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ASSETS UNDER MANAGEMENT AS A MECHANISM OF IMPACT INVESTMENT IMPLEMENTATION

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АКТИВИ ПІД УПРАВЛІННЯМ ЯК МЕХАНІЗМ ЗДІЙСНЕННЯ ІМПАКТ-ІНВЕСТИВАННЯ

Objective. *The objective of the article is to investigate the concept of impact investing, its features and place among the directions of investment, to identify trends in the amount and share of assets under management as a mechanism for the implementation of the investigated investing type.*

Methods. *In the process of research are used the following general scientific methods and techniques of cognition: theoretical generalization and comparison (to find the generalized concept of impact investment among various definitions), analysis and synthesis (for a comprehensive study of the impact investing's intension), abstract-logical method (for linking impact investing with different directions of investing), induction and deduction, grouping and classification etc.*

Results. *The article explores the concept of impact investing as a global trend in the context of globalization, which, in addition to receiving economic benefits from investing money, makes a positive social and environmental impact. It has been found that impact investing is formed at the intersection of economic, social and environmental directions of investment and is characterized by the following features: intentionality, financial return, variability of asset classes and impact measurement. It is stated that the Global Impact Investor Network (GIIN) is an international organization that systematically monitors the processes of this investment activity. Assets under management (AUM) have been investigated as a mechanism for impact impacting, dynamics have been analyzed and the main trends of AUM amounts and shares have been determined according to the criteria of the organization type, geography, spheres and instruments of investment, etc.*

Key words: *impact investment, social, environmental, impact, investors, Global Impact Investors Network — GIIN, investments, assets under management — AUM.*

Problem statement. The active development of globalization processes in the XX-XXI centuries has caused changes in the direction of setting the main priorities of individual companies, countries, the world economy and the main sources of their development, in accordance with which, there is a constant transformation and revision of business strategies of various economic entities and tools to achieve their goals. Impact investing is becoming a global trend in the world economy today, which is a unique tool for generating profit through investing in positive, measurable shifts in the social and environmental field, allowing the investor to contribute to the Sustainable Development Goals achievement and to fight against global humanity problems.

The objective of the article. The purpose of this study is to disclose the concept of impact investing as a global trend in the context of globalization and assets under management as a mechanism for the implementation of this type of investment.

Analysis of recent research and publications. Theoretical and methodological aspects of the impact investment phenomenon have not been sufficiently studied, especially among Ukrainian scientists. Thus, the intension and perspectives of impact investment development in their works were considered by Golod A. [1], Marukhlenko E. V. [2], opportunities and obstacles to the implementation of this concept in Ukraine — Tishchenko V. V. [3], Bazilyuk B. G. [4]. Researchers such as Dyakovsky D. A. [5], Kostyuk O. M. [6], and Kolot A. M. [7] studied similar, but not identical concepts of impact investment — socially responsible investment and corporate social responsibility. Under these conditions, we can testify to the lack of depth and comprehensiveness of impact investment's previous studies, the fact of what makes this research necessary.

Statement of basic materials. The concept of impact investing has been the subject of scientific and business discussions internationally since 2007, when a meeting of experts and business-

men was held by The Rockefeller Foundation. The purpose of this event was to discuss the issue of improving access to finance for social enterprises and to create a world commercial investment industry in solving social and environmental problems [8, p. 5]. The result of the meeting was the popularization of the impact investing phenomenon among large multinational corporations, states and national enterprises. Despite discussions in academia and the implementation of impact investing in the activities of companies during 2007–2019, along with the concept of “impact investing” in the scientific literature are used such synonymous terms as “social investment”, “investment of the impact”, “transformative investment”, “investment of the social impact” etc. [1; 4; 8].

For a comprehensive understanding of the concept of impact investing, it must be considered in terms of place among other types of investment activities (Fig. 1), which, in turn, is a consistent set of actions of economic entities to make investments for profit [9, p. 15].

