JANUARY 2026

Impact Investing: The State of Market Institutionalization

ilpa
INSTITUTIONAL LIMITED PARTNERS ASSOCIATION

TIDELINE

CAMPBELL LUTYENS

Preface

Table of Contents

About

ABOUT ILPA

ILPA is the only organization dedicated exclusively to the private markets' Limited Partner community. Representing over 600 institutions and more than $3 trillion of private markets assets under management, ILPA's members include public pensions, corporate pensions, endowments, foundations, family offices, insurance companies, and sovereign wealth funds located around the world. Through its efforts in the areas of education, advocacy, standards and best practices, and networking, ILPA aims to have a direct and expanding impact on the investment returns of our members and the health of the private markets industry globally. For more information, please visit www.ilpa.org.

ABOUT TIDELINE

Since its founding in 2014, Tideline has worked with over 150 institutional asset allocators and managers to catalyze the development of the impact investing market and deepen its integrity. As an advisor, Tideline has supported the creation of new products and platforms deploying over $250 billion in impact capital globally. Tideline's thought leadership has encompassed the full spectrum of impact investments. Tideline's work has included defining the term "catalytic capital" in partnership with the MacArthur Foundation, creating a playbook for impact value creation, and producing the first guide for allocators to navigate impact investing in the fixed income markets. Tideline's public domain research and market building is enabled by the Tideline Center for Impact, an affiliated non-profit program supported by funders including the W. K. Kellogg Foundation and Builders Vision. For more information, please visit www.tideline.com.

ABOUT CAMPBELL LUTYENS

Campbell Lutyens is a global and independent private markets advisor providing fund placement, secondary advisory, and GP capital advisory services to leading fund managers and investors. With specialist knowledge in private equity, infrastructure, private credit, and sustainable investing, the firm has a team of over 300 operating from offices in London, Paris, Munich, New York, Austin, Nashville, Salt Lake City, Chicago, Los Angeles, Hong Kong, Singapore, Seoul, Tokyo, Melbourne, and Dubai. To date, Campbell Lutyens has raised or advised on $34 billion in sustainability across asset classes. For more information, please visit www.campbell-lutyens.com.

Acknowledgements

This report was a joint effort of the ILPA, Tideline, and Campbell Lutyens teams. The following individuals played a key role in market landscaping, data analysis, and concepting:

- Electra Ogilvy Watson, Executive, **Campbell Lutyens**
- Karli Waterman, Interim Director, Sustainable Investing, **ILPA**
- Matt Schey, Managing Director, External Affairs and Sustainable Investing, **ILPA**
- Paula Langton, Head of Sustainability, **Campbell Lutyens**
- Toby Pallister, Executive, **Campbell Lutyens**

The report's authorship was led by a team of Tideline members, who included:

- Ben Thornley, Co-Founder and Managing Partner, **Tideline**
- Hannah Zamor, Analyst, **Tideline**
- Jade Huynh, Senior Associate, **Tideline**
- Somerset Gall, Associate, **Tideline**

Importantly, a diverse group of institutional allocators, asset managers, investor advisors, and other market stakeholders contributed insights and feedback via focused interviews and discussions to inform the research effort. These individuals and their respective roles and organizations were:

- Andrew Lee, Managing Director, Global Head of Sustainable and Impact Investing, **UBS Global Wealth Management**
- Amy Coleman, Sustainability Lead, Impact and Private Equity, **M&G Investments**
- Del Hart, Former Head of External Investments and Partnerships at **New Zealand Superannuation**
- Keren Raz, Senior Responsible Investment Manager, Private Equity, **APG Asset Management**
- Liqian Ma, Global Head of Sustainable and Impact Investing Research, **Cambridge Associates**
- Managing Partner, **Family Office in North America**

Continued on next page

- Diane Mak, Head of Impact Strategy, **AllianzGI**
- Helena Threlfall, CFA, Portfolio Manager, Environmental Opportunities, **Local Pensions Partnership Investments**
- Eliza Foo, Director, Impact Investing, **Temasek International**
- Jessica Pan, Senior Portfolio Manager, **Private Equity, APG Asset Management**
- Jonathan Hirschtritt, Managing Director, Sustainability & Impact Investing, **GCM Grosvenor**
- Kelly Escobedo, Managing Director, **Blue Haven Initiative**
- Matt Christensen, Global Head of Sustainable and Impact Investing, **AllianzGI**
- Matthew Johns, Sustainability, **IH International**
- Peter Dunbar, Principal, Responsible Investing, **StepStone Group**
- Sarah Santhosham, Head of Engagement & Sustainable Investment, **Scott Trust Endowment**
- Shivam Desai, Senior Associate, Responsible Investing, **StepStone Group**
- Tim Macready, Head of Global Advisory, **Brightlight**
- Tom Mitchell, Partner and Managing Director, **Cambridge Associates**[1]

We are also grateful to the 28 survey respondents who participated in the research for their contributions. While they will remain anonymous to preserve the integrity of the research process, we deeply appreciate their contributions.

1 Those who are interested in Cambridge Associates' work in sustainable and impact investing can go to https://www.cambridgeassociates.com/impact-investing to learn more.

Foreword

Institutional allocators hold the largest share of impact investing capital – supplying over half of newly reported impact capital in 2025, according to the Global Impact Investing Network (GIIN).[2] Driven by motivations ranging from advancing organizational strategic priorities to capturing potential outperformance, these investors are increasingly recognizing impact investing's capacity to deliver competitive financial rates of return alongside measurable impact. And they are now acting on this conviction.

It is not just the volume and growth of the assets that can be invested by these institutional limited partners (LPs) that make them a particularly important stakeholder group. As fiduciaries, the rigorous requirements they hold for participating in any investment opportunity help to signal and set the terms of a market's formalization. For example, when fiduciaries became more active as investors in venture capital (VC) in the 1990s, fund governance improved, specialist data and service providers began tracking and supporting performance and market activity, regulations evolved, and general partners (GPs) became more specialized. Annual VC fundraising was around $3 billion in 1990, according to the National Venture Capital Association. By 2000, that same number had grown to over $100 billion.[3]

It is the potential for this virtuous cycle to be replicated within impact investing that motivated ILPA, Tideline, and Campbell Lutyens to begin gathering and distilling the perspectives of institutional LPs. We believe that by developing a deeper understanding of institutional LPs' perspectives on impact investing – including their needs for standardization, evidence, rigor, accountability, and intermediation – the market can be steered towards greater accessibility and institutional appeal, ultimately benefitting from the scale, validation, and influence that institutional investors bring.

Highlighted Findings

1. Key to further institutionalization of the impact investing market is addressing the market's dual data challenges: limited financial track records – which reflect the market's youth – and fragmented impact outcomes data.

2. With most private market impact funds still nascent, committed LPs often must demonstrate flexibility to engage in opportunities not yet at institutional scale.

3. Respondents saw encouraging signs of institutional-grade infrastructure taking shape – such as experienced intermediaries, data platforms, and emerging impact regulations – but underscored the need for a robust secondaries market to deepen liquidity.

4. Institutional LPs are increasingly coalescing around key impact frameworks – providing a foundation for growth – while desiring more tactical, harmonized implementation guidance.

5. Institutional LPs place high value on networks and community – valuing both broad forums for relationship-building and focused groups that advance alignment, standardization, and action.

[2] GIIN, "Sizing the Impact Investing Market 2025" (2025); this number is inclusive of pension funds, insurers, and banks.

[3] Meikle, B. "US Venture Capital Investments Achieve Record Levels in 2000, Torrid Pace Relaxed in QIV" (2001); U.S. Small Business Administration Office of Advocacy, "Trends in Venture Capital Funding in the 1990s" (1997); Horsley, P., "Trends in Private Equity" (1997).

Our research objective has resonated with LPs whom we have engaged with. We have been humbled by their responses since launching the initiative in July 2025, with an interview and survey sample of 42 institutions who collectively oversee nearly $19 trillion in total assets under management and advisement.[4] We are deeply grateful for the insights shared by these important investors.

