

IMPACT REPORT



September 2023

EU vs US

IMPACT INVESTING MARKET

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If you are a fund investor

and would like to have a live demo of the Phenix Capital Impact Database, please visit www.phenixcapitalgroup.com/impact-database and register your interest.

If you are an impact fund manager

and would like to be considered for listing on the Phenix Capital Impact Database please email sales@phenixcapitalgroup.com. Listing is free of charge.



ABOUT PHENIX CAPITAL

CATALYSING INSTITUTIONAL CAPITAL TOWARDS THE SDGS

Phenix Capital Group is an impact investment consultant that enables institutional investors to make impact investments.

We assist asset owners and asset managers in aligning their investments with their values, financial objectives, and the Sustainable Development Goals.

www.phenixcapitalgroup.com

Our Vision

We envision a world in which institutional capital helps to end poverty, protect the planet and ensure prosperity for all

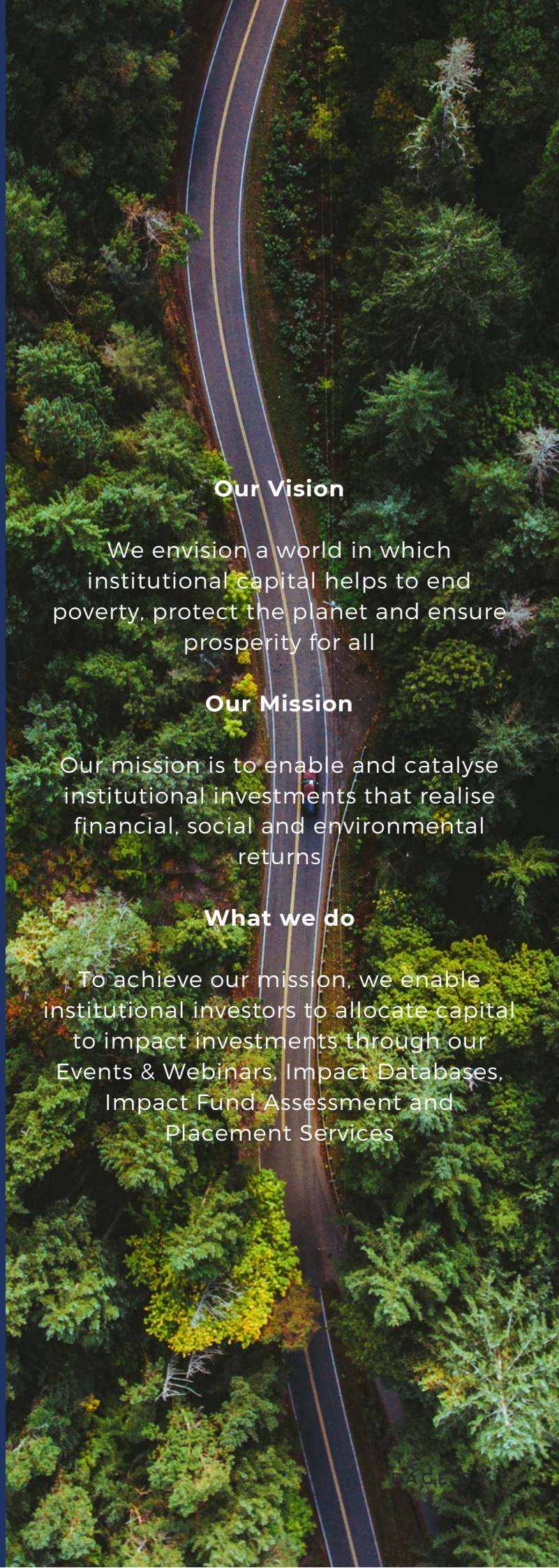
Our Mission

Our mission is to enable and catalyse institutional investments that realise financial, social and environmental returns

What we do

To achieve our mission, we enable institutional investors to allocate capital to impact investments through our Events & Webinars, Impact Databases, Impact Fund Assessment and Placement Services

Signatory of:



ABOUT IMPACT DATABASE

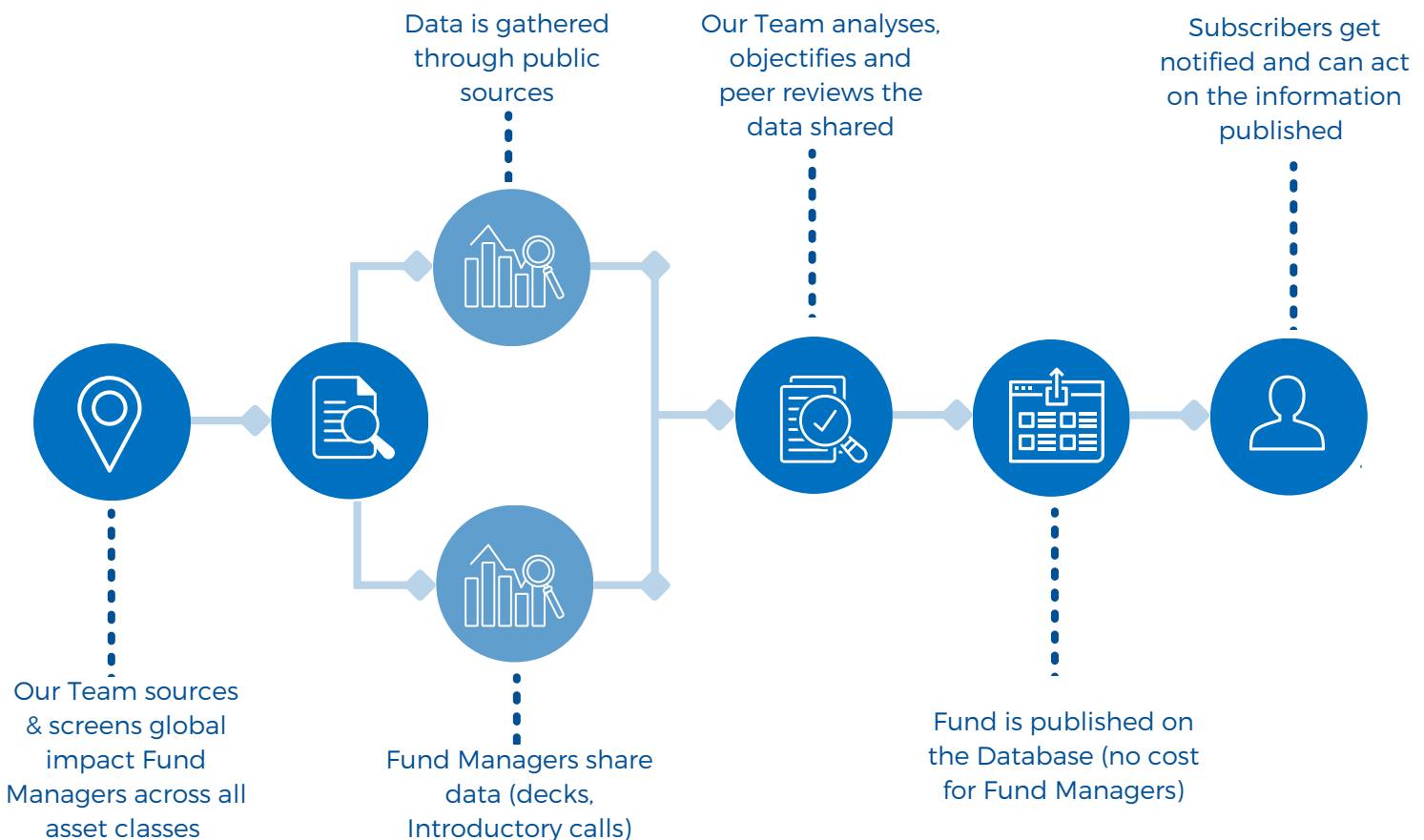
Phenix Capital's mission is to enable the allocation of capital from institutional investors towards social and environmental solutions while supporting the 2030 Sustainable Development Goals (SDGs). With the Impact Database, Phenix Capital aims to provide investors with access to and intelligence on the impact fund market opportunities available to them.

