

# IMPACT REPORT

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February 2022



**DEEP DIVE ON  
PRIVATE EQUITY FUNDS**

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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](http://www.phenixcapitalgroup.com/impact-database) and register your interest.

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## **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](mailto: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](http://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 Database, Impact Fund Assessment and Placement Services

Signatory of:



# ABOUT IMPACT DATABASE

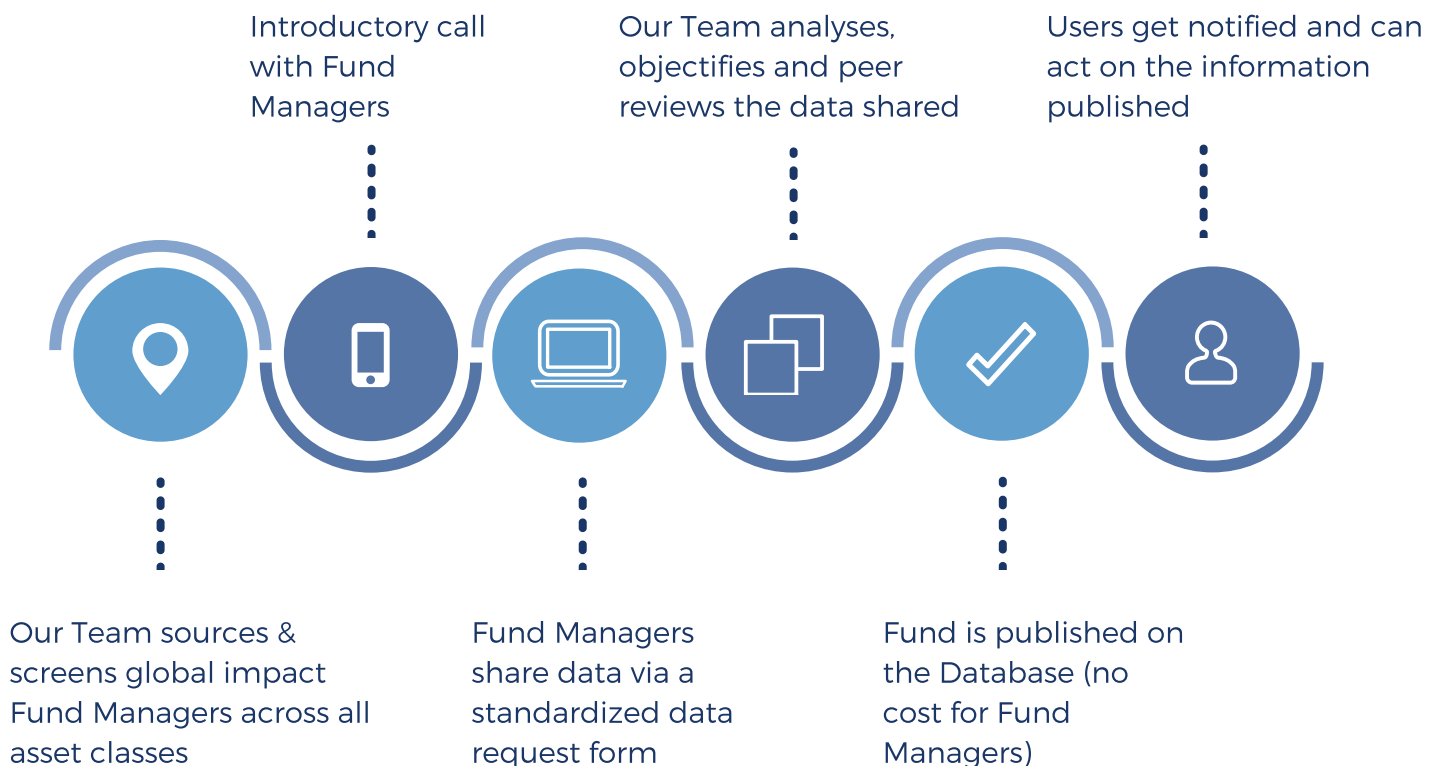
Phenix Capital's mission is to enable the allocation of capital from institutional investors towards social and environmental solutions while supporting the 2030 Sustainable Development Goals (SDGs). With the Impact Database, Phenix Capital aims to provide investors with access to and intelligence on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

## DEEP DIVE ON PRIVATE EQUITY FUNDS

This report aims to provide an overview of Private Equity impact funds. It brings a combination of top-down data from the Phenix [Impact Database](#) and interviews with relevant industry players.

Private equity funds represent equity stakes in privately held companies or funds, and we segment them into Venture Capital, Growth, and Buyout strategies. Venture capital is typically characterised by high-risk investments in early-stage companies following a growth path in value-add sectors. Growth involves minority investments in relatively mature companies that are looking for capital to continue their expansion, and Buyout focuses on control investments in established firms that are undergoing a fundamental change in operations or strategy.

As private equity has been and continues to be the largest asset class in terms of number of funds on our Impact Database, in this report, we compare Private Equity impact funds to the rest of the Impact Fund Universe. We also provide an overview of past trends by looking at historical capital commitments to date but also look forward by analysing current fundraising.

In the interview section, Snowball shares its impact investment strategy rationale and how they source and screen investment opportunities in the private equity market. Moreover, LGT Capital Partners shares the company's global investment strategy.

### Some essential numbers in this report:

- Of the 2,050 funds listed on Impact Database, 1,120 are private equity funds and €136 billion has been committed towards Private Equity funds since 2015.
- Historically, private equity funds targeted North America (28%) Europe (23%), whereas, in 2021, private equity funds target Global markets (48%), followed by North America (27%) and Europe (16%).
- **Venture capital funds were dominant** within historical capital commitments (53%); however, as the industry matures, **Growth funds become a more significant focus**, representing 49% of open funds.
- **Climate is the leading sector** with 18% of historical capital commitments and CleanTech (24%) of current fundraising targets, followed by Renewable Energy (18%),
- **SDG 13, Climate Action, is the most targeted** by Private Equity funds (more than €13.5 billion).

We wish readers to make good use of this data!

# 1,120

Private Equity **funds** listed on the Impact Database (total: 2,050+)

# 545

Private Equity **Fund Managers** listed on the Impact Database (total: 890+)

# 286

Private Equity funds that are **currently open for investment**

# €77 billion

Target size of Private Equity funds **currently open for investment**

# €247 million

Average target size of Private Equity funds **currently open for investment**

# €136 billion

Total capital **committed** to Private Equity impact funds (tracked since 2015)

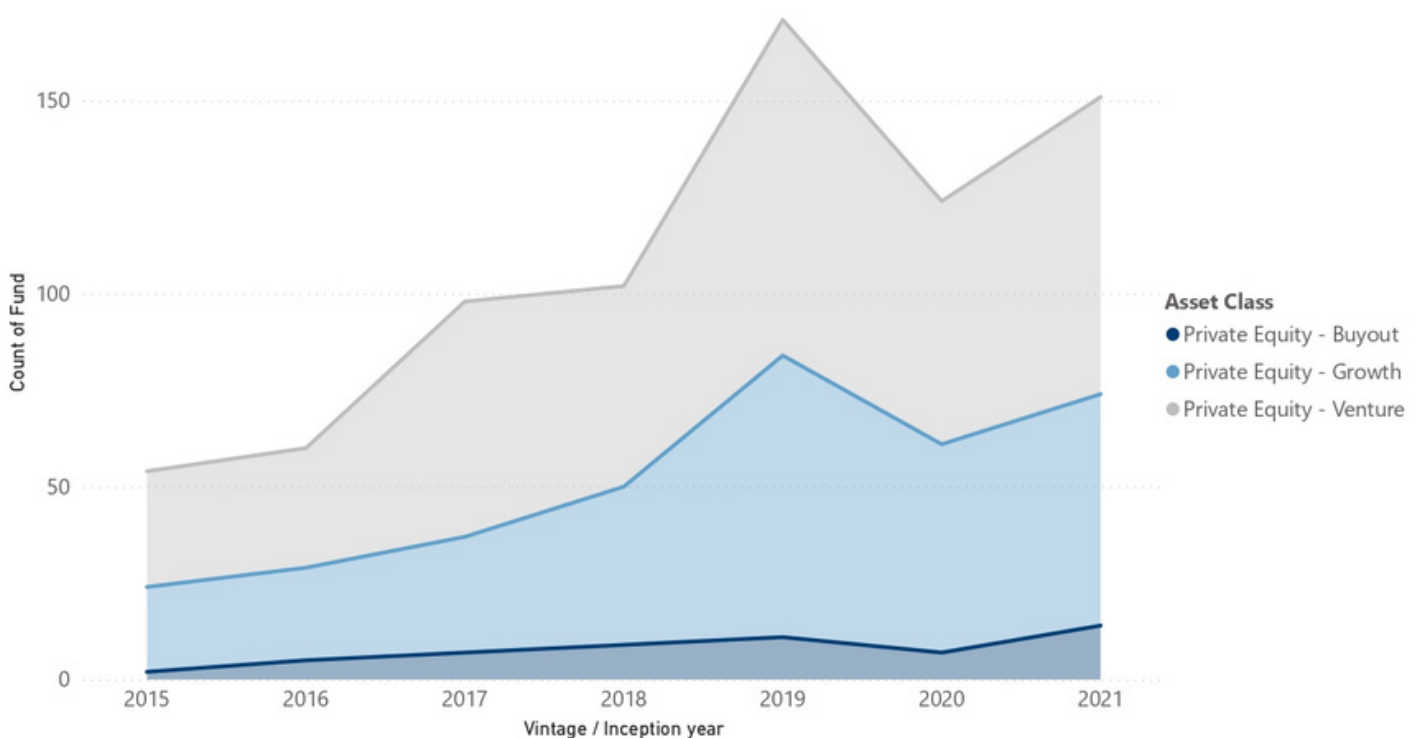
# 268

Private Equity **Asset Managers** currently fundraising

# €119 million

Average capital **committed** to Public Equity impact funds (tracked since 2015)

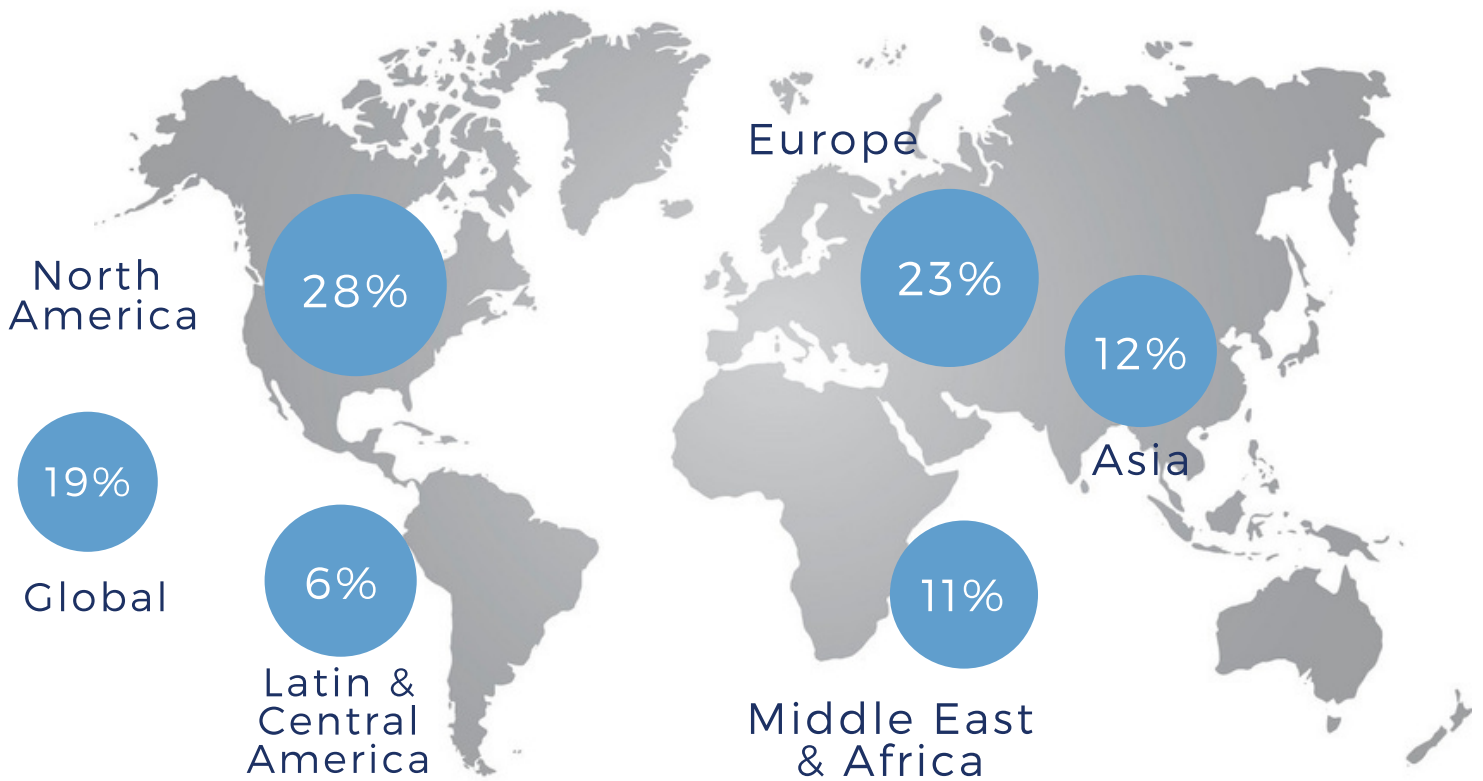
## Count of Private Equity funds per vintage year and stage