Building on what we have learned, this report introduces a new framework for tracking the state of market institutionalization in impact investing – meaning the extent to which the impact investing market currently enables institutional asset owners to participate efficiently and effectively. The framework focuses primarily on what the market can control, which we call its "market conditions" – encompassing requirements for data, scale, infrastructure, resources, and networks. The framework also recognizes that investors' internal orientations and the environment in which they operate play a notable role in shaping participation.

Our research reveals that more work is needed in the areas of data and scale, while there has been real progress in the development of infrastructure, resources, and networks. However, the details matter, and this report captures them – including the direct perspectives of LPs in their own words. We are hopeful that deliberate and coordinated efforts to build consensus result in progress against the stubborn gaps highlighted in the pages that follow. Each of our organizations looks forward to playing a productive role in that work.

This is the beginning of a research effort that we intend to continue. We welcome your feedback as we endeavor to support the mutually reinforcing needs of both institutional LPs and the impact investing market for growth and integrity.

Matt Schey, **ILPA**
Ben Thornley, **Tideline**
Paula Langton, **Campbell Lutyens**

[4] This figure is based on both information shared during interviews and surveys, as well as publicly available sources, and is inclusive of both impact and non-impact assets. All reported currencies have been converted to USD. Note that some participants report on figures other than AUM or Assets under advisement (AUA), including Net Asset Value, Net Present Value, Total Capital Responsibility, etc. Throughout the report, we use "AUM" as shorthand encompassing a more diverse set of figures.

Acronym List

AUA: Assets under advisement

AUM: Assets under management

DFI: Development finance institution

DPI: Distributed to paid-in capital

EDCI: ESG Data Convergence Initiative

ESG: Environmental, social, and governance

GIIN: Global Impact Investor Network

GP: General partner

ILPA: The Institutional Limited Partners Association

IMM: Impact measurement and management

LP: Limited partner

OCIO: Outsourced chief investment officer

OPIM: Operating Principles for Impact Management

PRI: UN Principles for Responsible Investment

SDR: Sustainability Disclosure Requirements

SFDR: Sustainable Finance Disclosure Regulation

VC: Venture capital

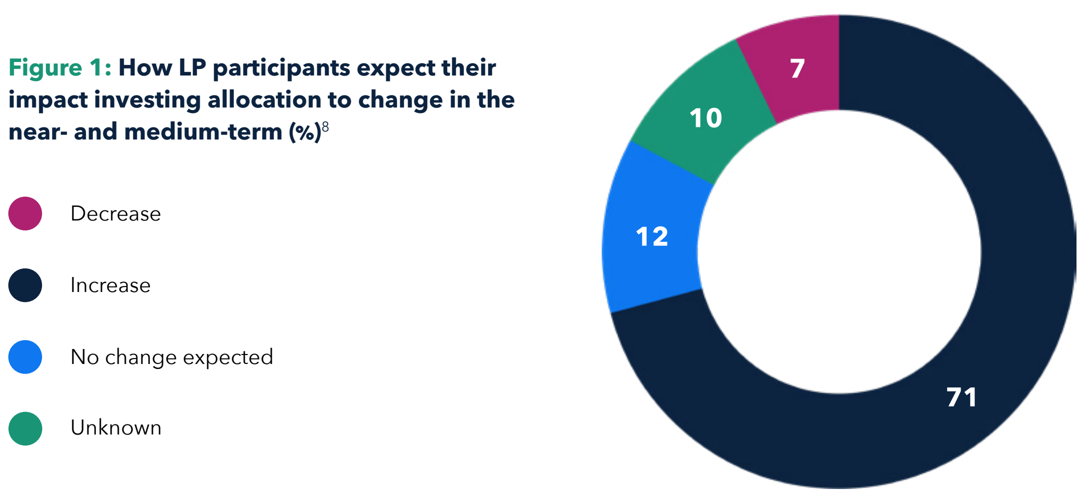
Introduction

Impact investing has come a long way since the term was first coined in 2007. What began as a niche practice – initially anchored by pioneering family offices, foundations, and development finance institutions (DFIs) – has rapidly gained traction across the broader investment landscape by fiduciaries (e.g., pension funds, insurance firms, and endowments) and a broader group of institutional investors (e.g., financial institutions, large family offices, and sovereign wealth funds).[5] Today, mainstream institutional investors are increasingly embracing impact investing, to the point where, according to the *GIIN's State of the Market 2025* report, pension funds, insurers, and banks now account for the majority of newly reported impact capital. Cumulatively, large allocators (those managing more than $500 million in impact assets) now hold 85% of total impact assets under management (AUM).[6] This includes some of the world's largest pension funds like ABP, which has alone committed at least €30 billion to impact investments by 2030.[7]

> "Impact investing has matured. You have multiple generations of impact investors now. When I was newer to Cambridge, the market was more nascent… Now, we have a set of best practices and examples of what people have done. Even in the way managers structure their businesses and teams, their behavior, and their engagement with the market… things [no longer] feel like they were designed on a cocktail napkin… The professionalization of impact has helped to accelerate the deployment of capital."
>
> **Tom Mitchell, Partner, Endowment & Foundation Practice, Cambridge Associates**

Other recent market surveys – including those from Impact Capital Managers and Cambridge Associates – have come to similar conclusions, noting that most institutional investors have plans to expand their allocations to sustainable and impact investing despite ongoing economic and policy headwinds. Our own survey of institutional LPs' intentions shows that most plan to maintain their current allocations, with many signaling increases over the near (<1-2 years) to medium term (3-5 years).

Figure 1: How LP participants expect their impact investing allocation to change in the near- and medium-term (%)[8]



[5] We define "institutional LPs" broadly to include fiduciary investors – such as pension funds and insurance firms – alongside family offices, banks, and other investor institutions. Although some organizations within our dataset (e.g., banks) also act as intermediaries or maintain concessionary strategies outside the scope of the institutional LP profile outlined in Section I, they are retained in our dataset due to the institutional nature of parts of their operations.

[6] GIIN, "State of the Market 2025: Trends, Performance, and Allocations" (2025).

[7] Bloomberg, "ABP to Invest €30bn into Impact Investments by 2030" (2024).

[8] Analysis based on interview and survey responses collected between July and October 2025, with analysis completed in November 2025.

Taken together, these data points suggest that impact investing has entered a new phase of development. **In other words, impact investing is no longer emergent, but a maturing industry distinguished by rising institutional participation.**

Yet, as impact investing increasingly welcomes institutional LPs, a critical question remains: Is the market fully prepared to meet their needs? To what extent is the market prepared to deploy capital at the scale institutional investors require – and, in turn, deliver impact at the scale demanded by our biggest global challenges?

The Institutional Limited Partners Association (ILPA), Tideline, and Campbell Lutyens embarked on a five-month-long research effort to respond to these questions. In consultation with institutional LPs and other market stakeholders, we sought to define what *market institutionalization* means through the creation of a durable framework. This framework, overviewed in **Section I**, captures the core market-level conditions needed to support investors in channeling capital at scale and with impact integrity. We then use this framework to more thoroughly evaluate the extent to which the impact investing market is currently meeting these conditions. To this end, **Section II** surfaces significant constraints and their underlying dynamics, as well as opportunities to advance progress. While this report centers on the perspectives of institutional LPs, it is also intended for asset managers, service providers, and other market participants seeking to better understand what it will take to mobilize greater institutional capital toward impact.

What our research ultimately found is that, in a relatively short period of time, the impact investing market has made impressive progress in building the structures and supports that allow for a wide range of investors to participate with confidence. Yet, it still has a way to go before most institutional allocators – who have distinct needs and perspectives – can deploy impact capital with maximum efficiency and effect. While much work lies ahead, we believe that the way forward is clear, actionable, and already being advanced by committed investors.

