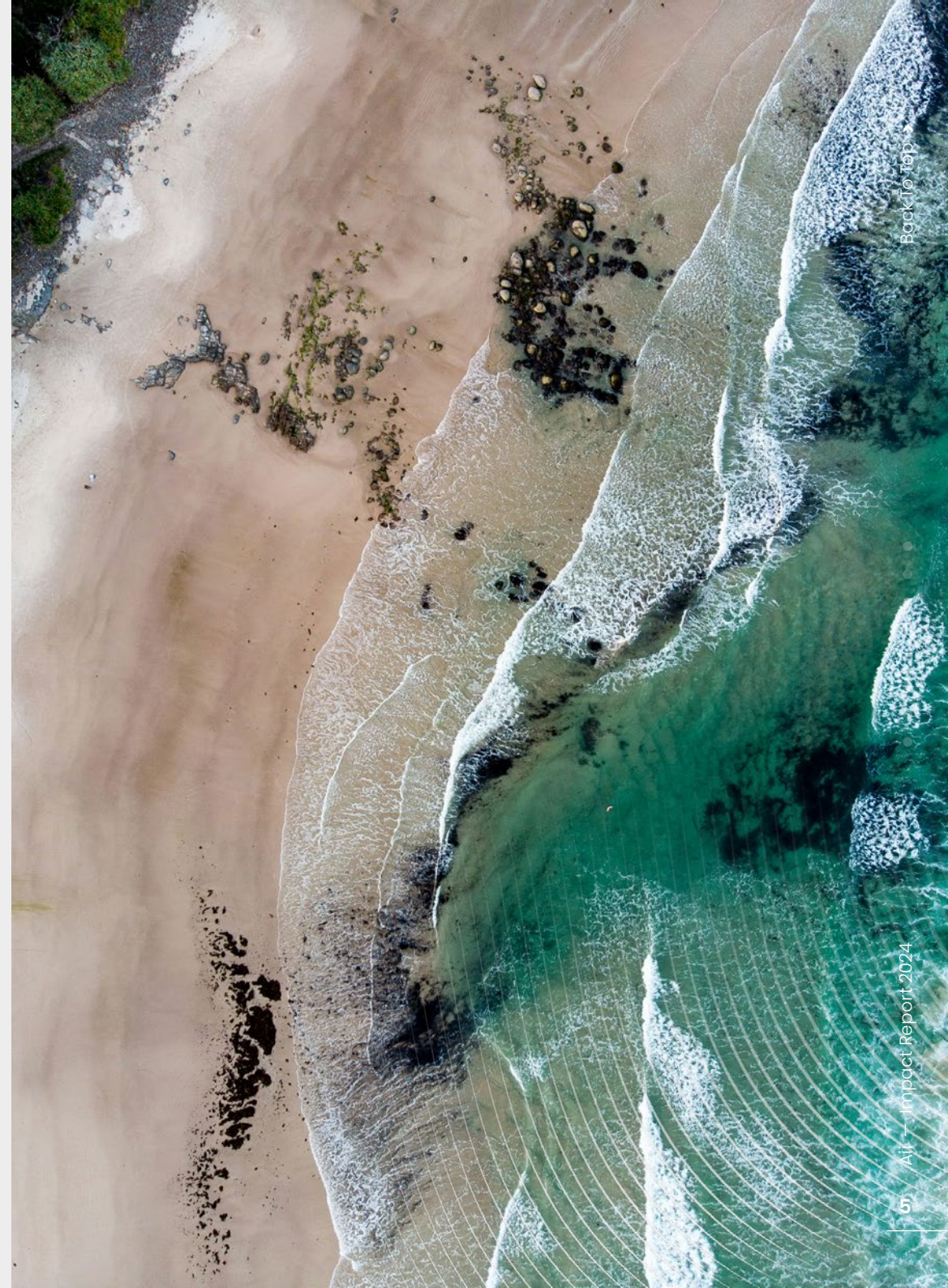
Our extensive expertise working across clients and investments has also established us as thought leaders. Our 2021 Responsible Investment Matrix, developed to assess impact in listed equities and fixed income, was validated by similar guidelines from the United Nations Principles for Responsible Investment (UNPRI) and Global Impact Investing Network (GIIN) in 2023. Additionally, our 2022 conceptualisation of a 'total impact portfolio', which integrates impact classes alongside a strategic asset allocation, is at the forefront of the market move to impact as a lens across asset classes.

A burgeoning industry

Aii's growth and the development of the impact investment sector in Australia have been mutually reinforcing.

We have supported the impact journeys of our clients thanks to the pioneering fund managers and enterprises that offer innovative investment solutions, combining financial performance with rigorous processes, governance and commitment to positive impact outcomes.

In turn, these investments have greatly benefited from the support of Aii's clients, who have often been material contributors to the initial capital raised.





Weathering challenges

The last two years have brought challenges, as economic uncertainty, rising interest rates and geopolitical instability have slowed progress. Investors have become more cautious, and impact investing is not immune to these headwinds, alongside industry specific problems like green and impact washing. However, we know that the journey of impact investing is long term, that social and environmental challenges will continue to persist, and that investors in increasing numbers and scale will look to direct capital to address these challenges.

