

# Estimating and describing the UK impact investing market

A summary of the key findings from our report

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

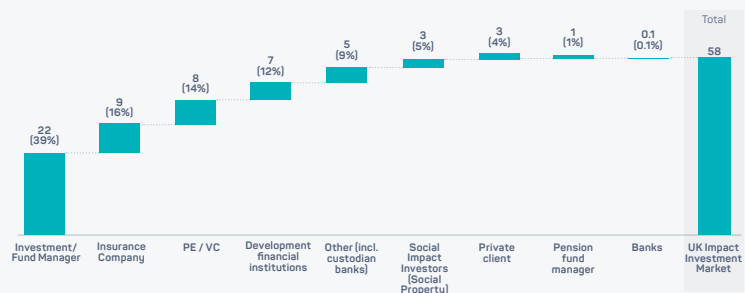
*Global Impact Investing Network (GIIN)*

## 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.

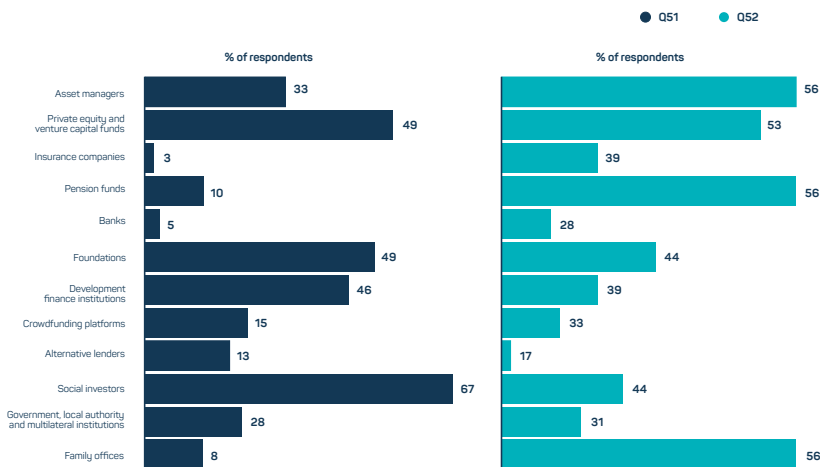
## Size of the UK impact investing market, AUM, £bn

Breakdown of UK Impact Investing Market



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

## Current vs. future market players



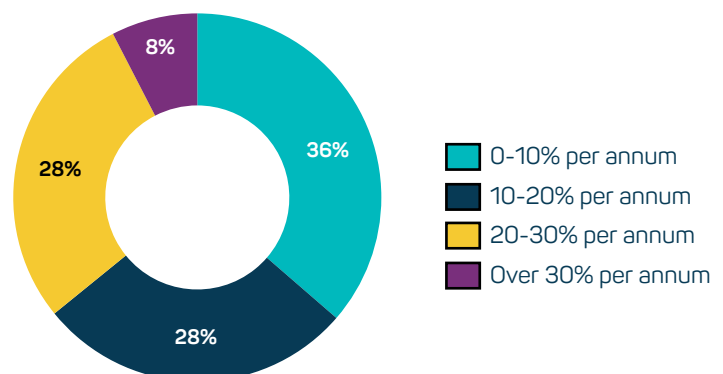
## The composition of the market

- 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:



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## 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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