Methodology

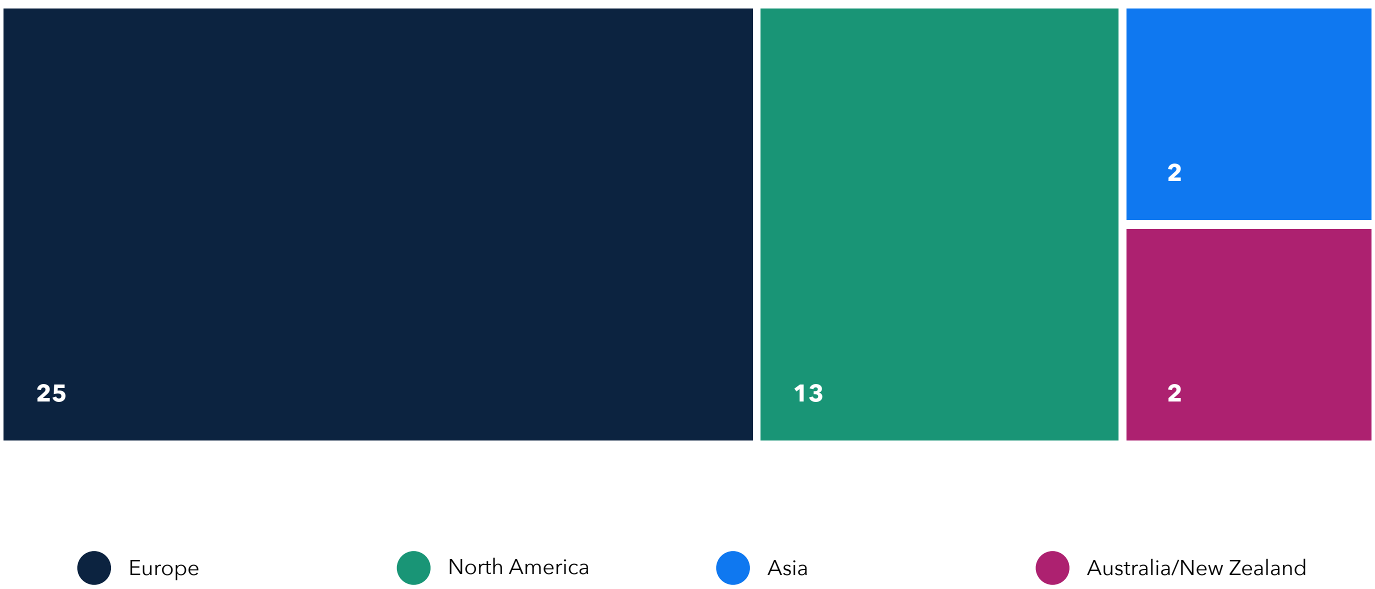
The research, conducted between July and November 2025, encompassed a mixed-methods approach combining literature review and quantitative and qualitative analysis of standard questions posed to a diverse group of LPs and market stakeholders. Questions were posed to respondents either within focused interviews conducted by Tideline and ILPA (n=14) or as part of broader market surveys conducted by Campbell Lutyens (n=28).[9] The questions were designed to be both retrospective and forward-looking – for example, by prompting respondents to consider what factors currently are or have historically affected how they make impact investments, as well as how they expect their impact allocations to change over time. Both survey and interview respondents were also asked comparative questions that prompted them to reflect on their experiences in making impact investments relative to traditional investments.

In addition to responding to standardized questions, interview respondents were specifically asked to provide feedback on an initial draft of the market institutionalization framework. This draft was developed as a synthesis of observations from the maturation of other markets (e.g., the global sustainability market and U.S. VC markets), coupled with the researchers' practitioner experiences and a review of relevant market literature. It was refined upon successive rounds of input, with its final iteration intended to be a durable framework to assess the state of the impact investing market's institutionalization year over year.

[9] One organization participated in both an interview and a survey. The two responses were treated separately in data analysis given the different focus areas of the respective participants, except for in the calculation of total AUM and AUA.

The research team leveraged keyword analysis to identify recurring themes and patterns across interview and survey responses, with select quantitative findings highlighted throughout the body of the report. It should be noted, however, that this approach involved an element of subjectivity – requiring interpretation of respondents' feedback, which may not fully capture the nuances or intent of their perspectives. This keyword analysis was incorporated into a broader LP database encompassing both survey and interview respondents, which captured a range of organizational characteristics – such as years of impact investing experience, asset classes covered within impact strategies, and total and impact-specific AUM, among others.

Figure 2: Geographic composition of interviewed and surveyed LPs (#)[10]



Although the research team aimed for a geographically diverse sample, we acknowledge that the final set of respondents was disproportionately European, with 60% headquartered in Europe, compared to 31% in North America and 5% each in Asia and Australia/New Zealand.[11] This likely reflects both the greater maturity of the region's impact investing market, as well as the broader market's incremental shift toward a European center of activity (a phenomenon further explored in **Section II: Internal Orientation and the Operating Environment**.) We note, however, that while geographic distribution was relatively concentrated in Europe and North America, respondents' investment mandates frequently had a global reach.

On the other hand, the range of institutional allocator types represented in the sample was more balanced. Investment advisors accounted for the largest proportion of interviewees (26%), followed by pension funds (24%). Single and multi-family offices (14%), financial institutions (12%), and endowments (10%) were nearly equally represented within the sample. Meanwhile, insurance firms (5%), sovereign wealth funds (5%), DFIs (2%), and "Other" LP types (2%) accounted for the smallest proportion of participants. AUM ranges represented varied

[10] Analysis based on publicly available information (as of November 2025) on the headquarter locations of interview and survey participants' organizations.

[11] Analysis based on publicly available information (as of November 2025) on the headquarter locations of interview and survey participants' organizations.

from less than $1 billion (6 organizations) to over $100 billion (15 organizations).[12] Finally, while we consider the sample size to be statistically meaningful, we acknowledge a probable bias towards LPs with the strongest commitments to impact. Our analysis thus may not capture the views of the wider institutional LP universe – particularly as they shift in real time to evolving policy and economic developments. It is also primarily focused on private markets where many impact investing strategies are concentrated and where institutional participation continues to evolve most rapidly.

Figure 3: AUM/AUA (#)[13]

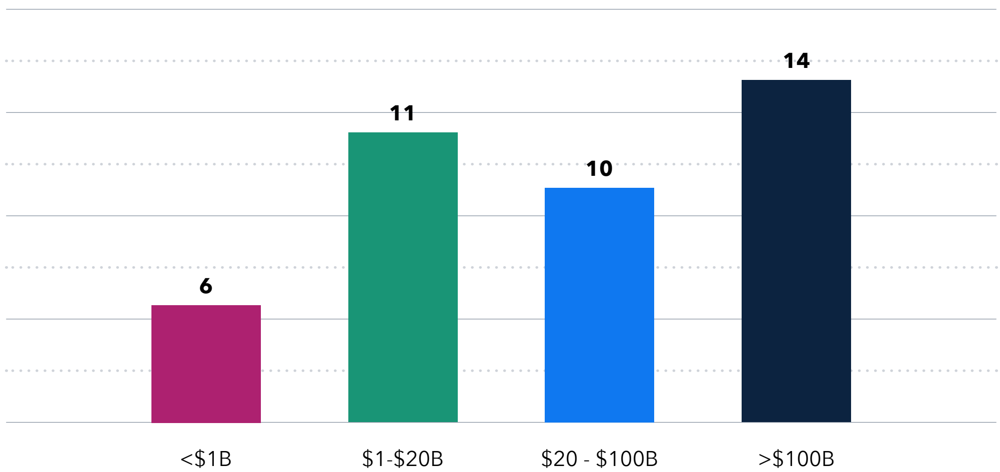
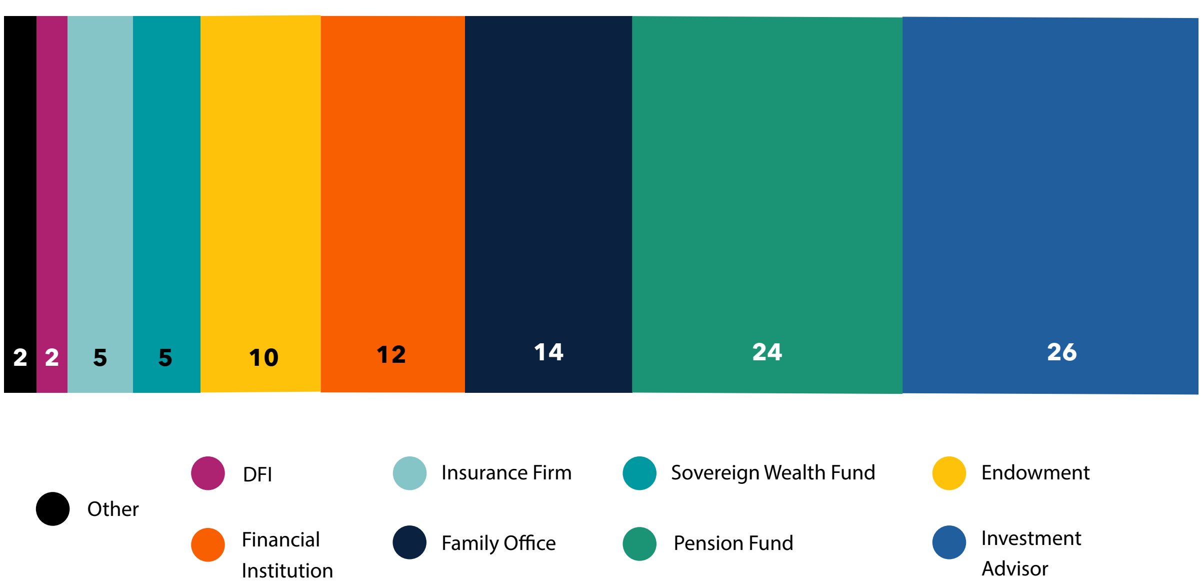