Analyzing Fig. 1.3, it can be argued that impact investing is formed at the intersection of three directions of investment — economic, social and environmental. In particular, the basis of economic investment is traditional early-stage investments, which are different from early-stage impact investing, first of all in that the

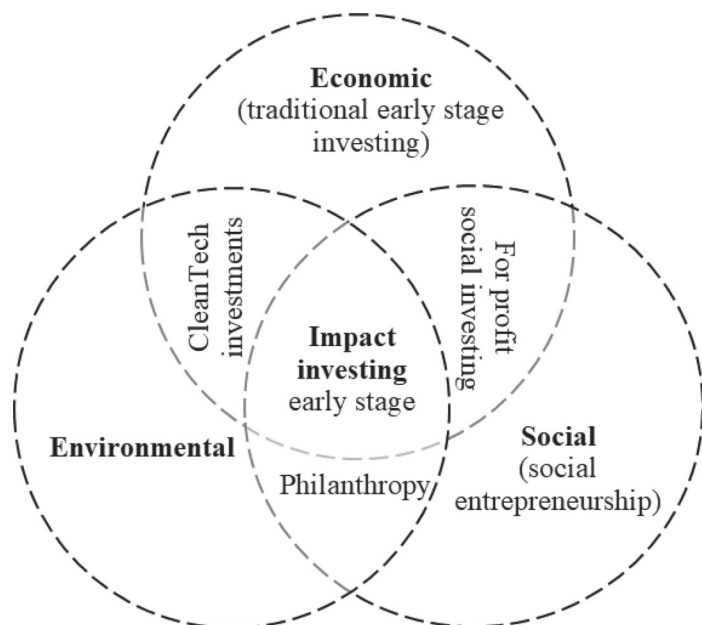


Fig. 1. Link impact investing to other forms of investing (compiled by the author based on [10, c. 3])

former focus their attention on financial profit, while the second focus on the triple line “people — planet — profit perspective” [10, p. 3]. In turn, the basis of social investment is social entrepreneurship, which involves investing in a company, usually through government securities, which promotes a strong policy of environmental and social governance [10, p. 3].

Not only impact investing is formed at the intersection of these directions. In particular, CleanTech companies are a combination of economic and environmental investments, that seek to influence the environment, but not in all aspects this impact is positive (they solve one problem by creating another one). Philanthropy is at the intersection of environmental and social investment and involves providing gifts for the benefit of society or the environment. For-profit social investments are made at the intersection of economic and social investments, which focus their attention on social impact, are profit-oriented, but do not necessarily, take into account environmental impact. Summarizing the above, we can conclude that impact investment is an advanced version of three intermediate types of investment: CleanTech investment, for-profit social investment and philanthropy.

In the scientific literature, still there is no generally accepted definition of this system's core — impact investing. Summarizing the definitions provided by scientists and international organizations [2; 11–14], it can be concluded that impact investing is investment in projects that, along with the profit from investments, involve positive social and environmental shifts.

The active development of impact investing and the intensification of market players' interest in this phenomenon led to the creation in 2009 (with the support of The Rockefeller Foundation, The United States Agency for International Development (USAID), etc.) a specific institution that systematically monitors the processes of this investment activity and brings together about 200 leaders of the social impact investment market — the Global Impact Investor Network. The activities of this network are based on the following main goals: development of methodological base and standards for impact investing; creating a system for coordinating in-

vestment activities and overall strategy; scaling up and increasing the effectiveness of impact investment around the world, etc. [13].

GIIN also highlights the key features of transformative investments, which include:

- intentionality — the deliberate promotion of positive social and economic influence along with financial returns;

- financial return — impact investing aims at a financial return on capital that can vary from a below-market rate to a risk-adjusted market rate;

- variability of asset classes — impact investing can be carried out within different asset classes;

- impact measurement — an investor's responsibility to measure and report on the social and environmental implementation of major investments [13].

The relative novelty of impact investing concept defines a not yet well-developed system (in comparison with other types of investments) of collecting and providing statistical information in this field. The most extensive and structured impact investment statistics are provided by GIIN in its annual publications. An organization characterizes the impact investing market in many ways: by organization type, by headquarters location, by targeted financial return, by main goals of influence, etc. GIIN pays special attention to the “assets under management” (the market value of assets that are managed by an investment company or financial institution on behalf of an investor [15]) category when evaluating the impact investment market. It should be noted that according to research by GIIN [13], the largest volumes of assets under management by impact investors in 2014–2018 were owned by commercial funds, which steadily increased their AUM over the period (Fig. 2).