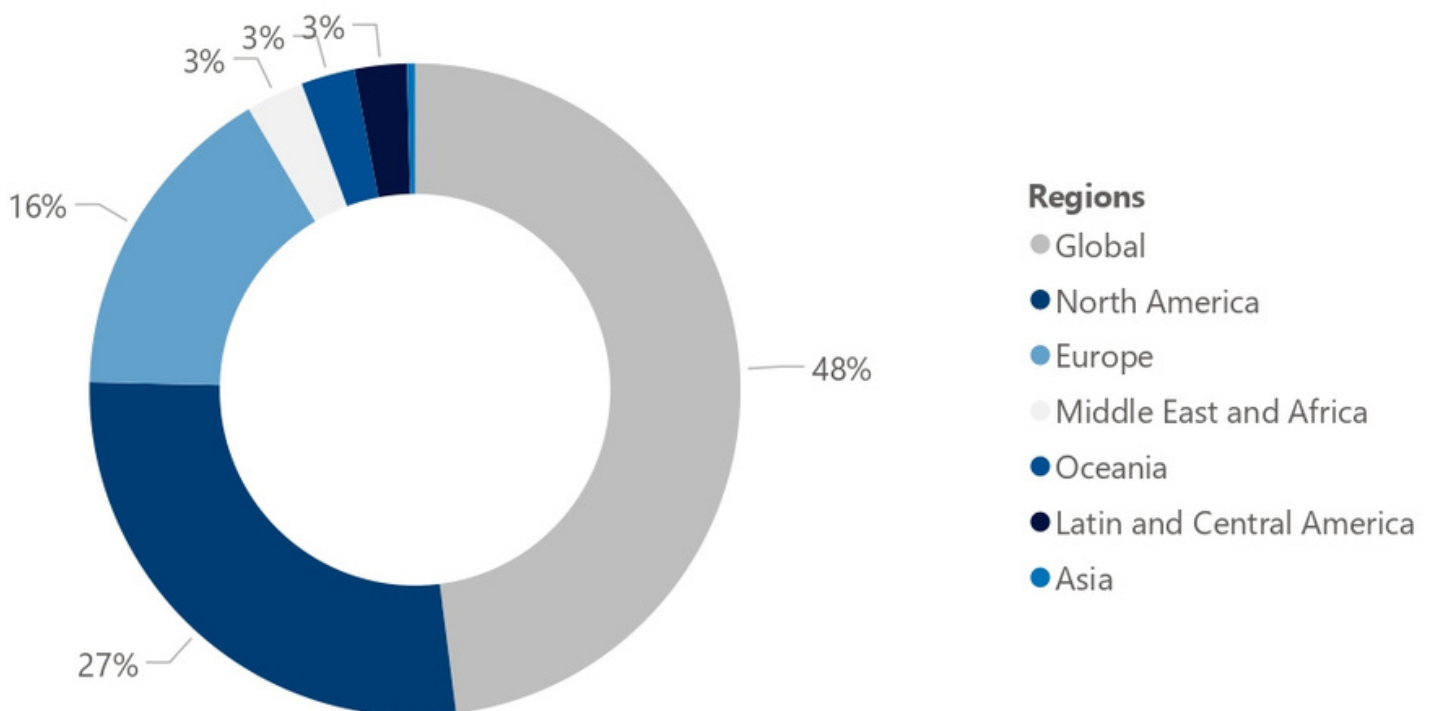
Data in this report may overlap, as a fund can target more than 1 SDG, asset class, region or sector.



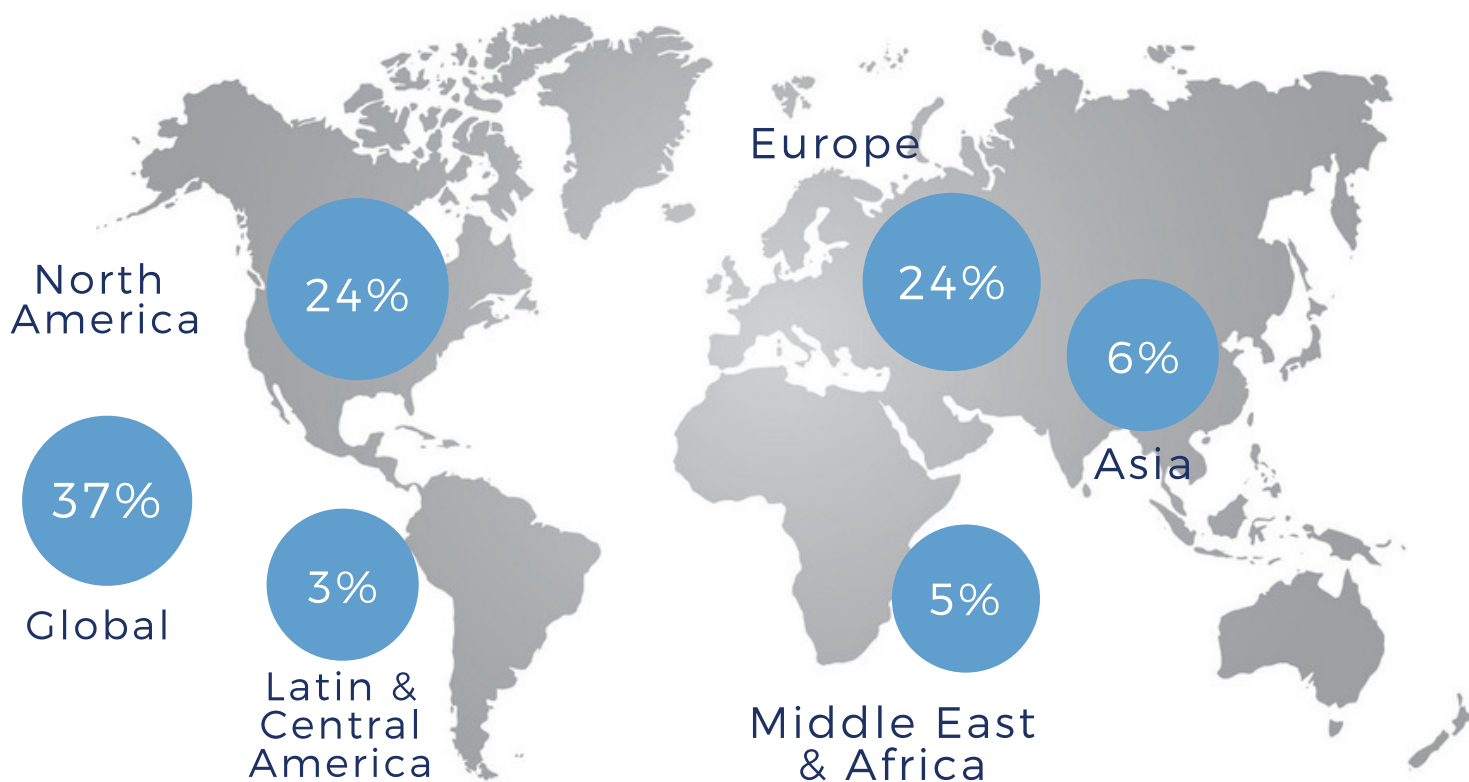
## Historical capital commitments for Private Equity funds by region



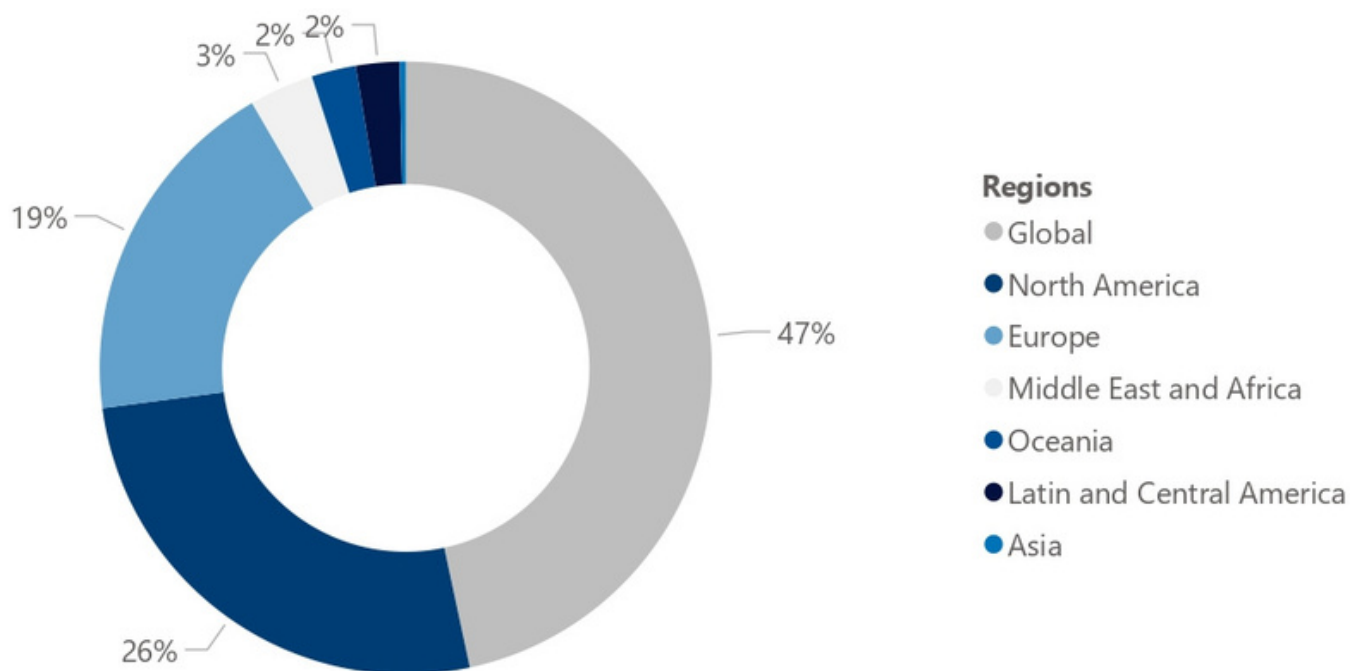
## 2021 Capital Commitments for Private Equity funds by region



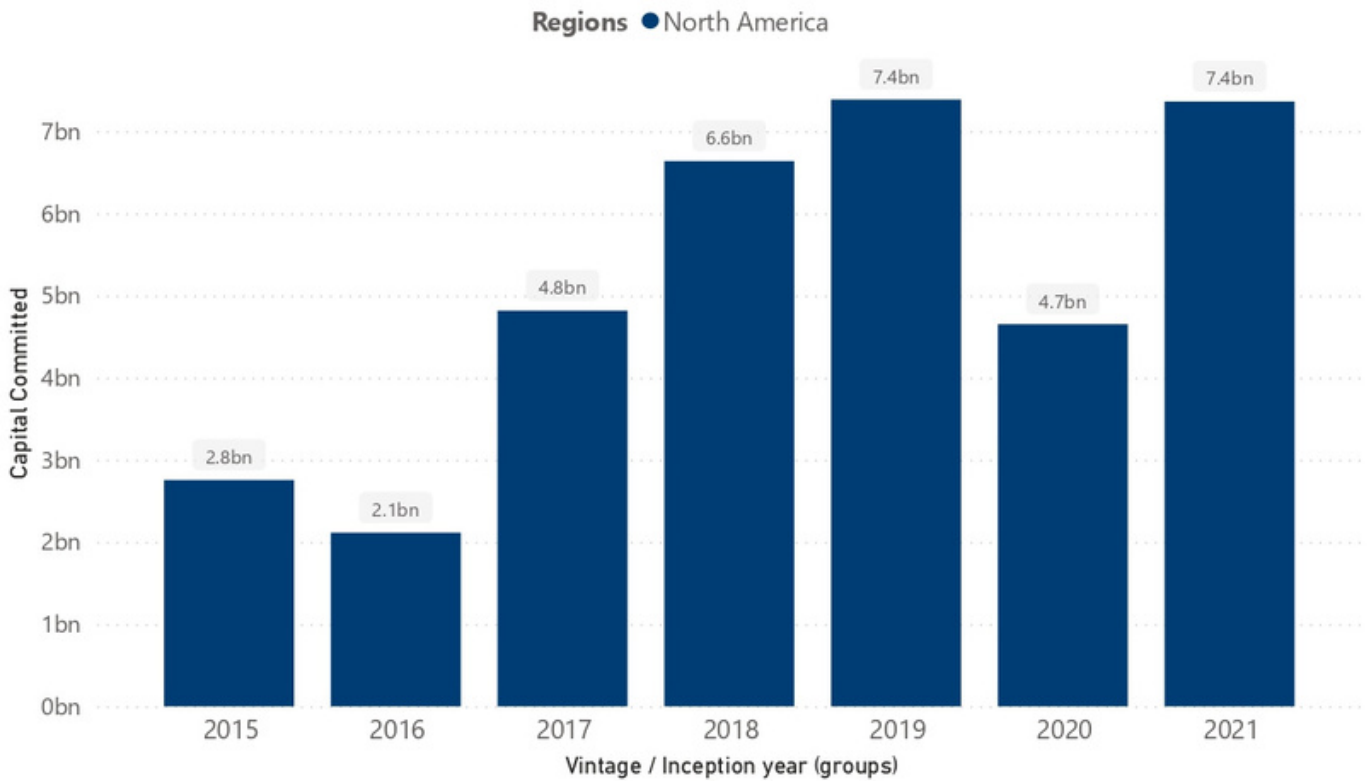
## Historical capital commitments in the Impact Universe by region