Figure 4: Institution type (%)[14]



[12] While we utilize the term "AUM" here, this term is inclusive of both assets under management and advisement.

[13] Analysis based on information shared during interviews and surveys as well as publicly available information (as of November 2025).

[14] Analysis based on information shared during interviews and surveys as well as publicly available information (as of November 2025).

Section I: Institutionalization Framework

Institutionalization Framework

Internal Orientation

An investor organization's sentiments towards, prioritization of, and capacity for impact investing

Internal perception
of impact investing's viability as an investment approach

Institutional alignment
on impact as a valued investment output

Organizational flexibility
to execute impact investing approaches

Market Conditions

The state of the market ecosystem enabling an investor organization to participate in impact investing

Data
Financial and impact performance data is available at the level of individual opportunities and the broader impact investing market to support confident investor decision-making

Scale
Diverse impact investing opportunities are available that meet institutional LPs' strategic preferences and expectations for size, financial performance, and measurable impact results

Infrastructure
Credible infrastructure to support impact investing – e.g., regulations, intermediaries, secondaries market, data analytics – are available and aimed at supporting institutional LPs in capital deployment

Resources
There are clear, harmonized standards and intuitive playbooks to guide LPs in investing across diverse impact investing opportunities

Networks
There are formal and informal networks that provide LPs with channels to coordinate market-building efforts, drive consensus, and share learnings and experiences

Operating Environment

The external, macro-level context shaping both market conditions and investors' internal orientation

Regulatory environment
that is enabling of impact investing

Political and cultural orientation
that is benign towards impact investing

Macroeconomic conditions
that are favorable to financial risk-taking

This report aims to introduce a pragmatic framework that establishes a common understanding of what is needed to advance market institutionalization in impact investing. We define *market institutionalization* as the *process* and *outcome* of the formalization and development needed to enable large institutional allocators – such as pension funds, insurance companies, sovereign wealth funds, and endowments – to participate with full confidence and efficiency. An institutionalized impact investing market is one that enables LPs to deploy impact capital with the same rigor, sophistication, and scale that characterize investing in mainstream capital markets.

Our framework identifies five interrelated pillars that collectively define the market conditions for institutionalization:

- **Data:** The availability of both financial and impact performance data at the level of individual impact investing opportunities and the broader market to support investor decision-making;
- **Scale:** The availability of diverse investable opportunities within the market that can meet institutional LPs' strategic preferences – namely their expectations for scale, financial performance, and measurable impact outcomes;
- **Infrastructure:** The presence of credible impact investing infrastructure – e.g., dedicated regulation, financial intermediaries, secondaries markets, and data analytics – that can support institutional LPs in efficiently deploying capital;
- **Resources:** The existence of harmonized standards and accessible playbooks to guide LPs in investing across diverse impact investing opportunities; and
- **Networks:** The existence of both formal and informal networks providing LPs with channels to coordinate market-building efforts, drive consensus, and share learnings, investment opportunities, and experiences.

While this paper focuses primarily on the market-level conditions necessary for institutionalization, it also acknowledges the importance of two other factors that influence institutional LPs' capacity to participate: their internal orientation towards impact investing as an investment approach and the broader operating environment in which they deploy capital. Together, we suggest that *market* conditions, *internal* institutional orientations, and the *external* operating environment are the main influences behind LPs' capacity to participate in impact investing to their fullest potential. We also hypothesize that in contexts where market-level conditions remain underdeveloped, internal orientation and the external operating environment weigh more heavily in determining whether and how LPs deploy impact capital.

The institutionalization framework is built on the assumption that institutional LPs share a distinct set of characteristics that shape how they approach impact investing – defining the specific structures and supports that they require from the market. Foremost is the tendency to approach impact investing through the lens of portfolio construction. LPs prioritize opportunities that can provide them access to scale, diversification, liquidity, and clear evidence of risk-adjusted returns. They therefore often gravitate toward more mature or scalable opportunities (i.e., in the case of private equity, in growth or buyout) that can demonstrate benchmarkable returns.

> "When we first went to a major financial institution and let them know we wanted our investments to have impact, they said, 'What are you talking about?' Originally, there was the idea that impact investing was a starry-eyed view of investing. Today, when a wealth owner wants to challenge or evolve their longtime approach to investing, there will be a structure around it."
>
> **Kelly Escobedo, Managing Director, Blue Haven Initiative**

As their teams are typically lean, institutional LPs tend to be heavily reliant on intermediation – drawing on managers, advisors, consultants, and outsourced chief investment officers (OCIOs) to source, diligence, and monitor strategies – while also seeking out resources that can be easily integrated into their existing investment processes. Finally, institutional LPs are distinguished in being accountability-driven. As fiduciaries reporting to boards, trustees, and investment committees, they prioritize transparency, standards alignment, and, increasingly, the use of third-party assurance to instill stakeholder confidence.

We note that these characteristics can vary across the spectrum of institutional LPs. For example, single-family offices may operate with greater flexibility and experiment with novel opportunities, while large pension funds and insurers – more constrained by fiduciary obligations and size – demand robust data, scalable strategies, and strong proof points before allocating significant capital. In general, we observe that the larger and more externally accountable the institution, the more "tested" and evidence-driven their approach to impact investing tends to be.

Assessed Levels of Progress by Pillar

Summary Overview

The following provides market maturity ratings for each pillar, rating from 1 (low) to 5 (high), along with summary insights

Data

Financial and impact performance data available at the level of individual opportunities and the broader impact investing market to support confident investor decision-making

- An absence of robust exits and financial return data heightens perceived risk
- Lack of standardization in impact data poses a strong barrier to investor confidence
- Without strong data and reporting conventions for impact investments, investors face higher complexity in managing allocations

Scale

Diverse impact investing opportunities that meet institutional LPs' strategic preferences and expectations for scale, financial performance, and measurable impact returns

- A glut of early-stage opportunities, in which small funds are dominant players by number, but not by AUM, reflects the nascency of the impact investing market
- Apart from one or two discrete sub-sectors, limited scale amplifies data challenges – with early-stage opportunities often lacking robust track records, requiring greater institutional flexibility to pursue

Infrastructure

Credible infrastructure to support impact investing – e.g., financial intermediaries, secondaries market, data analytics – aimed at supporting institutional LPs in capital deployment

- Certain infrastructure – such as the availability of experienced impact intermediaries, assurance providers, and regulation – has significantly advanced. Yet, critical gaps persist, such as the development of an impact secondaries market
- While some LPs reported positive experiences with intermediaries, others pointed to gatekeepers as a barrier

Resources

Clear, harmonized standards and intuitive playbooks to guide LPs in investing across diverse impact investing opportunities

- LPs are increasingly converging around a core set of impact investing frameworks and standards, which they use as the foundation for their proprietary impact measurement and management systems
- LPs seek greater harmonization among impact investing resources that are available, preferring those that are more practitioner-oriented than conceptual

Networks

Formal and informal networks providing LPs with channels to coordinate market-building efforts, drive consensus, and share learnings and experiences

- LPs noted strong progress in the development of supportive networks within the impact investing industry – seeking both broad networks and more focused groups that are facilitative of peer-to-peer learning
- LPs are eager for greater leadership within the market to harmonize practices, champion advocacy, and set enduring norms for the market

Section II: Pillar-Level Insights

The following section takes a closer look at each institutionalization pillar, exploring the specific conditions that are currently affecting or that have historically affected progress within each. In unpacking the principal challenges and opportunities affecting data, scale, infrastructure, resources, and networks, this analysis provides a more nuanced picture of the impact investing market's current state of institutionalization.