Three main variables have been central to construct, monitor and update the database: **funds considered have an impact proposition, institutional scale, and target market-rate returns.**

Impact Investing goes beyond negative screening and using Environmental, Social and Governance (ESG) integration to reduce harm or avoid risks, to generating intentional positive impact. Phenix Capital defines impact investing as **investing with the dual mandate of financial return and positive societal or environmental impacts**, with the notion of measuring the positive and negative impact of investments, ensuring both **intentionality and additionality** among these.

Phenix Capital's Impact Database features funds that align with this definition through their creation of solutions for global social and environmental issues, whilst prioritising financial returns. This category of impact investments can be referred to as **financial-first impact investments.**

FUND SOURCING PROCESS



INTRODUCTION

For a global impact investing market that the GIIN estimated at \$1.164 trillion in 2022, looking at all the Phenix Impact Database metrics, there is no doubt that there is a clear US-European divide.

Perhaps the starkest difference is in number of funds dedicated to, and assets invested in, impact in the public equity markets, which stands at 71% and 86%, respectively. There are likely to be a number of potential reasons for this.

Culturally, European investors see financial inclusion as an important part of being a developed world and, as such, are often willing to accept a marginally reduced rate of return to achieve social and environmental goals.

Meanwhile, Americans are big philanthropists. The global philanthropy market was estimated to be £182 billion, according to Barclays Philanthropy Outlook 2021, with the UK giving £11.3 billion in 2020, and US charities receiving \$499.33 billion in 2022.

Charitable giving in the US has significant tax breaks, which traditionally has meant that US investors prefer to maximise profits and then give money to a charity.

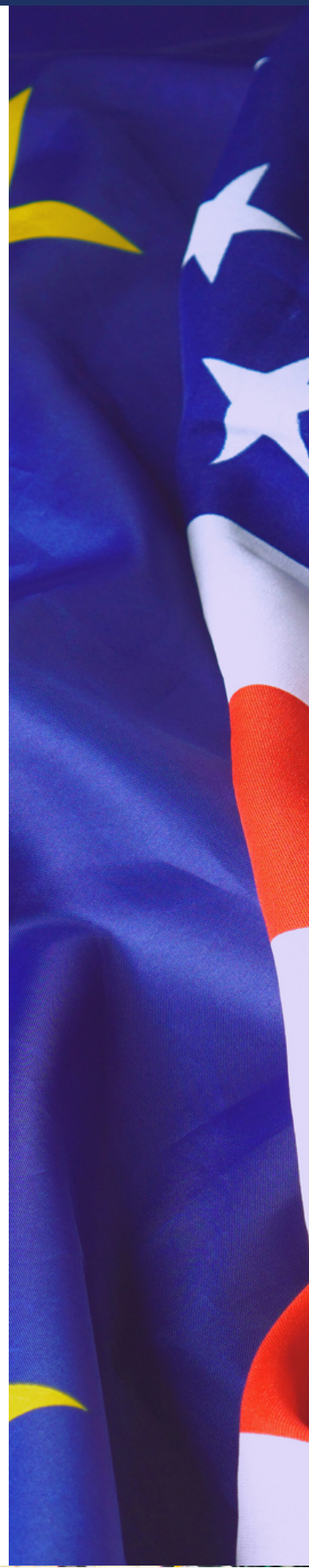
Geographically, and historically through colonial connections, Europeans are more comfortable in the emerging markets and have seen first-hand the impact that investing in developing markets, such as India and Africa, can have.

Perhaps more anecdotally, whilst venture capital may have originated in the US, also the birthplace for a lot of financial innovation, the so called 'father' of the impact investment revolution is UK-based Sir Ronald Cohen.

Cohen is a renowned philanthropist, venture capitalist, private equity investor and social innovator, who is also seen as the father of the UK, and by extension European, venture capital industries.

According to the PitchBook 2023 Sustainable Investment Survey, in Europe, investors are more likely to see roadblocks related to regulation, while in North America, the perception that sustainable investing could result in negative returns is the most widespread barrier to the industry's evolution stateside.

In the PitchBook survey, North American investors ranked concerns about—or simply perceptions of—sustainable investing resulting in negative returns as their greatest challenge, with 42% of respondents ranking it among their top three roadblocks. Only 20% of European respondents agreed.



INTRODUCTION

What is clear across both sides of the pond, is that before allocating, GPs need to put their fiduciary duties first. In the US, nearly one-quarter of the respondents listed the worry about whether ESG-friendly GPs were upholding their fiduciary responsibility concern as a top challenge, while only 7% in Europe indicated the same.

This is largely due to the fact that the mindset in Europe is that a GP is not serving a fiduciary responsibility unless sustainability of investments is considered.

The Sustainable Finance Disclosure Regulation (SFDR), which came into force on the 10 March 2021, is, among other things, designed to allow investors to properly assess how sustainability risks are integrated in the investment decision process.

In this way, the SFDR contributes to one of the EU's big political objectives: attracting private funding to help Europe make the shift to a net-zero economy.

More than that, this year the European Union adopted the Corporate Sustainability Reporting Directive (CSRD), which requires EU and non-EU companies with activities in the EU to file annual sustainability reports alongside their financial statements.

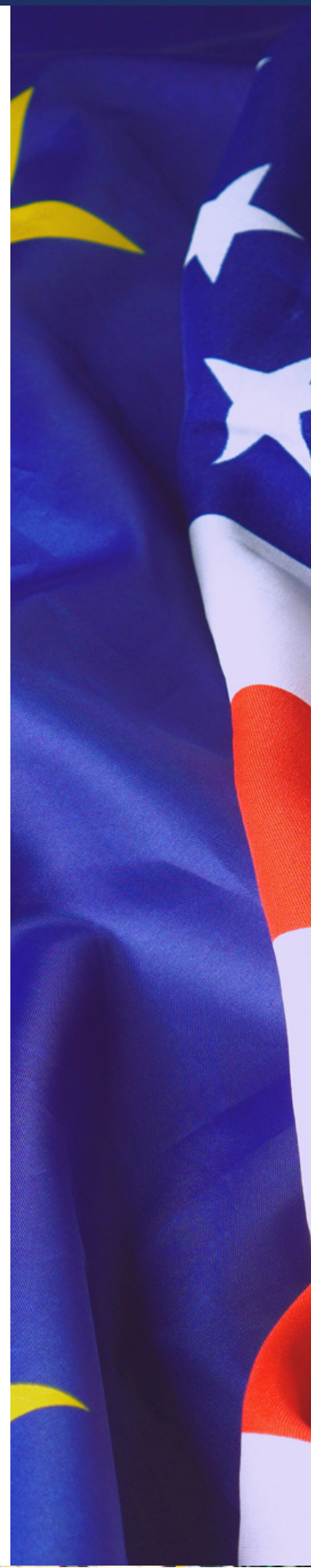
Impact investing funds for the European market are typically managed actively for sustainability, and as such are expected to align with SFDR's top category, Article 9.