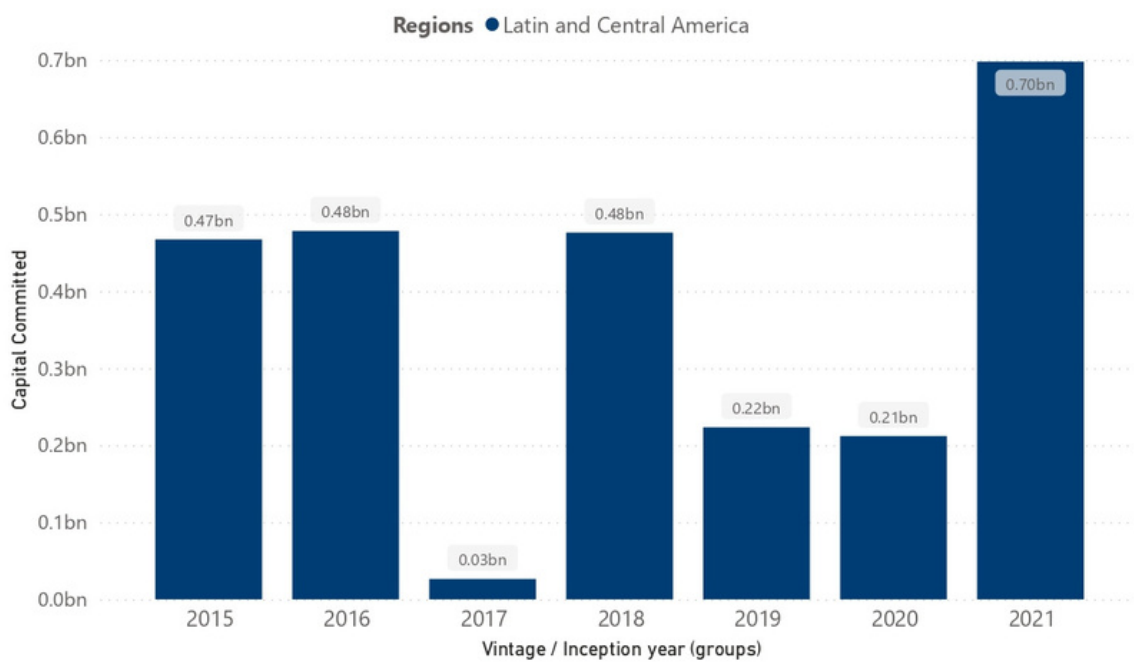
## 2021 Capital Commitments in the entire Impact Universe by region



## Capital Committed in Private Equity funds targeting North America per vintage year

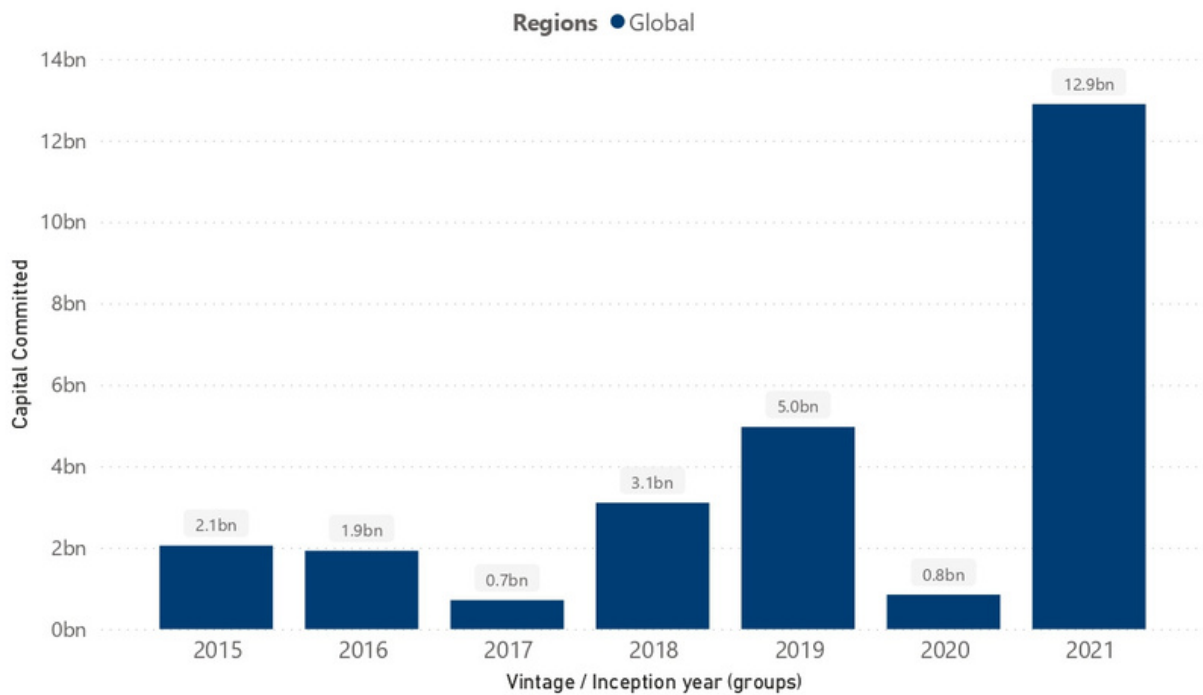


## Capital Committed in Private Equity funds targeting Latin America per vintage year

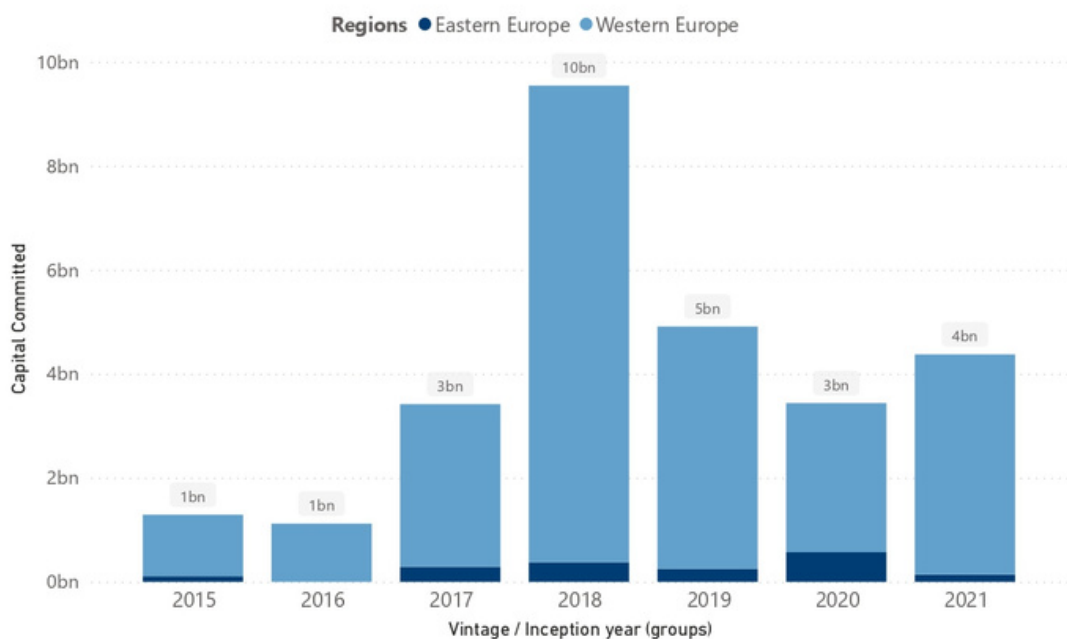




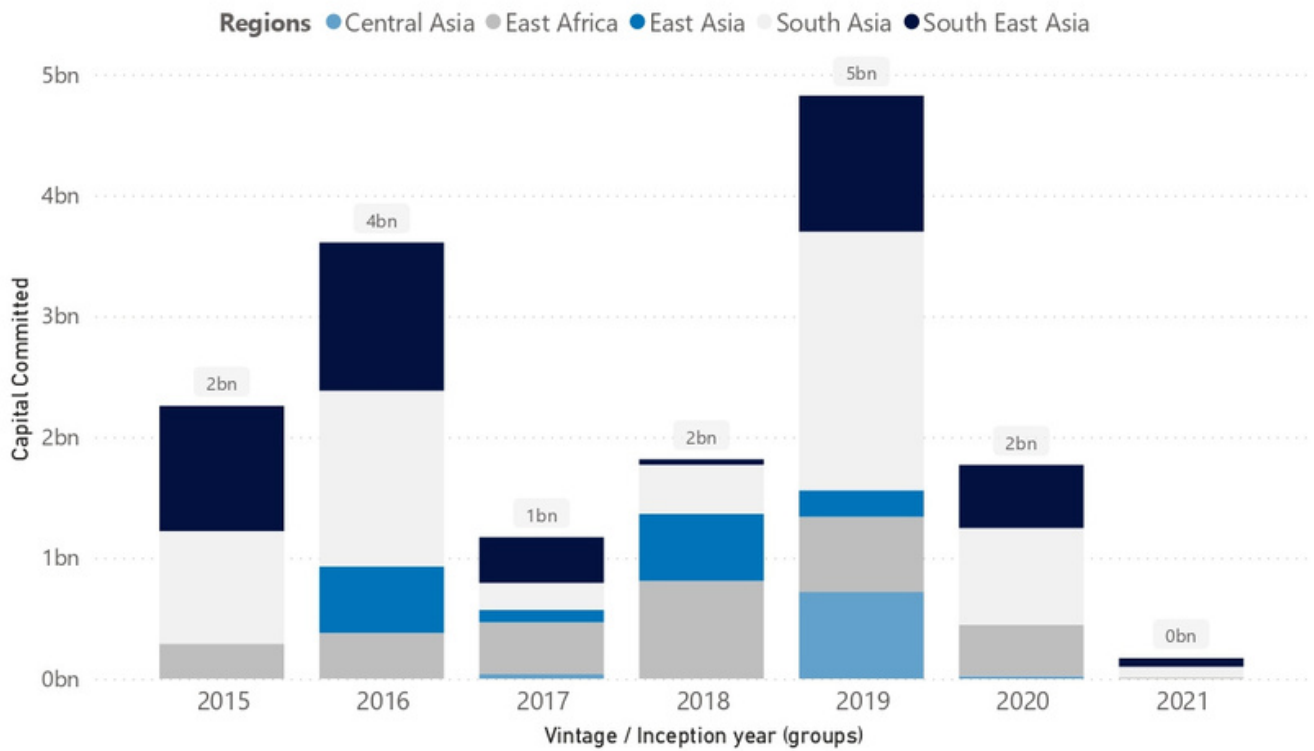
## Capital Committed in Private Equity funds with a global target per vintage year