Our hope is that, taken together, these insights can offer various stakeholders seeking to build a more accessible (and therefore scalable) impact investing market for institutional allocators not just a diagnosis of its current state, but also a practical course of action for driving forward its progress.

Data

Financial and impact performance data is available at the level of individual opportunities and the broader impact investing market to support confident investor decision-making

Data is the bridge between impact intent and investment discipline – enabling investors to benchmark opportunities, evaluate impact outcomes, and effectively integrate impact alongside financial considerations in their decision-making. While it should be driving confidence and comparability, data is one of the impact investing market's weakest links. Respondents within our dataset overwhelmingly identified data as the most significant challenge to achieving a fully institutionalized impact investing market.

In the traditional markets, investors have long benefited from access to a deep reservoir of financial data – encompassing historical financial performance, standardized reporting, and benchmarking – to support them in evaluating investments with confidence. By contrast, investors seeking to deploy impact investing capital contend with a two-fold challenge in obtaining information that is similarly robust. On one hand, there is limited data on the *financial performance* of impact investments. Because the impact investing market remains relatively nascent, strategies often lack the depth of realized exits and track records that institutional LPs are used to within the traditional markets. On the other hand, navigating *impact performance* can be fraught territory for many allocators – challenging not always because of its scarcity, but because of a lack of clarity on how to interpret it.

These gaps contributed to respondents' collective average rating of 2.7 out of 5 on the current quality and availability of data and market infrastructure (with most emphasizing data when explaining their ratings). As it stands, the data landscape within the impact investing market is fragmented, making it challenging for institutional LPs – many of whom are new entrants to the market – to navigate and interpret information efficiently. Addressing these problems will demand patience, as impact strategies continue to mature and demonstrate financial performance, alongside coordinated action from market actors to establish clearer standards for impact information.

2.7

Average investor ratings of the state of the development of the data and infrastructure conditions in impact investing.

Score range: 1 to 5
N=40[15]

Financial performance data

Impact investing has long been burdened by the misconception that it necessitates concessionary returns, even though the vast majority of impact investors pursue risk-adjusted, market-rate strategies.[16] While

[15] Two survey respondents did not provide a numeric response when asked to provide their ratings of the state of the development of the data and infrastructure conditions in the impact investing market.

[16] The GIIN's "State of the Market 2025" found that 79% of impact investors are seeking risk-adjusted, market-rate returns.

growing evidence shows that impact investments can match or even outperform traditional investments, the market continues to struggle with the absence of comprehensive financial data.[17] This point was driven home in our research by approximately 90% of respondents mentioning financial data (e.g., lack of track record, demonstrated exits, and distributed to paid-in capital [DPI]) as one of the most significant challenges to making impact investments. Without clear evidence of realized performance, it remains difficult for institutional LPs to justify pursuing or scaling impact approaches to stakeholders accustomed to the robust performance histories of traditional markets. That said, some LPs in our dataset were more optimistic about the state of financial data within the impact investing market – observing that performance data does exist, and in some cases, is even plentiful.

2x

The share of first-time funds among impact funds (26%) was nearly double that of traditional funds (15%).[18]

As they often pursue integrated approaches to impact investing – with impact investments evaluated in direct competition to traditional investments in approximately one-third of our dataset – or otherwise expect market-rate returns within impact allocations, institutional LPs must often dedicate more time and resources to sourcing and evaluating impact opportunities.[19] Given the market's stage of development, many LPs consider managers "emerging," as they are typically managing their first, second, or third funds. Given the youth of the impact investing market, institutional LPs, who are typically accustomed to investing in GPs boasting decades of experience, must often consider their risk tolerances to accommodate impact opportunities *[Note: This is a concept explored further in the subsequent section, "Scale".]*.

Limited evidence of returns within the impact investing market has been compounded by recent economic and policy headwinds. Newer managers, who already face skepticism due to shorter track records, are further disadvantaged by the fact that LPs often have limited internal proof points demonstrating that impact investments can compete alongside traditional ones on financial returns. Over half of survey participants – who were invited to opine on their experiences with impact returns and DPI in more detail than the interview cohort – reported having too few exits or DPI to draw meaningful comparisons, or, in some cases, underwhelming early results from their impact investments.

Still, many LPs remain cautiously optimistic that financial data challenges will organically narrow as the market stabilizes and matures. Over time, a stronger pipeline of exits and realized returns should help to normalize the financial evidence base for impact strategies.

Impact performance data

Impact data presents a different set of challenges that are unlikely to resolve without more deliberate and coordinated intervention. Interview and survey respondents described impact data challenges as less about scarcity than of usability. LPs reported a spectrum of experiences in obtaining impact data – from receiving overwhelming amounts of data from GPs to facing persistent gaps. Almost universally, they emphasized that collecting, interpreting, and reporting on impact

"There is no benchmarking equivalent [for impact data] returns, given the nascency of the market…Is this [fund] in the upper quartile, lower quartile? It will take a few years – maybe more – for [the impact] data to build up and for [financial] returns to be well-benchmarked."

Anonymous European LP

[17] For example, the GIIN's "State of the Market 2025" found that investors report higher returns on impact investments in comparison to traditional investments for every single asset class.

[18] Based on fund data as of October 22, 2025 from the New Private Markets Fund Database, reflecting funds closed between 2019 and 2025.

[19] This includes investors whose entire overall portfolio integrates impact alongside traditional investments, as well as participants who only pursued an integrated strategy within a portion of their overall portfolios.

data remains highly inefficient. While they acknowledge that impact reporting cannot be distilled into a handful of standardized indicators in the same way that financial performance can, many struggle to navigate today's fragmented landscape as is.

A recurring theme was the desire for greater consensus around a core set of impact metrics by sector or theme – enabling comparability and, ultimately, credible benchmarking. Some LPs pointed to the growing alignment around "emissions avoided" in climate investing as an example of what they would like to see more of in the market. Yet participants also recognized that impact is context-dependent: what constitutes meaningful progress for two investments in the same theme (e.g., healthcare) may differ entirely and require distinct metrics to capture. As a result of this nuance, institutional investors may face high time and resourcing costs in evaluating whether reported outcomes credibly reflect impact performance.

The availability and quality of impact data also often mirror the underlying asset class. Given the high percentage of impact investors that target the seed/start-up and venture stages – segments that have historically struggled with non-financial reporting – data inconsistency is unsurprising.[20] As the market diversifies across the capital spectrum, particularly into growth and buyout strategies, data reliability may naturally improve. However, structural challenges like metric standardization and benchmarking are likely to persist.

These impact data challenges have downstream implications for portfolio construction. Institutions tend to gravitate toward familiar names and recognizable brands. This concentrates capital among a small group of established managers, particularly in sectors like climate, where data is more readily available and where reputational signals are stronger. Notably, LPs with climate-only mandates rated the availability of institutional-quality data and market infrastructure higher, on average, than those with social or multi-thematic strategies.

> "It's not common across the industry to assess and benchmark GPs from an impact perspective. With economic, social, and governance (ESG), you have more standardized approaches to diligence and the assessment of GPs, which has led to a consistent way of doing things. We have industry-recognized frameworks for ESG due diligence… I do not believe that this exists on the impact side. Is there a structured, market-standard way to create this on the impact side, in the same way that ILPA and PRI [the UN Principles for Responsible Investment] has done on the ESG side? Is there a way for LPs to diligence GPs on their impact integration practices without the need to subject GPs to generic follow-up questions?"
>
> **Matthew Johns, Sustainability, IH International**

[20] This references the high percentage of investors with seed/startup-stage and venture allocations is based on data from the GIIN's "State of the Market 2025," which encompasses both GPs and LPs.

