NATURE-POSITIVE FUNDS

An Introduction for Investors

MFF managed by FMO

NATURE-POSITIVE FUNDS: AN INTRODUCTION FOR INVESTORS

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The Mobilising Finance for Forests (MFF) program is managed by FMO and funded by the UK Government.

Palladium and Systemiq have delivered this work as part of the MFF Learning, Convening and Influencing Platform.

About MFF

Mobilising Finance for Forests (MFF) is a UK Government funded programme that aims to catalyze private sector investment into business models that address deforestation in the tropical belt. Delivered by FMO with funding from the UK's International Climate Finance Fund, MFF was established in 2021 as a blended finance investment program to combat deforestation and other environmentally unsustainable land use practices contributing to global climate change. MFF investments will, over time, contribute to a reduction in deforestation rates by stimulating the growth of private sector investment in markets that create value from standing forests and incorporate forest protection into sustainable agricultural practices.

As part of the MFF Technical Assistance Facility, the Learning, Convening & Influencing Platform (LCIP) seeks to increase the scale, in terms of size and impact, of investments in forests, sustainable land use and nature. The LCIP does this by delivering and disseminating research, briefing papers, guidance and investment blueprints to increase the capacity and motivation of investors to invest in forests and sustainable land use.

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Executive Summary

Emerging nature-positive business models can unlock attractive returns for investors as well as delivering on global climate and nature goals. The business opportunity in nature-positive models is clear and is growing: nature-positive transitions in the food, land and ocean use sector alone could create almost $3.6 trillion of annual additional revenue or costs savings while creating 191 million new jobs by 2030[1]. There are three main types of revenue models emerging in the nature-positive economy: sale of certified-sustainable commodities; carbon credits; and payment for ecosystem services. Revenues across these three categories can be 'stacked' to provide diverse revenue streams and generate attractive returns for investors.

Specialized nature-positive funds – including 'traditional' limited-life GP-LP equity fund structures, but also other fund structures such as private debt funds and permanent capital vehicles – present an attractive entry point for investors of all stripes wanting to enter the sector. According to analysis of 169 nature-positive funds undertaken by the MFF LCIP team, the number of nature-positive funds launched from 2004 to 2023 has been growing year-on-year, a clear sign of increasing demand and scale for investors wanting to invest in the space. In addition to the rapid growth of nature-positive funds, recent years have shown an evolution of nature-positive funds in terms of market maturity, with fund sizes growing and an upward tick of investment tickets. See Annex I for a full list of funds included in this study.

Emerging collaborations, partnerships and alliances between private and publicly funded investors, NGOs and corporates are forming in the nature investment ecosystem. These new collaborations meet investors, corporations and fund managers' need for specialist subject-expertise in order to understand and invest effectively and impactfully in the nature-positive market. Furthermore, these collaborations are mapping out new pathways for scaling up finance for nature.

The complexity of investing in the nature-positive market means funds often share key characteristics in order to successfully deliver on impact and financial return targets. These include: narrow focus but broad mandates to guide fund investment strategies; prevalence of complex and tailored deal structures; deep and continuous integration of ESG into investment processes; reliance on various financial risk-mitigants; utilisation of revenue stacking; medium to long term tenures; regional offices and tailored technical expertise; and the critical role of public and/or concessional investment in establishing funds in nascent nature sub-sectors.

Although challenges to implementing and scaling projects and deploying capital in the nature sector remain, nature-positive funds present an accessible solution for investors, especially for larger or more generalist investors. Dedicated nature-positive funds can address challenges in sourcing and vetting pipeline; overcome issues of scale and ticket size often seen with nature-positive projects; applying appropriate technical expertise to the unique demands and intricacies of nature-positive projects; and managing the real or perceived risk of investing in more nascent sectors by providing in-house specialist knowledge, and tailored capital structures to de-risk investment.

Key terms glossary

Natural Capital: The world's stocks of natural assets, including geology, soil, air, water and all living things (UNEP State of Nature Finance 2023)[2].

Nature-positive: A high-level goal and concept describing a future state of nature (e.g. biodiversity, ecosystem services and natural capital) that is greater than the current state (UNEP State of Nature Finance 2023)[2]. Nature-positive is defined by leading conservation organizations as the global societal goal to "Halt and Reverse Nature Loss by 2030 on a 2020 baseline, and achieve full recovery by 2050" (Nature Positive Initiative, 2023)[3]. This definition featured prominently in discussions at the 2024 UN Convention on Biological Diversity's Conference of Parties 16 (COP16). For the purposes of this paper, nature-positive represents an overall investment theme.

Nature-Positive Funds (NPFs): Funds dedicated to nature-positive as an investment strategy, using nature as an asset class as the means of achieving this goal.

Nature-based solutions (NBS): Actions to protect, conserve, restore, sustainably use and manage natural or modified terrestrial, freshwater, coastal and marine ecosystems, which address social, economic and environmental challenges effectively and adaptively, while simultaneously providing human well-being, ecosystem services and resilience and biodiversity benefits (United Nations Environment Assembly)[4]. Nature-based solutions can address issues including climate change mitigation and adaptation, human security issues such as water security and food security, and natural disaster risk reduction.

Natural climate solutions (NCS): are nature-based solutions to reduce greenhouse gas emissions and store carbon (The Nature Conservancy)[5].

Acronym List

MBD – multilateral development bank

NPF – Nature-positive fund

NBS – Nature-based solutions

DFI – Development finance institution

GP – General Partner

LP – Limited Partner

AUM – Assets Under Management

SPV – Special Purpose Vehicle

Introduction

The last few years have seen an increased awareness of how nature acts as critical infrastructure underpinning the global economy, leading to a growing effort to quantify and value this role in order to protect its long-term stability. A recent survey of investors by Pollination – ranging across geographies, assets under management and investor types – suggests that investors of all stripes are increasingly interested in nature, both in terms of reducing risk and harm in their portfolio, and encouragingly, in terms of investing in bankable nature-positive opportunities[6]. However, capital deployed in nature remains dominated by public finance: currently, private capital represents less than 20% of investment in nature[2]. Private investors must move quickly to deploy more finance for nature if we are to meet the twin climate and nature global emergencies.

Dedicated funds are a good entry point for investors wanting to enter the nature sector, to build their capacity to invest in nature and grow their nature-positive portfolio. By investing in nature-positive funds with specialist asset managers, investors can access technical expertise, robust environmental and social (E&S) processes tailored to the nature sector, and tailored impact measurement and monitoring; spread risk across multiple projects, geographies and/or revenue streams; deploy larger ticket sizes compared to direct investments, and more effectively achieve impact at scale.

This briefing paper provides an overview of the current nature-positive funds marketplace and the opportunities available to investors looking to enter the nature market by placing fund-level investments. It is not intended as investment advice and does not claim to be a conclusive list, but rather provides a baseline understanding of the nature market from a fund-level perspective to guide investor research as they develop their own investment strategies.

