Morgan Stanley

INSTITUTE FOR SUSTAINABLE INVESTING

Impact Investing and Donor-Advised Funds

Introduction

Over $300 billion is now held in donor-advised funds (DAFs) across the United States, representing a significant and growing pool of mission-driven philanthropic capital. But many do not realize that these philanthropic assets could be supporting positive real-world outcomes today, as well as in future grantmaking.

The Morgan Stanley Institute for Sustainable Investing's Sustainable Signals survey shows that while 73% of U.S. individual investors include sustainable investments in their personal portfolios, just 27% use their philanthropic capital for impact investing. This represents both a missed opportunity for individuals, and an underutilized pool of capital that could complement other sources of funding for mission-driven early-stage companies.

Morgan Stanley Global Impact Funding Trust, Inc. (MS GIFT) has sponsored the firm's donor-advised fund program since 2002. MS GIFT and the Investing with Impact team within Wealth Management have worked together over many years to develop several tools and products to support clients wishing to consider how all their pools of capital – financial, philanthropic and human – can be aligned with their overall mission. As of 2026, Morgan Stanley will support the Morgan Stanley Inclusive & Sustainable Ventures (MSISV) accelerator program via a donation to MS GIFT, creating a new pathway to deploy mission-aligned equity investments in early-stage companies and provide grants to nonprofits that are creating measurable impact.

SUMMARY

27%

of respondents use their philanthropic capital for impact investing today, highlighting a missed opportunity

CONTACT US

For any questions related to the report, please reach out to the Institute for Sustainable Investing team at **globalsustainability@morganstanley.com.**

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Key Takeaways for Individual Investors

1 DAFs can accommodate the full spectrum of mission-driven capital allocation, from sustainable mutual funds, running through private market impact investments, to below market-rate structures and charitable giving.

2 Many individual investors already include sustainable investments in their personal portfolio (73% of U.S. Sustainable Signals respondents). But just 27% are using philanthropic assets for impact investing, potentially missing the opportunity to align all their capital – financial, philanthropic and human – with their mission.

3 89% of our survey respondents who use philanthropic capital for impact investing today agree that it is a way to provide initial funding as a catalyst for an idea to scale over time.

Key Takeaways for Founders of Impact-Driven Startups

4 DAF capital comes from donors who are mission-driven, according to our survey respondents: more than three-quarters of those who already understand using philanthropic assets for impact investing say they want to support similar outcomes across their investments and philanthropic activity, and nearly two-thirds of MS GIFT donor giving in 2025 went to causes aligned with MSISV's impact categories.

5 While around a quarter of DAF assets are distributed to charities each year, the remaining asset pool can be invested to help grow resources for future grantmaking. For donors with longer grantmaking timelines, or those recommending impact investments for a portion of their DAF, this creates potential to support longer-term investments that may ultimately return greater value to charities over time.

6 Over time, founders may wish to explore making DAF contributions themselves. Many DAF providers accept donations of appreciated public or private company equity, offering founders a tax-advantaged way to continue their mission after an exit.

Connecting Impact Across Pools of Capital

MANY INVESTORS DO NOT REALIZE THAT THEY CAN USE PHILANTHROPIC ASSETS FOR IMPACT INVESTING

In the Institute for Sustainable Investing's April 2026 Sustainable Signals: Individual Investors survey[1], almost three-quarters of U.S. respondents include sustainable investments in their personal portfolio. But awareness around the potential to connect this to philanthropic efforts is much lower: Just 27% of the same group of survey respondents use philanthropic assets for impact investing today, and the same proportion have not heard of a DAF at all. More than 40% say they have little or no knowledge about the potential to combine philanthropy and impact investing.

OPPORTUNITIES TO SUPPORT POSITIVE REAL-WORLD OUTCOMES EXIST ACROSS THE FULL SPECTRUM OF MISSION-DRIVEN CAPITAL ALLOCATION

For many social and environmental themes, there may be multiple ways to support positive real-world outcomes. Investors interested in expanding access to clean water in emerging markets, for example, could further their mission by investing in public companies developing water purification technology, providing a below market-rate loan to a startup building water-related infrastructure, and making a grant to a charity delivering services on the ground. They could also draw on their human capital by offering their expertise or connections. The key challenge outside of public markets is sourcing: Identifying, screening and conducting due diligence on private companies, particularly if they are early stage, requires specialist expertise and dedicated infrastructure. Targeted opportunities for mission-driven investments at below market-rate returns and donations can also be challenging to source and structure.

FIGURE 1

Sustainable investing is widely understood; the potential to use philanthropic assets for impact investing is not

73%	include sustainable investments in their personal portfolio
27%	use philanthropic assets for impact investing today
27%	have not heard of a DAF
43%	have little or no knowledge about impact investing with philanthropic assets

Source: Institute for Sustainable Investing, April 2026.