Scale

Diverse impact investing opportunities are available that meet institutional LPs' strategic preferences and expectations for size, financial performance, and measurable impact results

"We don't yet have enough [impact fund] vintages to show how they are differentiated, investable, and have impact that is consistent…You still have to spend a fair amount of time explaining [to LPs] examples of exits as well as what is the actual impact outcome. It may have gotten better than it was 10 years ago, but there is still a ways to go."

Matt Christensen, Global Head of Sustainable and Impact Investing, AllianzGI

Challenges related to data are intrinsically linked to those of scale. Despite its remarkable momentum, impact investing remains a relatively young market with limited capacity to absorb large institutional allocations. The result is a persistent mismatch between institutional appetite and market investability.

As explored in the "Data" section, institutional LPs tend to allocate more capital to buyout and growth strategies, whereas impact opportunities are still predominantly earlier-stage. Thus, to deploy capital effectively in today's market, LPs must often be flexible on investment factors like check size, risk tolerance, and horizon. While this adaptation signals an LP's genuine commitment to advancing impact investing, it also underscores a structural constraint: many LPs are simply unable to deploy capital at the scale they would prefer, limiting the market's ability to capture significant institutional inflows. For example, the average buyout deal size was $849 million in 2024, while the median deal size in VC and growth (pre-seed to Series D+) was approximately $20 million.[21,22] The lack of diversity in investable opportunities across asset classes, stages, and themes further concentrates LPs' activity in a few well-established segments where confidence and opportunity coincide.

This dynamic is especially evident in the divergence between climate and social impact opportunities. In climate, a broader range of investable options – spanning asset classes and sub-themes (e.g., climate tech, renewables, biodiversity) – and more standardized impact metrics allows LPs to deploy capital at greater scale. Climate strategies have therefore been pivotal in driving both market growth and institutionalization. However, this thematic concentration has left other opportunities comparatively underfunded; social impact themes continue to face a shortage of scalable, institutionally investable opportunities. According to our interview and survey respondents, while certain themes, such as affordable housing and healthcare, have attracted more institutional attention, many social impact strategies (e.g., financial inclusion and diversity) are still viewed as too generalist or too risky to meet institutional requirements.

~1/4

Nearly 25% of LP respondents were exclusively focused on climate – and all respondents had at least some focus on climate.

Nearly a third of LP interview and survey participants adopt integrated strategies for at least part of their impact portfolio – that is, positioning impact investments to compete directly alongside traditional investments.

[21] The research team consulted the "Pitchbook-NVCA Venture Monitor" (2025) to arrive at this figure.

[22] Bain & Company, "Private Equity Outlook 2025: Is a Recovery Starting to Take Shape?" (2025); Pitchbook, NVCA, "Venture Monitor: The Definitive Review of the US Venture Capital Ecosystem" (2025).

While this approach can offer meaningful benefits, it can also magnify challenges of scale. To accommodate market nascency, a third of interviewees described expanding their risk tolerances and accepting smaller check sizes to engage with emerging impact managers. However, this flexibility carries its own costs: LPs must devote more time and internal resources to making the case for impact investments and to conducting rigorous financial and impact due diligence – often involving the use of proxies when data is unavailable. As a result, many LPs remain cautious and are unable to deploy impact capital at the same scale or volume as in traditional markets.

"Given that our impact versus our [traditional Private Equity] portfolio has more early-stage venture, we have a higher tolerance for potential volatility to get to the same return outcome. Hold periods can be longer, and [there can be] more diligence when it comes to underwriting. [In impact,] we're looking at more fund 1s and fund 2s, where track record may not be well-developed. We may be piecing together the track record from the team's prior firms as professionals haven't worked together before. There is a lot of time and effort spent to make sure we are achieving the same risk-adjusted returns."

Anonymous European LP

As with challenges around financial data, certain issues related to scale may resolve naturally over time. Yet, current economic conditions risk slowing progress. Impact managers are already less likely to have robust track records relative to ones built by traditional managers during more favorable economic cycles. A difficult exit environment across the private markets further intensifies these pressures, resulting in a scarcity of exits that constrain liquidity and thereby limit LPs' ability to recycle capital into new impact investments, even where appetite remains strong *[Note: This is a concept further discussed in the "Infrastructure" section]*.

Notably, uncertainty surrounding the broader landscape of regulatory and geopolitical developments present additional barriers to scale, prompting many institutional investors – already a more cautious investor group – to adopt a "wait and see" approach. Encouragingly, numerous respondents cited impact-specific regulatory developments in the EU and UK as positive developments, even if implementation remains complex and broader geopolitical risks persist. Further discussion of the state and role of regulation in market institutionalization can be found in the "Infrastructure" section.

"Asset owners are looking for scale, financial returns, and impact. So, it's a high bar. There is a need to satisfy all of this. For us, as an investor, we need demonstration of exits and DPI. How do you distribute capital back to LPs? Most LPs will say, 'We need more DPI.' How do we [address] that? We need more exits, and a lack of it has been challenging."

Anonymous Asia-Pacific LP

Infrastructure

Credible, impact-centered investment infrastructure – e.g., regulations, intermediaries, secondaries markets, data analytics – are available and aimed at supporting institutional LPs in capital deployment

Strong market infrastructure enables impact investments to be made with efficiency, comparability, and credibility – allowing the market to evolve from emergent and values-driven to mature and institutional-grade. Robust and responsive infrastructure encompasses a diverse set of foundational structures and services that support the efficient flow of capital and information across the market – encompassing data platforms, a secondaries market, impact investing-specific regulation, and specialized impact intermediaries.[23] Accordingly, this section is organized by these principal building blocks.

This pillar shows promise but requires further development. More specifically, a lack of liquidity, regulatory uncertainty, and the absence of clear market leadership (further explored in the "Resources" and "Networks" sections) form the strongest obstacles.

Data infrastructure

Data and infrastructure are distinct but deeply interrelated. Data is only as useful as the systems that support its interpretation. This infrastructure – comprising analytics platforms, reporting, benchmarking tools, and other specialized service providers – enables raw data to be efficiently transformed into decision-useful insights. Encouragingly, impact investing-specific data infrastructure is beginning to appear, though some respondents stated that available tools remain nascent and not yet consistently efficient or useful. Additionally, some LPs that are highly focused on field-building – namely single-family offices – are playing an active role in supporting the advancement of institutional-quality data infrastructure through direct investment and early adoption.

In contrast, traditional LPs tend to be hesitant to engage with impact-specific data infrastructure that is still in its formative stages. Reflecting the broader market's lack of convergence, only 25% of impact investors surveyed through *Pitchbook's Sustainable Investment Survey 2024* reported using an external standard to guide their impact measurement approaches. Among those who did, respondents referenced 20 different organizations and frameworks with minimal overlap in usage. An absence of convergence in impact measurement practice has yielded a crowded but immature ecosystem for data infrastructure, where few products yet rival the scale or reliability of mainstream financial platforms. This reinforces institutional LPs' tendency to be more cautious in committing to solutions. Still, there is growing recognition that further action will be essential to accelerating progress. Industry groups, both longstanding and newly established, are beginning to address these gaps – working to create the standardized metrics, corresponding benchmarks, and reporting norms necessary to advance the impact investing market.

[23] We draw a distinction between impact-specific and general regulation within our framework – with impact-specific regulation falling under "Resources" and general regulation falling under the "Operating Environment."