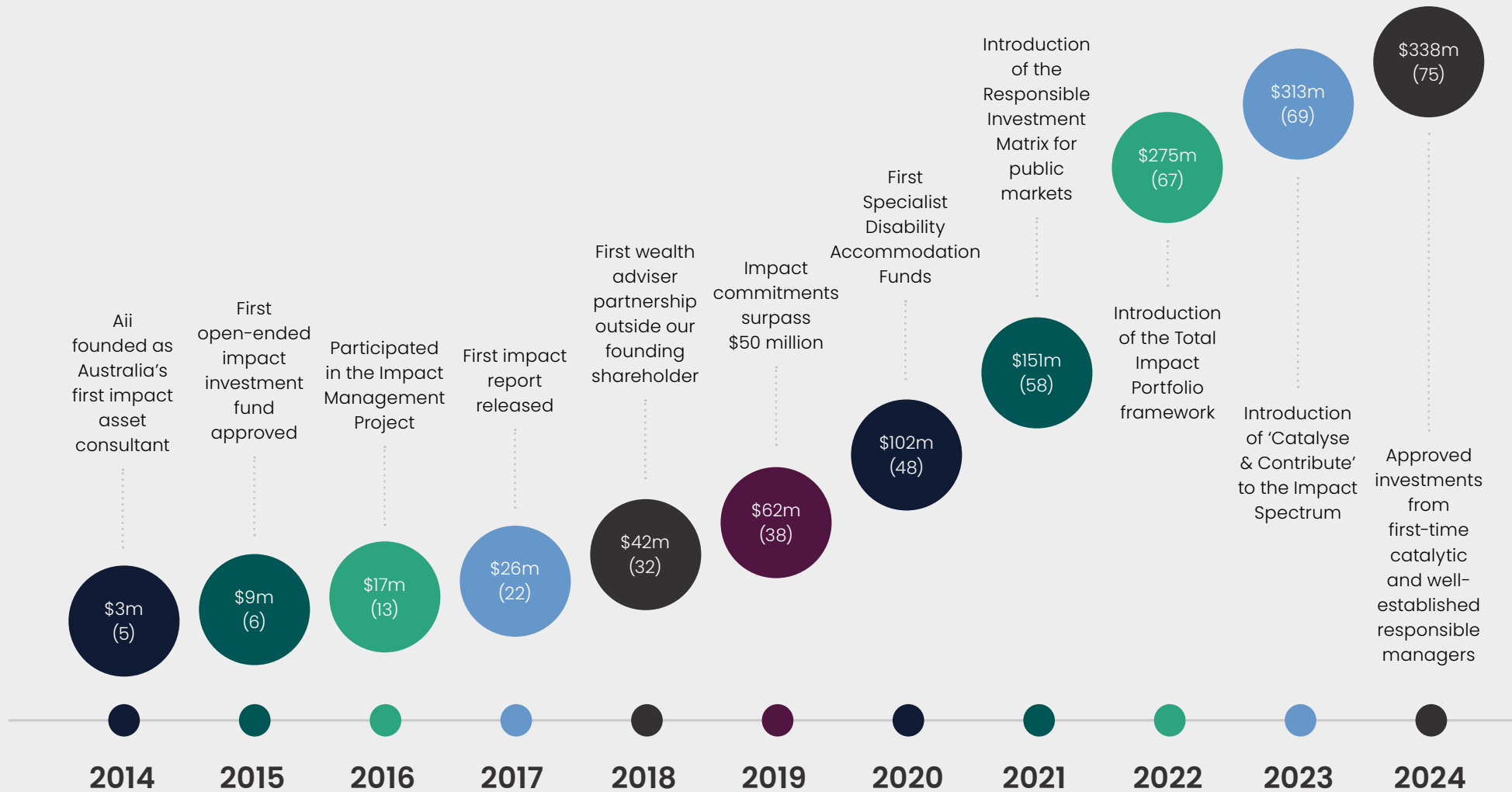
Looking ahead

Our ten year journey is ultimately the story of our clients, their investments and the positive impact they have made. As an intermediary, Aii has facilitated the transfer of capital from those seeking to invest to those creating measurable impact alongside financial returns.

We stand ready to continue supporting investors at any stage of their impact journey—whether they are just starting to define their impact goals or are market pioneers looking to stay at the forefront of this evolving space.

As we look forward to the next decade, we are committed to building on our successes and addressing the challenges ahead. By working together with our clients, partners, and the broader impact investing community, we can **mobilise capital for a better tomorrow.**

Ten years of milestones



Key

\$ - Cumulative client capital committed to Aii approved investments

(x) - Cumulative number of Aii approved investments



“The Wyatt Trust’s impact journey began six years ago when we engaged Aii to source impact investment opportunities aligned with our philanthropic objectives. Since then, we have expanded from an impact allocation in our corpus to considering impact in every investment decision, with Aii’s help every step of the way. Our portfolio is meeting our financial return targets, and we are eternally proud of the positive social impact it is contributing to. We are excited about the impact journey ahead of us.”

GAVIN REID, BUSINESS AND OPERATIONS LEAD, THE WYATT TRUST



Reflecting on 2024_

Financial Year (FY) 2024 continued to be challenging for our social, political, and economic systems.

Interest rates remained high, inflation persisted, the cost-of-living crisis hijacked news headlines, and conflicts and geopolitical tensions continued. These factors have placed significant pressure on private market assets, as investors reassess risk and adjust return expectations in what is expected to be a more volatile economic environment.

Over FY 2024, our clients committed \$25.5 million to six new and several open-ended private market investments, bringing total commitments since the inception of Aii in August 2014 to \$338.4 million. This is the second year running that we have experienced a slowing in commitments, a trend that has been felt across the private markets and reflected in fund managers, impact or not, struggling to attract capital over the past 24 months. This trend has not been helped by strong listed equity markets over this time.

However, the number of new impact investments approved has increased. Over FY 2024, we approved and had clients commit to six new private impact investments, a marked improvement on the two approved in FY 2023.

These investments, outlined overleaf, depict several encouraging themes worth celebrating in the Australian impact investment market.

New deals 2024

1

Adamantem Environmental Opportunities Fund

A private equity fund investing in clean energy & electrification, natural capital, greenhouse gas emission reduction and the circular economy.



Contribute to Solutions

2

Conscious Investment Management Social Housing Fund II

A property fund investing in a portfolio of social housing projects around Australia.



Contribute to Solutions

3

Arc Social Impact Bond

A social impact bond funding a program to improve life outcomes for people leaving prison.



Catalyse & Contribute

4

First Australians' Capital Catalytic Impact Fund

A private debt fund providing catalytic loans to Indigenous entrepreneurs.



Catalyse & Contribute

5

Australian Ethical Infrastructure Debt Fund

A fixed income/private debt fund investing in projects such as renewable energy, energy efficiency and social infrastructure.



Contribute to Solutions

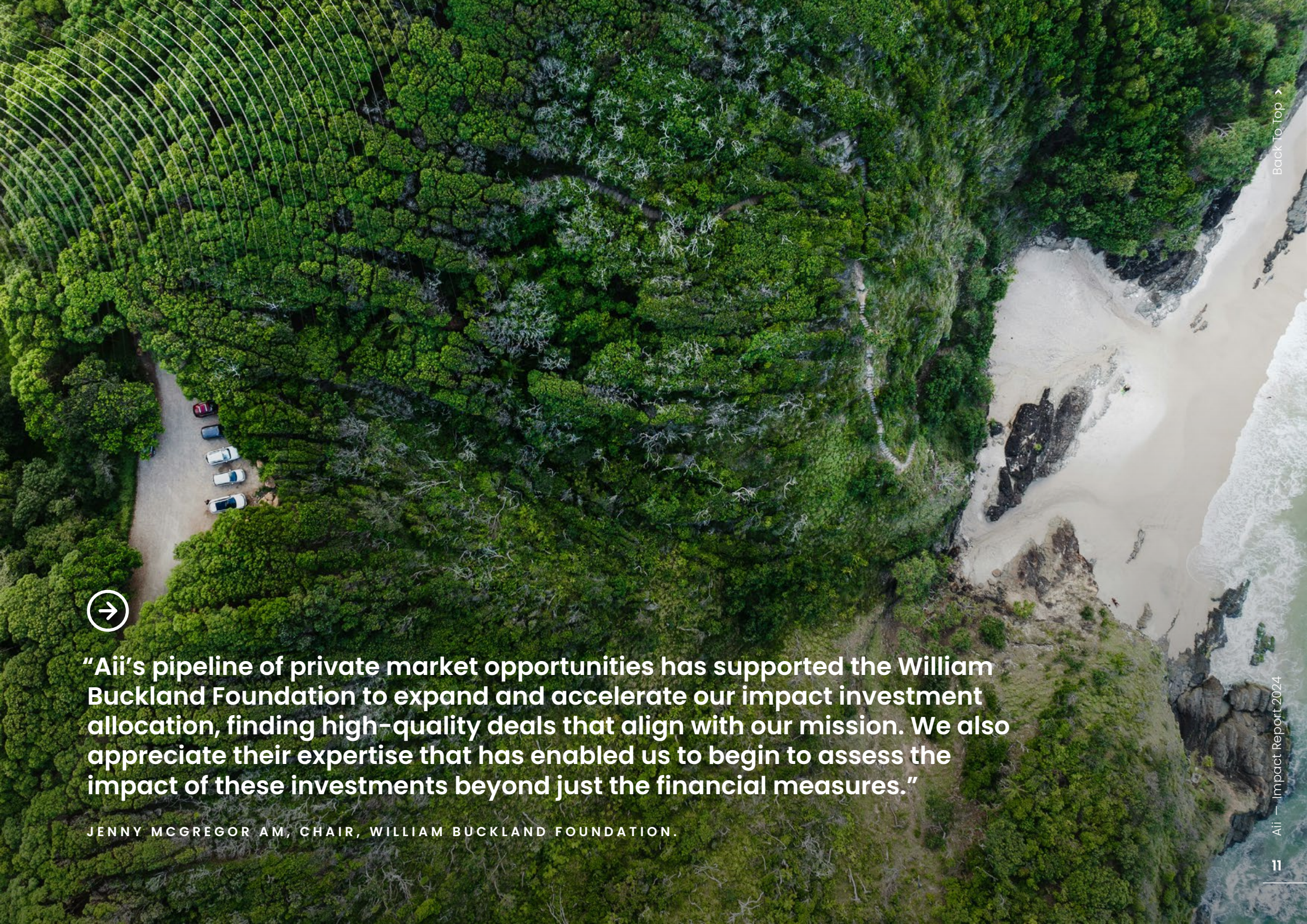
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Virescent Ventures Fund II

A venture capital fund investing in start-ups developing and commercialising solutions for climate change.