Business case for investing in nature

The World Economic Forum has identified three key socio-economic systems where a critical shift towards nature-positive models is necessary to address the nature crisis: food, land and ocean use; infrastructure and the built environment; and extractives and energy. These nature-positive models can also unlock attractive returns for investors, with a variety of emerging opportunities to engage in nature-positive business models. Some are technology–driven business models already being pursued and attracting private capital, from alternative proteins to food waste–saving technologies. Others – such as land restoration and sustainable fisheries – are more nascent and are currently being led by impact-oriented investors and social enterprises. Altogether, these opportunities add up to $10.1 trillion in additional annual business value and could create 395 million jobs by 2030 – which represents around one-fifth of the total projected increase in the global labour force between now and 2030. These jobs are also more likely to be resilient and offer better livelihoods than jobs in business-as-usual business models[1].

The sector focus for this briefing paper will be food, land and ocean use systems. The global food, land and ocean use system, including its full supply chains, currently represents around $10 trillion of GDP (12% of global GDP) and up to 40% of employment. The nature-positive business opportunities identified in this socioeconomic system are[1].

Ecosystem restoration and avoided land and ocean use expansion: protecting and restoring natural ecosystems, and avoiding expanding the footprint of productive activities into new ecosystems

- **Productive and regenerative agriculture**: transforming agricultural practices to improve yields while enhancing the health of natural ecosystems
- **Healthy and productive oceans**: globalized sustainable management of wild fisheries
- **Sustainable management of forests**: protection of critical forests, sustainable management of productive forests and coordinated reforestation of degraded lands
- **Planet compatible consumption**: reducing over-consumption of resource-intensive products, including agricultural products
- **Transparent and sustainable supply chains:** improved transparency and traceability of global supply chains

These six transitions identified could create almost $3.6 trillion of annual additional revenue or costs savings while creating 191 million new jobs by 2030[1]

Characteristics of nature-positive funds

The complexity of investing in the nature-positive market necessitates aligning to certain key criteria to achieve both financial returns and impactful outcomes.

Although nature-positive funds are highly tailored with different features and mandates, overall, they share a number of characteristics; building on existing literature[7] and supplemented by our analysis of our proprietary database, MFF LCIP has identified eight key characteristics common to nature-positive funds:

1] **Narrow focus but broad mandates:** Even though NPFs are tightly focused on nature as an asset class, they tend to have greater flexibility and scope across geographies, sub-sectors and financial instruments. For example, the Land Degradation Neutrality Fund focuses primarily on sustainable agriculture and forestry, and makes private equity and debt investments across Asia, African and Latin America within coffee, cocoa, timber, citrus and other sectors.

2] **Complex and tailored investments:** NPFs employ a diverse range of financial instruments (equity, loans, mezzanine loans, bonds, etc.) with sophisticated ESG and impact features such as ESG covenants, interest-rate step ups and downs based on impact performance, and carbon-based dividends among others. The growth in joint ventures and partnerships with corporations, conservationists, and specialists third-parties reflect the ecosystem-approach taken to address the complexities of the tailored investments. This also means that investors can be more confident as to the integrity of these investments given the efforts to achieve impactful results, as opposed to applying a generic 'one-size-fits-all' investment strategy with the hope of creating a positive impact, and risking accusations of 'green-washing'.

3] **Deep and continuous integration of ESG into investment processes:** Impact and ESG requirements and outcomes are integrated into investments and require close and technical monitoring and verification. Post-investment stewardship tends to be active and hands-on with investors taking board seats and sitting on ESG advisory boards. Considerable resource is dedicated to this area in the fund management team and may be supplemented by formal partnerships with, for example, conservation NGOs, and Technical Assistance budgets.

4] **Reliance on various financial risk-mitigants:** NPFs rely on a combination of risk mitigation strategies at both the fund and investment level. At the fund level, financial guarantees, first loss or subordinate capital and preferred returns serve to alter the risk and return profile for different groups of investors, assisting in raising capital from actors with differing return motives and risk tolerance. Other strategies such as insurance and hedging shift risk from the fund to third parties, while co-investment by investment managers and compensation mechanisms serve to incentivise performance and align interests. At the investment level different de-risking mechanisms for projects are used e.g., technical assistance, stakeholder collaboration, offtake agreements and those targeted at managing the downside risk of investments e.g., seniority, collateral, financial guarantees. An example of this is the IDH Farmfit Fund, where commercial investors who invest alongside the fund benefit from an extra level of security through a 2nd loss protection from the US government, which will cover 50% of senior lenders' losses in a transaction.

5] **Revenue stacking:** Nature-positive funds often combine multiple revenue streams or models, to optimise impact and returns and to mitigate risk in nascent markets, such as the voluntary carbon market.

6] **Medium to long term tenures:** Transactions are often illiquid, mainly executed in private markets, highly structured to the investment opportunity, with long investment horizons. The prevalence of medium to long-term tenures reflects the realities of working with natural assets, as well as the nascency of the market.

7] **Regional offices and tailored technical expertise:** Since nature projects are often tailored to their local context and project-specific, they require local knowledge and expertise, making regional offices a common feature when making nature-positive investments. A significant proportion of regional offices reside in emerging markets, given the vast opportunities available across the three major tropical belts. For example, SAIL Investments has presence in the Netherlands, Brazil and Singapore from which they manage their &Green Fund.

8] **Critical role of public and/or concessional investment:** Scaling NPFs has been relatively slow, especially those tilted more towards emerging nature conservation models versus more establish agricultural and/or forestry funds. Many NPFs, especially those investing in emerging subsectors of the nature market are currently benefiting from concessional, public and/or blended finance to de-risk funds and open routes for private capital to invest. Examples such as the LDN Fund (agriculture), The Reforestation Fund

(Forestry/Conservation), Aqua-Spark (aquaculture) and CI2 (water infrastructure), demonstrate the ability of NPFs to attract more commercial capital.

These commonalities are often nuanced by a fund's sector-specific focus: for example, more nascent sub-sectors such as the blue economy are more likely to require the presence of DFIs, capital grants, regional offices and a TA facility or other forms of capacity building versus investing in a more mature markets such as sustainable agriculture.

Market scan: the evolution of nature-positive funds

The opportunity for investors in the nature-positive market is clear. But entering this market can be daunting due to the need for technical specialist expertise to understand the impacts and risks of investing in nature; the nascency of business models in the sector; and the evolving landscape of relevant standards and regulations for investors to navigate. These challenges are exacerbated when investing in the emerging markets in general, where many nature-positive projects are developing.

Fund level investments can serve to overcome these challenges, and act as an effective entry point for investors new to financing nature. These opportunities are becoming more apparent with emerging regulatory and compliance frameworks such as the EU and UK sustainable finance regulations, the Kunming-Montreal Global Biodiversity Framework, SBTi, TNFD/TNCD etc[8]. As the 'nature emergency' has gained prominence in global debate and international political attention has turned to nature as a critical part of addressing the climate crisis, nature-positive funds are gaining increasing traction – and market capitalization.