A final, but important, difference to consider between the US and European impact markets is political versus regulatory power. Europeans are more concerned about regulations becoming too onerous.

In the US, sustainable investing, largely ESG focused, has become politicised with some 15 states now applying anti-ESG laws and more than 12 additional states are planning similar moves.

Report Highlights:

- 33% more EU funds than US funds
- 44% more European impact investors than US impact investors
- 71% more public equity funds in Europe compared to the US
- 86% more allocated to public equity by European vs US investors
- 58% of the US fund universe are private equity funds compared to 42% for European funds
- 17% more assets raised by US vs European Private Equity Funds
- 88% more public equity assets raised by European funds vs US ones



IMPACT THEMES MAPPED AGAINST THE SDGS



The Phenix Capital Group has mapped the SDGs against Impact Themes, which are based on **the most globally endorsed terms used by practitioners in the financial sector** and what's used by generally accepted frameworks, to enable both fund managers and fund allocators to better **understand how the SDGs and it's sub-goals translate into outcome-based investment areas** - by the name that they are commonly known and referred to in the financial industry.

Mapped against the SDGs' sub-goals, our Impact Themes offer a comprehensive way for investors and fund managers in the financial industry to identify what social or environmental outcome is generated by an impact investment and its contribution to the Sustainable Development Goals.

THE REVAMPED IMPACT THEMES ARE ALREADY AVAILABLE IN OUR IMPACT DATABASE FOR FUND FILTERING, VIA THE FUND SEARCH FUNCTION.

BE PART OF THE IMPACT REPORT

Every month Phenix Capital Group publishes a new Impact Report, bringing up-to-date data on impact investments and interviews with impact fund managers and investors from the field.

PAST REPORTS INCLUDE:



See all Impact Reports on our website, visit: <https://phenixcapitalgroup.com/impact-report>

WOULD YOU LIKE TO BE FEATURED IN THE NEXT EDITION?

Featured interviews are carefully chosen taking into consideration the theme from the month and the expertise of the person to be interviewed, besides the company where he or she works.

Talk to our team about opportunities to be featured. Upcoming report topics include:

MONTH	REPORT THEME
October 2023	Real Estate
November 2023	Gender Lens
December 2023	Public Equity

Contact us to know more about how to be featured in our reports.

EU FUNDS

1160
Funds

775
European Investors

484
Private Equity Funds

179
Public Equity Funds

€65 bn
Capital raised by Private
Equity Funds

€197 bn
Capital raised by Public
Equity Funds

US FUNDS

773
Funds

433
US Investors

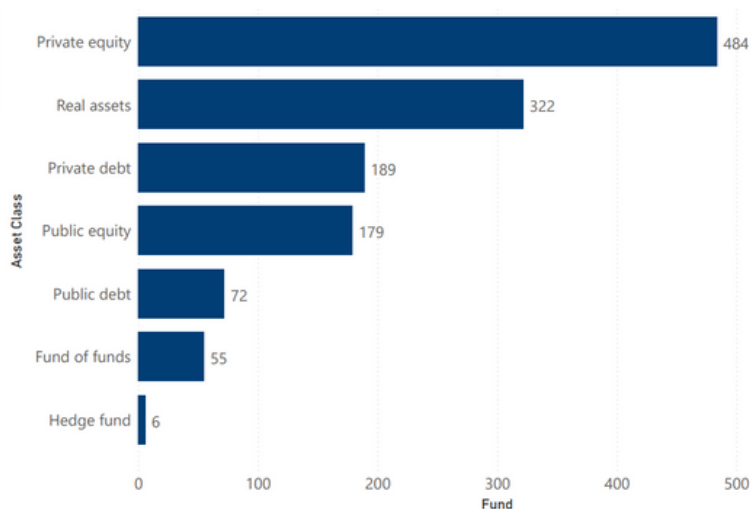
450
Private Equity Funds

52
Public Equity Funds

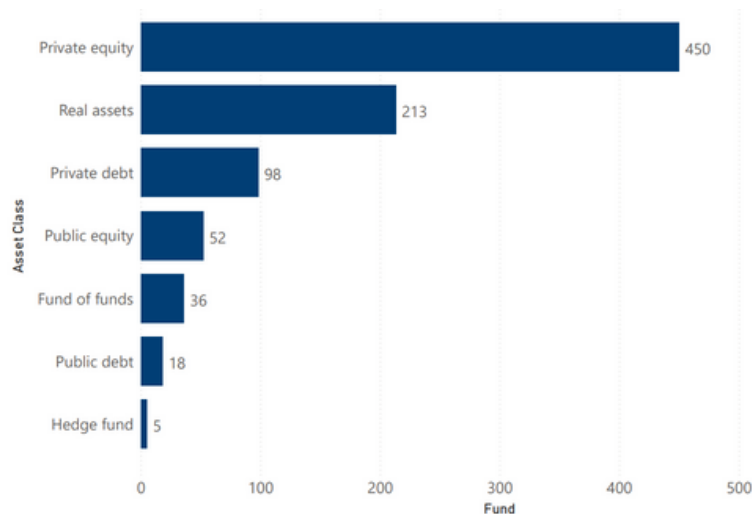
€76 bn
Capital raised by Private
Equity Funds

€24 bn
Capital raised by Public
Equity Funds

European Funds by Asset Class



US Funds by Asset Class



Totalling 1,160 European impact funds in the Phenix Impact Database means there are 33% more than US domiciled impact funds. Mirroring the overall statistics, across all the asset classes there are more European funds than US ones, with the 179 European public equity funds outnumbering US public equity impact funds by 71%.

Private equity funds are the most dominant asset class in both regions, collectively making up 934 funds across both regions. European private equity funds are 42% of the EU funds universe, while US private equity funds make up 34% of the American funds. Summa Equity raised the largest European impact fund to date with a final close of roughly €2.3 billion for its third fund.

US private equity funds make up 58% of the total US impact fund universe. With the TPG Rise Climate, a fund targeting investments in climate solutions, closing in 2022 on \$7.3 billion, making it the largest US private equity impact fund to date.

Collectively, there is only a 7% difference between the number of European (484) and US (450) private equity impact funds, but in terms of the assets raised the numbers are more interesting. At €76 billion, US private equity funds have raised 17% more in assets than the €65 billion raised by the EU private equity funds.

For the real asset fund universe there are 39% more European funds than US ones, which total 213 in number. The 322 European real asset funds make up 28% of the European fund universe, which is the same percentage as the 213 US real asset funds with respect to the overall 773-strong US impact fund universe.