Contribute to Solutions



“Aii’s pipeline of private market opportunities has supported the William Buckland Foundation to expand and accelerate our impact investment allocation, finding high-quality deals that align with our mission. We also appreciate their expertise that has enabled us to begin to assess the impact of these investments beyond just the financial measures.”

JENNY MCGREGOR AM, CHAIR, WILLIAM BUCKLAND FOUNDATION.

CRITICAL IMPACT THEME

Education

Access to education is fundamental for the development of all children, socially and intellectually. Quality education is proven to improve financial, health and other outcomes into adulthood.

However, poverty, discrimination and inequality in our society can impact the education children receive, resulting in unequal outcomes or structural disadvantages continuing throughout a child's life.

Many of our clients seek to address inequalities in education through their philanthropic and investment activities.

Three of our approved investments have a sole focus on improving education outcomes, including Sycamore School, Catalyst Education and Ngutu College.

Another twelve include education themes, or are invested in organisations that address inequalities in education, including Giant Leap, Patamar Capital and various social impact bonds that include education or training as part of their program.

Sycamore School and Ngutu College are two schools established to address unequal education outcomes for children with autism spectrum disorder (ASD) and Indigenous children respectively. Aii structured loans to both to provide the working capital and capex required ahead of government funding.

Sycamore school has almost 100 students, and Ngutu College has more than 260 students, 47% of which identify as Aboriginal or Torres Strait Islander.

Impact highlights

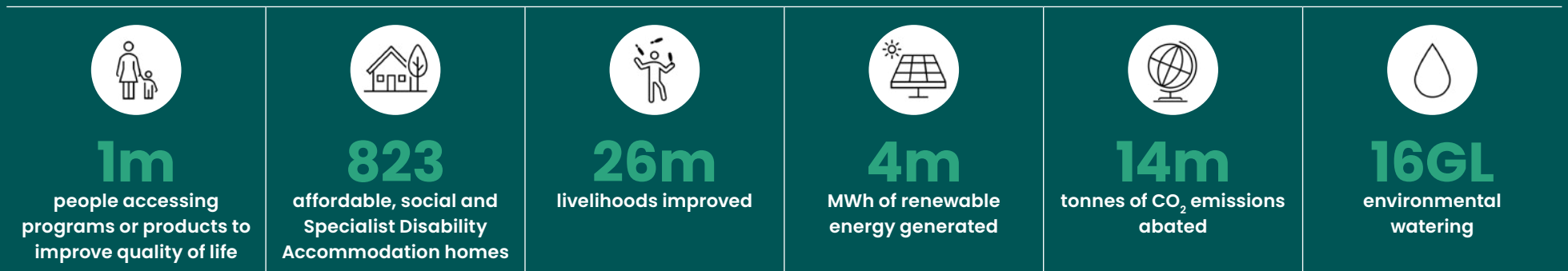
The 75 deals our clients have participated in over the past 10 years have generated positive social and environmental impact across various themes. To see detailed impact results for each investment, visit our [Supplementary Materials](#) here.

←..... **\$338m arranged across 75 deals**

IMPACT SPECTRUM SPLIT



IMPACT STATISTICS



Impact highlights

We categorise our approved investments as the type of impact (social or environmental) and align them to the United Nations Sustainable Development Goals.

← **\$338m arranged across 75 deals** →

IMPACT TYPE



SUSTAINABLE DEVELOPMENT GOALS



CRITICAL IMPACT THEME

Housing

Safe, affordable and accessible housing is a human right, but an epidemic of homelessness and housing instability persists across Australia. Housing, including specialist disability accommodation (SDA), social and affordable, has become a focus for many impact investors as a result.

Our clients have invested in six opportunities from four managers that are developing and tenanting SDA, social and affordable housing. Collectively, Conscious Investment Management, Australian Unity, Synergis and For Purpose Investment Partners have developed more than 800 social, affordable or SDA homes.

These homes support hundreds of people who may otherwise be unhoused or live in housing that does not accommodate their needs.

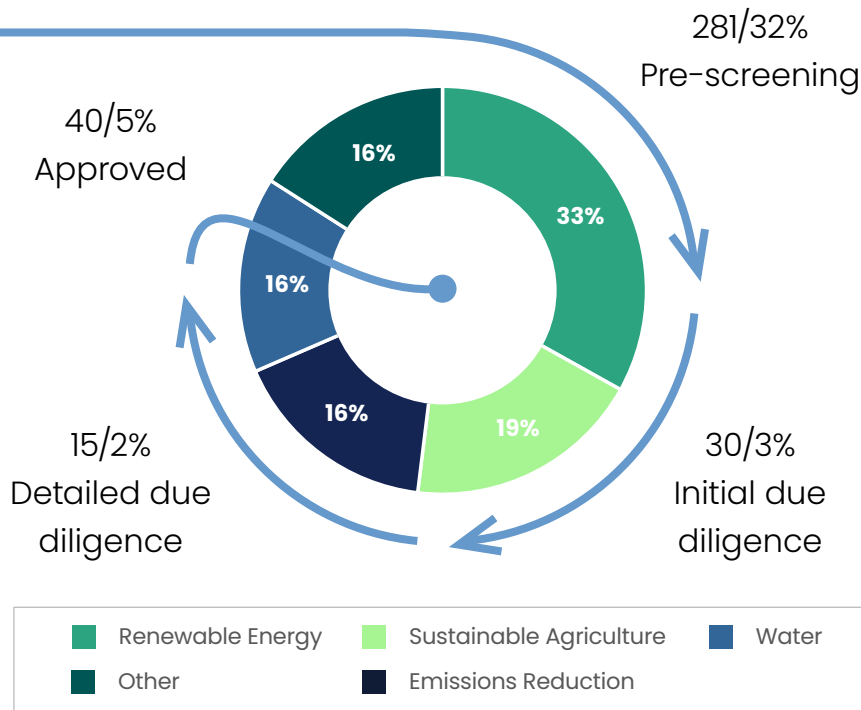
Housing-related investments account for approximately 29% of our clients' cumulative capital commitments.

Our clients' housing-related investments are targeting returns between 8% and 12% per annum, which performance to date in line with long-term target returns.

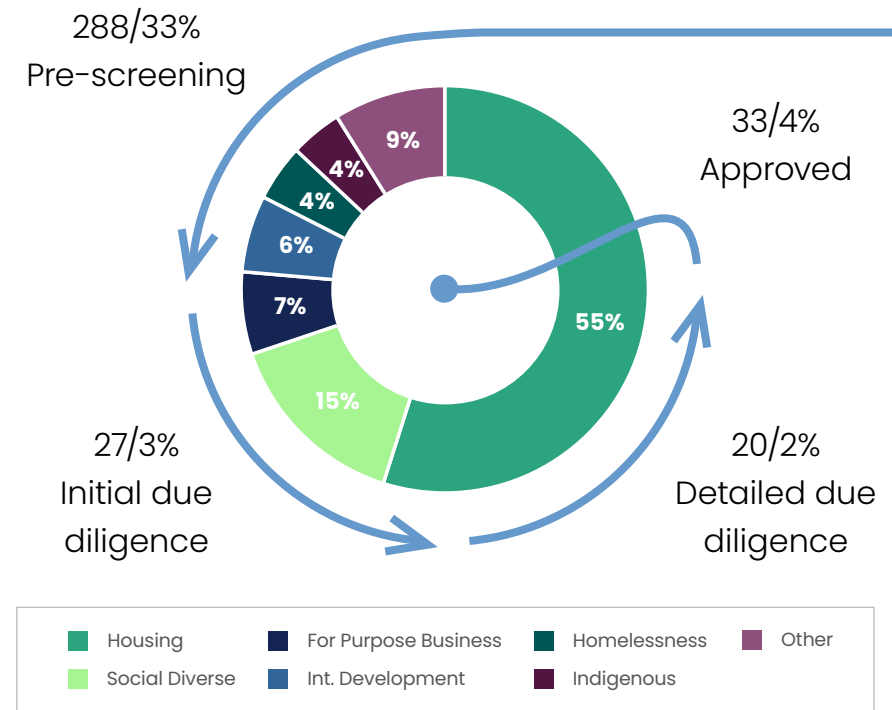
Impact trends in private markets

With ten years of impact investing due diligence comes ten years of market data. We crunched the numbers on the 876 private market opportunities we have reviewed and 75 approved to highlight trends observed across impact themes. Not included below are investments categorised as 'diverse, with environmental and social themes.

