



IMPACT INVESTING IN THE U.S. AND THE FIFTH DISTRICT

IMPACT INVESTING is an investment strategy that finances companies, organizations and funds that generate a positive social or environmental impact, in addition to a financial return for the investor. While community development financial institutions (CDFIs) have historically funded socially impactful ventures, the term “impact investing” was coined in 2007 by the Rockefeller Foundation and impact investing has since grown into a more widely-pursued investment strategy. The net assets of investment funds pursuing an impact investment strategy have grown from \$12 billion in 1995 to \$4.3 trillion in 2014.

WHAT SECTORS DOES IMPACT INVESTING TARGET?



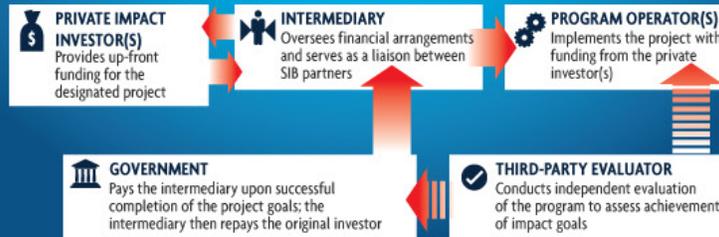
WHAT ARE THE STANDARD FINANCIAL INSTRUMENTS FOR IMPACT INVESTING?

TYPE OF FINANCIAL INSTRUMENT	Financial instruments for impact investment by number in operation in 2014:	Financial instruments for impact investment by share of impact investment value in 2014:
	GROSS NUMBER	GROSS NUMBER
Community investing institutions (Community development banks, credit unions, loan funds)	880 43.6%	\$64.3 billion 1.3%
Alternative investing vehicles (Private equity and venture capital funds, hedge funds)	336 16.6%	\$224 billion 4.7%
Separate account vehicles	214 10.6%	\$432.9 billion 9.0%
Registered investment companies (Mutual funds, variable annuity funds, closed-end funds)	480 23.8%	\$1.94 trillion 40.3%
Other pooled products (Co-mingled portfolios for institutional and individual investors)	109 5.4%	\$2.15 trillion 44.7%
Total impact investing vehicles	2,019 100%	\$4.81 trillion 100%

% Percent of total financial instruments used for impact investment

SOCIAL IMPACT BONDS

Social Impact Bonds (SIBs) are financial instruments that use private investment to fund social programs and allow the government to delay repayment of program costs until after the achievement of pre-determined program goals. SIBs are a relatively new instrument for impact investment, and there is continued debate about how best to use this tool.



For more information, visit http://www.richmondfed.org/publications/community_development

Sources

- Corporation for National and Community Service, “About the Social Innovation Fund,” updated 2015.
- Crowdfunder, “The Guide to Equity Crowdfunding,” updated 2015.
- District of Columbia Water and Sewer Authority, “DC Water Awarded Grant from Harvard University to Develop Innovative Green Infrastructure Financing Model,” 2015.
- Federal Reserve Bank of San Francisco, “Social Impact Bonds: Using Impact Investment to Expand Effective Social Program,” 2013.
- Nonprofit Finance Fund, “Social Innovation Fund Pay for Success Subgrantees Announced,” 2015.
- Nonprofit Finance Fund, “State of North Carolina Issues Request for Information,” 2015.
- SF Ventures III LP, “Terrestrial.”
- “State by State Status of Legislation,” Benefit Corporation, updated 2015.
- U.S. National Advisory Board on Impact Investing, “Private Capital, Public Good: How Smart Federal Policy Can Galvanize Impact Investing and Why It’s Urgent,” 2014.
- U.S. SF Foundation, “Report on U.S. Sustainable, Responsible and Impact Investing Trends,” 2014.
- U.S. Small Business Administration, “Directory of Impact SIBs,” updated 2015.