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# Impact Investing - What's Behind the Name

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MASTER'S THESIS

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## Executive summary

### Problem statement

Even though it generated a large buzz impact investing is still a tiny segment in the sustainable investment world, depending on the source its market share ranges from 0.135% to 0.32% of total sustainable assets managed (Global Sustainable Investment Alliance, 2015; Saltuk et al., 2014). Also comparing the two – year growth rate of impact investing, with 26% to other sustainable investment strategies, like ESG integration, exclusion or norm – based screenings which grew 117%, 74% and 82% respectively, shows that impact investing hasn't really taken off (Global Sustainable Investment Alliance, 2015). While the current challenges to the growth of the market are well documented academic literature addressing them is scarce.

### Approach

Based on the nine current challenges presented in Bass et al. (2016) we focus on the following issues: lack of a common language to speak about impact investing, lack of transparency, lack of investment opportunities across the risk/return spectrum, lack of a proper database and finally doubts about the performance potential of impact investing.

We clarify the language by working out a definition based on literature review, historical analysis, common market practices and an evaluation of the cross effect on other challenges. The lack of transparency is addressed by the sharpened understanding through the justification of the definition and then by scrutinizing the impact discipline of the 411 impact funds in the ImpactBase. The lack of investment opportunities across the risk/return spectrum is addressed by a comprehensive analysis of the ImpactBase and the funds therein. To build a proper database we first lay out the objective of such an impact database and then give recommendations how to improve the current databases based on our previous findings and literature. The doubts about the performance potential are addressed by a comparison to the performance debate on sustainable investing.