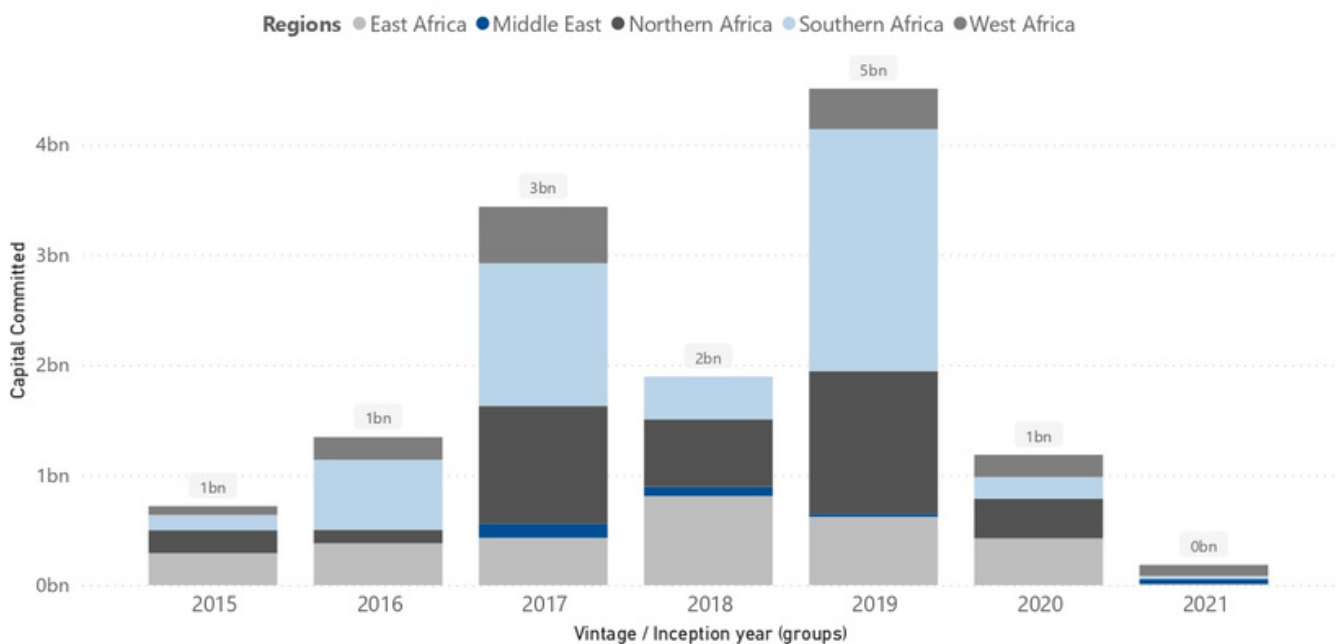
## Capital Committed in Private Equity funds targeting Europe per vintage year



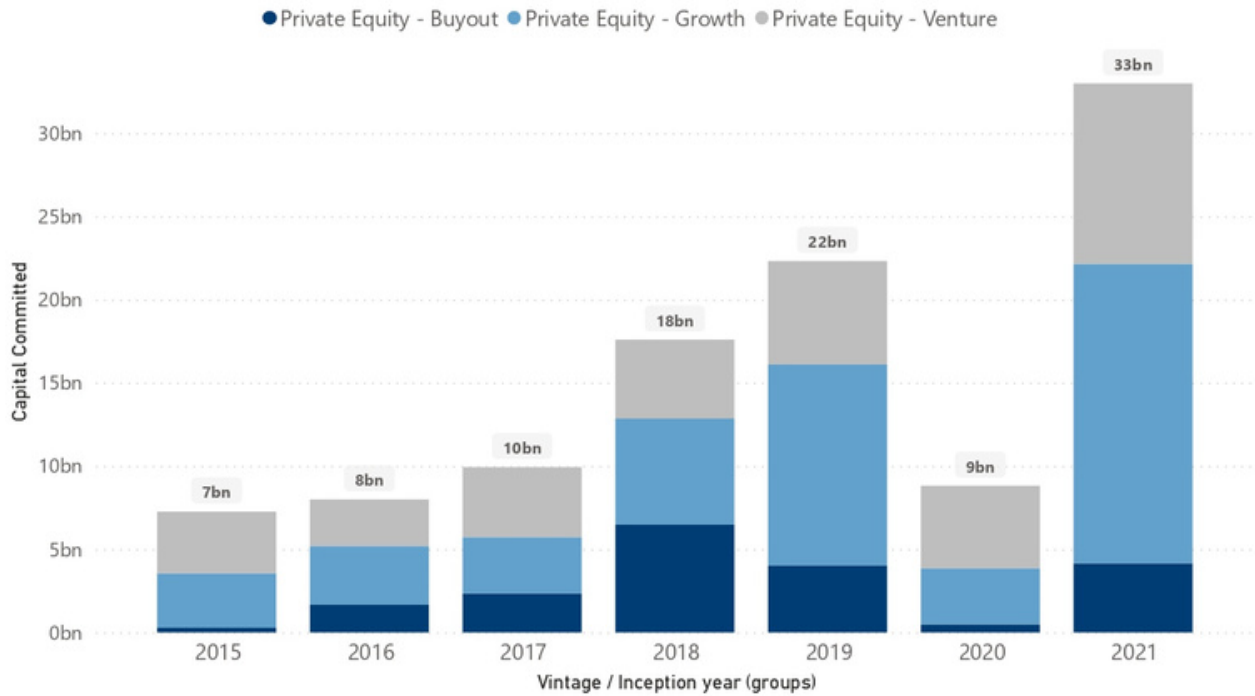
## Capital Committed in Private Equity funds targeting Asia per vintage year



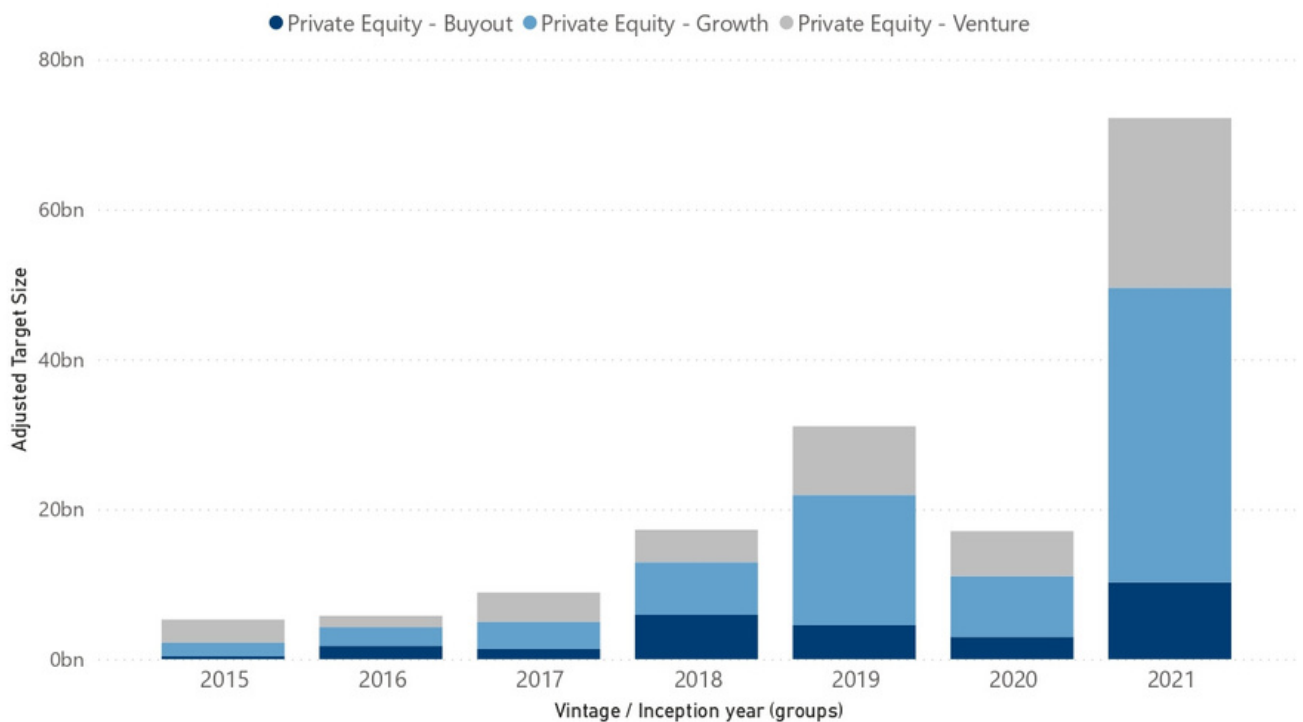
## Capital Committed in Private Equity funds in Middle East & Africa per vintage year