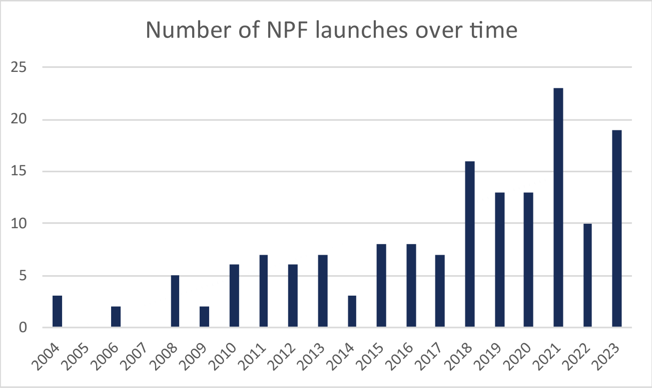
Trends at the fund level

The number of nature-positive funds launched has been growing year-on-year, a clear sign of increasing demand and scale for investors wanting to invest in the space.

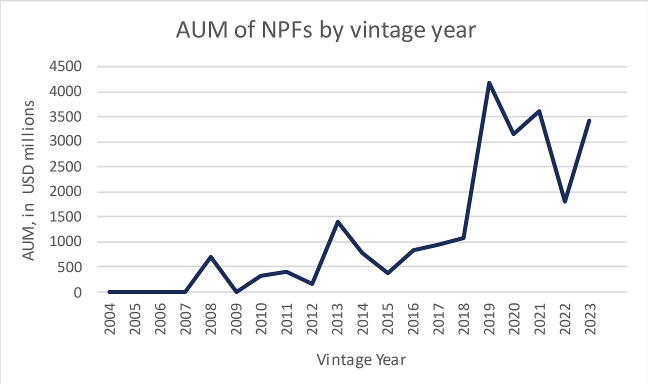
Through proprietary research, MFF LCIP has gathered a comprehensive, although non-exhaustive list of 169 nature-positive funds (see Annex I) that have launched since 2004, with an accumulative AUM of over US$85 billion. This database was compiled drawing from the existing Partnerships for Forest's 'Financing Nature Database' combined with desk-based and key informant interview research to compile a broad sample of nature-positive funds from which to analyse trends in terms of number, size, and investment focus. Due to the MFF's particular interest in tropical forests, this dataset may be skewed towards funds investing in emerging markets; however, global and developed market funds are also included in our sample.

Both fund and ticket sizes are growing, indicative of a maturing market.

Figures 1-5: Our analysis of a proprietary database of 169 nature-positive funds maps the characteristics of these vehicles as the nature-positive sector moves towards maturity.

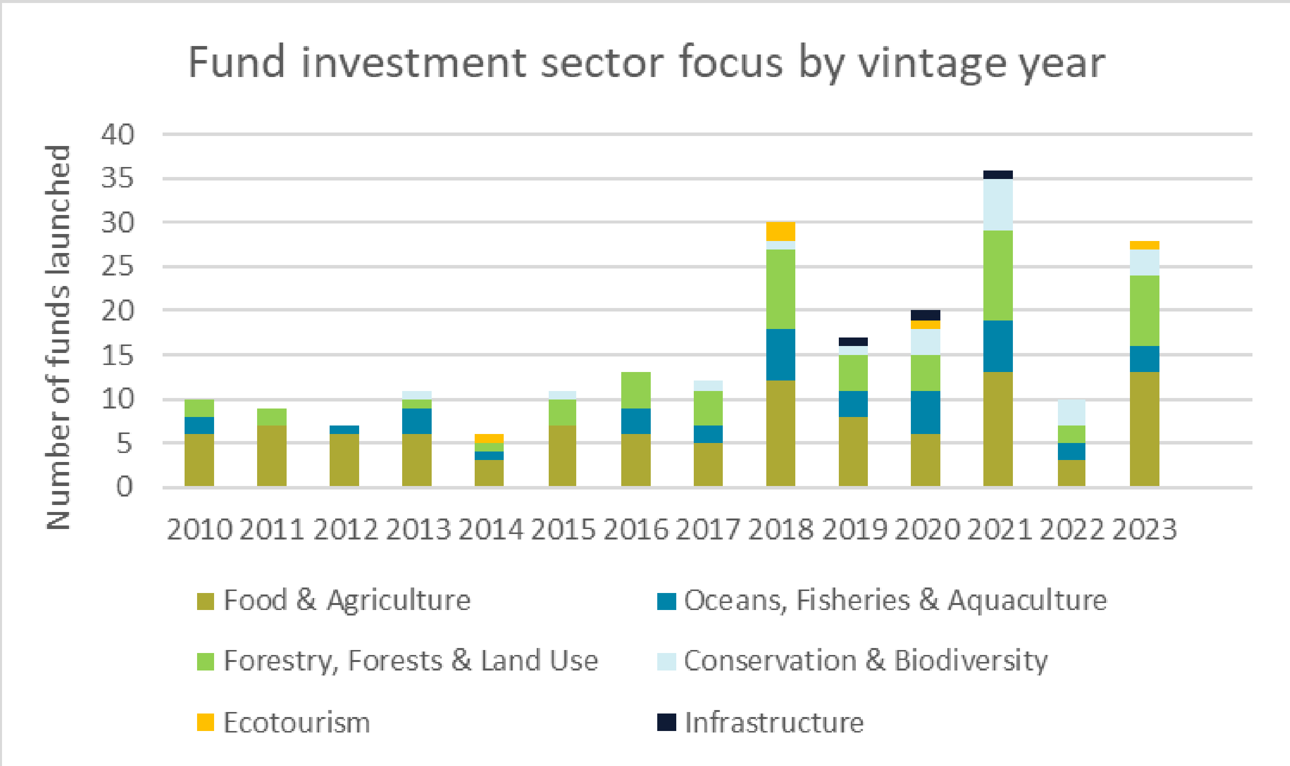


Our analysis of funds launched between 2004-2023 shows a general upwards trend in number of funds launched per year, with a year-on-year growth in number of active nature-positive funds.

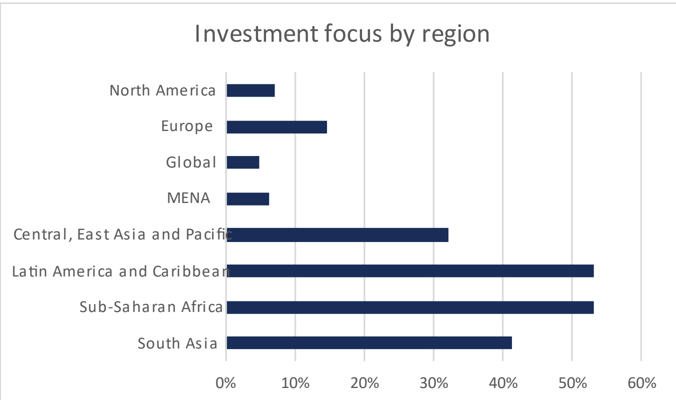


The collective total of AUM of NPFs by vintage year is trending upwards.

Note that the Green Climate Fund datapoint that is included in other charts and analysis has been excluded from this chart and associated analysis as it was deemed an outlier as being exceptionally large and unrepresentative. The spike in 2019 was identified as being caused by the launch of the Amazon Climate Fund.