In addition, according to GIIN, a significant jump in AUM volumes was made by development finance institutions (DFI), which in 2017 reached a point \$ 103.923 million. (up \$ 88574 million from 2016) and took second place. It should also be noted that the volumes of assets under management owned by DFI have been steadily upward, which is not true for pension funds, because in 2014–2018 they

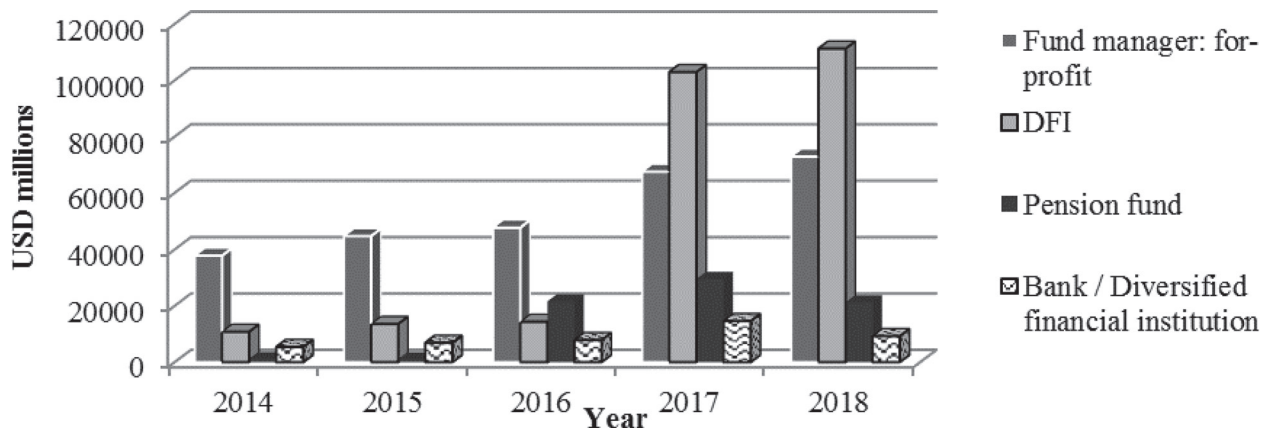


Fig. 2. Dynamics of amount assets under management by organization type (leaders) in 2014–2018 (compiled by the author based on [13])

demonstrated a cyclical change in growth by decreasing and vice versa. Banks / diversified financial institution have the lowest amount of AUM among the leading organizations, despite the fact that in 2014–2017 they have steadily increased their assets under management by an average of 40 %.

According to the criterion of geographical direction, GIIN divides the world into regions based on the concentration of assets, noting that

the largest recipient is the region of the USA and Canada (Fig. 3), which in 2014–2016 showed an excess of 35 %.

Analyzing Fig. 3 in general, it should be noted that none of the regions demonstrated stability in increasing or decreasing AUM amounts. The second largest concentration of assets is shared between the regions Latin America and the Caribbean (including Mexico) (LAC) and Sub-Saharan Africa (SSA), the share of which