## Historic capital commitments: Private Equity impact funds by stage and vintage year

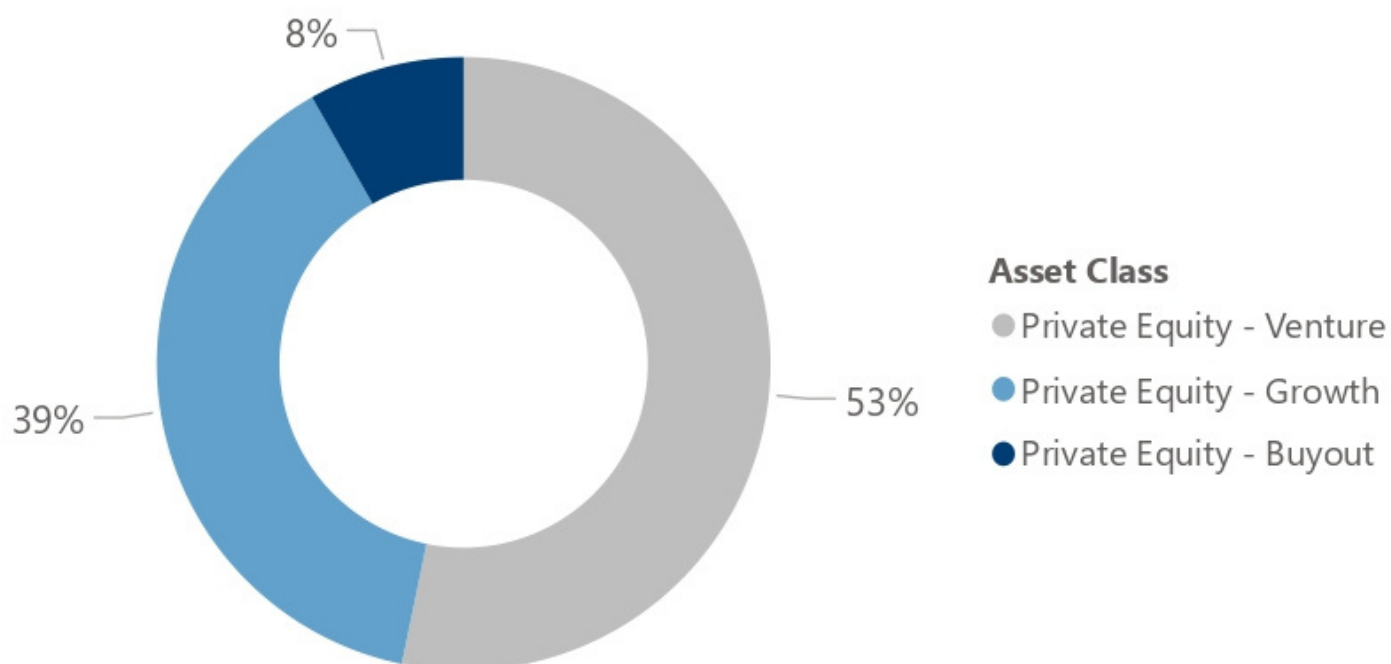


## Average target size Private Equity impact funds by stage and vintage year

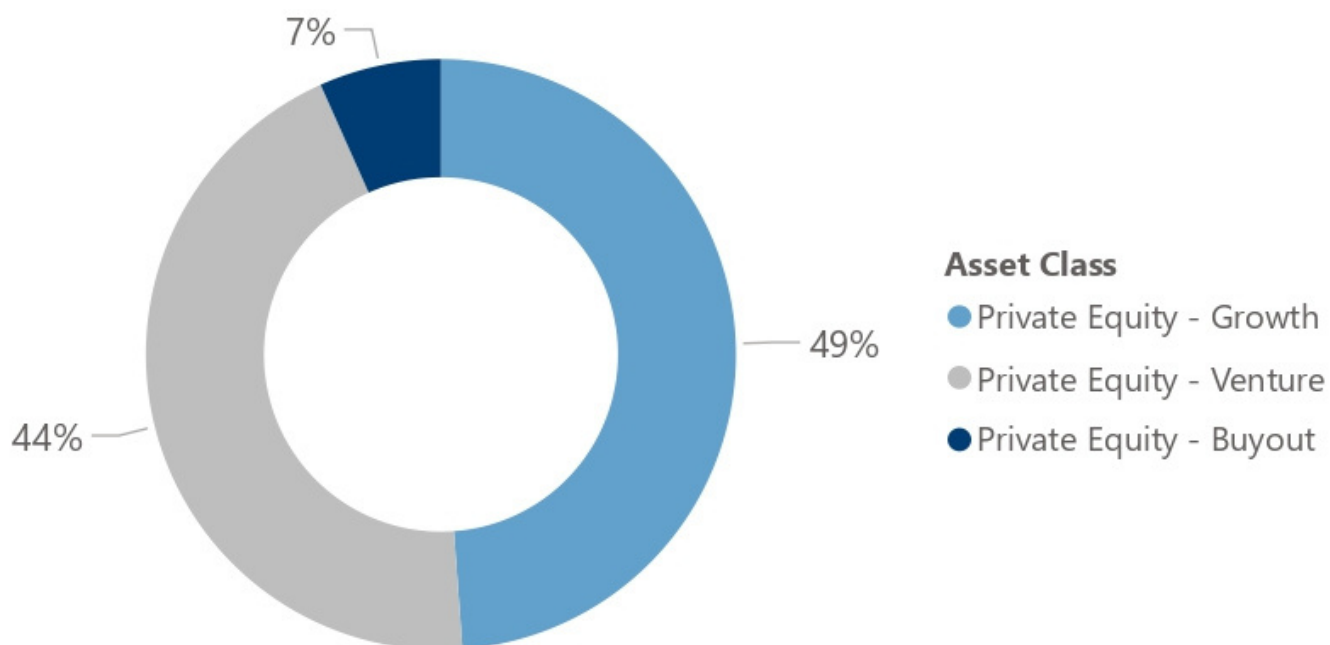




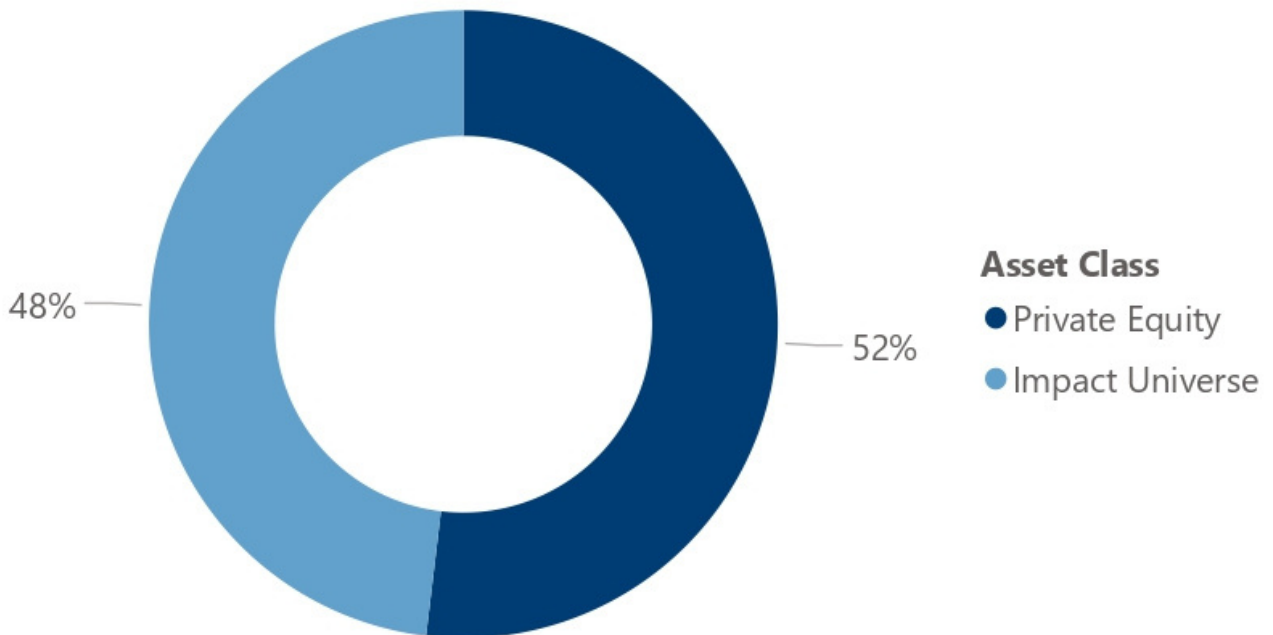
## Private Equity impact funds - Committed capital (%) by stage



## Private Equity impact funds - Fundraising (%) by stage

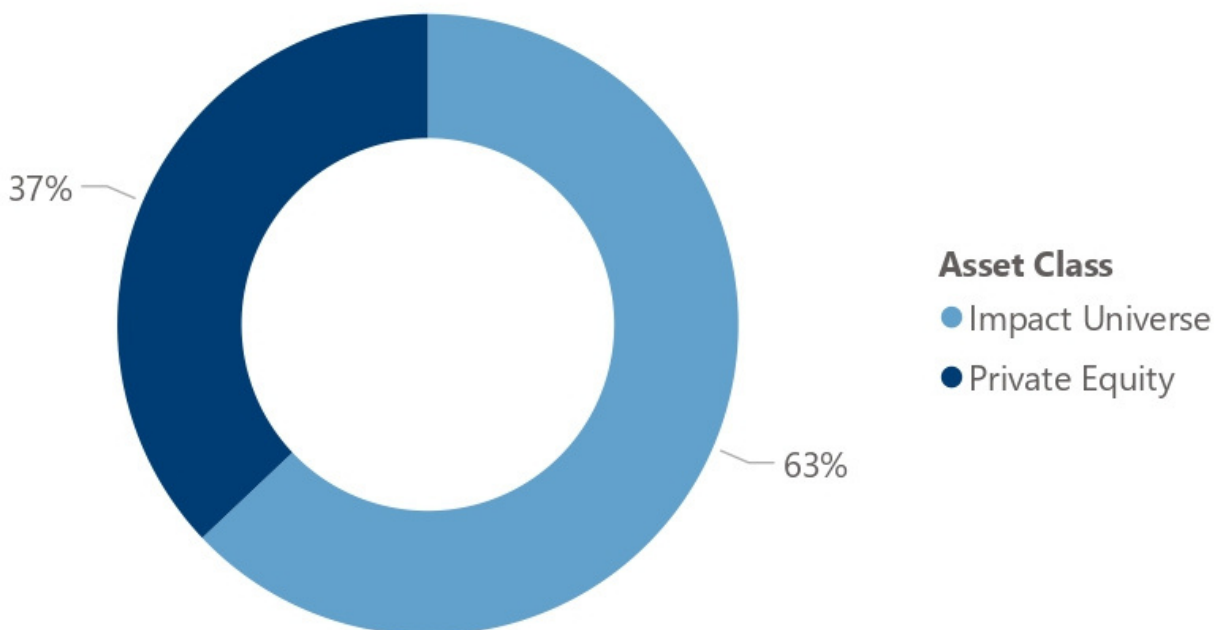


## Private Equity impact funds vs Impact Universe - Committed capital (%)



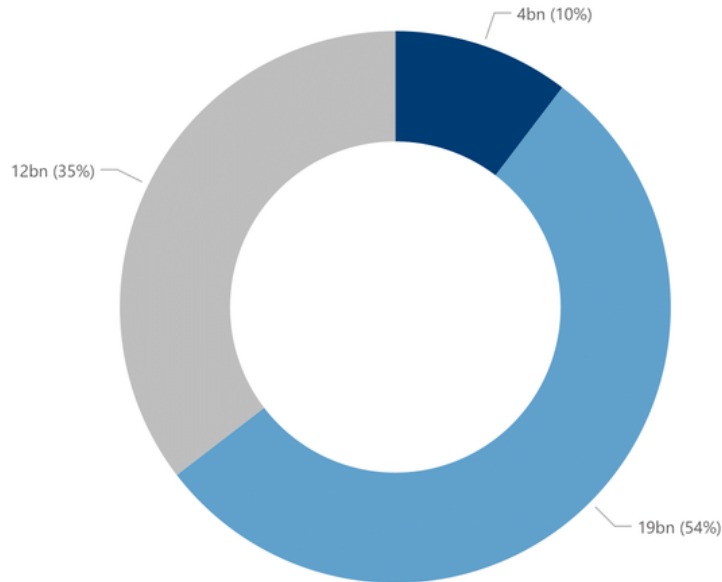
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## Private Equity impact funds vs Impact Universe - Currently fundraising (%)



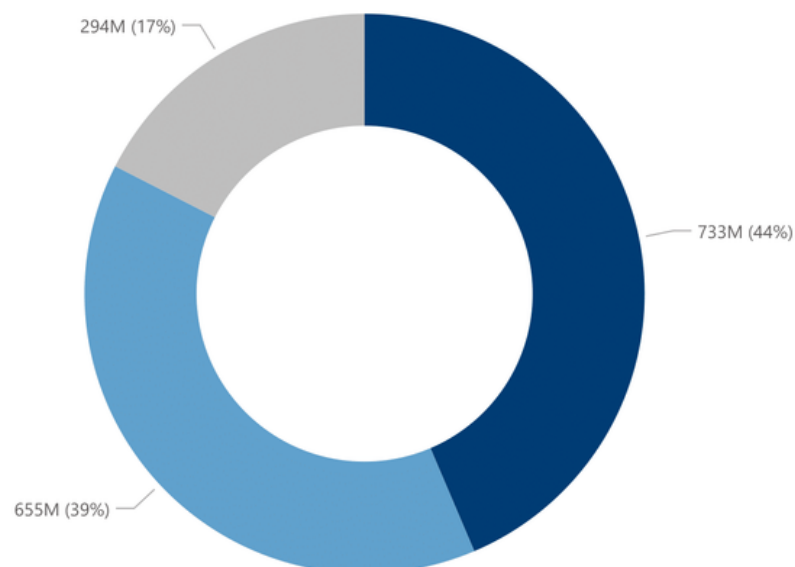
## Private Equity impact funds - capital committed in 2021

Asset Class ● Private Equity - Buyout ● Private Equity - Growth ● Private Equity - Venture



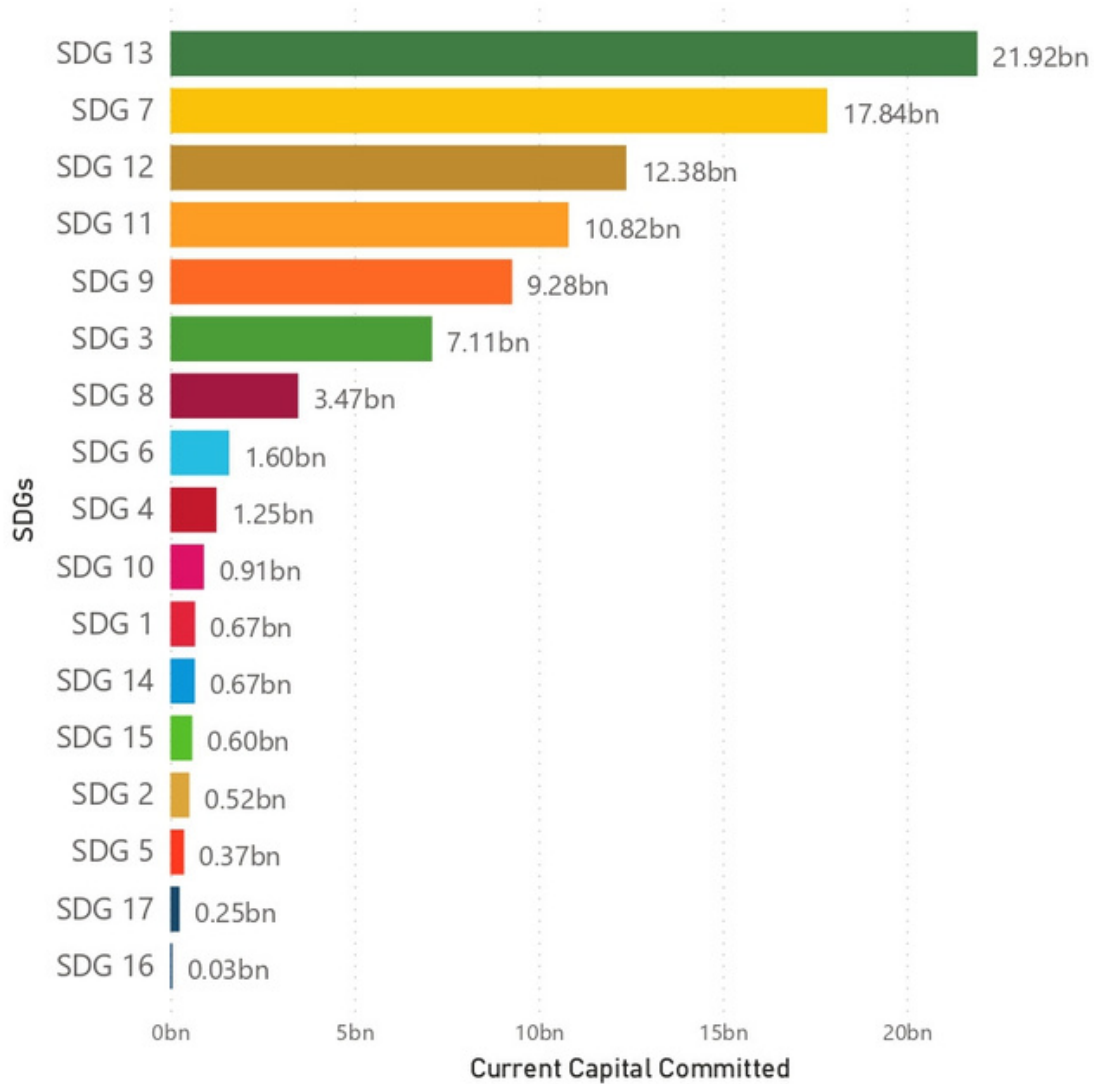
## Private Equity impact funds - Average target size of funds launched in 2021