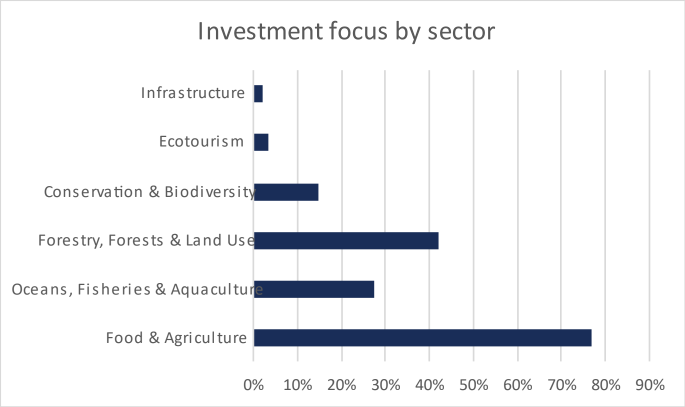


A year on year analysis shows that while food & agriculture and forestry continue to be the most common investment focus of nature-positive funds, in recent years there has been an increasing diversity of sector focuses. Ocean, fisheries & aquaculture as well as forestry are becoming increasingly common investment strategies.



Nature-positive funds are concentrated in emerging markets, especially in and around the tropical forest belt.

Note that the percentage total exceeds 100% as many funds have more than one regional focus in scope.



A cumulative analysis of fund investment focus by sector shows that food & agriculture is by far the most common investment subsector for nature-positive funds, highlighting the differences in maturity of the different nature-positive sub-sectors.

Note that the percentage total exceeds 100% as many funds have more than one investment sector focus in scope.

Additional findings from our analysis can be summarized as follows:

1] Private capital is frequently invested alongside non-private capital. Development Finance Institutions (DFIs), either from their own balance sheet or using public funds, and philanthropic organisations often play an important role in de-risking fund structures and scaling investments for commercial capital providers. However, the emergence of private-capital only funds is now being observed. This is a significant step towards making NPFs a mainstream option for private capital, enabling impact at the scale necessary to meet global nature goals. It signifies a maturing market, where certain sub-sectors can reduce their reliance on public and/or concessional capital.

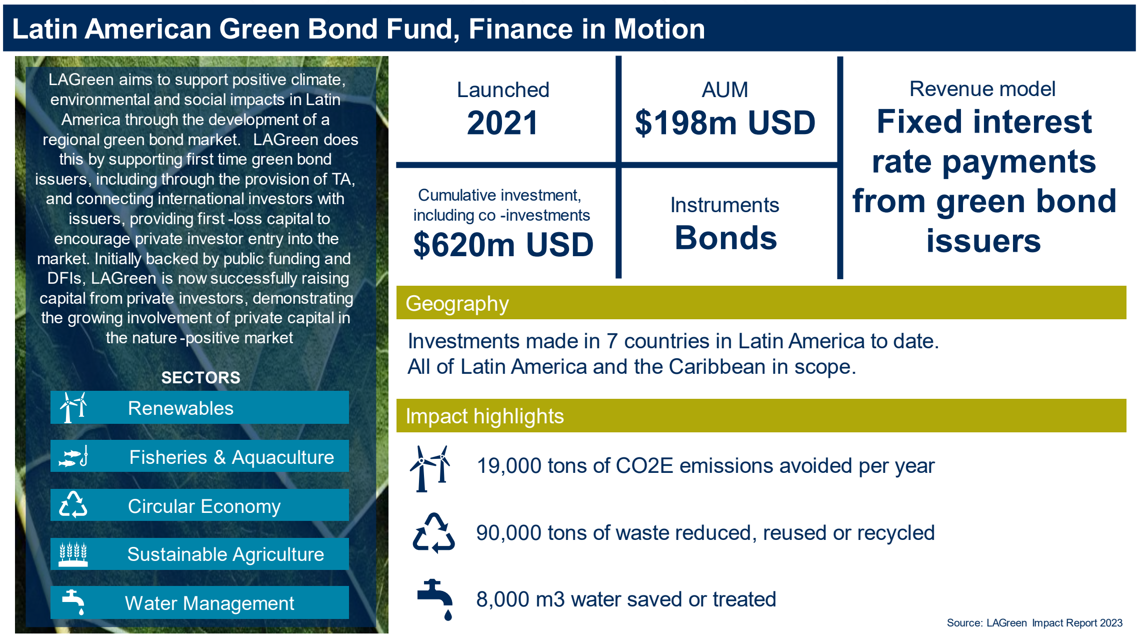
2] Encouragingly, private capital is playing an increasingly significant role as NPFs continue to grow. The larger ticket sizes of these funds reflect the presence of commercial capital, which enables the necessary scale.

3] The nature asset class initially focused on the Forestry, Timber, and Agriculture sectors, which still constitute the majority of nature-positive funds. However, over the last 5-10 years, the asset class has broadened its scope to include more nature-based solutions (NBS) sectors, such as oceans, fisheries and aquaculture, and conservation and biodiversity, which are growing in prominence.

4] Unsurprisingly, the regional focus has remained stable, with an emphasis on emerging markets. Interestingly, this regional split also reflects market maturity. For example, funds in emerging markets are more inclined towards nascent sub-sectors like conservation.

5] A significant proportion of the nature-positive funds surveyed feature the presence of DFIs or other kinds of impact investor, a separate technical assistance facility, and/or have operational capacity in the target region.

Figure 6: The LA Green Bonds Fund represents several of these emerging trends as the nature-positive market matures. It features a mix of private and public capital in a large fund with a dedicated TA facility, investing in large ticket sizes across a range of climate and nature-positive sub-sectors[9].



Trends in nature-positive fund revenue models

Investors must consider the various revenue-generating models available in the nature-positive market that underpin the financial returns alongside impact outcomes in order to identify opportunities for investment[10].

There are three major categories of revenue models apparent in the nature-positive sector:

I. **Certified sustainable commodity production:** This includes the production of timber and non-timber natural forest products, agricultural commodities and livestock, and real assets.
   a. Real asset investments is a common revenue-model which requires acquiring brownfield and greenfield assets. Revenue streams are generated from improving the value of the real estate through restoration, forestry improvements and/or improving the state of the natural capital. This would also enhance the value of ecosystem services and commodity products generated from the assets.