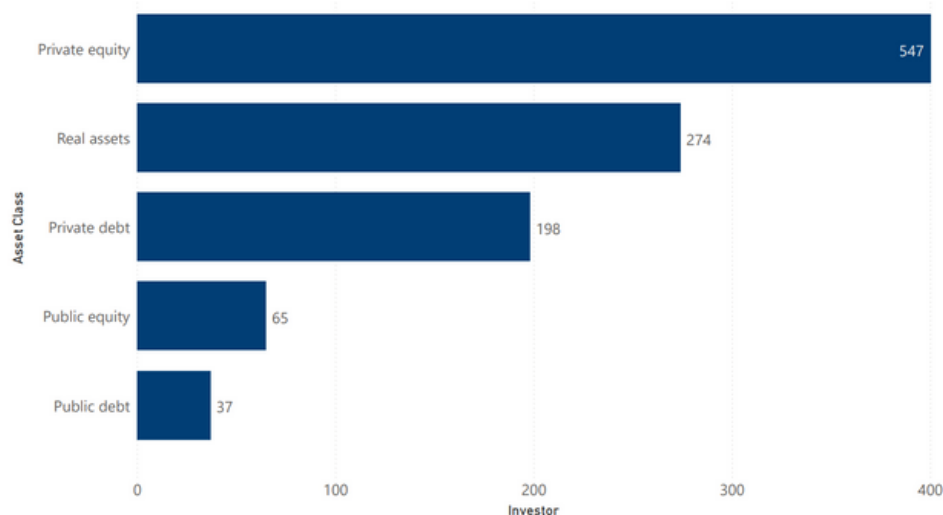
Across both regions, private debt is the third most popular strategy, although there are 48% more European private debt impact funds than US ones. European and US funds make up 16% and 13% of their respective regional totals.

The largest difference in terms of funds numbers between Europe and the US is in the public equity impact space with 179 European public equity funds outnumbering the US ones by 71%. In terms of assets, European public equity funds have raised €197 billion, which is 88% greater than the €24 billion raised by the US public equity funds.

There are 50% more European public debt funds than US public debt funds, and in the fund of funds universe there are 55 European funds compared to 18 US funds. There are only six European impact hedge funds, compared to five US impact hedge funds, despite the US hedge fund market being far larger.

*Data may overlap as funds can target several asset classes, SDGs and/or regions.

Most targeted Asset Class by European Investors



There are 775 European investors and 70% of them, equivalent to 547 in number, are allocating to private equity, this compares to 80% of the 433 US investors.

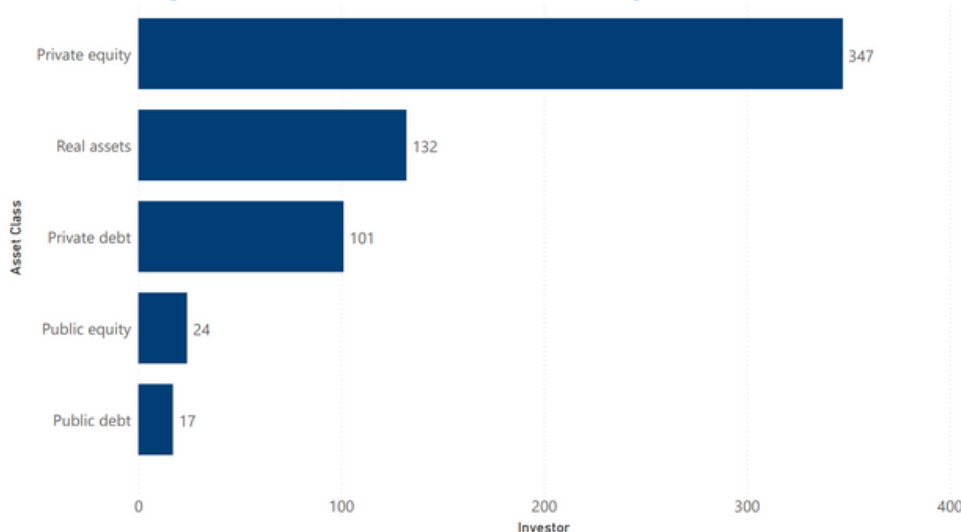
In terms of popularity after private equity, US and European investors, irrespective of region, favour real assets, private debt, public equity and public debt, in that order.

Thirty-five percent of European investors, 274, compared to 30% of US investors are targeting real assets, while 26% and 23% of European and US investors are targeting public debt respectively.

Only 65 European investors, equivalent to 8% of the universe, are investing in public equity and 5% in public debt. The numbers for US investors are not too dissimilar, with 5% and 4% of US investors allocating to public equity and public debt, respectively.

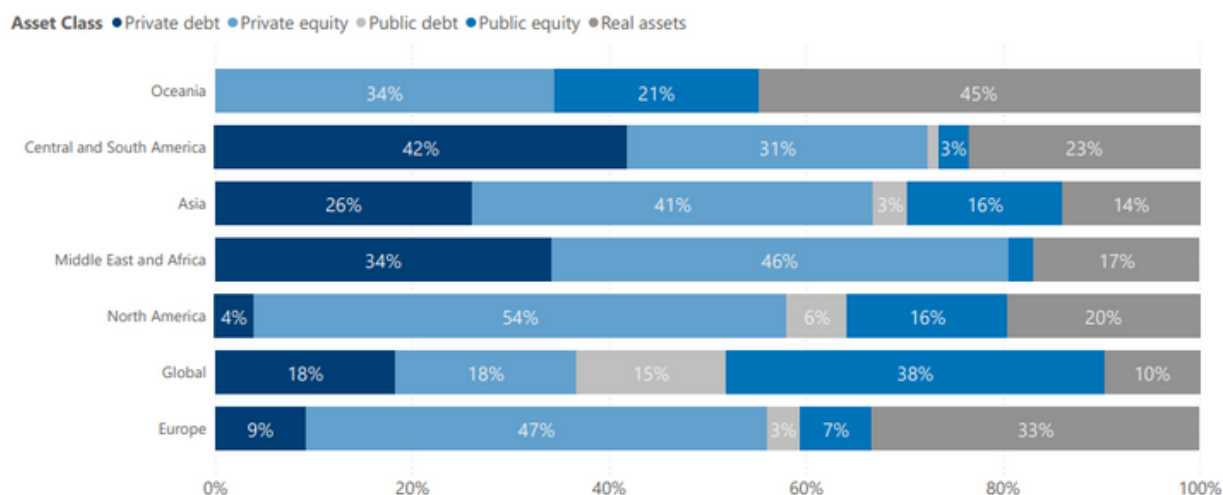
The appetite is largely reflected in the number of products available (see page 11).

Most targeted Asset Class by US Investors



*Data may overlap as funds can target several asset classes, SDGs and/or regions.

