MUTUAL TRUST

Blended Finance Industry Insights

As families reflect on the purpose of their wealth, many are looking beyond the traditional divide between investing and giving to explore how philanthropic, investment, social and intellectual capital can work together to create meaningful, lasting impact.

Catalytic capital enables families, foundations and investors to deploy capital more intentionally, helping attract additional investment towards outcomes that would otherwise remain underfunded. Blended finance uses catalytic capital to attract private investment into these areas. It brings together different forms of capital and investors seeking financial returns, impact, or both, within a single investment structure.

In this Industry Perspectives piece, Victoria Stoddard, Director, Philanthropy, explores the evolution of modern philanthropy and the growing role of catalytic capital, while Simone Rouse, Partner, Portfolio Solutions and Responsible Investment, examines how blended finance is helping families, foundations and investors collaborate to address some of society's most complex challenges.

Rethinking the toolkit: Blended finance and how families use capital for impact

Victoria Stoddard

DIRECTOR, PHILANTHROPY

A generation ago, philanthropy was often viewed as the final chapter of wealth creation. Today, it is becoming an integral part of how families steward their wealth. From impact investing and catalytic capital to collective giving and systems-change initiatives, philanthropists are reimagining their role in society. The question is no longer simply "How much should we give?" but "How can we use all of our resources to create the greatest possible impact?"

Philanthropy has long played a vital role in addressing social challenges through charitable giving and community support. Yet as today's social and environmental issues become increasingly complex, many philanthropists are recognising that grants alone may not always be sufficient to drive the scale and depth of change required. Across Australia and globally, a growing number of families are broadening their approach – using not only philanthropic grants, but also investment assets, influence, networks and expertise to advance their goals. This evolution is reshaping philanthropy from a model focused primarily on distributing grants or donations to one that seeks to activate all available resources in pursuit of impact.

From siloed giving to an integrated approach to capital

What is emerging is not a rejection of traditional philanthropy, but a broader evolution in how families think about the role of capital. Families are looking beyond the traditional separation of investing and giving and asking how a larger pool of capital can be deployed more intentionally towards long-term impact.

At the heart of this evolution is a growing recognition that impact need not be confined to grant-making.

Today, more philanthropic individuals and families are seeking to align other forms of capital with their purpose, viewing investment portfolios, influence, convening power and networks as potential drivers of change. In doing so, they are embracing a broader spectrum of approaches that sit between traditional philanthropy and conventional investing.

EXPANDING A FAMILY FOUNDATION'S TOOLKIT FOR IMPACT

A useful way to think about this shift is not as replacing grants, but as expanding the toolkit for impact. Different problems require different forms of capital, and each tool has a distinct role to play.

Grants are often the right tool where:

- An idea is at a very early stage, and the priority is to test, learn and experiment before outcomes are certain.
- The work is essential, but there is no viable revenue model. For example, crisis support, homelessness outreach or other forms of frontline service delivery.
- The value is real but difficult to monetise, such as advocacy, systems change, community building or field strengthening.

Other tools, such as catalytic capital, can play a role where there is a strong social or environmental model, but capital is constrained – not because the idea lacks merit, but because its risk profile, timing, scale or revenue model does not yet fit neatly within mainstream investment settings. For example:

- A project has demonstrated proof of concept but requires flexible capital to scale. For example, a community health program with strong outcomes data may need patient, low-cost capital to expand from one region to several states before it can attract commercial funding.
- The underlying economics of a project are viable in the long-term, but early-stage risk is too high for mainstream investors. For example, a new social enterprise addressing youth unemployment may require concessional capital to establish operations and build a track record before private investors are willing to participate.
- A project generates significant social or environmental benefits that are not fully reflected in financial returns. For example, a housing initiative that reduces homelessness and pressure on public services may create substantial community value, while generating only modest commercial returns.

A generational inflection point

The growing interest in this approach is also being shaped by generational change.

Emerging family leaders are often seeking a more coherent relationship between values and capital. The traditional separation between "doing well" and "doing good" is less compelling to a cohort that has grown up in a more interconnected and transparent world.

In the context of Australian family foundations which typically grant between 5–8% of invested capital each year, such questions include: *"what about the other 95%: should more of our philanthropic capital be working towards our purpose?"*

This is not about displacing existing approaches but extending them. Families beginning to integrate impact across their philanthropic capital are finding that it can help to realise their purpose at greater scale. It can also deepen engagement across generations, strengthen alignment around shared values, and create greater continuity in how legacy is understood and carried forward over time.