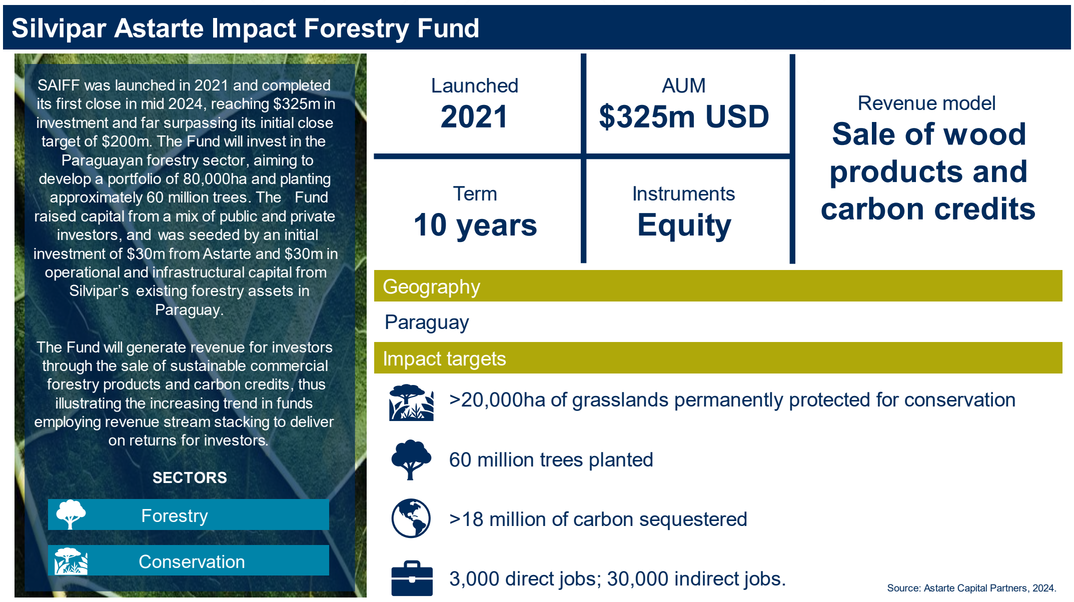
II. **Carbon (and other Nature) credits:** voluntary and compliance carbon credits for nature-based solutions are based on accredited certificates that verify the nature at hand is sequestering a certified volume of carbon over a period of time. These credits are often sold to companies who have opted for Beyond Value Chain Mitigation[11] approaches for offsetting their carbon emissions from their operations, as well as companies adopting insetting strategies[12]. Though not as mature as the carbon credits market, other credits or offsets for verified positive impacts on nature also exist and are becoming increasingly prevalent. These exist for both compliance (e.g. biodiversity net gain legal requirements) and voluntary markets.

III. **Payments for ecosystem services:** revenue is generated through payment by users of ecosystems services (to date primarily governments) for the services provided by nature and its surrounding ecosystem, such as improving air quality, watershed services and conservation.

Certified sustainable commodity production has the largest market size given its market maturity and relatively low-risk, higher-return with low-market correlations, making this a popular thematic focus amongst private capital providers. High integrity carbon credits and payments for ecosystem services are emerging high-impact revenue models for nature-positive investments. The market for these models is smaller but has significant growth potential[10].

When designing and structuring new nature funds, stacking is commonly used, whereby funds utilise multiple revenue streams to diversify their risks and produce the optimum financial returns and impact outcomes. This could be in the form of stacking revenues from within the same category, such as stacking revenues driven by increased yields and increased prices for certified sustainable commodity sales, and across categories, such as combining revenues from commodities and carbon credit sales.

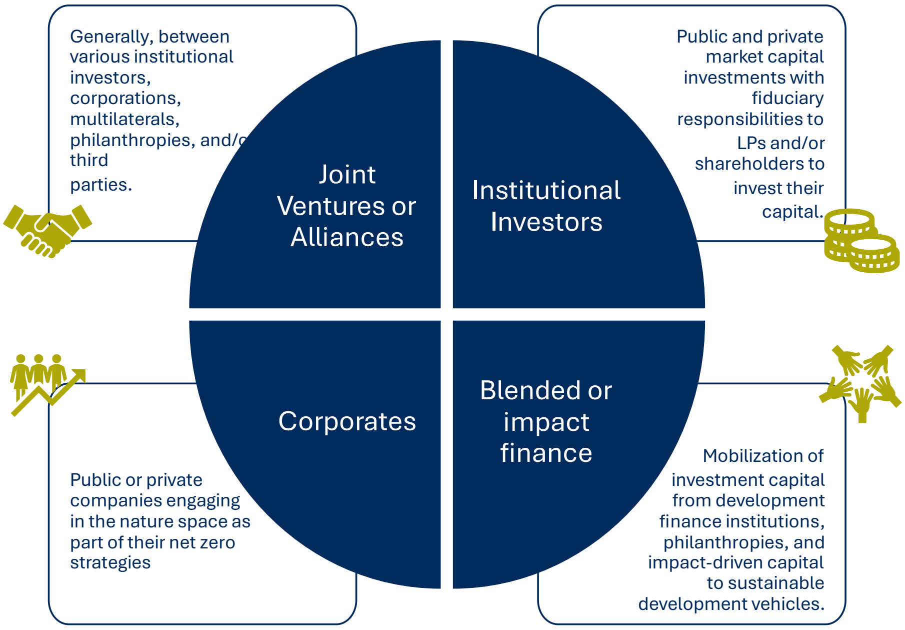
Figure 7: SAIFF is an example of a nature-positive fund employing revenue stacking, generating returns from sale of certified sustainable commodities (wood products) and carbon credits.



Trends at the Capital Allocator Level – the growing role of corporate investors

Defining capital allocators is multi-layered, with growing complexities from the emerging collaborations and alliances forming in the nature investment ecosystem. While investors continue to play their traditional role providing direct investments into nature-positive businesses and projects and/or indirect investments into funds, since 2020 there has been increasing activity in the nature-positive marketplace from non-traditional collaborations.

Figure 8: Typology of capital allocators in the nature-positive sector



Capital allocators in the nature-positive space are increasingly forming new partnerships to deploy capital in nature-positive funds and projects at varying stages of maturity, to access specialist technical expertise, and to realize organizational climate and biodiversity strategies. Different capital allocators have different returns expectations, ranging from grant financing, to concessional (below market) and commercial (market rate) expectations; different returns expectations can be present in a single partnership based on the profile of the investor.

There is a growing presence of corporations in the nature-positive space as they look to implement their commitments to net-zero, including across their supply chains. Since 2020 there has been a notable increase in corporations acting as long-term off-takers for carbon credits and/or as investors through corporate venture arms in NPFs or projects. This is often done in collaboration with expert climate and/or conservation finance actors such as NGOs or specialist asset managers.

A paper by CPIC[13] analysed several nature-positive Joint Ventures (JVs) and found that every JV studied has partnered with one of the larger nature conservation NGOs in the world whose role is to act as a conservation advisor to the fund. These collaborations underscore the need for subject-expertise by corporations and fund managers in order to understand and invest in the nature-positive market. Sometimes, the conservation NGO is also a GP committing capital to the JV as well as supporting the development of impact metrics, frameworks and outcomes. Hence these partnerships can ensure that the commitments made deliver tangible and measurable benefits for nature, as well as corporate net-zero commitments. More than half the funds studied expect market-rate financial returns. In addition, some funds employ mixed return expectations in order to align with return-seeking capital e.g. the Landscape Resilience Fund provides concessional loans to SMEs and reinvests all profits into its activities, but it also enables project-level co-investment from return-seeking investors[13]

We expect the trend of joint ventures between corporates, asset managers and NGOs to continue over the next few years.

Figure 9: The Restore Fund (I & II) is a representative example of the emerging trend of joint ventures between different types of capital allocators and specialists in the nature-positive sector[14].