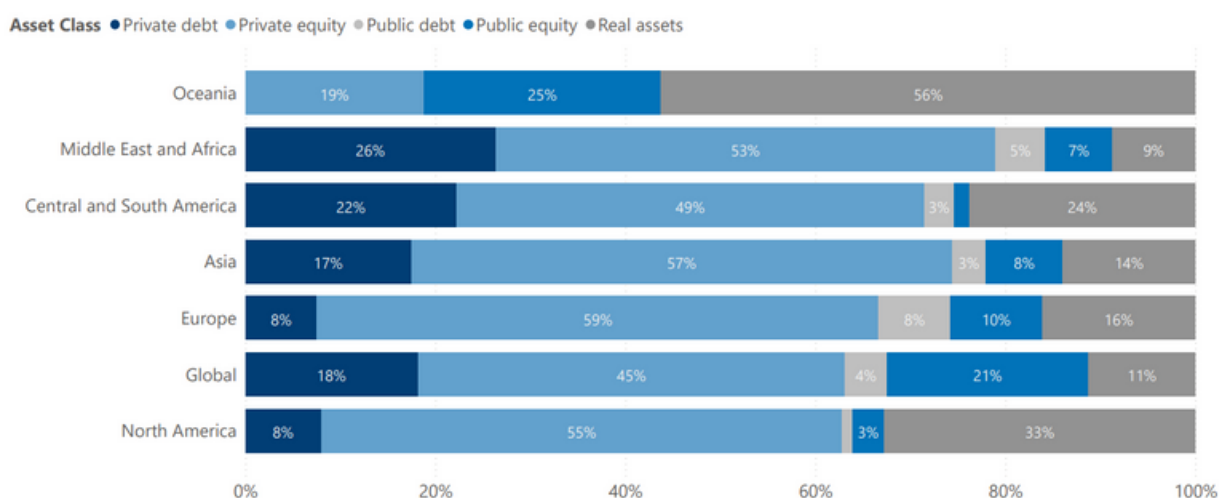
European funds Asset Class distribution by region



European funds focused on Europe are largely invested in private equity (47%) and real assets (33%). Oceania focused funds are the only other region that invests significantly (45%) in real assets. The largest private debt allocators are funds focused on Central and South America, Middle East & Africa and Asia allocating 42%, 34% and 26% respectively.

Unsurprisingly the largest allocation to private equity comes from European funds that focus on North America (54%) although Middle East & Africa and Asia-focused funds have 46% and 41% invested in private equity, respectively.

US funds Asset Class distribution by region

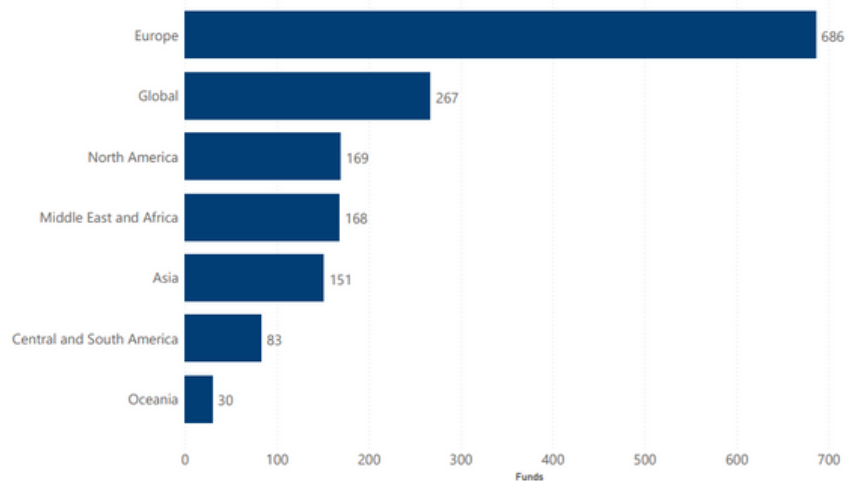


Apart from Oceania-focused impact funds, which have 56% allocated to real assets and only 19% to private equity, all the other US funds, irrespective of regional focus have 45% or more allocated to private equity. Middle East & Africa funds, which have 53% in private equity, also have 26% in private debt. The second largest private debt investor with 22% of assets are the Central and South American focus funds that also have 49% allocated to private equity. At 24%, Central and South American funds also have the third largest allocation to real assets.

North American funds have 55% allocated to private equity and 33% to real assets with only 8% to private debt. The biggest allocator to public equity (21%) are the US funds with a global remit (and invest 45% in private equity and 18% in private debt), whilst the biggest private equity allocation (59%) is to European focused funds that also have 16% in real assets.

*Data may overlap as funds can target several asset classes, SDGs and/or regions.

European Funds by Region



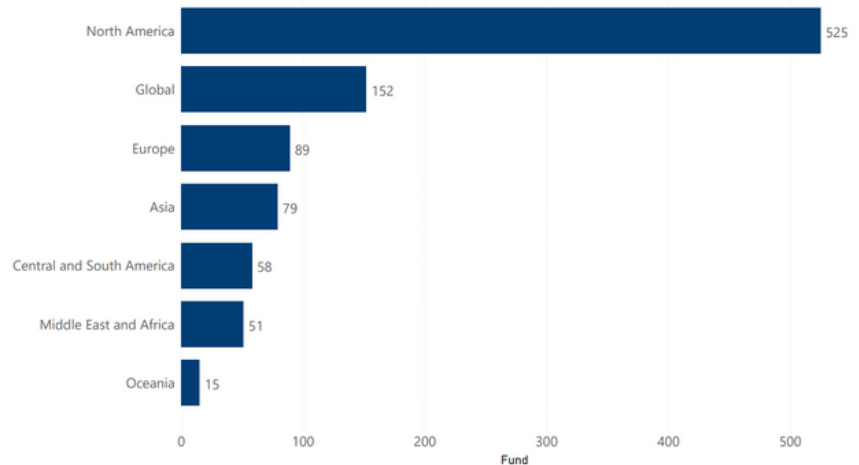
In terms of geographical allocation, 59% of the 1,160 European funds invest in Europe with 23% of the funds, equivalent to 267, investing with a global remit and 15% with a North American bias.

Of the remaining European funds, 168 invest in the Middle East and Africa, 151 in Asia, 83 with a Central and South American bias and 30 in Oceania.

Unsurprisingly, European funds have a bias towards Europe and US funds towards the North American markets. Comparatively, both regions have a similar allocation to a global remit with European funds investing 23% and US funds, 20%. Moreover, 15% of the European domiciled funds have a North American focus, while 12% of the US funds have a European focus; again a similar proportion.

What is interesting is that whilst the percentage of the funds that invest in Central and South America & Oceania are roughly similar between European and US funds (7% & 8% and 3% & 2% respectively), there are proportionally more US focusing on Asia (10%) than the Middle East and Africa (7%). For European funds the 168 funds dedicated to Middle East and Africa make up 15% of the total funds, while the 151 European funds focusing on Africa are 13% of the total European universe. It is unclear whether the biases are politically or geographically driven.