Secondaries market

> "I think…the number one [indication that the impact investing market is as accessible and efficient as traditional investing] is improved liquidity – the availability and frequency of the ability to trade impact assets between different parties without it taking months of time and weeks of legal work."
>
> **Tim Macready, Head of Global Advisory, Brightlight**

Nearly all respondents cited a lack of liquidity – stemming from both scarce exits and the limited development of an impact secondaries market – as an important barrier to market institutionalization. Liquidity constraints closely intersect with data and scale challenges, as the infrastructure to support exits remains thin, particularly when private equity capital distributions to LPs are near historic lows.[24] Roughly 40% of LP respondents discussed the continued development of a robust impact secondaries market as a key enabler of institutional participation. In traditional private markets, secondaries funds have been a vital source of liquidity in a challenging economic context – raising $80.84 billion in the first half of 2025 alone, following a 45% increase in transaction volume in 2024.[25] Yet within the impact investing market, participation remains limited. Only seven of the over 1,300 impact funds tracked by *New Private Markets* are known to be investing in impact secondaries, where transactions are often slow, complex, and difficult to execute.[26]

Impact-specific regulation

Many respondents also emphasized the growing importance of regional regulation and market standards as catalysts of market maturity. Regulations, such as the EU's Sustainable Finance Disclosure Regulation (SFDR) and the UK's Sustainability Disclosure Requirements (SDR), which require consistent disclosure of sustainability objectives, can improve transparency and advance the standardization of impact data. Notably, over a third of survey respondents cited the positive effects of supportive governmental and regulatory efforts in bringing increased transparency and standardization to the impact investing market. However, the proliferation of regional taxonomies and labeling regimes risks segmenting the market and introducing unnecessary administrative burden for investors – potentially offsetting intended benefits. A few respondents expressed skepticism about prescriptive impact labeling frameworks more broadly, questioning whether they provide the level of credibility that the market needs.

Additionally, as discussed in the "Scale" section, political and regulatory backlash may further complicate this. Nearly half of survey respondents expressed concerns about how current geopolitical headwinds will affect both their own impact investing strategies as well as the market more broadly. LPs are closely monitoring whether regulatory and governmental interventions will ultimately advance or impede institutionalization, particularly as revisions to key regulation remain underway.

Intermediation

Intermediation emerged as an important dimension of market infrastructure for some LPs, but respondents described mixed experiences with advisors and consultants. Two LP respondents noted the need for more capacity building to prevent intermediaries from inadvertently discouraging or constraining impact allocations, particularly by limiting exposure to emerging managers. However, others viewed intermediation as an area of progress – highlighting the growing number of advisory firms and consultants building specialized impact expertise as evidence of the market's continued maturation.

[24] MSCI, "Private Capital in Focus: Depressed Distributions, No End in Sight" (2025), DOA 10/28/25.

[25] Adams Street, "2025 Global Investor Survey: Navigating Private Markets of the US Venture Capital Ecosystem" (2025).

[26] New Private Markets, "Secondaries is Emerging as an Impact Opportunity" (2025).

Resources

There are clear, harmonized standards and intuitive playbooks to guide LPs in investing across diverse impact investing opportunities

While substantial challenges persist across the “Data,” “Scale,” and “Infrastructure” pillars, the remaining pillars – “Resources” and “Networks” – stand out as notable areas of strength and potential. In reflecting on the state of resources within impact investing, respondents painted a portrait of a market that is beginning to coalesce around shared guidance, frameworks, and standards that create a strong foundation for institutional participation. Challenges generally lie not in the absence of resources, but instead in their uncoordinated *proliferation*. Feedback from LPs suggests that key to advancing this pillar is making currently available resources more accessible to institutional allocators. This charts an actionable path forward, grounded in harmonizing resources already in existence and ensuring that they are fit for purpose for this audience.

Approximately 60% of interview respondents indicated that they are anchoring their impact investing approaches in the GIIN’s definition: that is, that impact investments are “made with the intention to generate positive, measurable social or environmental impact alongside a financial return.” The GIIN’s core elements of impact investing – intentionality, the expectation of financial returns, the need for evidence and data, and the commitment to manage impact performance – were cited as particularly influential in shaping respondents’ approaches.[27] This indicates that the definition strikes an important balance for institutional LPs in both setting a high bar for expected investments and remaining broad enough to include a diverse set of impact strategies.

In practice, institutional LPs operationalize the GIIN’s definition through the design of customized impact measurement and management (IMM) systems, allowing them to deploy capital in ways that align with their unique institutional mandates, portfolio construction needs, and impact objectives. Additionally, some respondents leveraged the Operating Principles for Impact Management (OPIM), the GIIN’s IRIS+ Catalog of Metrics, and Impact Frontiers’ Five Dimensions of Impact within the design of their IMM systems, indicating that they are seeking to balance customization with standardization in their own approaches.

"Rather than adding another set of guidance on top of others, we need harmonization rather than something new. If only there was a guide that said, 'Here are all the impact investing frameworks'… Resources that consolidate are better than those that are brand new."

Helena Threlfall, CFA, Portfolio Manager, Environmental Opportunities, Local Pensions Partnership Investments

Institutional LPs are increasingly converging around a shared set of impact investing resources to support strategy development, articulate impact objectives, and guide impact assessment and due diligence processes. However, we observed comparatively limited standardization in approaches to measurement and reporting. There are challenges interpreting the data received from GPs. This inconsistency creates a significant barrier to institutionalization in complicating comparability, benchmarking, and decision-making.

Also cited as problematic was a relative scarcity of guidance on how to practically aggregate and report on impact data in a manner that is credible and efficient. To overcome these hurdles, standardization must occur at multiple levels. GPs need clear, coordinated feedback from LPs on reporting expectations, while LPs require strong resources to harmonize and make sense of the data that they are already receiving.

[27] GIIN, “What You Need to Know About Impact Investing” (2025), DOA October 27, 2025.

Above all else, respondents were consistent in emphasizing that the impact investing field does not need more resources so much as more *consistency* and *interoperability* among those already available. To this end, roughly 40% of respondents shared reflections on a lack of harmonization in guidance within surveys and interviews. Absent harmonization, newer entrants to the market may find it more difficult to navigate the landscape of resources – a challenge that is compounded within certain thematic areas. Notably, climate was highlighted as a theme where a proliferation of competing standards and frameworks has created complexity. Additionally, some respondents stressed the importance of ensuring resources were written less conceptually and instead with a more tactical, practitioner-oriented perspective.

> "I'll be frank and say that when I see papers in this space, they are often quite conceptual and theoretical... We would benefit from more practitioner-led approaches to ensure we are able to operationalize these ideas."
>
> **Diane Mak, Head of Impact Strategy, AllianzGI**

While respondent LPs consistently expressed a desire for greater standardization, this raises a deeper question about whether standardization should, in fact, be the ultimate objective for the impact investing market. That is, there may be an inherent tension between the efficiency and comparability that standardization provides and the depth and nuance required to completely understand impact investments' outcomes. Is there a point at which uniformity begins to erode the nuance and diversity that gives impact strategies their effectiveness? And, perhaps more importantly, who decides where that limit lies? We modestly suggest that standardization should be pursued up to the point where it enhances coherence and interoperability, but not at the expense of the flexibility needed to capture the diversity and contextual richness of impact across different settings. Some potential pathways for achieving this have been outlined in prior sections – for instance, through the identification of common KPIs within investment themes.

Highlighted Resource: LP Impact Primers

ILPA has launched a new Impact Investing section on its website, which is designed to help institutional LPs build familiarity with impact investing and to strengthen their capacity to integrate it into their existing investment practices.

As of this report's publication, this section features two primers, which were both developed in partnership with BlueMark. The first introduces the fundamentals of impact investing — outlining what it is, why LPs are pursuing it, and how it is being implemented across real-world portfolios, while also offering tools and resources to support further learning. The second serves as an actionable guide to identifying and assessing high-quality impact opportunities, providing LPs with a practical framework and a set of guiding questions to support effective decision-making. Together, these resources aim to demystify impact investing and empower LPs to participate in this rapidly maturing market with greater clarity and confidence.