Restore Fund I & II

Apple launched the Restore Fund in 2021 in partnership with Goldman Sachs and Conservation International and an initial pledge of $200m USD. In 2023, Apple announced an expansion of the fund, managed by Climate Asset Management, with an additional investment of $200m from the corporate and joined by additional investments from Apple suppliers. The fund is designed to generate both financial returns and high -quality carbon credits for investors in the fund to use towards their own net zero targets.
The Restore Fund serves as an example of how joint venture structures are enabling different types of capital allocators to work together with specialist nature experts to design and manage impactful nature -positive vehicles which deliver on corporate sustainability targets and measurable climate and nature impacts.

SECTORS

- Sustainable Agriculture
- Forestry

Launched **2021**	AUM **$480m USD**	Revenue model **Financial returns (sale of wood & agricultural products) and carbon credit returns**
Term **Medium to Long**	Instruments **Equity & credit pre-finance**	

Geography

Global mandate.
Three investments in Brazil and Paraguay to date.

Impact targets

- Net zero by 2030 across corporate operations and supply chain
- 1 million tons of carbon removed per year from 2025
- Protection of critical native ecosystems

Source: Apple Restore Fund, 2024.

Recent trends have also seen other new entrants in the nature finance space: insurance companies are increasingly demonstrating their understanding of the financial and physical risks of climate change and nature-loss on society and policy claims, and are taking on a growing role in the nature-positive market[15]. AXA, for example, has begun to provide insurance products to help de-risk nature investments and L&G has begun to invest in debt-for-nature swaps, a trend which is expected to grow in coming years.

All of these trends – increasing number and size of nature-positive funds, diversification of revenue models, and proliferation of new financial actors and partnerships – highlight the growth trajectory of the nature-positive market. The impact case for investing in nature has long been clear, and with the increasing diversity and maturity of nature-positive funds, investors looking to enter the nature market have a growing array of attractive investment opportunities which can deliver on impact and returns while mitigating risk.

Current market challenges and solutions

The nature market is experiencing a number of challenges across the investment landscape spectrum, from project execution and pipeline development to impact measurement and regulation and compliance. However, the nature-positive market has shown to be both resilient and pragmatic. The sector has proved willing to adopt technology solutions for improving impact measurement and due diligence, and improved standards to boost market confidence around project integrity, in particular the work done by standard setters addressing evolving carbon market sentiments with updated high-integrity carbon credit certification[15].

Investing via funds can help to mitigate these challenges by spreading risk across projects, geographies and revenue streams, accessing specialist technical knowledge, and fund capital structures which offer de-risking solutions.

Challenge		Fund-level solutions
Project execution	The complexity of nature projects and the tailored solutions required in location-specific contexts render these investments subject to high execution risks, high-capital upfront costs and difficulty in scaling. These characteristics make it difficult to attract commercial capital who have a low appetite for (perceived) high-risk/low-reward scenarios.	Tailored fund capital structures can provide solutions to de-risking investments into nature-positive projects.
		As the nature-positive market grows and matures, so does the local expertise and knowledge curve. Incumbent nature-positive project developers have been able to learn from past mistakes and from others in the market. Funds are well-placed to leverage the growing knowledge base by recruiting and developing specialist technical experts.
Pipeline development	One of the key barriers to deploying capital into NBS is the available investment pipeline, as the majority of projects are too early-stage in their commercial maturity or sub-scale for institutional investment. Projects require further incubation and development, investment readiness support and/or strategic aggregation to achieve scale[16].	Patient and innovative financing is a key tool for overcoming pipeline challenges, and a range of public, concessional and blended finance vehicles have been deployed to build the pipeline of investable nature-positive projects. Over the next few years, the nature-positive investment pipeline will come to fruition, primed from all the capacity building efforts the market is currently focusing on. Existing nature-positive funds have already been building their pipeline of investable projects, enabling investors wanting to enter the sector to access pre-vetted pipelines of nature-positive projects.
	Lack of capacity and investment expertise within the project developer community is an additional barrier to developing the volume and scale of NBS to effectively deliver investment	
Impact measurement	Impact measurement can be challenging due to the complexity of accurately comparing outcomes from interventions across different locations, habitat types and designs.	The growth of climate-tech and nature-tech has provided efficiency, transparency and process improvements with the market solutions available. Funds can operate at a scale that enables them to cost effectively make use of such tech solutions.
	In order for a fund to be positioned as nature-positive, key impact metrics must be disclosed relevant to the investment sub-sectors, and aligned to global targets and frameworks such as SDGs etc.	Funds in particular are well positioned to address impact measurement challenges by building strong in-house specialist expertise, tailored environmental and social management systems (ESMS), and leveraging emerging technological solutions as well as aligning to sectoral benchmarking efforts such as the one led by the Global Impact Investor Network[17i].
	Projects must demonstrate attribution, additionality and permanence to be considered to deliver impact outcomes[16]	
Accessible financial structures	Perceived and actual risk of emerging nature-positive funds and models is a critical barrier to financing and scaling NPFs.	There are various examples of capital structure solutions that de-risk investments into high potential, but nascent nature-positive funds. These range from blended finance structures, to JVs or 'collectives' with corporations, and securitization vehicles which demonstrate the potential role of insurers in capital structures and the growing nature market. Institutional investors can play a greater role investing alongside other ecosystem players in creating innovative financing solutions, where the capital structure is suited to each capital provider.

Efficient market infrastructure and governance	A key barrier to early investment market development is the disproportionate size of transaction/due diligence costs, especially in smaller transactions and those with novel structures. Error! Bookmark not defined.	Funds can address this with technology-enabled solution providers, and also by partnering with third-parties that have local knowledge and boots-on-the-ground, including NGOs as discussed above.
Compliance and regulation	Regulatory and compliance bodies play a key role in providing the standards and guidance investors require to inform their fund and/or project design. EU SFDR, in particular, has stringent requirements to achieve article 9 status, which some funds have recently fallen short of if not properly met. The landscape of standards and regulations is rapidly evolving, and deep understanding of new guidelines is required for nature-positive funds to meet requirements and deliver on impact goals.	Specialist technical expertise in fund management teams can help investors navigate the evolving landscape of regulations, standards and guidelines relevant to the suite of nature-positive projects.
	There are a range of relevant certification bodies applicable to nature-positive projects which serve a quality assurance function. However, differentiating between and operationalising relevant certification standards is a pertinent challenge for project developers and investors.	
	Successful fundraising relies on having a high impact threshold which requires robust impact measurement and reporting frameworks for regulatory purposes.	Funds can tailor their environmental and social management systems (ESMS) in a way that strengthens the impact performance of the fund.
Carbon market integrity	Having achieved a successful breakthrough in the investment community, the voluntary carbon market hit a setback in 2023 due to a loss of trust caused by integrity issues. The perceived complexity and uncertainty of best-practice guidance and quasi-compliance and regulations around claims and the use of credits to mitigate and align to net-zero strategies, as well as the quality of credits, such as additionality, ESG and permanence of the projects that produce the carbon, is stalling the market. This, in turn, increases off-take uncertainty, raising the commercial risk of projects wholly or partially reliant on carbon credit sales in the process.	Voluntary market standard setters such as SBTi and VERRA are working to update methodologies and best practices to re-instate the lost confidence in the market. There have already been improvements through the launch of the much-anticipated CCP labelling, announced by ICVCM. This is a first widely recognised high-integrity carbon credit label in the market which signifies that carbon credit methodologies meet rigorous standards for integrity, transparency and environmental impact.
		Working with experienced fund managers can help investors to effectively understand and mitigate reputational and other associated risks in carbon credit generating projects, and ensure high integrity carbon credits are generated through their investments.
Land ownership and management	Access to ownership or control of land or sea areas is required for developing NBS. Land ownership provides the greatest amount of control but can be costly and difficult to procure, as well as potentially raising issues of land rights and land tenure with local communities if poorly managed, therefore sometimes undermining NBS investment cases. Error! Bookmark not defined.	Building strong stakeholder relationships is essential to working with local partners and players to get buy-in for the investment opportunities available. Working with fund managers with strong local and regional presence and networks is a key ingredient for successful navigation of land ownership, use and management issues.