US Funds by Region

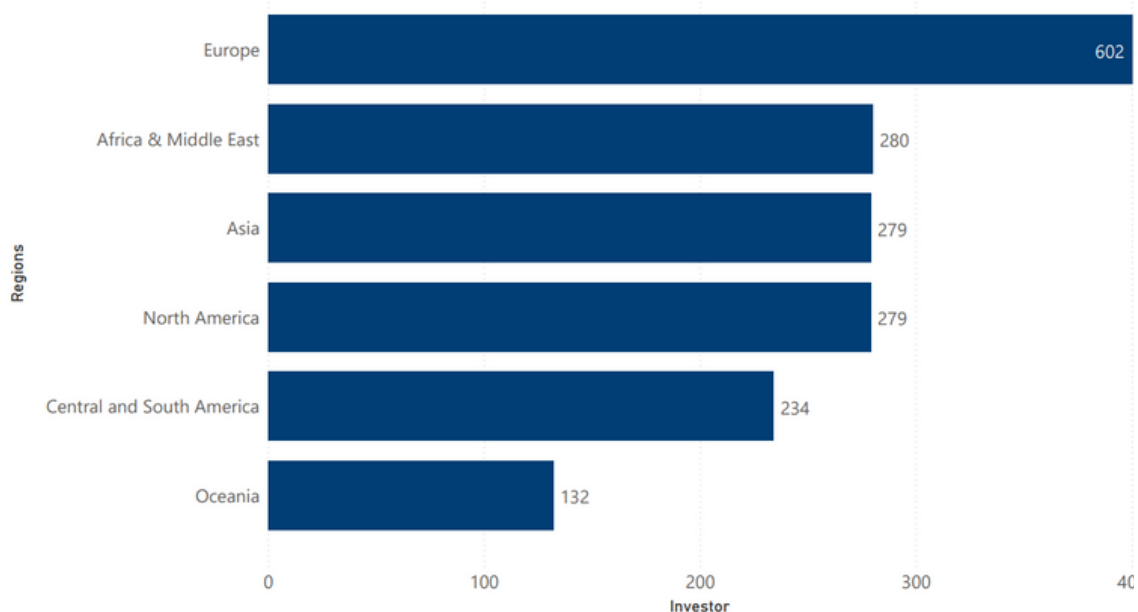


In terms of geographical allocation, 68% of the 773 US funds invest in North America with 20% of the funds, equivalent to 152, investing with a global remit and 12% in Europe.

Of the remaining North American funds, 58 invest in the Middle East and Africa, 78 in Asia, 58 with a Central and South American bias and 15 in Oceania.

*Data may overlap as funds can target several asset classes, SDGs and/or regions.

Most targeted Regions by European Investors

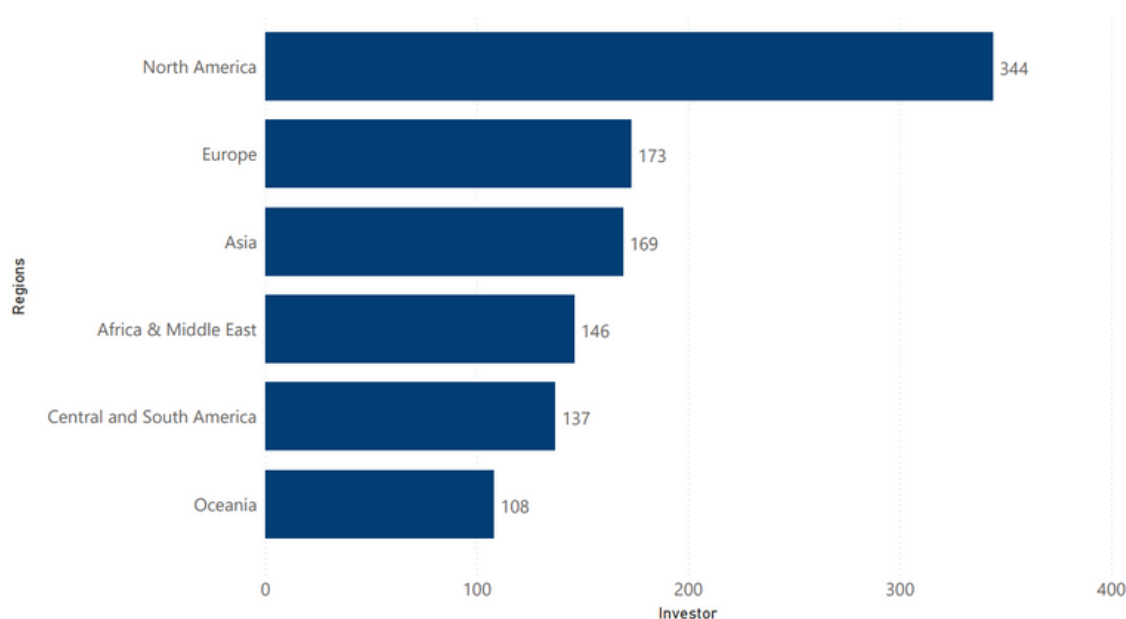


Of the 775 European investors, 78%, equivalent to 602 in number, are investing in Europe, which is similar to the 79% of the 433 US investors opting to invest in North America.

Europe is the next favoured destination for US investors with 40% allocating there, followed by 169 investors, equivalent to 39% of the US investor universe investing in Asia. Some 146 US investors, 33%, are targeting Middle East & Africa.

For European investors, Middle East & Africa are marginally the next most popular with 280 investors targeting this region, but effectively 36% of European investors favour Asia (279) and 36% favour North America (279).

Most targeted Regions by US Investors

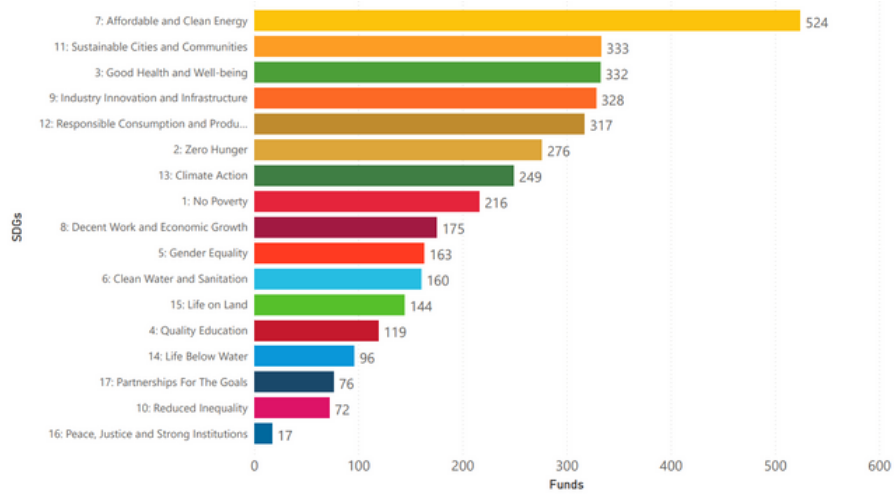


*Data may overlap as funds can target several asset classes, SDGs and/or regions.

The top SDG targeted by European funds is: Affordable & Clean Energy (SDG7), which is in 524 funds, equivalent to 45% of the European fund universe. Sustainable Cities (SDG11), Good Health and Well-Being (SDG3), Industry Innovation and Infrastructure (SDG9) and Responsible Consumption and Production (SDG12) almost tie for the four next most popular SDGs.

SDG11 and SDG3 are the focus for 333 and 332 funds, equivalent to 29% each of the European impact fund universe. With 317 funds, Responsible Production and Consumption feature about Zero Hunger (SDG2) with 276 funds and Climate Action (SDG13) with 249 funds.