A considered next step

Increasingly families are asking the question: how can all their capital be used to create long-term value in the service of their purpose?

Catalytic capital is part of the answer. Unlike traditional grants, it recognises that some forms of impact capital can be recycled and redeployed over time, and have the potential to accelerate impact at a scale that a grant alone may not achieve.

For many families, this evolution does not require a complete redesign of their existing approach. It begins with clarity: understanding what matters most and how different forms of capital might be tested in service of that purpose.

A practical starting point may be to maintain core grant-making while identifying one priority area where more flexible capital could make a meaningful difference. For example, a grant might fund early-stage research into children's healthcare; while catalytic capital, such as a first-loss loan, could help to de-risk private investment and scale a new healthcare model. In this way, purpose guides the choice of problem, while the right mix of grants and loans provides a pathway for action.

Stewarding capital in a new era

At its heart, family philanthropy has always been about stewardship – of wealth, values and opportunity across generations. That enduring responsibility remains unchanged. What is evolving is the range of tools available to translate purpose into impact.

The most forward-looking families are no longer asking whether philanthropy, investing and stewardship should sit in separate domains. They are asking how each can reinforce the other in service of a shared purpose.

In a world of increasingly complex challenges, the opportunity is not simply to give more, but to deploy capital more intentionally. For families willing to embrace this broader lens, the reward is the potential to create impact that is more scalable, sustainable and enduring – extending the reach of both their capital and their legacy for generations to come.

Blended finance – collaborating for impact

Simone Rouse

PARTNER, PORTFOLIO SOLUTIONS AND RESPONSIBLE INVESTMENT

If capital is abundant, why do so many climate, nature and social projects still struggle to secure funding?

Across climate transition, nature repair, social infrastructure, equality and early-stage market development, many projects with clear societal or environmental value still struggle to secure financing. Often, they sit between two established sources of capital: philanthropy, which is limited in scale and scope, and commercial investment, which generally requires proven risk-return profiles, sufficient track record and investable scale.

The result is a structural gap.

Australia's impact economy continues to grow. Recent research from the Responsible Investment Association Australasia (RIAA) shows impact investing in Australia now exceeds $157 billion – an almost eightfold increase since 2020. Yet mobilising capital at the scale required for positive climate, infrastructure and social outcomes will depend not only on more capital, but on new structuring approaches and deeper collaboration across the capital continuum.

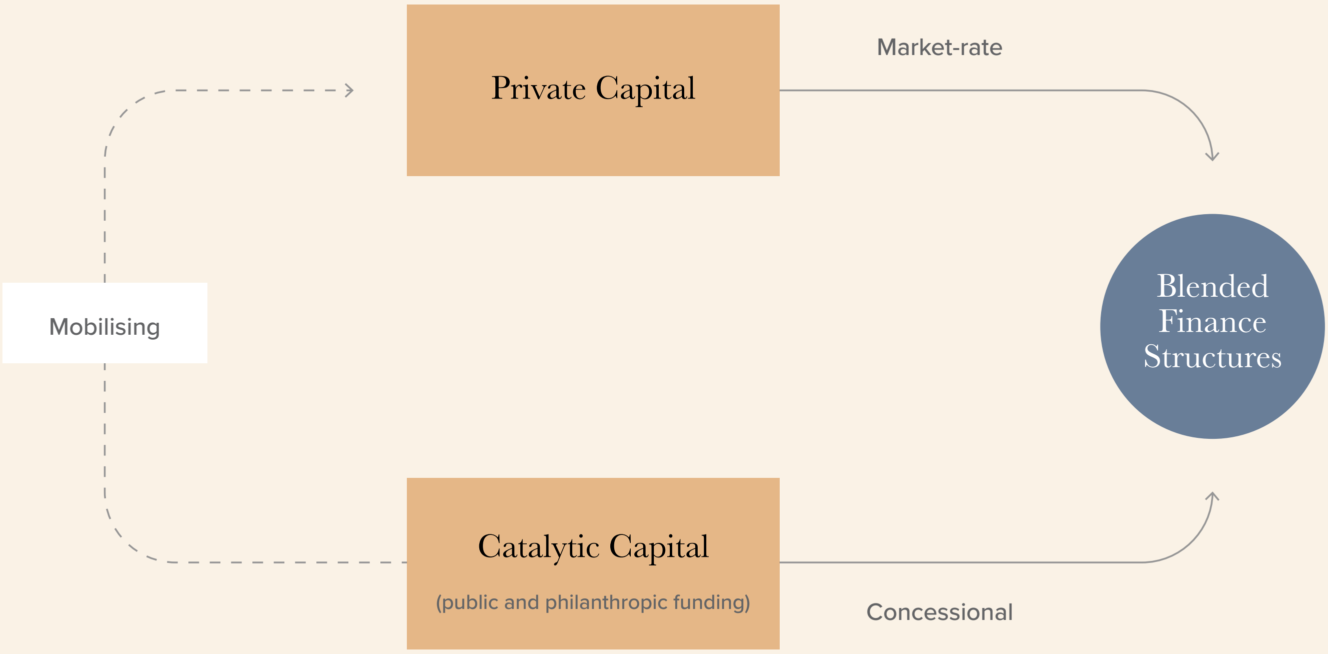
Early blended finance activity was led by a small group of globally active foundations – including the Bill & Melinda Gates Foundation, Omidyar Network and the Rockefeller Foundation – demonstrating how philanthropic capital could unlock private investment. Over time, this approach has broadened, with governments, family offices and institutional investors increasingly participating in structured, collaborative models.