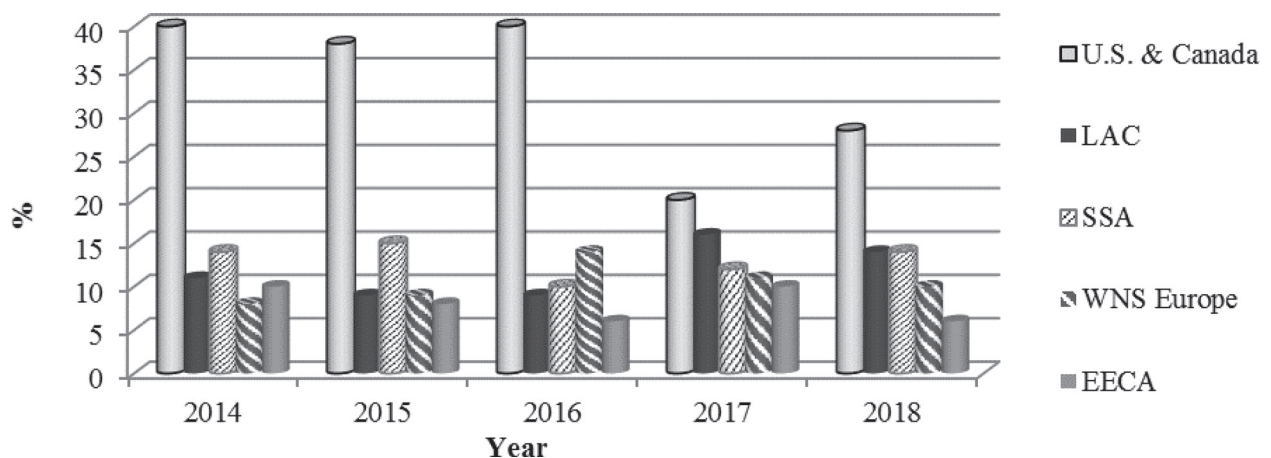


Fig. 3. Dynamics of the share assets under management by investment geography (leading regions) in 2014–2018 (compiled by the author based on [13])

varied between 10 and 15 %. The lowest shares among the leading regions belonged to Western, Northern, and Southern Europe (WNS Europe) and Eastern Europe, Russia, and Central Asia (EECA), the share of which varied within 5–10 %.

According to GIIN [13], in the recipient countries there is a differentiation in the direction of assets under management by the investment sector, the leaders of which are the sectors “energy” and “others” (“other” sectors include

commercial real estate, the retail sector, community development, and multi-sector allocations [13]) (Fig. 4). Both of these sectors are characterized by a variation in the share of AUM in the range of 10–15 %, but only “energy” is characterized by an increase in shares over the period, while “others”, up to 2016 inclusive, moved on a downward trend. The “microfinance” and “financial services” sectors also showed a decrease in the share of AUM in 2014–2017, on average by 10 % annually.

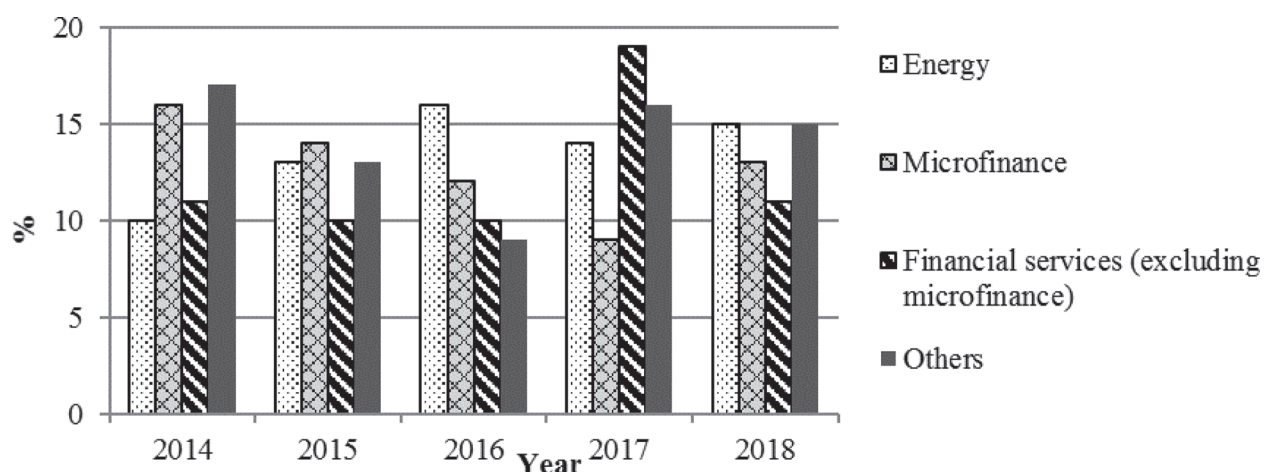


Fig. 4. Dynamics of the share assets under management by the investment sector (leaders) in the period 2014–2018 (compiled by the author based on [13])

The next characteristic of assets under management that GIIN highlights is the variation in investment instruments, according to which the largest shares of AUM are concentrated in the investment instruments “private debt” and “private equity” (Fig. 5).