Most targeted SDG by European Funds

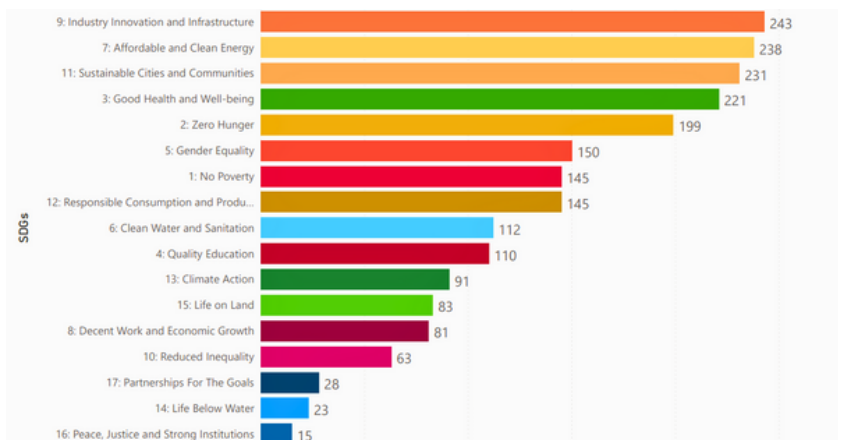


It is perhaps through the SDG lens than the real differences between the US and Europe show up. Industry Innovation is a clear priority for US funds and while it makes up a similar percentage of the US (31%) and European (28%) funds but falls to fourth place in terms of number of European funds focusing on it. Affordable and Clean Energy is the clear leader in terms of the number of European funds targeting it, and it is a priority for US funds too.

The two SDGs that have a similar weighting in terms of importance to both US and European funds are Sustainable Cities and Good Health and Well-Being, which feature in the top four most target SDGs in both regions. Where things diverge is in Zero Hunger and Gender Equality (SDG5), the next most targeted SDGS by US funds, but that rank 6th and 10th for European funds that prefer to focus on Responsible Consumption and Production and Climate Action.

The top two SDGs targeted by US funds are: Industry Innovation and Infrastructure, which is in 243 funds, and Affordable; and Clean Energy, which is in 238 funds. Both are separately equivalent to 31% of the US fund universe.

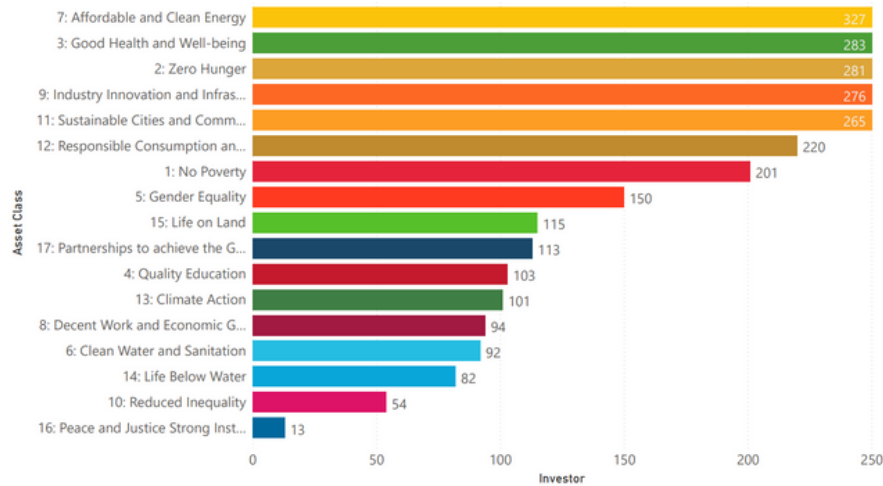
Most targeted SDG by US Funds



Sustainable Cities and Good Health and Well-Being, which are the focus of 231 and 221 funds respectively, are each represented in 30% of the US fund universe. While Zero Hunger (SDG2) is the focus of 199 funds and in 26% of the funds. Gender Equality and No Poverty are the next most targeted SDGS by US funds.

*Data may overlap as funds can target several asset classes, SDGs and/or regions.

Most targeted SDG by European Investors



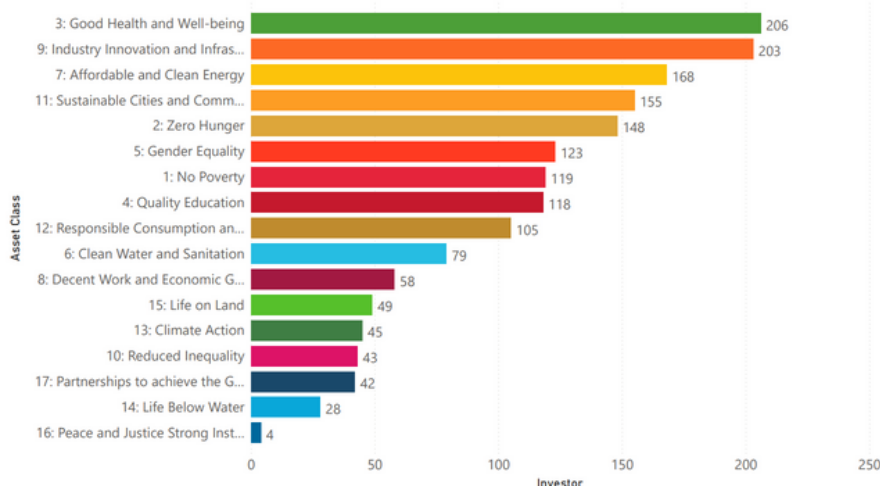
At the recent United Nations General Assembly, it was pointed out that only 15% of the goals set under the 17 SDGs are on track with many going in reverse. And the UN Secretary-General António Guterres stated that the SDG financing gap is estimated at \$3.9 trillion a year.

This is where getting the balance between what investors want to target, the products available to them AND the SDGs that need financing need to align. What is interesting is that the top five SDGs are common to both US and European investors, and are almost aligned on the SDGs targeted by the product development side of the investment managers.

The top SDG targeted by 327 European investors, equivalent to 42% of the universe, is Affordable and Clean Energy (SDG7). It is also the most targeted SDG by European funds. Good Health and Wellbeing (SDG3), which is targeted by 283 investors, is also in the top three SDGs in terms of goal targeted by European funds.

Only Zero Hunger (SDG2), which 36% of the universe (281 European investors) want to target, is 6th on the most targeted SDGs by funds with only 24% of the LPs focusing on it. From a US investor perspective, Good Health and Wellbeing is a priority for 48% of the investors and the fourth most targeted SDG. Industry Innovation and Infrastructure (SDG9) and Affordable and Clean Energy, targeted by both US investors (203 and 168, respectively) but also it is the two most targeted SDG by the US funds themselves.

Most targeted SDG by US Investors



*Data may overlap as funds can target several asset classes, SDGs and/or regions.

20 September 2023

US impact investing alliance supports effort to clarify ESG fund names

Securities and Exchange Commission voted 4-1 to support final rules addressing investment fund names, including those that purport to factor ESG criteria in investment decision making. A key goal of this update was to address "greenwashing" and other activities that could mislead investors about the sustainability or impact considerations of an investment fund.

