

Impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.

Global Impact Investing Network (GIIN)

The size of the market

- The UK impact investment market was worth an estimated **£58 billion in 2020**.
- The UK market represents an estimated **3.3-8%** of the total global market.

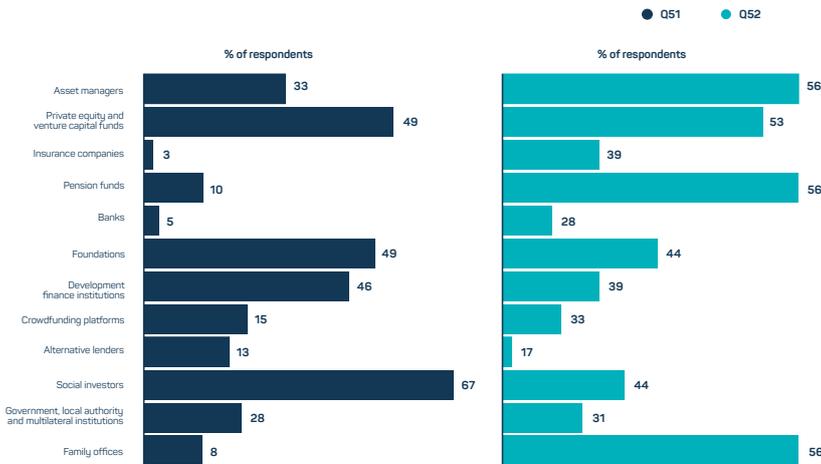
Size of the UK impact investing market, AUM, £bn

Breakdown of UK Impact Investing Market



Source: EY-Parthenon analysis, Big Society Capital, Investment Association

Current vs. future market players



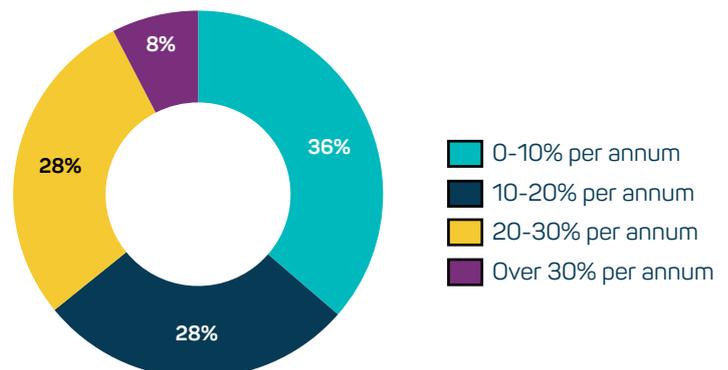
The composition of the market

- Social investors, private equity and venture capital firms and foundations** were identified as the leading impact investors in the market today.
- Institutional investors** were identified as the primary drivers of future growth.
- Healthcare, affordable and clean energy, and sustainable cities and communities** are the top focus areas for investment.

Our survey of the market

- 97%** held the view that over the past two years asset allocation to impact had been increasing.
- A weighted average of all respondents to current estimated impact AUM results in a potential 15% growth, **which could double funds allocated to impact to over £100bn in five years**.
- Approximately **90%** reported that 2020 returns were either in line or exceeded their targets.

How quickly do you think the UK impact investing market is set to grow over the next few years:



The UK impact investment market and future drivers of growth

- While the market is now sizeable, relative to mainstream investing, it is still growing from a comparatively small base. There is significant headroom for growth as **the capital flowing to impact is currently estimated to be less than 1% of total UK AUM.**
- As well as the size of the UK impact investment market, we also assessed investments that we describe as impact-aligned: investments that are generating positive social or environmental benefit but that are not made intentionally and are not measured. **We found that in 2020 there was £53bn of impact-aligned investments in the UK.**
- There is a large and growing green, sustainable, sustainability-linked and social bonds market in the UK. **As of 2020, this was c.£7.9bn of capital raised.**
- We identified **key drivers for future market growth** including:
 - Policy initiatives like the FCA's consultation on disclosure and labelling of investments;
 - The role that blended finance could play in catalysing more institutional investment;
 - The power of encouraging impact-aligned sectors to shift into more intentional and accountable investment approaches;
 - The continuing importance of dispelling the myth that impact investing requires sacrificing financial returns; and
 - The need for more impact investment vehicles that can take on institutional investment.
- We also outlined two key themes likely to shape the future market: a **'Just Transition' approach** to impact investing and the growing interest in **investing in nature-based solutions.**
- The report concludes with **observations about strengthening future market estimates**, with particular attention paid to improving data flows between mainstream financial services and the impact investing community.

You can learn more about our market sizing project by visiting our website:
<https://www.impactinvest.org.uk/project/sizing-the-uks-impact-investing-market/>

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