At the same time, families are re-examining their purpose of wealth. Many are seeking guidance from Mutual Trust on how to align capital more closely with values, purpose and long-term societal outcomes, while maintaining investment discipline. For Mutual Trust families, responsible investing is a consistent priority, often alongside long-standing commitments to philanthropy. Together, this creates an opportunity to bring different forms of capital together and move beyond treating investment and giving as separate activities.

Blended finance has emerged as an innovative and structured way to respond – enabling different forms of capital to work together to translate intent into outcomes at greater scale. Catalytic capital from public or philanthropic sources can be used to reduce early-stage risk or enhance returns for private investors, thereby mobilising private investment and extending the reach of philanthropic or public capital.

What is blended finance? A structuring approach, not an asset class

Blended finance is the use of catalytic capital from public or philanthropic sources to mobilise private investment into areas that would otherwise remain underfunded. It is not an asset class or investment instrument, but a structuring approach that brings together different forms of capital and investors with different objectives – whether financial return, impact, or a blend of both – within a single investment structure.



Source: Convergence, Mutual Trust

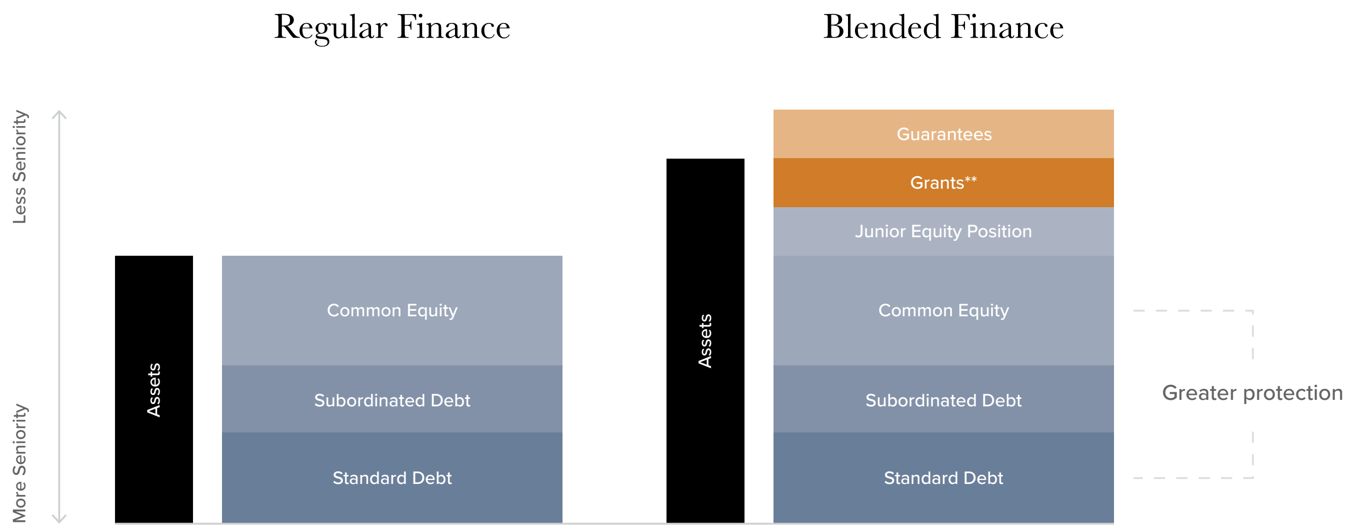
Many investments that are required to deliver positive climate, nature and social outcomes share common characteristics: higher perceived or actual risk, longer development timelines, limited operating history or fragmented markets. While long-term value may be compelling, these features can deter private capital, particularly institutional investors.

