

Investing in Impact Conference 2025

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Panel – Investing for Impact

11:35 AM | Investing for Impact

Session Title: *Policy shifts influencing baseline thinking and social impact measurement in Aotearoa*

Q1: From your vantage point, how are large-scale investors adapting to the shift towards impact?

Globally, we have seen significant momentum among large asset owners in Europe, North America, and increasingly in Asia entering the impact investing space. Global Impact Investing Network regularly reports on this. These investors typically take a long-term view, seeing sustainability as a driver of value and a tool for managing risk.

Even though the market has started to slow from its peak three years ago, in the impact investing asset class, it has been reported that \$US80 billion was raised globally last year in the private markets.

In New Zealand the shift has been more modest. Among JBWere's clients, interest in impact investing is largely concentrated within philanthropic families, endowments, foundations, and faith-based organisations.

KiwiSaver managers are beginning to introduce impact options to meet the interest of their retail investors, but we have not yet seen a broad institutional pivot to impact investing – especially in unlisted private market social impact investing.

I make the distinction here from listed equities, and particularly fixed income. Green bonds have led local growth in impact investing, but they disproportionately represent the activity.

Overall, our read is that impact investing, in the narrower sense of that term, is still emerging as a mainstream responsible investment strategy in New Zealand and Australia.

There are scale demand and supply challenges. A key barrier is the limited pool of funders willing to take on higher risk or accept lower returns to catalyse impact. Most potential impact investors still seek market-rate returns and prefer de-risked opportunities. Few are willing to fund early-stage market development – such as impact measurement, capacity building, or pipeline development – which is essential to scale.

Locally, impact investing tends to be place-based, with investors prioritising their own communities with which they are familiar or care about, rather than investing nationally or overseas. Community trusts and local energy trusts are regionally mandated. Notable exceptions to this hyper local focus would include Jasmine Social Investments and Cure Kids Ventures that have broader reach.

The other emerging exception is faith-based investors. We have an ongoing conversation with many of our faith-based clients about more deeply aligning their portfolio with the values and ethical beliefs informed by their faith. Locally, we are seeing churches use their impact investing part of their portfolios to invest in social and affordable housing.

Our clients have diverse impact goals and theories of change. We are seeing that impact investment strategies must be tailored to meet their beliefs, values and goals.

To scale impact investing in NZ and AU, we need clearer proof points on financial performance. Internationally, early private equity impact funds from KKR and Bain have shown competitive returns, and sustainability integration may enhance exit multiples – but we need local data to build confidence, drive the impact investing forward, get to larger scale, and to attract institutional capital.

Expanding impact across asset classes, especially fixed income and sectors like affordable housing, could unlock broader institutional interest. But investors need assurance around impact management: measurable KPIs, relevant metrics, and risk-adjusted returns. Tools are improving, with frameworks like IRIS+ and Impact Frontiers gaining traction, (though balancing standardisation with customisation of impact reporting to highlight what is material and tell the story remains a challenge). Results of impact investing funds can be more variable and harder to generalise due to the diversity of strategies.

For financial inclusion we might want to focus KPIs on the number of previously unbanked individuals gaining access to credit/savings, repayments, and financial literacy outcomes, whereas for tertiary education it may be access to underserved communities and graduation rates.

Finally, impact investing in venture capital is still nascent. The impact funds in NZ are relatively small, illiquid, and performance data is only provisional, making institutional capital hard to attract. But with the right infrastructure, and regional relevance, there may be potential to grow. The more immediate scale opportunity is possibly, however, in fixed interest.

Q2: What is the appetite for catalytic philanthropy or concessional capital to unlock social change?

It is there amongst the established family foundations and the most recent successful entrepreneurs who have built up fortunes and prefer to rely on their own proven pathway of access to capital, the right business model and the right motivation or mentoring.

Some have created impact allocation, which actually has a lower (say zero to 3%) return target, but that still supports the overall return target of their investment portfolio, and the lower return represents a concession the investor is willing to make in recognition of the social or environmental value generated.

We also see the community foundations and energy trusts providing catalytic philanthropy, a notable early example here is the initial interest-free loan of \$10m provided by WEL Energy Trust to Momentum Foundation to support its establishment. Bay Trust and Foundation North are leaders amongst the community trusts in using impact investing as an extension to their grant-making activities.

There is appetite there but, anecdotally, I would suggest most private philanthropic funders still keep their investing separate to the grant-making activities. Much of our wealth is still first generational, and awareness about philanthropy and its practices is still developing.

Understand their different funding instruments to help them accomplish their objectives in meeting yours.

It needs to fit within the investment portfolio or, if it is too risky, then maybe consider it in the grant making portfolio as a recoverable grant. A loan that has lost 5% of its capital value may be a drag on the overall performance of the investments but a 95% recovery rate on a grant is amazing.

Q3: Are traditional financial institutions truly changing or just rebranding?

I cannot speak to the sector as whole, but here are a couple of observations:

I earlier mentioned Kiwisaver fund managers that are supporting impact investing, particularly in the housing area.

In addition, I can see initiatives within the foundations of BNZ and National Australia Bank that are actively supporting impact investing.

In March, NAB Foundation announced the launch of a \$50m Impact Investing Fund. JBWere AU is to oversee this fund as NAB Foundation's investment manager, and this is a good case study for potential application to New Zealand for supporting small cap unlisted impact investments.

In terms of JBWere NZ, we are to be further building awareness of impact investing amongst our clients and networks. We recently had Selwyn Foundation briefing our clients on their impact investing journey for supporting the elderly in Auckland to live well and independently in our communities for longer, and we have plans to do more of this in the very near future to build our clients' awareness and confidence in investing for impact.

Some of the market may already be at phase 2 - unlocking scale and accelerating capital flow, but from what I am observing, we are not quite at that inflection point.

We still need time to educate people about what impact is. There is still confusion in the terms "ESG", "impact investing", "sustainable and responsible investing".

People still need to understand what impact can be put in their portfolios to ensure that they meet their return benchmarks, or their mandates, and for people to get really comfortable as to the return profile, which will likely need a longer-term investment horizon or some other factors around it to fit into current portfolio mandates.

Moreover, investors need confidence that impact investing is not just for kind of social good but has financial durability.

I suggest that the next big opportunity in impact investing in New Zealand is in the fixed interest asset class.

Q4: What is one bold shift Aotearoa must make to unlock real investment in social value?

I direct my response more to those in the audience looking to raise impact capital.

The future for impact investing is customisation and personalisation – tailored for each client and the impact goals they want to achieve – and across asset class lines. I expect to see an increasingly blurring between asset classes so that impact is no longer just a sleeve but will be a lens for entire portfolio construction. An ANZ example of the development of this total impact approach is in the work currently underway by the Paul Ramsey Foundation.

For someone who is raising impact capital they need to thus: (1) get briefed on asset allocation and investment portfolio construction to understand an investor's objective and get alignment, and (2) have a clear articulation of the impact (5 dimensions).

If you are working on a scaled impact investing opportunity that is seeking to attract institutional capital, I would suggest focussing on a fixed interest opportunity that has similar features to existing debt issues. Talk to the debt capital markets teams at one of our major banks for guidance.

Housing seems to be an opportunity for a large-scale NZ fixed interest impact investment offering. The community housing funding agency is a good addition to the ecosystem.

For advice to investors who want to begin their impact investing journey: clearly articulate your expectations in terms of impact, return, yield, liquidity, risk – and in turn – scale, structure, and asset class. Clarity from the outset enables stronger alignment.

Impact -linked finance / payment for outcomes is on the horizon, perhaps with SIA support.