● Private Equity - Buyout ● Private Equity - Growth ● Private Equity - Venture

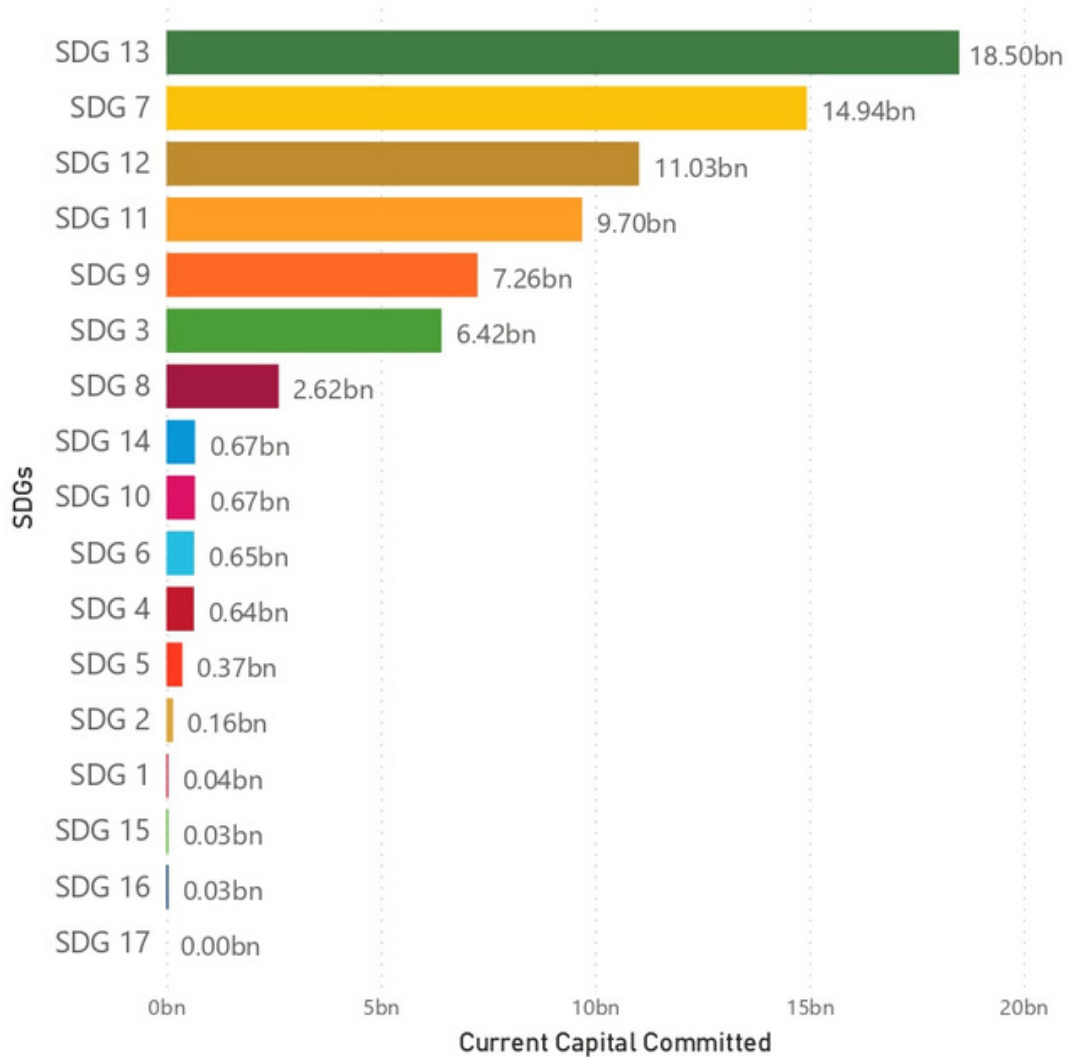




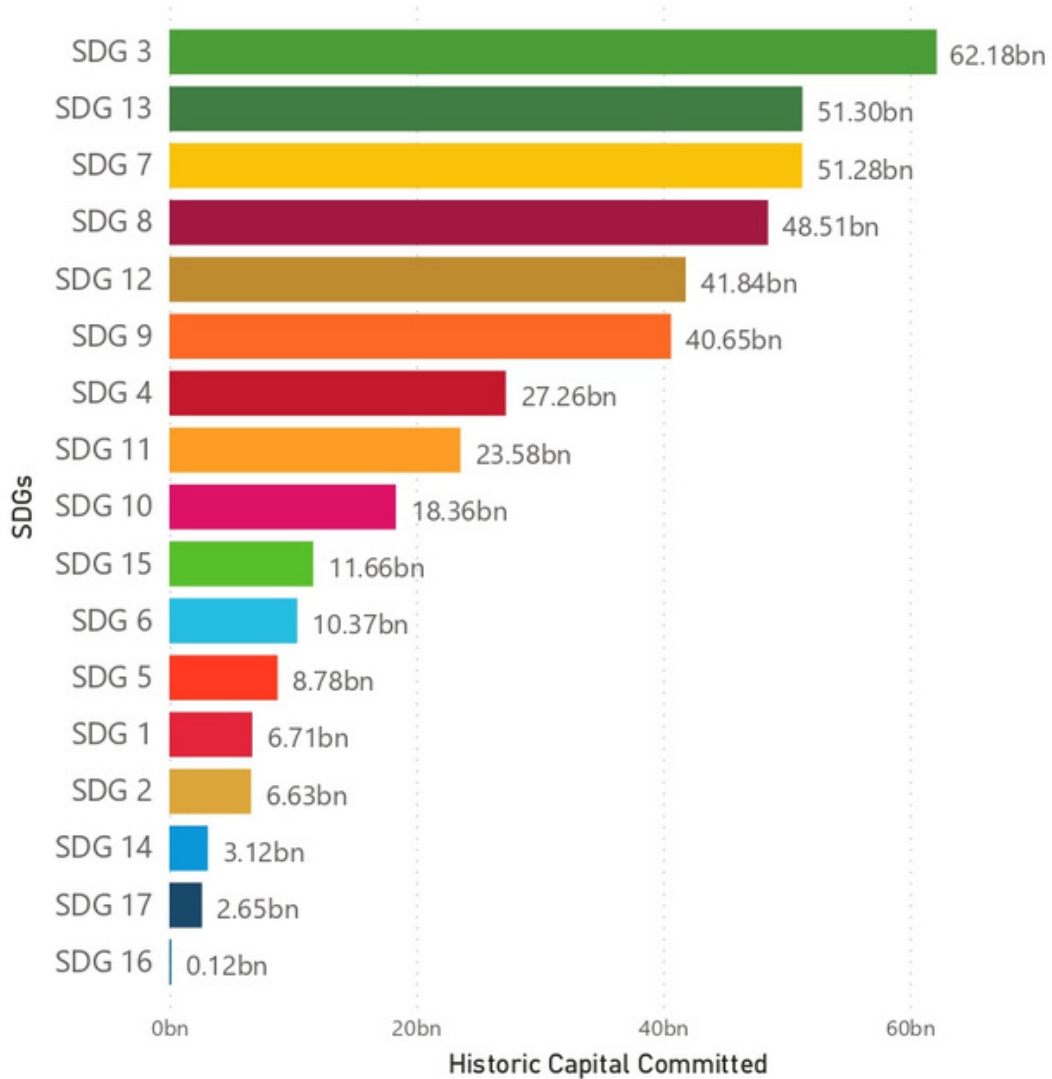
# Impact Universe - Capital commitments in 2021 to the Sustainable Development Goals (SDGs)



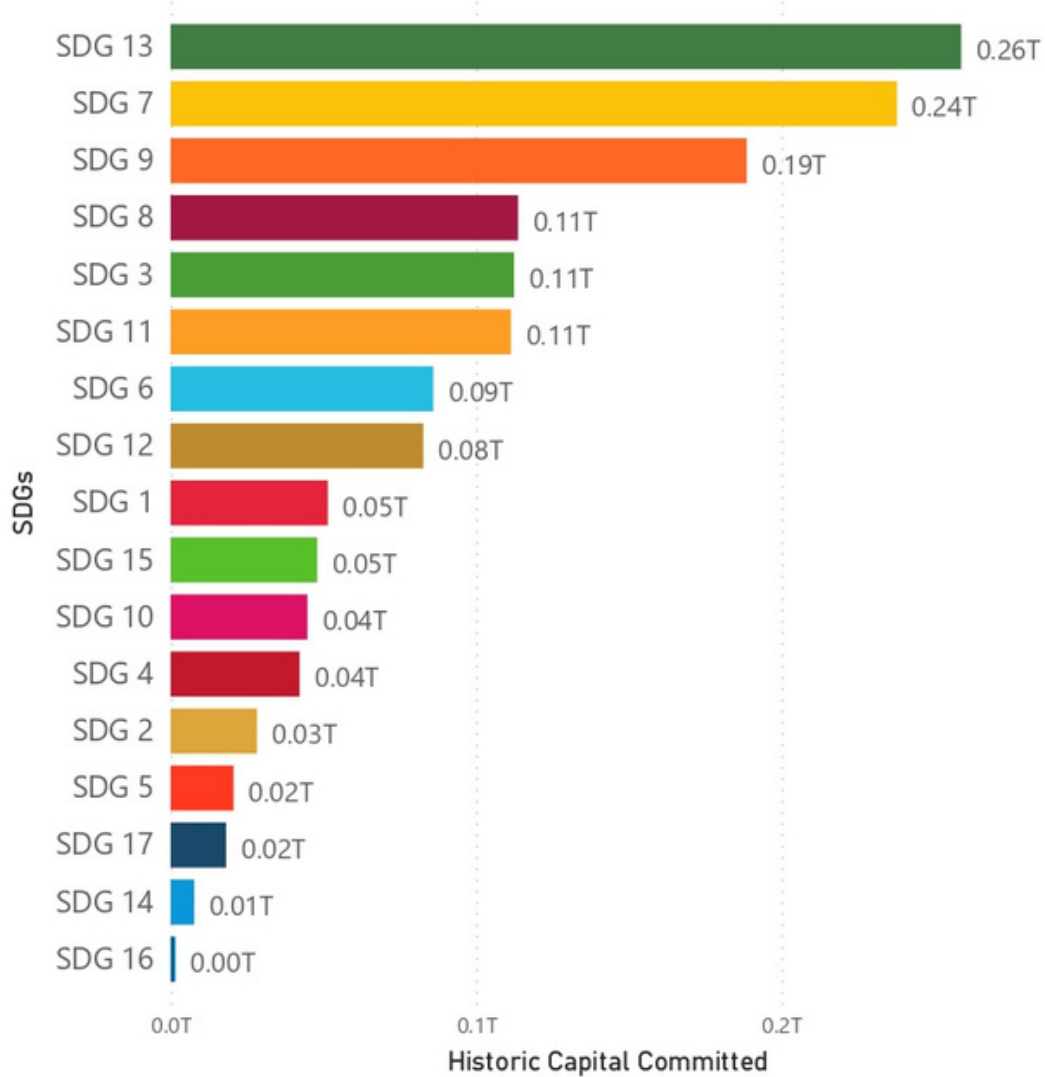
# Private Equity - Capital commitments in 2021 to the Sustainable Development Goals (SDGs)