Environmental Investments



Social Investments



Impact in public markets_

In developing portfolios that consider impact across every asset class, you can't forget about the impact of your listed equity and fixed income allocations. That's why, in 2021, we dug deeper into responsible investment markets and developed frameworks to find the best practice funds and fund managers.

Assets under management (AUM) identified as 'responsible', 'sustainable', 'ethical' or 'impact' continue to grow in Australia and globally. However, it can still be challenging for investors to identify which companies and managed funds best match with their values.

We developed our Responsible Investment Matrix (RIM) to help our clients navigate the responsible listed equity and fixed income markets, and identify best-practice approaches.

 [Fixed Income Review 2024](#)

 [Listed Equity Review 2024](#)

The RIM measures four key requirements for a best-practice responsible investment fund:

- » The intentionality of the fund manager
- » The responsible investment strategy of the fund
- » The impact classification of the underlying portfolio
- » Any additionality achieved through engagement, advocacy or primary capital

We consider that Benefit People & Planet is the highest impact classification that best practice listed equity funds can achieve, constrained by their limited participation in primary capital. In contrast, Contribute to Solutions can be attained by best practice fixed income funds that direct new capital to generating social and environmental outcomes through participation in new bond issuances.

The RIM methodology has been affirmed by similar guidelines published by the United Nations Principles for Responsible Investment and Global Impact Investing Network.

We produce an annual Listed Equity and Fixed Income Review that outlines the best practice responsible investment funds in each asset class. Since we began our public market analyses in 2021, we have reviewed a total of 242 funds, including 192 listed equity and 50 fixed income products, and reviewed more than 10,000 underlying holdings. At the time of writing, we have a shortlist of 21 listed equity and 9 fixed income funds we consider to be best practice responsible investment products and a watchlist of 9 listed equity and 1 fixed income funds whose progress we monitor.

In 2024, we also began collecting data on the gender diversity of participating fund manager leadership and whether they produce climate or diversity-related reporting.

CRITICAL IMPACT THEME

Decarbonisation

Tackling climate change is a priority for most impact investors. Increasingly we are seeing fund managers focusing on energy transition, or assets that they attempt to decarbonise.

Climate change is at the forefront of most impact investor's minds, and it is easy to see why. As the world inches closer and closer to surpassing 1.5° of warming, extreme weather events become more frequent and our delicate biodiversity is threatened, investors increasingly need to face reality and get involved.

Tackling climate change has, unsurprisingly, become one of the most common investment themes in our pipeline, with more than 50% of all deals we have reviewed attempting to address an environmental concern.

Bubbling to the top of the climate change thematic in the last few years is a focus on decarbonisation or the 'energy transition'. Investors and managers are increasingly focused on reducing the carbon footprint of our energy grid, businesses and societies.

Dedicated managers such as Infradebt and Virescent Ventures are focusing their efforts on this challenge. Traditional managers such as Brookfield, Adamantem and Palisade are using their expertise to deliver climate-related impact products.



“As impact investors, we are acutely aware of the importance of our investment decisions. That is why we align our investment decisions with the social and environmental issues that are most important to us. ‘Decarbonisation’ is one such issue that we consider within our sustainable environment theme alongside our other thematics equality, healthy minds and vibrant culture. Aii has supported the Tony Foundation to invest in thirteen public and private market opportunities addressing decarbonisation or environmental transition themes, which are largely tracking to target impact and financial performance. We are proud of these investments’ impact and our participation as investors.”

INGRID ALBERT, EXECUTIVE DIRECTOR, ALBERTS / THE TONY FOUNDATION

Our insights from ten years of impact investing_

After a decade in the impact investing space, Aii has observed and experienced both the challenges and transformations that have shaped the industry. We have distilled our experiences into five key reflections, offering insights from 10 years of driving impact through investing.

1

Every investment has an impact

2

You can invest for impact and generate returns

3

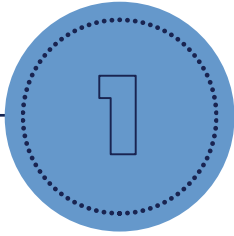
Total Impact Portfolios are the new frontier of portfolio management

4

Catalytic capital is needed to deepen investment impact

5

Impact investing is thriving, but there is a long way to go



Every investment has an impact_

When we first sit down with new or existing clients, the conversation often starts with one central question: What is impact? Clients want to know where impact lies within their portfolios and how to measure and monitor it effectively. This is where the concept of the Impact Spectrum – a tool that allows us to classify investments based on their social and environmental outcomes – comes into play.

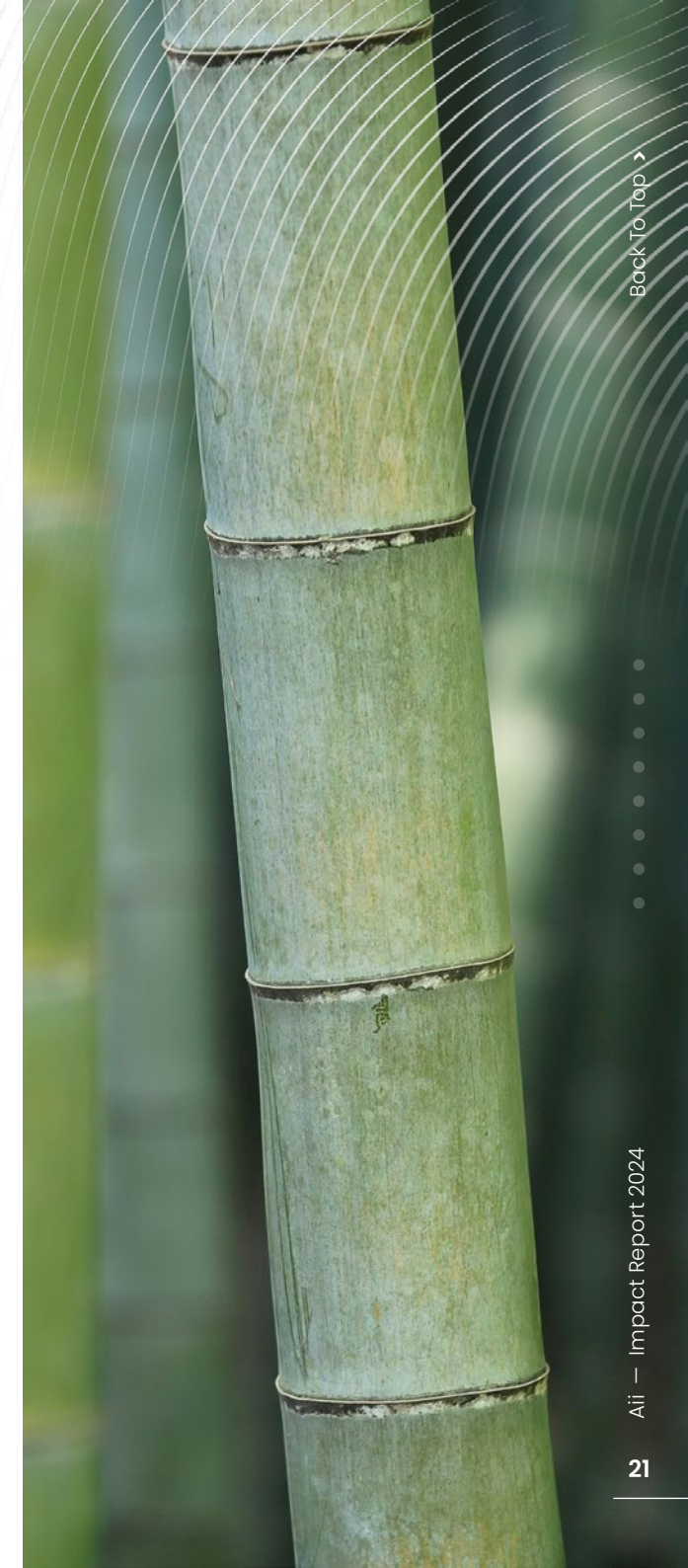
Developed in alignment with industry standards, our Impact Spectrum provides clarity in understanding the varying levels of impact of investments across asset classes. By categorising and measuring impact, investors can gain a clearer picture of how their capital affects people and the planet, enabling them to make more informed decisions that align with both their financial goals and their desire to contribute to a better world.