Blended finance addresses these barriers by reshaping the investment profile. Public or philanthropic capital may act as catalytic capital by absorbing early-stage risk and uncertainty or enhancing returns by providing grants, recoverable loans, guarantees, first-loss capital or concessional (below market terms) financing – lowering the cost of capital, improving cash flows or creating confidence for other investors to participate.

Impact-first or patient capital may accept longer time horizons. Commercial capital can then participate once the overall investment profile meets its requirements. Rather than requiring all participants to accept the same risk or return profile, blended finance assigns different roles to different forms of capital based on what each is best placed to contribute.

The objective is additionality: enabling investment that would not otherwise occur on purely commercial terms. It is not intended to replace markets or permanently subsidise projects, but to help create investable opportunities capable of scaling as risks reduce and performance is demonstrated.

Blended finance is sometimes misunderstood as philanthropy with a financial label, or as a departure from financial discipline. In practice, concessional capital is used selectively and, ideally, on a time-bound basis to enable projects to become commercially investible, with structures designed to reduce reliance on non-commercial capital over time. It is also different from impact investing. Impact investing is an investment approach, and impact investors often participate in blended finance structures.



* Guarantees can be structured differently (e.g. a guarantee that only activates after accumulated losses surpass the value of grants).
** There is no expected repayment or compensation for grants. If grant value is not absorbed through losses, the asset value will generally accrue as equity (and appear as equity on the balance sheet).

Source: Impact Investing Australia

> "By connecting philanthropic and concessional capital, blended finance can create capital stacks that enable more impact projects to proceed on commercial terms."
>
> **IZZY JENSEN**
> Managing Partner, Transition Accelerator

Bringing capital together – the role of family wealth

Families are asking how to align their capital more closely with their values, purpose and long-term societal outcomes, while maintaining investment discipline. Responsible investing is among the top priorities for Mutual Trust families, often alongside long-standing commitments to community impact through philanthropic endeavours.

Together, these preferences point to an opportunity to move beyond treating investment portfolios and charitable giving as separate activities.

Within Mutual Trust's Gemstone framework, blended finance reflects the intersection of *community impact* and *financial prosperity*, providing a practical structure for integrating different forms of capital.

YOUR FAMILY STRATEGY

PURPOSE OF YOUR WEALTH

Enabling individual family members to pursue their personal aspirations through education, the provision of opportunities, and following their passions so that they can lead productive and fulfilled lives.

Giving the family's time, treasure, talent and ties to make a positive impact on society through creating jobs, supporting philanthropic causes, serving in the community, and paying taxes.

Strengthening family relationships, values and trust, building communication, problem solving and the ability to undertake roles and responsibilities using each person's strengths while valuing their differences.

Growing financial capital sustainably to provide for the needs of the current and future generations of the family.

The family's ability to use its wealth to perpetuate an entrepreneurial spirit by sustaining its operating business and supporting other entrepreneurs through the provision of both capital and talent.

MUTUAL TRUST

Family wealth can be deployed across grants, concessional and commercial capital, positioning it well for blended finance approaches. Family offices and foundations remain subject to return expectations, liquidity considerations and governance constraints, but typically retain greater flexibility than institutional investors in how these are defined and applied.

For foundations, structured approaches such as concessional loans may form part of a broader strategic giving approach – offering capital efficiency advantages while also remaining anchored to charitable purpose and regulatory obligations. Unlike traditional grants, capital can be redeployed over time, amplifying and extending the charitable impact.

Given the complexity of these structures, careful assessment of investment risk, governance arrangements, impact integrity, and regulatory compliance is recommended, as well as clarity on roles across philanthropic, public and commercial participants. This helps ensure that blended finance delivers intended outcomes, protects capital and maintains alignment with a family's purpose over the long-term.

What is emerging is not simply a new way to structure capital, but a more integrated and collaborative model of investment.

From its origins in a handful of foundation-led transactions, the market has matured into a broader ecosystem that brings together philanthropic, public and institutional capital, each contributing in ways aligned to their objectives. While this collaboration can be complex – requiring alignment of incentives, governance, time horizons and accountability – it is essential to achieving impact at scale.