The future of nature-positive funds

Nature-positive funds can offer investors solutions for addressing the challenges of the nature-positive sector as it grows towards maturity. For example, funds can offer investors experienced, specialist knowledge tailored to the sector; tailored capital structures can provide de-risking solutions to more risk-averse investors; and access to pre-vetted pipelines of high quality nature projects. Dedicated nature-positive funds will be key to the growth of the market, by allowing the crowding in of non-impact specific commercial investors, especially large institutional investors with a growing mandate to build climate and nature-positive portfolios, but who require large ticket sizes and more predictable returns in order to enter the sector.

As the nature-positive sector continues to mature, we expect a continued growth in the number and size of nature-positive funds. In particular, we expect an acceleration of the trend of diverse capital allocator involvement in the sector and a growing role for corporates and insurers in driving the growth and maturity of the sector.

As market pressure to mitigate and adapt to the climate and nature emergencies continues to intensify, nature-positive funds are a key vehicle for investors to take the urgent, impactful action required to meet global sustainable development goals and protect our planet for current and future generations.

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Annex I

List of Funds

	Asset Manager	Fund Name	Vintage Year	AUM
1	Calvert Impact Capital	Calvert Impact Capital	1988	111
2	Shared Interest	Shared Interest	1990	N/A
3	Mesoamerica	Mesoamerica	1996	N/A
4	Soros Economic Development Fund	Soros Economic Development Fund	1997	300
5	Alterfin Guarantee Fund	Alterfin Guarantee Fund	2000	N/A
6	World Bank	Biocarbon Fund Initiative for Sustainable Forest Landscapes	2004	N/A
7	EFM	EFM	2004	N/A
8	GroFin	Small and Growing Businesses Fund	2004	N/A
9	Jasmine	Jasmine Social Investments	2006	N/A
10	Grounded Capital Partners	New Island Capital	2006	N/A
11	Africa Enterprise Challenge Fund	Africa Enterprise Challenge Fund	2008	280
12	AgDevCo	AgDevCo	2008	20
13	Norway's International Climate and Forest Initiative	Norway's International Climate and Forest Initiative	2008	N/A
14	Triodos IM	Triodos Sustainable Trade Fund	2008	32
15	New Forests Asset Management	Tropical Asia Forest Fund I & II (Combined)	2008	370
16	Africa Guarantee Fund	Africa Guarantee Fund	2009	N/A
17	Amerra Capital Management	Amerra Capital Management	2009	N/A
18	Goodwell	Aavishkaar Goodwell II	2010	30
19	EIB	Africa Sustainable Forestry Fund I	2010	160
20	EIB	Agri-Vie Fund I	2010	110
21	AgDevCo	Beira Agricultural Growth Corridor Catalytic Fund	2010	20
22	Global Agriculture and Food Security Programme	Global Agriculture and Food Security Programme	2010	N/A
23	Green Climate Fund	Green Climate Fund	2010	53000
24	Africa Agriculture and Trade Investment Fund	Africa Agriculture and Trade Investment Fund	2011	N/A
25	Zephyr Management	African Agricultural Capital Fund	2011	146
26	Amerra Capital Management	Amerra Agri Fund	2011	90
27	Impact Finance	Impact Finance Fund	2011	140
28	Kaete Investment Fund	Kaete Investment Fund	2011	N/A
29	Rabobank	Rabo Rural Fund	2011	N/A
30	Norfund	Voxtra East Africa Agribusiness Fund	2011	20
31	IDB Invest	Canadian Climate Fund for the Private Sector in the Americas	2012	N/A
32	CO Capital de Impacto Social SAPI de CV	CO Capital de Impacto Social SAPI de CV	2012	25
33	INCOFINFAF	Fairtrade Access Fund	2012	Evergreen

34	I&P Afrique et Entrepreneurs	I&P Afrique et Entrepreneurs	2012	50
35	Savannah VC	Savannah Technology Fund I	2012	10
36	DFID Impact Fund	The IMPACT Programme	2012	75
37	Actiam	ACTIAM FMO SME Finance Fund I	2013	150
38	AFCA Coffee	AFCA Coffee Development Fund	2013	N/A
39	Mirova	Althelia Climate Fund	2013	120
40	Aqua-Spark Management	Aqua-Spark	2013	470
41	Caspian Impact Investments	Caspian Impact Investments	2013	20
42	Ceniarth	Family Office (not fund)	2013	639
43	Veris Investment	Veris Investment	2013	Evergreen
44	SIFEM	Commodity Value Chain Sustainable Investment Fund	2014	N/A
45	Finance in Motion	Eco.Business Fund	2014	750
46	Triodos IM	Triodos Food Transition Europe Fund	2014	27
47	Proparco	agRIF Fund	2015	140
48	Andes Amazon Fund	Andes Amazon Fund	2015	50
49	MOV Investimentos	FIP MOV 1	2015	N/A
50	Kampani	Lender	2015	N/A
51	Livelihoods Venture	Livelihoods Fund for Family Farming	2015	85
52	Mercy Corps	Mercy Corps' Social Venture Fund	2015	N/A
53	Moringa Partnership	Moringa Private Equity Fund	2015	90
54	Vital Capital	Vital Capital Investments	2015	N/A
55	Alimentos Ventures	Alimentos Ventures	2016	Out of business
56	Amerra Capital Management	Amerra Agri Fund III	2016	820
57	Angin	Angin	2016	N/A
58	Norfund	Arise	2016	N/A
59	BlueGrass Partners	BlueGrass Partners	2016	N/A
60	LXG Capital	LXG Amazon Reforestry Fund	2016	N/A
61	Secha Capital	Secha Capital	2016	20
62	ADM Capital	Tropical Landscapes Finance Facility	2016	N/A
63	Sail Ventures	&Green Fund	2017	410
64	Rabobank/ UNEP/ IDH	AGRI3 Fund	2017	95
65	Exeo Capital	Agri-Vie Fund II	2017	150
66	Forestry and Climate Change Fund	Forestry and Climate Change Fund	2017	10
67	The Meloy Fund for Sustainable Community Fisheries	The Meloy Fund for Sustainable Community Fisheries	2017	10
68	Livelihoods Venture	Livelihoods Carbon Fund #2	2017	65
69	12 Tree	Sustainable Agroforestry Fund for Latin America	2017	200
70	EDFI AgrFI	Agriculture Financing Initiative	2018	120
71	Mirova	Althelia Sustainable Ocean Fund	2018	130
72	KIT	Annona Sustainable Investment Fund	2018	10