[Click here](#) to read the full release

17 August 2023

TPG Rise Climate forms strategic partnership with A-Gas

The owners of A-Gas, the global leader in the supply and lifecycle management of refrigerant gases, which include majority stakeholder KKR, have entered into a definitive agreement to sell a majority stake in the company to TPG Rise Climate, the dedicated climate investing strategy of TPG's global impact investing platform, TPG Rise. KKR will remain a significant minority shareholder.

[Click here](#) to read the full release

31 July 2023

European Union Approves Climate/ ESG Reporting Standards

The European Commission has adopted the European Sustainability Reporting Standards. The ESRS will standardize how companies within the European Union report climate change and other ESG related actions. They are set to go into effect on January 1, 2024.

[Click here](#) to read the full release

3 July 2023

Martin Currie debuts social impact global equity fund

Martin Currie, a specialist investment manager of Franklin Templeton, has launched its first social impact fund that will be registered for distribution initially in France, Italy, Luxembourg, Netherlands, Sweden and the UK. A sub-fund of the Franklin Templeton Global Funds plc range domiciled in Ireland, the Martin Currie Improving Society Fund is categorised as Article 9 under the EU's Sustainable Finance Disclosure Regulation (SFDR).

[Click here](#) to read the full release

PHENIX IMPACT FUND ASSESSMENT

Phenix Impact Fund Assessment is a proprietary framework developed in close consultation with institutional asset owners and industry leaders, for the purpose of **assessing the robustness of a fund's impact proposition**.

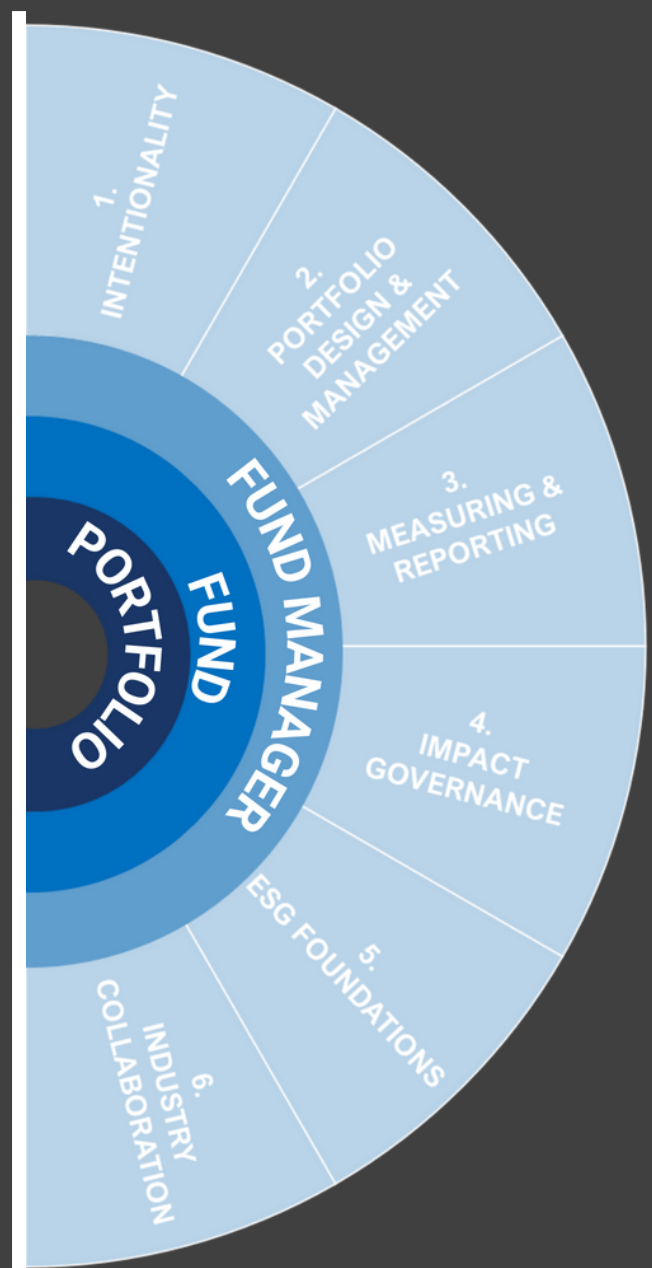
On 6 themes and 45 criteria, it examines to what extent the policies, procedures and human resources are in place to deliver the impact that a fund aims to create.

ASSESSING THE ROBUSTNESS OF IMPACT FUND PROPOSITIONS

Uncover strengths and weaknesses

Adopt industry best practices

Prepare for institutional impact due diligence



[VISIT SITE >>>](#)

GLOSSARY & SYMBOLS

Committed capital: Amount committed in a fund vehicle by its limited partners / investors.

Developed markets: We include Europe (excl. Eastern Europe), North America, Asia Pacific (Singapore, Japan, and South Korea only), Oceania (New Zealand, Australia) Middle East and Africa (Israel only).

Direct lending: A specialised form of private debt, in which loans are made to middle-market companies. It is the private debt strategy with lower risk, achieved by using collateral.

Emerging markets: We include Latin and Central America, Asia Pacific (excl. Singapore, Japan, South Korea), Middle East and Africa (excl. Israel) Europe (Eastern Europe only).

Fund managers: Organisation managing commingled, pooled and customised vehicles invested by institutional asset owners. Also called General Partner or GP.

Global: Funds that have an investment geographic scope encompassing both developed and emerging markets.

Impact investing: Investments with the dual mandate of financial return and positive societal or environmental impacts, with the notion of measuring the positive and negative impact of investments, ensuring both intentionality and additionality among these.

Institutional asset owners: Outsourced CIOs, pension funds, insurance companies, family offices, sovereign wealth funds, endowments, foundations, banks, fiduciary managers, discretionary investment consultants. Also called Limited Partner or LP.

Market targeted: Markets fund managers target for their investments: We include Global, Developed markets, Emerging markets.

Mezzanine: A specialised form of financing in which loans are subordinated to banks, with no collateral. It is the most equity-like form of private debt.

Microcredit: A common form of microfinance, characterised by small loans to individuals or small companies.

Private debt: Debt instruments to companies: direct lending, mezzanine, microfinance strategies.

Public debt: Publicly traded fixed income securities: investment grade or high yield, focused on green bonds and municipal and community infrastructure and affordable housing issuers.

Regions targeted: Regions fund managers target for their investments: We include Asia Pacific (East Asia, Central Asia, South Asia, South East Asia), Europe (Western Europe, Eastern Europe), Global, Latin and Central America, Middle East and Africa (East Africa, Middle East, Northern Africa, West Africa, Southern Africa), North America, Oceania.

Target fund size: Amount the fund manager is targeting when raising capital.

Vintage: Year where the fund manager first calls capital from investors.

Full glossary: www.phenixcapitalgroup.com/impact-investing-glossary

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CONTACT US TO LEARN MORE ABOUT IMPACT INVESTING

E: info@phenixcapitalgroup.com

T: +31 20 240 27 31

www.phenixcapitalgroup.com