> "For families, the implication is clear. The opportunity is not to choose between philanthropy and investment, or between impact and return, but to determine which form of capital is most appropriate for each objective, at each stage, within a disciplined governance framework."
>
> **SIMONE ROUSE**
>
> Partner, Portfolio Solutions and Responsible Investment

Blended finance in practice – case studies

Blended finance is already being applied across Australia and the APAC region. Examples below illustrate different ways catalytic capital can reduce early-stage risk or enhance returns for private investors, thereby mobilising private investment and extending the reach of philanthropic or public capital.

SOUTHEAST ASIA – DFAT

Australia's Department of Foreign Affairs and Trade (DFAT) uses blended finance to stretch the impact of traditional foreign aid by de-risking development projects. Every $1 of DFAT investible capital has, on average, successfully leveraged $3 in private sector finance.

These initiatives blend philanthropic and private capital to support areas such as SME finance, renewable energy, sustainable transport and geothermal power across Southeast Asia, where early-stage or market risks would otherwise deter private investors.

DFAT recently committed funding to support blended finance vehicle *Save the Children Asia Health Fund.*

WESTERN AUSTRALIA – RESTORATION & BIODIVERSITY

Transition Accelerator (an initiative of the Schwartz family office) worked with Carbon Neutral, Gondwana Link and the Wirlomin Noongar people to structure a blended finance solution for a carbon and biodiversity project, Wilyun Pools in southwest Western Australia.

An interest-free, recoverable loan syndicated across philanthropic foundations helped reduce early-stage risk and crowd in private capital from Wollemi Capital. The project supports carbon abatement, biodiversity restoration and Indigenous land stewardship.

Transition Accelerator is currently arranging blended finance rehabilitation initiatives in the Daintree Rainforest and Snowy Mountains regions.

EMERGING MARKETS – GENDER EQUALITY & CLIMATE ACTION

Impact Investment Exchange (IIX) launched the *Orange Climate Fund* (OCF), a proposed US$1 billion blended finance platform investing across the green and blue economy, with a focus on advancing gender equality and climate resilience in emerging markets.

The fund brings together catalytic philanthropic and commercial capital through IIX's Orange Movement platform to mobilise investment into climate solutions, women's economic empowerment and sustainable development – targeting commercial returns alongside measurable impact outcomes.

Blended finance is not a silver bullet, but it is an increasingly important tool within a broader ecosystem. Against this backdrop, Mutual Trust continues to engage in this area, further developing our understanding of how investment and philanthropy can work together to create greater impact.

Purpose of Wealth Podcast Episode 31: The Black Box and breaking the model for greater good

This episode of *Purpose of Wealth* explores the questions that matter most to enterprising families, from stewardship, succession and family dynamics to purpose, philanthropy and the responsible management of wealth across generations.

Host **Narelle Hooper** is joined by **Victoria Stoddard**, Director, Philanthropy at Mutual Trust, and **Alan Schwartz AO**, Chairman of Trawalla Group and founder of Transition Accelerator, for a compelling conversation on the evolving role of philanthropy and the purpose of wealth. Together, they explore why many of today's social and environmental challenges cannot be solved by traditional philanthropy or commercial investment alone, and how catalytic capital and blended finance are helping families unlock new pathways for impact.

Drawing on real-world examples, including biodiversity restoration, affordable housing and climate initiatives, Alan shares how families can use different forms of capital to help bring important projects to life. Victoria discusses the growing interest among families, particularly next-generation leaders, in aligning wealth, values and purpose, while exploring how all forms of capital, financial, social and human, can be mobilised in service of lasting change.

For families asking not only *"How much should we give?"* but also *"How can all of our resources contribute to the change we want to see?"*, this episode offers practical insights, fresh perspectives and an inspiring vision for the future of family philanthropy.

Scan or click here to listen

Whether you are considering how to align your investments more closely with your values, enhance the impact of your philanthropic giving, or explore innovative approaches such as catalytic capital and blended finance, the opportunity begins with a clear understanding of your purpose.

To learn more, please speak with your Mutual Trust advisor or contact us at:
communications@mutualtrust.com.au

Melbourne
Level 32
360 Collins Street
Melbourne VIC 3000
+61 3 9605 9500

Sydney
+61 2 9224 7600

Brisbane
+61 7 2115 1100

Adelaide
+61 8 7082 3900

Perth
+61 8 9230 7788

info@mutualtrust.com.au
mutualtrust.com.au