From Mission Based Investing to Place Based Investing

The growth of mission-based investing has accelerated in recent years. Data from the Global Impact Investing Network (GIIN) shows that as of 2024, nearly 4000 organizations managed over $1.5 Trillion in Impact Investments worldwide growing at an annual rate of 21% since 2019[1]. In the US alone, some estimates suggest that impact investing may continue to grow at a nearly 19% rate through 2033[2]. According to data from PitchBook, since 2021 the number of private funds making impact investments has grown from 1800 to over 5000 across Private Equity Private Credit, Real Estate, Energy and Infrastructure[3].

However, while many organizations continue to invest in both public and private investments to execute their mission aligned strategies, more are looking to implement "Placed Based Investments" including:

- Local private investments
- Community development finance
- Affordable housing
- Regional economic development

The idea behind these targeted investments is to deploy capital directly into the communities they serve rather than indirectly through solely global capital markets. The prior view of "grants support the community, while investments support the future of the organization" has evolved to "why can't our investments support the community as well?".

This direct support is sometimes referred to as "Place Based Investing" and can take the form of investments in one or more of the following:

- Community Development Financial Institutions
- Community Loan Funds
- Taxable Municipal Bonds
- Private Credit
- Real Estate
- Private Equity

With the growth of vehicles that support affordable housing, healthcare, education, infrastructure, and community development objectives, place-based investing has gone from a specialized practice used by a small minority of organizations to one of the most discussed mission-investing topics alongside impact measurement, manager diversity, and faith-based investing. In fact, managers are offering vehicles that provide geographic targeting, impact measurement, institutional due diligence and return objectives that can satisfy both MBI objectives as well as traditional foundation objectives.

Community Development Financial Institutions

Community Development Financial Institutions (CDFIs) are financial lenders that focus on expanding economic opportunity in low-income communities. CDFIs fund projects that bring critical services, jobs, affordable housing, and sustainable growth to underbanked communities and are required to deploy a certain percentage of their capital in their defined Target Markets. According to the Federal Reserve, as of 2025 there were 1378 certified

[1] GIIN Research: Sizing the Impact Investing Market, 2024.
[2] Grand View Research: Impact Investing Market – 2026-2033
[3] PitchBook: 2025 Impact Investing Update

CDFIs in the United States with assets totaling $446 Billion[4]. While dedicated loan funds account for the majority of CDFIs, Credit Unions have accounted for much of the industry growth, rising from 205 in 2011 to 445 in 2025. Notably, every state plus both Washington DC and Puerto Rico have CDFIs, meaning organizations interested in accessing Place Based Investing can do so locally.

Community Loan Funds

Community Loan Funds or Community Development Loan Funds are structured as pools of capital that are locally focused and specified to provide affordable financing and investment to low-income or underserved communities. Loan funds aggregate capital from a variety of sources including federal grants, commercial banks meeting Community Reinvestment Act requirements, private donations as well as donor advised funds and other nonprofit grant making institutions. As borrowers repay interest and principal, those funds are recycled back into the fund to lend out for additional community opportunities. According to the New York Fed, Loan Funds account for nearly 40% of all CDFIs, but only 8% of assets ($35b). The average Loan Fund is about $14m in assets – the result of their inability to take in deposits, relying instead on donations and grants to then lend out.

Taxable Municipal Bonds

Taxable municipal bonds can advance both financial and impact objectives for mission focused investors. Importantly for foundations and other nonprofits, these bonds are liquid, offer similar ratings to traditional municipal securities and enable direct funding of local community projects. In addition, they can comprise a portion of the core fixed income allocation in a portfolio. Issuers tend to utilize this structure when they want to attract institutional buyers who do not benefit from the tax exemption of traditional municipal securities. Taxable municipals play a role in financing public infrastructure, affordable housing, healthcare facilities, educational institutions, transportation systems, and climate resilience projects. Importantly, because proceeds are typically tied to specific projects or programs, investors can evaluate the intended use of funds and monitor progress over time. This can create an opportunity to track outcomes aligned with the investor's mission or area of focus. According to S&P the size of the market is $438b, accounting for 492,000 individual issues.

Private Credit

Private credit has become one of the more evaluated impact sectors among foundations because it can generate measurable local outcomes while targeting market-rate returns. According to research by EY, in 2022, 545,000 workers throughout the US economy were supported by private credit[5]. In particular, financing is provided to firms delivering positive financial returns as well as material and measurable environmental or social outcomes. For example a company focused on affordable and specialized healthcare or education services may not be able to get access to funding from traditional sources. Capital is needed to scale the business or support growth through the next phase. According to Pitchbook, as of 2025, there were 477 private credit funds associated with impact investing accounting for 7.7% of all funds launched since 2008 and 6.5% of all capital raised over the same period.

Real Estate Investments

Real estate is perhaps the most visible form of place-based investing in that investments are made directly into projects that put housing, jobs, retail and community buildings/amenities into underserved neighborhoods. Importantly, these projects are expected to generate cash flow and appreciation that investors need, while simultaneously improving conditions in these neighborhoods. Investor returns are supported because projects can leverage Opportunity Zones and Low-Income Housing Tax Credit (LIHTC), thus defraying the cost to develop. According to Pitchbook, as of 2025, there were 311 real estate impact funds, accounting for 6.1% of all funds launched since 2008 and 3.8% of all capital raised over the same period.