# Private Equity - historical capital commitments to the Sustainable Development Goals (SDGs)

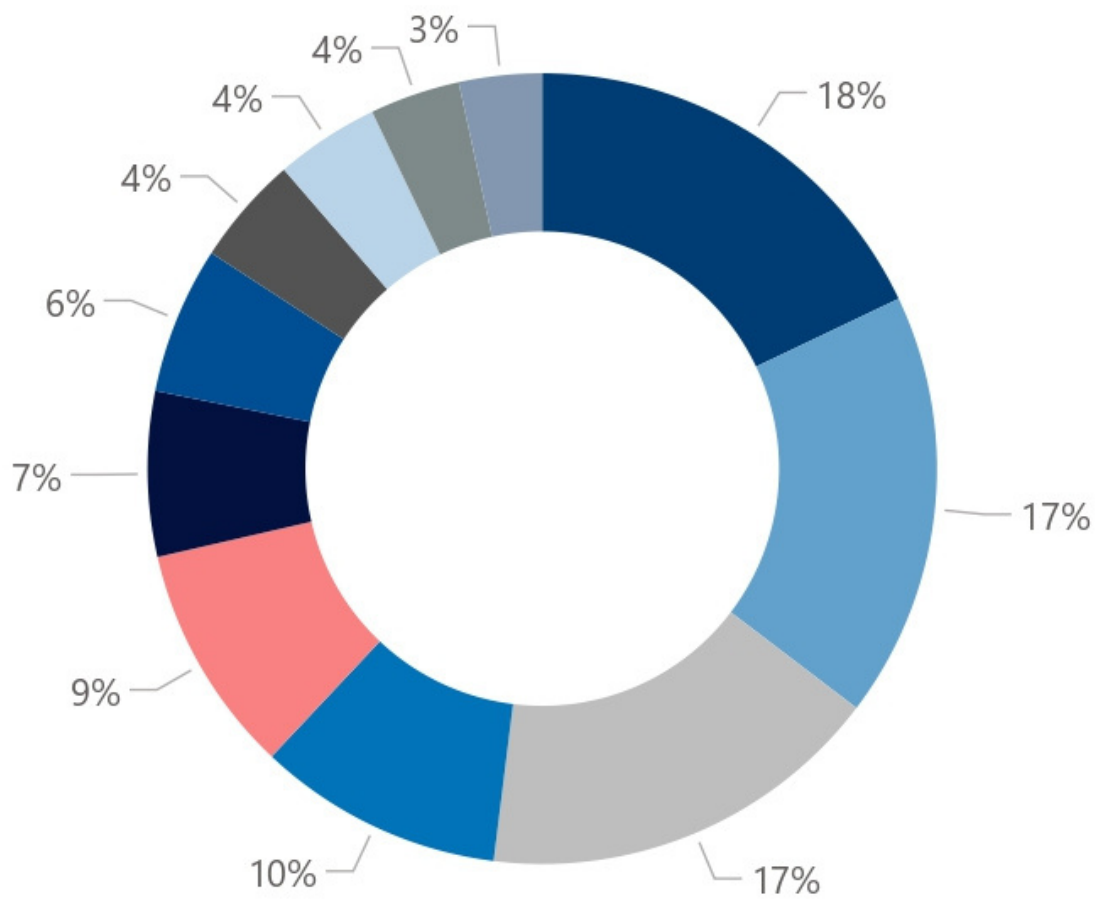


# Impact Universe - historical capital commitments to the Sustainable Development Goals (SDGs)





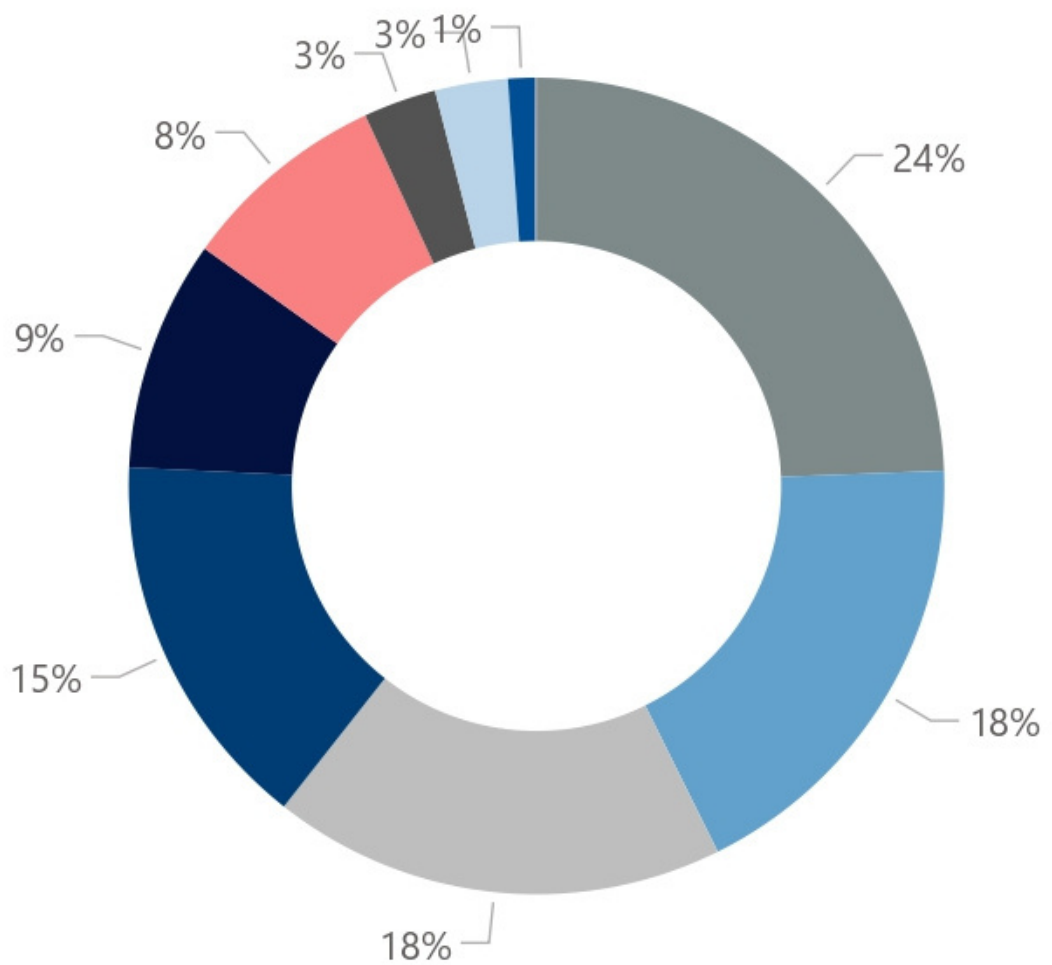
## Private Equity funds - Historical capital commitments by sectors



### Sectors

- Climate
- Renewable Energy
- Other
- Social Infrastructure
- Health Services
- Agriculture
- Water & Sanitation
- Supply Chain
- Education
- CleanTech
- Affordable Housing

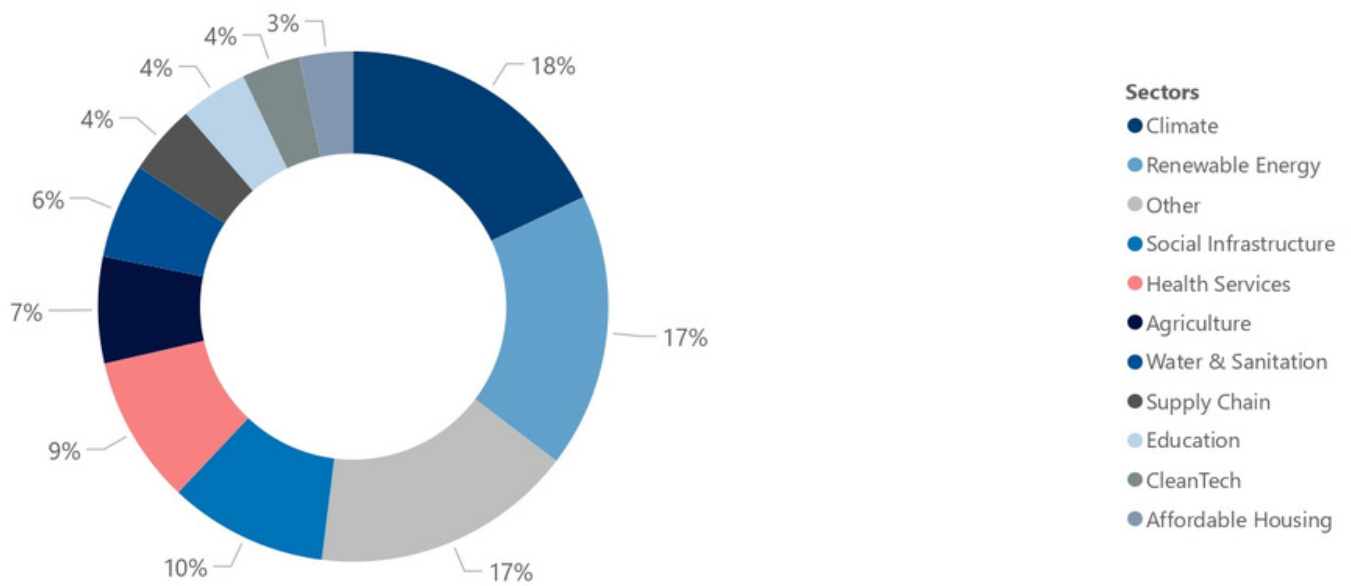
## Private Equity funds - Capital commitments in 2021 by sectors



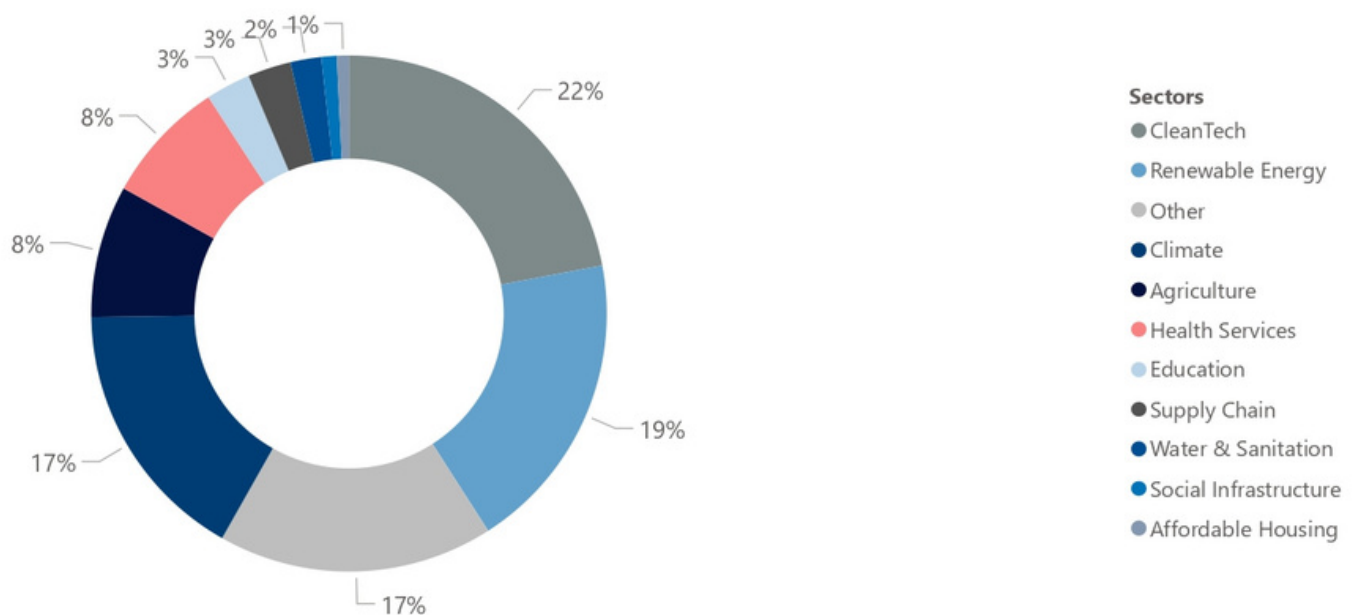
### Sectors

- CleanTech
- Renewable Energy
- Other
- Climate
- Agriculture
- Health Services
- Supply Chain
- Education
- Water & Sanitation
- Affordable Housing
- Social Infrastructure

## Historical capital commitments in the Impact Universe by sectors



## Capital commitments in the Impact Universe in 2021 by sectors



In the following pages, we share **an interview with Jake Levy**, Impact Investor and Investment Analyst at **Snowball Impact Management Limited**, a diversified multi-manager impact fund investing globally into **social equity and environmental innovations**.

Snowball targets a **risk-adjusted annual return of 6-7%**, net of fees, over the long term and have a **five year track record** investing with this strategy.



**Snowball has a unique approach to investment with impact, aiming to positively impact people and the planet, changing financial markets' current business-as-usual approach. Can you explain Snowball's investment strategy and how it integrates impact?**

At Snowball, we offer a straightforward, low-risk way to invest to achieve integrated impact and financial returns. Our investment proposition is simple: we work to identify the best impact managers in each asset class, maximising impact whilst not compromising on returns.

Impact is embedded throughout our investment process using our unique impact framework, which scores the impact intensity of each investment through two lenses: (1) how a fund manager works to increase its own impact as well as that of its underlying investees; and (2) the potential and actual impact of the investments that our managers hold in their portfolios.

We combine these to create a dynamic "bullseye score" for each investment. We have shared our impact methodology in two reports, The Investors' Perspective and Managing for Impact.