Networks

There are formal and informal networks that provide LPs with channels to coordinate market-building efforts, drive consensus, and share learnings and experiences

Among the five pillars of market institutionalization, the "Networks" pillar emerged as the strongest. This finding reflects the reality that, in the absence of widely adopted standards or full clarity across the impact investing market, institutional LPs have leaned most heavily on relationships to propel their practice forward. Networks – whether formal or informal – have become the scaffolding upon which institutional investors build confidence, test approaches, and accelerate their learning.[28]

Regarding *informal* networks, many LPs stressed the importance of peer-to-peer learning in shaping their impact investing approaches, particularly in the early stages of their journeys. These relationships allow less experienced LPs to access lessons learned, exchange guidance, and gain a fulsome understanding of what they should expect with others at similar or more advanced points in their journeys. Peer networks play a critical role in reducing the steep learning curve for new entrants to impact investing – providing them with confidence that their practices are aligned with others'. Even for more experienced LPs, informal networks continue to provide value by offering trusted spaces to troubleshoot challenges, adapt and respond to market developments, and refine approaches in real time.

Formal networks serve a complementary and equally vital purpose. Here, LPs reported seeking two types: smaller, technically focused groups where consensus on practices can be built and where benchmarking and diligence approaches can be compared in more detail; and larger, more diffuse network organizations that provide them access to a broader set of relationships and platforms. For example, respondents highlighted the ESG Data Convergence Initiative (EDCI) as a valuable initiative in driving private markets consensus on sustainability performance metrics – playing an important role in driving consistency in measurement and reporting and arriving at benchmarks. Meanwhile, network organizations like the GIIN were seen as essential for setting the market's directional pace and for convening diverse stakeholders across geographies. Together, these different types of networks provide investors with both depth and breadth of support.

The emphasis that LPs place on alignment highlights a key dynamic: in the absence of more pervasive standardization within the impact investing market, LPs may grow increasingly reliant on networks as mechanisms for alignment and validation. Half of interviewees discussed the value of an active community focused on building consensus in advancing greater market standardization. In this sense, the strong performance of the "Networks" pillar can be understood not only as a testament to the quality of collaboration within the impact investing industry, but also possibly as a reflection of gaps elsewhere in the market.

As the impact investing market matures, the role of networks will likely continue to evolve from peer

> "I think that the community piece is so important – understanding what others are doing, benchmarking evolving best practice. Sharing wins and challenges just helps us all get better together… We need to benchmark ourselves to meet our mandate of best practice in asset management, so we frequently engage with thought leaders in the peer space."
>
> **Del Hart, Former Head of External Investments and Partnerships, New Zealand Superannuation**

[28] We define *informal networks* as encompassing more organically occurring peer-to-peer relationships or smaller groups where LPs share insights and experiences through trust-based interactions. *Formal networks* are more structured organizations or platforms that convene investors through defined initiatives.

exchange and relationship-building towards being more formal vehicles of convergence and norm setting. Implicit in LPs' responses (and in some cases, explicit) was a desire for network organizations – especially those with preexisting credibility among institutional LPs – to lean into their unique positions of leadership by advancing standardization, developing consensus-driven tools, and clarifying best practices. By doing so, networks can play a critical role in enabling the impact investing market's institutionalization.

Ultimately, the strength of the "Networks" pillar demonstrates that community and connectivity are indispensable assets for institutional investors as they navigate impact investing. Yet, the reliance on networks also reveals the field's unfinished business: the need for durable standards, clearer rules of the road, and strong leadership to complement relational infrastructure. The challenge for the market is to ensure that networks are empowered and equipped to become catalysts for convergence.

Internal Orientation and the Operating Environment

In the absence of even development across the market conditions pillars – particularly in “Data” and “Scale” – non-market factors can take on heightened importance in determining whether institutional LPs can participate in impact investing meaningfully or to their fullest potential. Within this context, two closely linked non-market factors, “internal orientation” and the broader external “operating environment,” are pivotal in shaping the extent and nature of LP engagement in the market and can accelerate or hinder progress across all five pillars.

Internal orientation

Internal orientation refers to the degree to which an institutional LP views impact as a credible and legitimate investment approach, the value it places on impact outcomes as part of its mandate, and the organizational flexibility it has to implement impact strategies. A range of factors can contribute to an LP’s internal orientation: institution size; the perspectives of influential decision-makers (e.g., board members, members of investment committees, and executive leadership); preexisting investment mandates; fiduciary accountability to stakeholders (such as pension beneficiaries or policyholders); and the flexibility to devote sufficient internal resources to support impact investing, among others. Together, these factors influence whether an LP’s orientation is enabling of – or obstructive to – adopting and scaling impact investing.

Among these considerations, leadership buy-in consistently emerged as one of the most critical enablers, as cited by around half of interview respondents. Without support from leaders, investment staff may expend greater effort on internal case making, which is made more challenging due to a lack of robust historical performance data. The strategic alignment of leaders also plays a decisive role: when leadership recognizes and sees value in impact as an outcome in its own right – rather than solely to financial or reputational ends – it creates the cultural foundation necessary for meaningful participation in impact investing.

Case making and strategic alignment alone are not sufficient; institutional flexibility is also required for meaningful participation in impact investing. This includes the ability to dedicate long-term resources, to attract or develop technical expertise, and to embed impact considerations across various teams involved in sourcing, diligence, and portfolio management. Respondents noted that continuous internal education and capacity building is critical, particularly as impact frameworks evolve and as new investment products emerge. Without sustained investment in organizational capacity, even highly motivated LPs may find it challenging to integrate impact effectively and at scale. To this end, some LPs expressed a desire for more tailored, LP-specific resources to foster alignment and strengthen institutional readiness.

> "In any kind of team, there have been people who have been there for many years who naturally assume that impact results in concessionary returns. It’s taken quite a bit of education around our own stakeholders and team to convince them that impact doesn’t always equal concession, which has taken time."
>
> **Anonymous European LP**

Operating environment

Alongside internal orientation, the external operating environment can also exert a powerful influence on the uptake of impact investing. The operating environment includes regulatory conditions, broader political and cultural attitudes, and the economic context in which institutional investors operate. Importantly, regulatory conditions do not need to be explicitly targeted at impact investing to shape the market’s trajectory; broader financial markets, disclosure, and thematically specific regulations (e.g., related to climate) can also either enable or constrain the field. Broader cultural attitudes toward sustainability and equity similarly create conditions in which impact investing is either perceived as a legitimate extension of fiduciary duty or dismissed.

As explored throughout the previous sections, the current economic environment has amplified challenges within the various pillars. Rising interest rates in recent years, valuation uncertainties, and tighter global liquidity conditions have contributed to lower transaction activity and barriers to participating in impact. Relatedly, geopolitical and policy developments also shape the market's orientation. Recent shifts in U.S. policy in particular – characterized by polarization around sustainability issues – have created global ripple effects. Our research points to the center of gravity for the impact investing market shifting to Europe, owing to the region's stronger policy stance on sustainability. By contrast, economic and political uncertainty in the U.S. has introduced greater hesitation, reinforcing Europe's leadership role in driving convergence and experimentation.

Despite these economic and policy headwinds, respondents emphasized that commitment to impact investing remains strong. As indicated in the report's introduction, respondents expect to maintain or grow their impact allocations in the near term. However, their definitions of "impact" are often broad and inclusive, reflecting both a pragmatic adaptation to the realities of the market and the diversity of organizational missions and mandates.

Conclusion

The impact investing market is in a transition period, where it is increasingly being defined by the growing interest and participation of institutional LPs. The increased presence of institutional allocators points to both the market's progress and potential. Yet, realizing this potential will require the continued development of the market conditions that enable broad-based participation – data, scale, infrastructure, resources, and networks. The challenge lies in ensuring that the market is sufficiently equipped to meet and is responsive to institutional LPs' needs.

Some barriers to full institutionalization, such as limited historical performance data and the absence of mature benchmarks, will only resolve over time as strategies season and as exit histories accumulate. Others, however, call for more intentional collaboration and leadership across the impact investing ecosystem. Advancing the standardization of practice, improving data infrastructure, and deepening cross-sector coordination will depend on deliberate action by both committed LPs and other market stakeholders focused on shaping a credible and efficient market primed for growth.

Our hope is that the framework introduced in this report serves as a durable tool to identify and prioritize areas of work – accelerating the impact investing market's readiness to channel institutional capital at scale.

Campbell Lutyens Disclosure

Impact Investing: The State of Market Institutionalization

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2026