Private Equity and Venture Capital

[4] New York Fed: Sizing the Community Development Financial Institution Industry 2011-2025

[5] EY-AIC-Private-credit-attributed-employment-report-09-28-2023-1.pdf

Private equity is increasingly important to successful growth of local businesses, economies and communities. Investment can take the form of regional venture capital funds, local economic development funds, entrepreneurial ecosystems, and minority-owned business funds. According to analysis by the American Investment Council, in 2024, private equity firms invested in over 7,000 businesses, with more than 40% of these investments valued at $25 million or less[6]. Investments are typically made into sectors such as technology, manufacturing, financial services, and renewable energy. PE and Venture Capital are the fastest growing segments of the impact investing landscape, growing from approximately 15% of capital raised in 2015 to approximately 35% of capital raised in 2025 and account for nearly 67% of all funds raised since 2008 (PitchBook).

Integrating MBI/PBI into an existing investment structure

While there are arguably many different ways to effect targeted, mission aligned investments, three broad models have emerged across the nonprofit community. The first approach is total portfolio integration whereby mission and place-based screens are applied across the portfolio. This is the most difficult to implement and govern and requires clear, consistent and focused oversight and measurement. The second is to build a dedicated sleeve of 5%-10% of the total portfolio that is a diversified place-based strategy. The balance of the portfolio would align to traditional risk/return objectives while the sleeve would be governed according to separate criteria. The third approach is more common across larger entities and consists of a separate pool with a unique IPS, unique governance structure and aligned performance metrics.

Regardless of how the portfolio is designed and implemented, nonprofit boards may find it helpful to create a new framework for evaluating success. For example, an equation that combines financial metrics, community success metrics and mission success metrics. Financial metrics would include standard risk, return and attribution analysis. Community success would focus on measurable local outcomes such as the number of housing units built or CDFI loans supported. Mission success would evaluate whether the investments aligned with the mission of the organization. For example, a community foundation may want to drill down on the portfolio to understand just how much of the portfolio focused on their specific community. Overall, organizations want to answer the question "Did we generate acceptable risk-adjusted returns while producing measurable improvements in the communities the organization exists to serve?"

For successful organizations, the strongest place-based investing strategies typically combine a policy framework, institutional-quality manager selection, local sourcing partners, and clear impact measurement. A 360-degree program creates accountability and cohesiveness that can endure market cycles, board turnover and evolving mission objectives. When compared to a strategy that relies solely on direct investments and traditional performance metrics, we believe the holistic approach leads to better outcomes.

Consideration for Investors

While Mission and Place Based Investing are increasing in use, asset owners should be clear in their IPS about their expectations for those investments and how they align with the overall mission of the organization. Afterall, managing a nonprofit is a balancing act of fiduciary responsibility for stakeholders in the near-term and long-term. To that end, in 2025, PitchBook conducted a survey of Impact Investors and asked how they prioritize impact outcomes vs market-rate performance. 65% of respondents reported that they expect individual impact investments to provide market-rate returns.[7] 5% expect impact investments to underperform market returns and the remaining 30% could accept lower returns if the mission outcomes are highly aligned with the organization. In other words, very few actually prioritize impact over returns, which is not surprising given the need for most nonprofits to outperform spending and inflation over the long run.

[6] 2024_AIC-Congressional-Report.pdf

[7] Sustainable Investment Survey, 2025. PitchBook

This is important because PitchBook also compared performance of impact and non-impact funds and found that since 2006, there were only two years where the median impact fund outperformed the median non-impact fund. And when looking at 5-year vintage windows, in each of the 5 windows since 2006 the range of returns was lower for impact when compared to non-impact. In other words, not only were median funds lower but the full distribution of performance shifted downward for impact funds compared to non-impact funds.[8]

As a result, investment committees need clear metrics and accountability to ensure that their overall mission is being furthered best regardless of whether a mission aligned path is followed or not.

[8] 2025 Impact Investing Update. PitchBook

Past performance is not indicative of future results.

This document was prepared without regard to the specific objectives, financial situation, or needs of any particular person or entity who may receive it. This analysis is for informational purposes only and is not intended to be an offer, solicitation, or recommendation with respect to the purchase or sale of any security, nor a recommendation of services supplied by any investment organization and does not include all factors that should be considered when choosing an investment advisor or strategy.

This presentation is not investment, legal, tax, or accounting advice. Investors should consult with their own professional advisors for advice on any investment, legal, tax, or accounting issue(s). While the information contained herein highlights important data, it does not purport to highlight all dimensions of risk.

The information provided herein is based on matters as they exist as of the date of preparation, or otherwise indicated throughout the presentation, and not as of any future date, and will not be updated or otherwise revised to reflect information that subsequently becomes available, or circumstances existing or changes occurring after the date hereof.

The information and opinions contained in this material are derived from various sources. No representations are made as to the accuracy or completeness of the information set forth in these materials. The opinions expressed are as of the date indicated and believed to be reliable. LCG assumes no obligation to update this information, or to advise on further developments relating to it. LCG reserves the right at any time and without notice to change, amend, or cease publishing the information.