This evolution demonstrates our fundamental belief: whether a publicly traded stock, a private equity fund or a social impact bond, every investment has an impact – positive or negative – and there is a common framework that can be used to classify impact. What differs is the depth and scale of that impact. Understanding these differences is crucial to measuring and managing impact across an investment portfolio.

Aii has now applied the Impact Spectrum to over 10,000 holdings and hundreds of managed funds across private and public markets.

By making the impact of investments visible and comparable, investors feel empowered to make more informed decisions that align with both their financial goals and their desire to contribute to a better world. We believe that you can only manage what you measure, and our Impact Spectrum serves as a vital tool in our ongoing mission to drive positive social and environmental outcomes across all investments.

▶ [Investing for impact without compromising returns](#)



The Impact Spectrum



May Harm People & Planet

The investee is directly involved in activities that harm or may harm people or planet.



Avoid Harm

The investee has no direct involvement in activities that harm people or planet.



Benefit People & Planet

The investee is directly involved in activities that benefit people and planet and acts to avoid harm.



Contribute to Solutions

The investee intentionally seeks to generate positive, measurable outcomes for people and planet and acts to avoid harm.



Catalyse & Contribute

The investee intentionally seeks positive, measurable outcomes for people impact that would otherwise not be possible but for acceptance of disproportionate risk and/or concessional financial returns.



You can invest for impact and generate returns

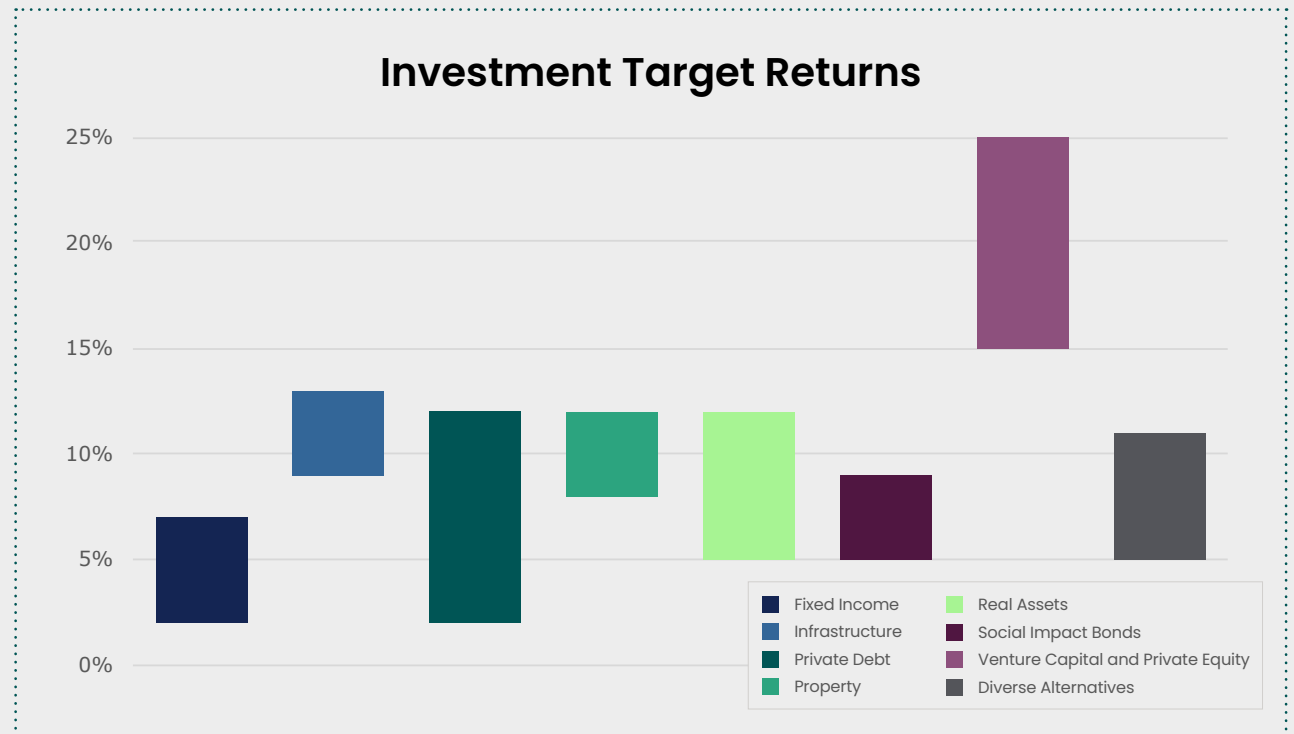
We frequently hear comments along the lines of, “impact investing sounds good in theory, but I can’t afford to sacrifice financial returns.” When we started this journey ten years ago, we often had to answer this concern in the abstract or point to international examples. Today, however, we have concrete evidence from Australian investments across asset classes that demonstrate it is possible to invest for impact and still generate risk-adjusted, market-rate returns. This performance is not anecdotal—it’s empirical.

What are our approved investments targeting?

Our 75 approved investments range in asset classes, and we track their target performance from day one, as shown in the graph on the right, which lists target return ranges.

We seek impact investments generating returns commensurate to their risk, asset class and position in the market, with exceptions for catalytic capital investments where concessional returns are targeted and accepted by investors.

[▶ Investing for impact without compromising returns](#)





About our return data

Of the 75 investments we have recommended, 21 have either closed or reached a sufficient period to measure meaningful long-term returns. These 21 investments span social impact bonds, private debt, and real assets.