Analyzing the data provided by GIIN [13], we can conclude that the private sector is a more active player in the impact-investing industry than the public sector. In particular, private debt occupies a share above 25 % with an upward trend during the whole period, while private equity

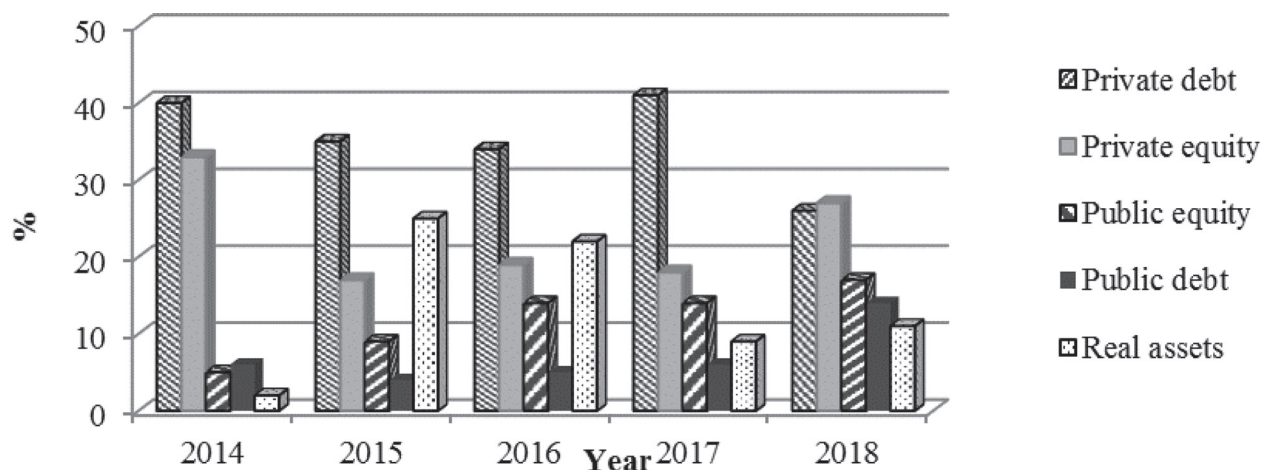


Fig. 5. Dynamics of the shares assets under management by the investment instrument (leaders) in the period 2014–2018 (compiled by the author based on [13])

uity — above 18 % with a tendency to decrease in a share. The average share (5–15 %) was shown by the sectors of public equity and public debt, which in 2014–2018 increased the shares of AUM. The real assets sector was also characterized by fairly high marks in 2015–2016, which made a jump of 23 % in 2015, compared to 2014, after which it reduced its share and kept it within 10 %.

Another factor by which GIIN classify AUM shares is by the business stage. Most AUM are directed to businesses that are in the stages of growth and maturity (private companies that have stabilized in the market and are

profitable) (Fig. 6). In particular, mature private companies throughout the period only reduced their share of assets under management from 52 % in 2014 to 27 % in 2018, while companies in the growth stage gradually increased their share from 28 % in 2014 to 34 % in 2018.