Following investment, we track the impact of our managers over time with the intention of increasing it through our active engagement. For example, we have developed our own framework to analyse the content of the impact reports we receive from managers. We see a lot of impact reports so we can give feedback to our managers and share best practices. Our long-term ambition is to drive the portfolio to the centre of our impact bullseye.

## **Has COVID-19 affected your investment portfolio? If so, how?**

Within our private equity portfolio, we have seen a number of companies affected by Covid-19, but pleasingly we've only seen a single failure. Like the wider economy, there have been winners and losers in our portfolio depending on the sector and business model.

For example, the pandemic proved to be a tailwind for World of Books, a circular economy tech business that sells second-hand books. The company benefited from the growth of e-commerce during the lockdown, effectively pivoting its strategy to source books directly from consumers following the closures of many charity shops during the lockdown. The company has gone from strength to strength, culminating in a highly successful exit last year.

In contrast, for a portfolio company with an AI-enabled solution that halves food waste in commercial catering facilities, lockdown saw the closure of many of its core end markets, principally relating to customers in hotels, restaurants and cruise ships. It is during such periods of turbulence that our fund managers really earn their corn.

“ The manager supported the business operationally and commercially during a challenging period, through which the company has retained the vast majority of its installed customer base and even managed to win new key global contracts. ”

## **How do you source and screen investment opportunities available in the private equity market?**

For private equity, our pipeline sourcing combines top-down research of impact themes with bottom-up analysis to identify the best opportunities in the market. We have an initial impact hurdle, and **each fund must be able to meet our return target for the asset class.**

For example, **we recently screened a longlist of 184 Cleantech funds** compiled using the [Phenix Impact Database](#), Climate Tech VC and Climate 50 (amongst others). **From this, we funnelled down to a long list of funds and reached out to those managers we didn't already know.**

We conducted early-stage diligence on a handful of funds – finally taking a single fund to our investment committee. Of course, we also use our extensive network developed over the last five years to build a pipeline.

You won't be surprised to hear we screen all funds for impact using our bullseye framework. We're also looking for experienced managers which we believe can execute against a credible strategy. We must be convinced they can identify, win and scale the best impact companies.

## **Regarding decarbonising Snowball's portfolio, what sectors and markets are you focusing on?**

In our private equity portfolio, **many of our funds address our Resource Efficiency theme.** For example, Circularity Capital invests in circular economy companies, The Yield Lab backs innovative and sustainable Ag Tech companies, and Eka Ventures focuses on **sustainable consumer technology.** Climate Tech and Sustainable Food are big themes for us this year, and we expect to invest in each vertical in the coming months.

We have a multi-asset strategy and therefore approach this differently for other asset classes. For example, decarbonisation is a big focus of our public equity strategy (through funds such as Impax Environmental Markets and WHEB Sustainability). **For public equity, engagement with portfolio companies around Net Zero is critical alongside investing in businesses solving environmental issues.**

**We don't just want to know a portfolio's CO2 emissions but also how much has been avoided against industry benchmarks.** Our Energy Efficiency theme has several renewable energy infrastructure holdings across both public and private markets (these include Bluefield Solar, The Renewables Infrastructure Group and Capital Dynamics' renewable energy infrastructure funds).

### **Are there preferred measurement and management instruments you use when looking at impact as an LP?**

As an LP, we are primarily looking for improvement in impact created either by the manager or the enterprises they invest in. As such, we are not overly prescriptive - wanting the manager or company to identify the most suitable metric. That said, **part of our impact assessment uses the Impact Management Project's five dimensions of impact** – and we do encourage our managers to do likewise when analysing the impact of their investments.

The breadth of our portfolio means that we do not receive impact data in a standardised format. **When assessing impact, we try to go beyond just the data to understand how each manager approaches its reporting.**

For Snowball, impact reporting is not just about accountability but should provide insights to improve impact delivery over time. We want to be confident that our managers understand and analyse the impact data and, ultimately, use it to inform decision making.

### **How is this different when you're acting as a GP?**

As a GP, our organisation is built around the impact we aim to deliver. At Snowball, impact drives decision-making at all levels, and all our assets are invested for impact. As a result, we are backed by not-for-profit founding investors, our mission is written into our articles of association and we are a certified B-Corporation. (We're proud to score in the top 5% of B Corps for our governance structure.)

As an organisation, we should practice what we preach – and we have recently commissioned an impact report by an independent third party which includes a review of our impact process.

We will publish the findings that we believe are an important signal to the market that Snowball is modelling the type of behaviours around external verification we would like to see from our fund managers.

## How have you seen the private equity market evolve in 2022?

We have seen so much capital flowing into private equity recently – and the impact ecosystem is growing all the time. This is really encouraging and such a contrast even to five years ago.

Some sectors – Climate Tech and Sustainable Food, to name just two – present real impact and return opportunities, but we also need to tread cautiously as some valuations are stretched right now.

— “ —————

It is a truism that venture investing is all about **picking the best managers** – and the data shows this is even more pronounced for impact funds.

We're lucky that we have relationships with the best managers, and, **as values-aligned investors**, they're always keen to find space for us in their funds.

————— ” —



— “

According to the Impact Database of Phenix Capital, **Private Equity is the largest contributor of impact capital**. It can be a source of primary capital for successful growing impact companies.

” —



Here we share **an interview with Keimpe Keuning**, Executive Director at **LGT Capital Partners**, a leading alternative investment specialist with over **USD 85 billion in assets under management** and more than 600 institutional clients in 42 countries - over 650 professionals manage investment programs focusing on private markets, liquid alternatives and multi-asset class solutions.

**LGT Capital Partners has been active in the impact investing landscape for over a decade. Can you explain the company's investment approach specifically for the private equity market?**

LGT CP's investment approach is to invest in companies that offer products and services that generate a positive social and environmental impact and directly address one or more of the UN SDGs. Our focus is on three key impact themes: 1) climate action, 2) inclusive growth (including education) and 3) healthcare.

The impact outcomes are verified and measured through impact KPIs, which are assessed at the time of the investment and tracked during the life of the investment.

We are mainly investing in private equity buyouts, opportunistically complemented by late-stage growth investments in the US, Europe and Asia, where LGT CP has a local presence with extensive networks and regional expertise. Investment opportunities are selected based on their potential to generate measurable positive impact in addition to attractive risk-adjusted returns.

Building on LGT CP's experience and proven track record of investing in private equity, we are looking for capital appreciation through impact investment opportunities in globally diversified, best-in-class private equity portfolios.

### **Has COVID-19 changed LGT CP's investment strategy towards impact investing?**

The COVID-19 pandemic has affected us all and has had far-reaching impacts on our society and economies. What is positive about impact investing is that the business models generally are not dependent on economic cycles and support social and environmental activities regardless of them.

Despite the significant challenges caused by the pandemic, some companies showed strong resilience and actually realized significant growth over the past two years. One example where this is quite evident is the digital learning and online education sector. These products and services were in high demand due to school closures and homeschooling.

### **How do you source and screen investment opportunities available in the private equity market?**

Our investment process for impact co-investments begins with our extensive sourcing capabilities that allow our team to maintain a broad funnel of attractive investment opportunities.

On the one hand, opportunities arise through our relationships with best-in-class managers who are seeking a reliable partner. On the other hand, we also proactively identify attractive impact investment opportunities through our large network of managers and our extensive local and regional market coverage.

LGT CP benefits from the wide network of manager relationships built over decades of primary and secondary investing. Our sourcing activities span both conventional and impact managers and focus on seeking out businesses with a strong alignment of financial and impact returns and the ability to verify and track impact outcomes.

For impact fund investments, LGT CP selects best-in-class impact managers with exceptional deal sourcing capabilities and operational insights based on their strong networks and expertise in their focus sectors and regions. We look for demonstrated ability to secure deals through proprietary or privileged sourcing and a proven, methodical approach to impact and value creation.

### **Do you follow any industry best practices for impact measurement and management?**

Yes, our impact framework follows global impact management standards and is consistent with the IMP and the OPIM. We have developed it in partnership with Tideline, a leading impact consultancy. It is applied to all impact investment opportunities and allows for thorough assessment of impact across four key categories: 1) alignment, 2) reach, 3) inclusiveness, and 4) risk.

This evaluation ensures that our investments have a strong alignment to one or more of the UN SDGs, that the offering provided is affordable and inclusive, that the business model is scalable and replicable to continually drive impact, and that any adverse effects or risks are well understood, documented and managed.

### **Are tools like impact hurdles playing a key role for you when choosing an impact fund manager? (impact hurdles link incentives to social and environmental outcomes)**

We see merits to linking impact outcomes with incentive structures for private equity fund managers. However, there are still some challenges to overcome in terms of specific impact metrics, budgeting, measurement and reporting. Nevertheless, that should not preclude managers from linking impact with incentives. Our expectation is that this will further develop and improve in the future.

## What are the benefits of investing in private equity, in your opinion?

According to the [Impact Database](#) of Phenix Capital, private equity is the largest contributor of impact capital in the impact ecosystem. One of the key differentiators of private equity is of course the fact that it can be a source of primary capital for successful growing impact companies.

Private equity also directs capital across different development stages of companies, ranging from early stage venture capital all the way to large buyouts.



At later stage of investing, private equity can fund interesting impact strategies **by creating scale**, for example, by providing fresh capital to large companies **to realise organic growth** or implement buy-and-build strategies.

## What is your perspective on the evolution of the private equity impact investing market in 2022?

Our perspective is that both the impact market and the private equity segment will continue to grow. There is great momentum with more and more impact funds and active investors.

With continued growth there is also more specialisation, which is evidenced by dedicated thematic funds, for example with a focus on climate, and more regional and local funds. With the growth of the market and on the back of increased regulations, there is clearly a stronger focus on impact scrutiny.

In light of the very large financing needs to achieve the Sustainable Development Goals, we welcome this continued market growth and the emphasis on transparency.



# 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**.

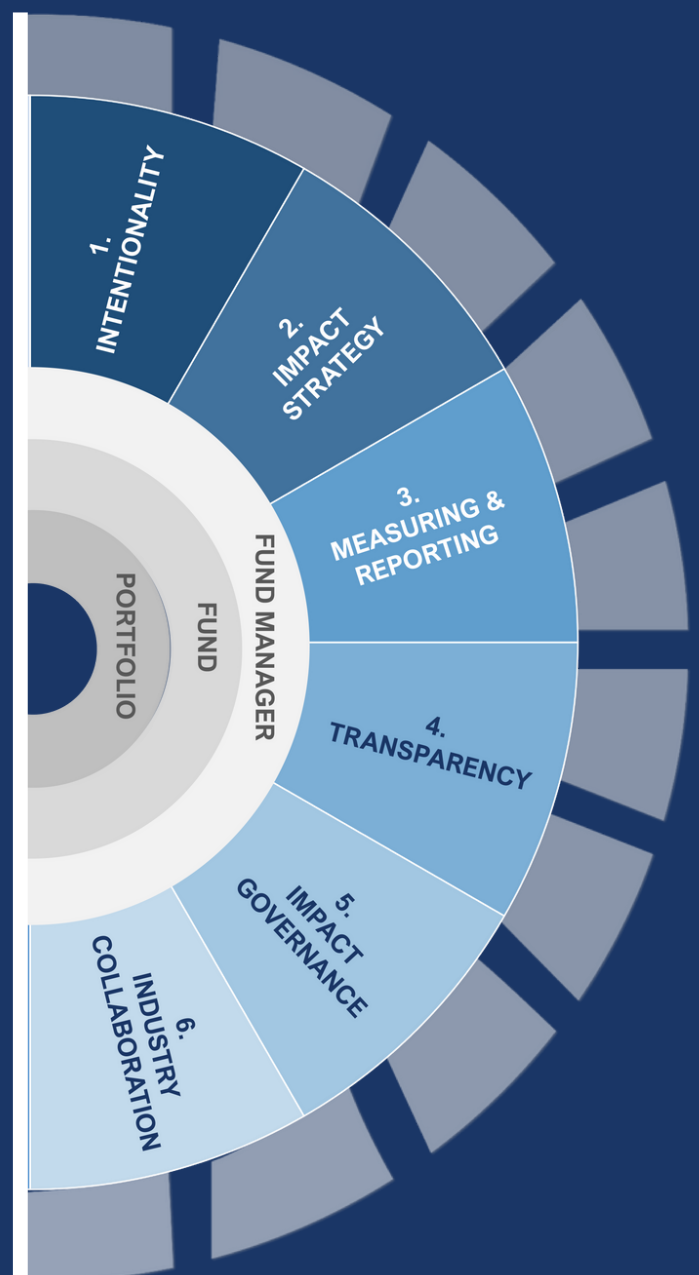
On 6 themes and 33 criteria, it examines to what extent the policies, procedures and human resources are in place to deliver the impact that a fund aims to create.

## 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

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**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](http://www.phenixcapitalgroup.com/impact-investing-glossary)

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