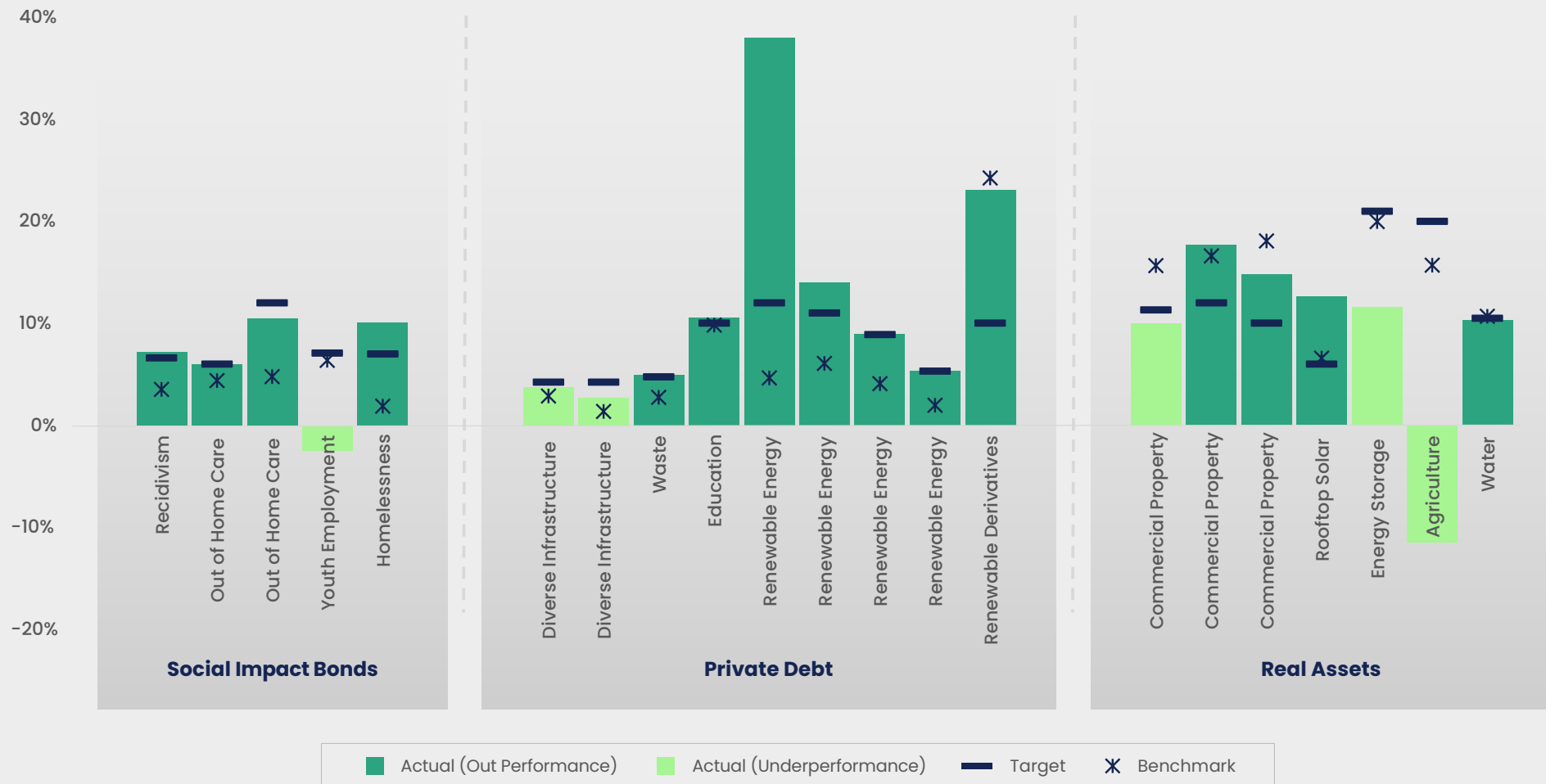
Collectively, they have delivered an average realised IRR of 9.9%, outperforming their average target IRR of 9.5% and exceeding the average benchmark IRR of 8.7%. Returns at or above their target or comparable benchmark were achieved by 15 investments. These returns are in line with assumptions for allocations to private market alternatives used in portfolio forecasting models.

Of course, this success is not without its failures, with factors such as the COVID-19 pandemic, 2019/2020 bushfires, and changing market dynamics resulting in underperformance across six investment opportunities.

While financial underperformance is disappointing for us and investors, we understand that at the end of the day, investing involves risk. We work with our clients to create impact allocations or total impact portfolios that accommodate impact and financial objectives, but also includes risk management. The financial and impact performance of our clients' portfolios demonstrate that a three dimensional approach to portfolio construction across risk, reward and impact yields successful results.

Delivering risk-adjusted returns

With risk-adjusted returns, impact investments represent a valuable addition to any investment portfolio for achieving financial objectives and diversification benefits typical of alternative assets, all while delivering positive outcomes for people and planet.





“The Lord Mayor’s Charitable Foundation engaged Aii to advise on our impact allocation in 2023. Working seamlessly alongside our investment consultant, Aii expanded our investment universe and supported us to deploy into private market opportunities that deliver on our impact and financial objectives.”

DARREN MCCONNELL, CHIEF FINANCIAL OFFICER, LORD MAYOR’S CHARITABLE FOUNDATION



The Total Impact Portfolio frontier

Many investors with a philanthropic focus, such as foundations, trusts and family offices, operate under the ‘two pocket paradigm’, or what we call ‘conventional’ investing: maximising financial returns to maximise the amount of giving.

Conventional investment strategies do not consider impact. We firmly believe that investors can consider the impact of each asset in their portfolio and maintain returns sufficient to meet their philanthropic objectives.

The Impact Allocation and the Total Impact Portfolio

The most common approach to impact investing today is the ‘Impact Allocation’, which typically looks like a 5–20% carve-out in a portfolio for impact investments, with a conventional or ESG-integrated approach adopted in the remaining 80–95%.

An Impact Allocation is useful for investors at the start of their impact journey, who might wish to participate in a small number of impact investments or are dipping their toe into embedding impact as a lens across their portfolio.

However, investors are increasingly seeing that it is possible to build an investment portfolio spanning multiple asset classes, that delivers benchmark financial returns and meets liquidity, risk, yield and impact objectives.

The ‘Total Impact Portfolio’ (TIP), considers impact across every asset class and every investment, using strategies including negative and positive screening, shareholder engagement and impact investing to create a portfolio of assets that, at a minimum, do no harm, and consciously integrate investments that actively seek to generate positive social and environmental outcomes.

We have developed TIPs for several clients over the last few years, with early impact and financial performance meeting expectations.

Our work in public markets is crucial to delivering a TIP, as no TIP is complete without the inclusion of best-practice responsible investment products in listed equities and fixed income given the importance of these two asset classes in any strategic asset allocation.

Our annual [Listed Equity](#) and [Fixed Income](#) Reviews scan the market of products labelled as responsible, sustainable, ESG and impact, to find a shortlist of the ones that are ‘true-to-label’.





Deepening impact with catalytic capital

While we maintain the view that impact investing can generate risk-adjusted market-rate returns, we also recognise the need for catalytic capital – that is, a subset of impact investments that addresses gaps left by mainstream capital, in pursuit of impact that otherwise could not be achieved.

What is catalytic capital?

Catalytic capital is increasingly becoming a part of the impact investing marketplace in Australia. These investments:

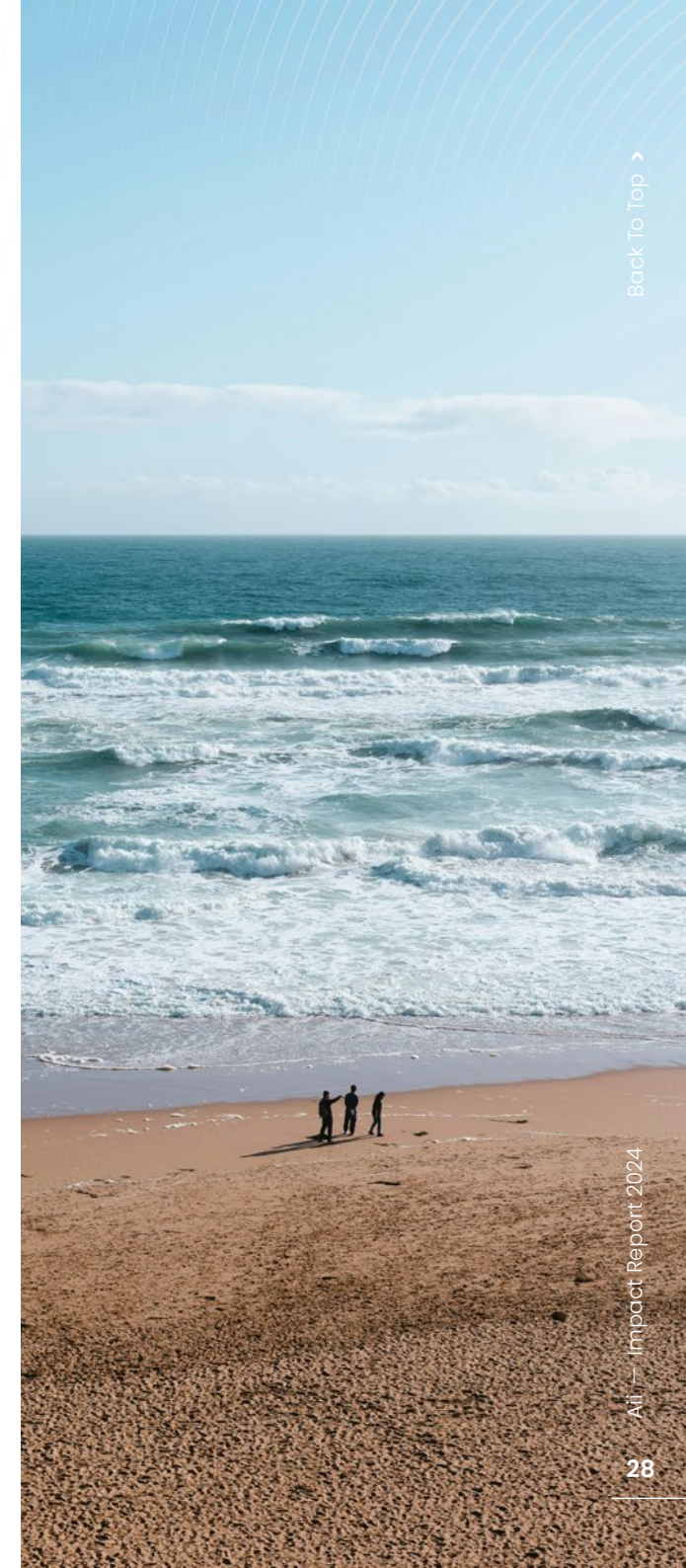
- » Accept disproportionate risk or concessionary returns to generate positive impact; and
- » Seek to address capital gaps, such as investment opportunities that mainstream commercial investment markets fail to reach, partially or fully, because they do not fit the risk-return profile of conventional investment norms and expectations.

Our FY2024 approved investments included two examples of catalytic capital opportunities: First Australians Capital Catalytic Debt Fund, which will support Indigenous entrepreneurs, and the Arc Social Impact Bond that will fund a program to improve outcomes for people leaving incarceration.

There is growing interest among asset owners, especially foundations and family offices, to make catalytic investments. However, there is still much work to be done in establishing regulatory incentives (as in other jurisdictions), developing the appropriate policy and governance infrastructure and streamlining reporting and monitoring.

Aii introduced the impact classification of Catalyse & Contribute (C^c) to our Impact Spectrum in 2023. The 'C^c' classification clearly distinguishes catalytic capital investments from those impact investments offering risk-adjusted market rate returns.

Excitingly, clients are progressively incorporating allocations to catalytic capital into their portfolios where they have capacity to absorb disproportionate risk or concessionary return.





“The Snow Foundation has been supported by Aii since 2019, when we first embedded an allocation to impact investment into our investment portfolio. We are incredibly proud of what we have achieved together. We have deployed capital to first time fund managers expanding availability of disability and social housing, invested in social impact bonds supporting innovative programs addressing homelessness and youth unemployment, and out-of-home care. More recently we have turned our mind to investing in catalytic impact investments, further deepening the impact of our capital and supporting Snow Entrepreneurs, our “Snowies”, to look beyond grant capital.”

GEORGINA BYRON, THE SNOW FOUNDATION



Impact investing is thriving, but there is a long way to go_

Impact investing has the potential to drive positive change, but several factors have hindered its growth in Australia.

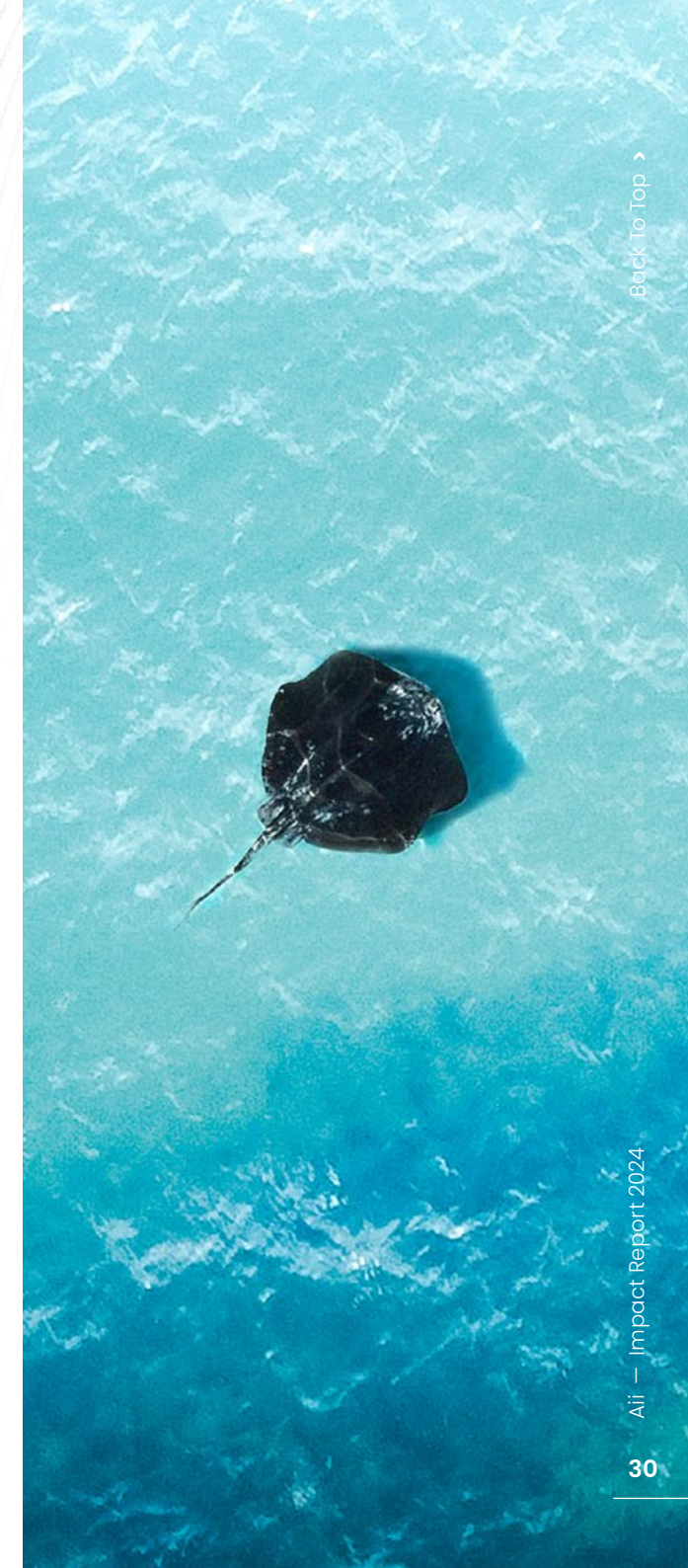
Aii is incredibly proud of the \$338 million in capital we have mobilised for 75 impact investments over the past ten years. This capital represents 16% of the capital raised by the Australian impact investments we have facilitated for our clients, playing a critical role in the success of innovative financial instruments and first-time impact fund managers.

While commendable, it is a drop in the ocean compared to the volume of private market investment and assets under advice in Australia. To put it in context, the total capital raised by the 75 investments approved by Aii, comprising a large proportion of impact investments available to investors in Australia over the past 10 years, represents less than 0.1% of total current assets under advice across all wealth advisers in Australia.

While there is growing demand for impact investments, particularly among younger generations, we have observed three core challenges hindering greater capital mobilisation for impact.