Mature, publicly-traded companies were also characterized by an increase in the share of AUM, which only in 2017 showed a decline of 7 % compared to 2016. The lowest shares among the business stages go to the venture stage (the company may or may not generate profits, but it does not yet have a positive EBITDA — profit before payment interest, taxes and

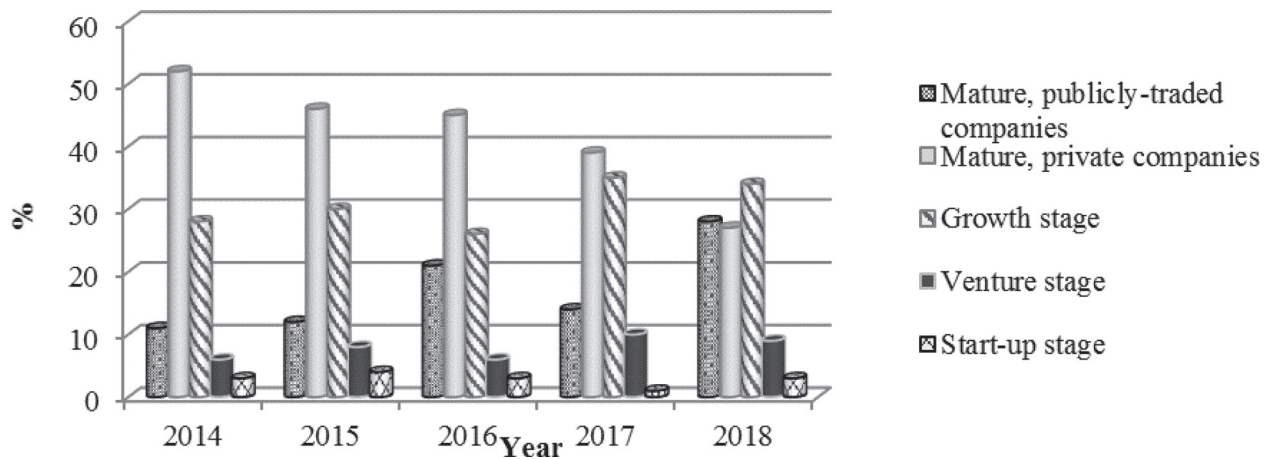


Fig. 6. Dynamics of the share assets under management by the business stage in 2014–2018
(compiled by the author based on [13])

amortization [13]) and to the start-up stage (the company has a positive EBITDA and is growing), whose shares do not exceed 10 % over the entire period.

Summary. Thus, impact investing is formed at the intersection of economic, social and environmental directions of investment and represents investment in projects that, along with the profit from investments, involve positive social and environmental shifts. This phenomenon is characterized by, among other things, the amount of assets under management in different countries, fields of activity, stages of business, etc., and is also characterized by a number of specific features that determine the need for further detailed analysis.

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Мета — дослідження поняття «імпакт-інвестування», його особливостей та місця серед напрямів інвестування, виявлення тенденцій руху обсягів та часток активів під управлінням як механізму здійснення досліджуваного виду інвестування.

Методи. У процесі дослідження використані такі загальнонаукові методи та прийоми пізнання: теоретичне узагальнення і порівняння (для виокремлення узагальненого поняття «імпакт-інвестування» серед різноманітних дефініцій), аналіз і синтез (для всебічного дослідження сутності імпакт-інвестування), абстрактно-логічний метод (для встановлення зв'язку імпакт-інвестування з різними напрямками інвестування), індукція та дедукція, групування та класифікація тощо.

Результати. У статті досліджено сутність поняття «імпакт-інвестування» як загальносвітового тренду в умовах глобалізації, який передбачає поряд з отриманням економічної вигоди від вкладення грошових коштів здійснення позитивного соціального та екологічного впливу. З'ясовано, що імпакт-інвестування формується на перетині економічного, соціального та екологічного напрямів інвестування і характеризується такими особливостями: інтенціональність, фінансова віддача, варіативність класів активів і вимірювання впливу. Вказано, що міжнародною організацією, яка здійснює систематичний моніторинг процесів цієї інвестиційної діяльності, є Глобальна мережа імпакт-інвесторів (GIIN). Досліджено сутність активів під управлінням (AUM) як механізму здійснення імпакт-інвестування, проаналізовано динаміку та встановлено основні тенденції руху обсягів та часток AUM за критеріями типу організації, географією, сферами та інструментами інвестування тощо.

Ключові слова: імпакт-інвестування, соціальний, екологічний, вплив, інвестори, Глобальна мережа імпакт-інвесторів — GIIN, інвестиції, активи під управлінням — AUM.

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