73	Finance in Motion / UNIQUE Group	Arbaro Fund	2018	110
74	C4D Partners Asia Fund	C4D Partners Asia Fund	2018	30
75	Conservation International	CI Ventures	2018	24
76	EcoEnterprises Management	EcoEnterprises Partners III	2018	110
77	Elevar Equity Management	Elevar Equity IV	2018	120
78	Aceli Africa	Foundation (not fund)	2018	7
79	EcoEnterprises Partners	Fund III	2018	72
80	Katapult VC	Katapult Ocean Funds	2018	50
81	Mirova	Land Degradation Neutrality Fund	2018	210
82	SLM Partners	Silva Fund	2018	30
83	Silver Street Capital	Silverlands Fund II	2018	60
84	Silverstrand Capital	Silverstrand Capital	2018	N/A
85	Terra Global Capital	Terra Bella Colombia Fund	2018	N/A
86	Bamboo Capital	Agri-Business Capital Fund	2019	50
87	ADM Capital	Cibus Funds	2019	450
88	Circulate Capital	Circulate Capital Ocean Fund	2019	76
89	AXA	Climate and Biodiversity Impact Fund	2019	350
90	Amazon	Climate Pledge Fund	2019	2000
91	TechStars	Eastern Pacific Accelerator	2019	N/A
92	Fondo Huruma	Huruma Fund	2019	133
93	Kiva Capital Management	Kiva Capital Management	2019	40
94	Okavango Capital	Okavango Fund	2019	75
95	Omnivore VC	Omnivore Partners India Fund II	2019	97
96	Amazon/CI	Right Now Climate Fund	2019	100
97	RRG Capital Management	Sustainable Water Impact Fund	2019	710
98	Terra Silva	Terra Silva	2019	90
99	8F AM	8F Aquaculture Fund I	2020	358
100	Global Fund for Coral Reefs	Global Fund for Coral Reefs (UN Grant Fund)	2020	
101	Credit Suisse	Credit Suisse Rockefeller Ocean Engagement Fund	2020	200
102	Pegasus Capital Advisors	Global Fund for Coral Reefs (Equity)	2020	175
103	IDH Investment Management	IDH Farmfit Fund	2020	1000
104	Amazonia Impact Ventures	Amazonia Impact Ventures	2020	25
105	Climate Asset Management	Natural Capital & Nature Based Strategies	2020	750
106	Ocean 14 Capital	Ocean 14 Capital	2020	200
107	Credit Suisse [UBS]/ Rockefeller Asset Management	Ocean Engagement Fund	2020	N/A
108	P&G/CI/WWF	P&G/CI/WWF	2020	100
109	Restoration Seed Capital Facility	Restoration Seed Capital Facility	2020	N/A
110	Pegasus Capital Advisors	Subnational Climate Fund	2020	170
111	URAPI Sustainable Land Use Fund	URAPI Sustainable Land Use Fund	2020	50

112	8F AM	8F Aquaculture Southeast Asia Fund	2021	60
113	Acumen	Acumen Resilient Agriculture Fund	2021	58
114	Fundo Vale	AMAZ Impact Accelerator	2021	5
115	Bluefront Equity	Bluefront Equity	2021	66
116	Credit Suisse [UBS]	Climate Innovation Fund	2021	320
117	Climate Fund Managers	Climate Investor Two	2021	855
118	Common Fund for Commodities	Commodity Impact Investment Facility	2021	N/A
119	Elevar Equity Management	Elevar India V	2021	125
120	Faber Blue Pioneers	Faber Blue Pioneers	2021	38
121	Clarmondial AG	Food Securities Fund	2021	15
122	Burnt Island Ventures	Fund I	2021	30
123	Land Innovation Fund	Land Innovation Fund	2021	N/A
124	Chanel/South Pole/WWF	Landscape Resilience Fund	2021	25
125	Finance in Motion	Latin American Green Bond Fund	2021	100
126	Livelihoods Venture	Livelihoods Carbon Fund #3	2021	150
127	FMO	Mobilising Finance for Forests	2021	150
128	Mirova/L'Occitane/Kering	Nature+ Accelerator Fund	2021	8
129	Mirova	Orange Nature Fund	2021	56
130	Kering/CI	Regenerative Fund for Nature	2021	6.1
131	Goldman Sachs Asset Management	Restore Fund I	2021	200
132	Astarte	SA Impact Forestry Fund	2021	325
133	SLM Partners	Silva Europe Fund	2021	25
134	BTG Pactual Timberland Investment Group	The Reforestation Fund	2021	1000
135	New Forests Asset Management	African Forestry Impact Platform	2022	300
136	Amerra Capital Management	Amerra Redwood Agri Fund	2022	N/A
137	Finance Earth	Blue Impact Investment Strategy	2022	75
138	BlueOrchard [Schroders]	Blueorchard Impact Credit Fund	2022	N/A
139	Future Planet Capital	Future Planet Capital Blue Ocean Fund	2022	20
140	Indico Capital Partners	Indico Blue Fund I	2022	200
141	Lightrock India	Lightrock Climate Impact Fund	2022	844
142	Manulife IM	Manulife Forest Climate Fund	2022	330
143	Add-Value Management	Small Farmers Climate Adaptation Fund	2022	30
144	Triodos IM	Triodos Impact Strategy Fund	2022	6000
145	ALIVE Ventures	ALIVE Early Growth Fund II	2023	43
146	Impact Earth	Amazon Biodiversity Fund	2023	50
147	Impact Earth	Amazon Biodiversity Fund Brazil	2023	50
148	ADM Capital	Asia Climate-Smart Landscape Fund	2023	200
149	Unilever	Climate & Nature Fund	2023	1000
150	Mirova	Climate Fund for Nature	2023	145
151	Climate Finance Lab	Climate Resilient Landscape Finance	2023	N/A
152	MOV Investimentos	FIP MOV 2	2023	13

153	Burnt Island Ventures	Fund II	2023	50
154	Hatch Blue	Hatch Fund I	2023	20
155	Lombard Odier	HolistiQ	2023	300
156	Mirova Natural Capital	L'Oreals Fund for Nature Regeneration	2023	60
157	Omnivore VC	Omnivore Agritech & Climate Sustainability Fund III	2023	40
158	Omnivore VC	Omnivore Partners India Fund III	2023	150
159	Climate Asset Management	Restore Fund II	2023	200
160	Allianz/FMO/MacArthur Foundation	SDG Loan Fund	2023	1100
161	Mirova	Sustainable Land Fund 2	2023	N/A
162	Global Partnerships	Global Partnerships	2023	10
163	KPTL	Amazonia Regenerate Accelerator and Investment Fund	2024	30
164	INOKS Capital	European Agri Transition Fund	2024	44
165	Global Environmental Facility	Global Environmental Facility	2024	1000
166	Aiim Partners	Ocean Plus Fund II	2024	6
167	Goodwell Investments	Pepea Fund	2024	20
168	Generations IM	Just Climate	Coming soon	
169	Lending for African Farming	LAFCO	Lender	