Nascent performance track record

The impact investing landscape in Australia is still developing and is characterised by a shallow supply of managers offering impact-focused products, with few having experience with multiple funds. Additionally, as impact investments typically have a 10-year lifespan, most have yet to reach maturity, resulting in limited data on fully realised financial and impact performance. This gap leads to investors' hesitation, particularly institutional ones, and many wealth advisers and asset consultants who seek proven models before committing significant capital.





Preference for liquidity and yield

Many investors, wealth advisers, and asset consultants strongly prefer liquidity and yield, which conflict with the long-term, often illiquid nature of impact investments. Opportunities in sectors such as renewable energy, specialist disability accommodation, or social infrastructure typically require patient capital due to their longer time horizons for both financial returns and measurable impact outcomes. This divergence in the characteristics of impact investments with stated preferences for liquid assets with stable yields leads to underinvestment in high-impact opportunities.

Small fund and investment sizes

The median size of the 15 largest funds approved by Aii is \$67 million, and, to date, only a handful of funds have attracted capital in excess of \$100 million. For many wealth advisers and institutional investors, the small size of impact funds compared to traditional investment funds constrains appetite, given that due diligence and transaction costs typically necessitate investments of \$10 million or more (and upwards of \$50 million for superannuation funds). Direct investment opportunities have, to date, typically been even smaller, posing the added challenge of concentration risk and lack of professional management.

What can be done?

We are optimistic that these challenges will diminish as the impact investing sector continues to mature. Data from our approved investments - both realised and unrealised - increasingly evidences that impact investments can meet investors' financial and impact performance expectations. More capital flows into this space will lead to more diverse investment offerings and larger fund sizes, making them more attractive to asset owners, wealth advisers, asset consultants and institutional investors.

In the meantime, it is crucial for asset owners to push the conversation forward. Asset owners must explicitly express their interest in impact investments to wealth advisers, asset consultants and superannuation funds. Advisers and consultants respond when clients make their preferences clear, while members influence the investment choices offered by superannuation funds. Proactive engagement is critical to scaling impact and tackling the world's biggest challenges.



“As impact investors and philanthropists, we are fundamentally aware of the importance of pushing new frontiers, and ensuring the industry considers emerging concerns about risks to nature. That is why we believe strongly in using our capital to be a catalyst for change across agriculture and food systems. Aii has been a critical thought partner for us over the past 18 months as we aligned our investment strategy with our goal of activating our capital as a lever of change.”

MICHELLE GORTAN, CHIEF EXECUTIVE OFFICER, MACDOCH FOUNDATION

Looking ahead at the next ten years

The Australian impact investing landscape has matured significantly over the past decade. While activity over the past two years has been lackluster, growth of our clients' commitments over the past five years reflects growing interest. Impact funds continue to attract substantial capital and a growing number of businesses are embracing sustainable practices. However, as we look ahead to the next ten years, it is imperative that we remain vigilant and proactive in addressing the evolving challenges and opportunities within this space.

Addressing the concerns of Indigenous Australians

Supporting Indigenous people, particularly in areas of employment, health and reconciliation, is an area of interest for many impact investors. This focus took on renewed vigour with the 2023 Australian Indigenous Voice Referendum, even with its ultimate failure to pass.

We have not, however, seen this enthusiasm flow through to impact investment opportunities, including our own approved investments and client commitments.

Over the past 10 years, we have seen only 18 opportunities explicitly targeting Indigenous thematics, representing just 2% of our overall pipeline volume.

Three of our approved investments – First Australians Capital, Kurrawang Community Solar and Ngutu College – explicitly address Indigenous issues: access to capital for Indigenous entrepreneurs, access to affordable and secure energy and reconciliation-focused education, respectively. These three investments have collectively raised \$21.5 million in investment capital, alongside a similar amount of philanthropic capital. However, they account for \$4.5 million, or 1.3% of our clients' committed capital.

Impact investors, including ourselves as an impact asset consultant, must do more to address the challenges facing Indigenous communities, in collaboration with Indigenous leaders. Aii is committed to sourcing and analysing more impact investments in this space for our clients.

Shrinking the gender gap in pipeline and leadership

Gender diversity is a similarly underrepresented thematic in our pipeline and approved investments, with less than 1% and 0% respectively. We see similar, but slightly better trends in the gender diversity of investment management, with an average of 21% gender diversity among our shortlist of listed equity funds and 31% among our approved private market opportunities.

Gender-lens investing (GLI), an investment approach that comprehensively considers gender, is an increasingly popular way of addressing gender inequality in finance. We have assisted several clients with integrating a gender-lens into their investment policy statements or responsible investment frameworks. We have also added additional questions to our due diligence process to apply a gender-lens to all investment opportunities we review.

Tackling greenwashing

Robust impact measurement and monitoring practices will be crucial to maintaining the credibility of the impact investment sector over the next decade. As the industry expands and demand grows for investments that deliver social and environmental outcomes, the risk of companies and managed funds overstating their positive impact increases. Transparent measurement frameworks ensure accountability, helping distinguish between genuine impact and superficial claims.

Moreover, strong monitoring practices align the sector with global sustainability goals like the Paris Agreement and UN SDGs. Investors and regulators are demanding data-driven proof of measurable outcomes in areas like climate action and social equity. Reliable impact measurement not only tracks progress but also informs better investment decisions, directing capital to where it can make the most difference. Addressing greenwashing and impact washing will help the sector grow responsibly while driving real, lasting change.

Diversification across asset classes

The impact investment sector, currently dominated by venture capital (VC) funds, must diversify across asset classes to address global challenges effectively. While VC plays a crucial role in supporting early-stage impact businesses, a broader mix of alternative investments are needed to meet the needs of impact investors and investees. Diversification beyond VC to such instruments as private debt, impact bonds and blended finance structures will ensure that impact capital can drive deeper, systemic change and contribute more effectively to solving issues like climate change, poverty, and inequality.

Encouraging wealth advisers and institutions

The role of wealth advisers is also ripe for transformation. Many advisers hesitate to embrace impact investing, citing concerns about performance and complexity. The intergenerational wealth transfer, already underway and expected to accelerate over the next two decades, necessitates the onboarding and upskilling of advisers to meet this new wave of capital that will increasingly flow to impact-driven strategies.

To overcome these barriers, we need to continue to provide comprehensive training and education, highlight the compelling investment opportunities, and foster a culture of impact-driven financial advice.

Asset owners, such as superannuation funds and endowments, hold immense potential to catalyse and scale impact investing. By leveraging their long-term investment horizons and scale, they can play a pivotal role in mobilising capital towards sustainable solutions. However, this requires a shift in mindset and a willingness to embrace impact-focused investment strategies.

Time to seize the moment

The next decade presents a critical opportunity to accelerate the growth of impact investing in Australia. To seize this moment, we must address the challenges head-on, innovate our approaches, and foster collaboration across the industry. By doing so, we can create a more sustainable and equitable future for generations to come.

About us_

Aii was formed in 2014 by our founding shareholder, Ethinvest. Since then, our team has built a market leading asset consultant dedicated to impact.

Wherever you are on your impact journey, Aii can help you:

- » **Educate:** Assist key stakeholders in understanding concepts in impact investing
- » **Establish:** Develop tools to define and embed impact goals alongside financial objectives
- » **Implement:** Access investment opportunities that align with impact and financial objectives
- » **Monitor:** Track and report on financial and impact performance

Impact is all we do and all we have ever done. Your impact is your choice, and we'd love to connect with you.

Australian Impact Investments

Phone: +61 (2) 9413 4404 | **ABN:** 81 165 905 582

Email: enquiries@australianimpactinvestments.com.au

Website: australianimpactinvestments.com.au





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Australian Financial Services License (AFSL): No. 223718

Corporate Authorised Representative: No. 464365 of Ethinvest Pty Ltd

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