FIGURE 2

Spectrum of approaches to mission-driven capital allocation

	Sustainable Investing			Impact investing		Philanthropy
Expected financial return	Market-rate returns alongside positive social and environmental impact				Mission-driven, concessionary returns	None
Approach	Restriction Screening	ESG Integration	Thematic Solutions	Impact Investing	Below Market-rate Structures	Charitable Giving
Source	Public markets	Public markets	Public markets Private markets	Public markets Private markets	Private markets CDFIs	Charities Nonprofits
Availability	Readily available			Harder to source		
Assets	Over $4 trillion in mutual fund AUM[2]			$1.6 trillion in AUM, of which $1 trillion in private markets[3]		Over $300bn in DAFs[4], plus direct giving

[1] Sustainable Signals: Individual Investors 2026 | Morgan Stanley

[2] Global Sustainable Fund Performance: 2H 2025 | Morgan Stanley

[3] $1.6 trillion from Sizing the Impact Investing Market 2024 — The GIIN, October 2024. $1 trillion from 2025 Impact Investing Update PitchBook.

[4] Heist, H. D., Vance-McMullen, D., Williams, J., Shaker, G. G., & Sumsion, R. M. (2025). The annual DAF report 2025. Donor-Advised Fund Research Collaborative. https://doi.org/10.4087/XUGU3656

Three Key Messages from Donors About Impact Investing

Within the Sustainable Signals: Individual Investors U.S. respondent pool[5], 57% (321 respondents) are familiar with the idea of using philanthropic assets for impact investing, and 27% (152 respondents) say they do this today. Three key messages emerge:

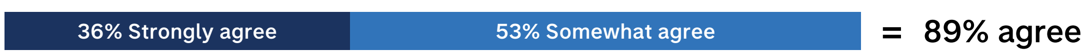
1 The potential for initial funding to scale to larger impact is important.

Almost 90% agree that using philanthropic assets is a way to provide initial funding to an idea that could scale to larger impact.

FIGURE 3

Impact investing using philanthropic assets can provide initial funding to an idea that could scale to larger impact

Those familiar with impact investing using philanthropic assets, U.S. total (n=321)



Source: Institute for Sustainable Investing, April 2026

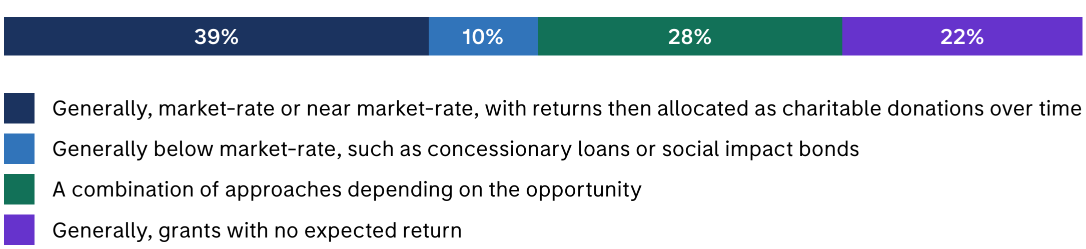
2 Expectations about financial returns vary.

The most common approach is to seek market-rate returns for impact investments (39%), but one-fifth take the opposite view and generally recommend grants with no expected return. A smaller group (10%) consider below market-rate instruments such as concessionary loans, while 28% are open to a range of approaches depending on the opportunity.

FIGURE 4

When allocating philanthropic assets to impact investments, what are your expectations for returns?

Those who currently use philanthropic assets for impact investing, U.S. total (n=153)



Source: Institute for Sustainable Investing, April 2026

[5] 2,250 individual investors with >$100,000 in non-retirement investment accounts, of which 564 are based in the U.S. Sustainable Signals: Individual Investors 2026 | Morgan Stanley

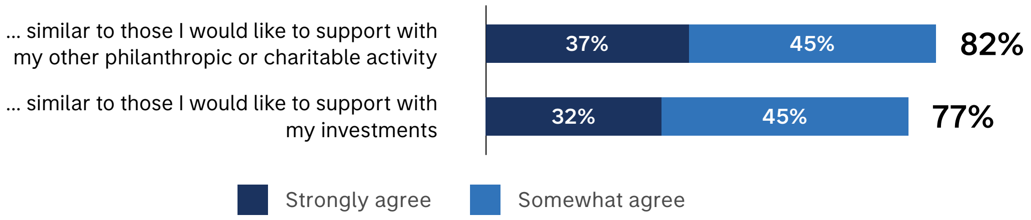
3 The same real-world outcomes matter, regardless of the type of capital.

More than three-quarters say that they want to support similar outcomes with both investing and philanthropic activity. Some of the seven thematic areas included in the survey are more likely to be seen as primarily investment themes than others, but some groups see potential for each approach in every area.

FIGURE 5

The real-world outcomes I would like to support when impact investing using philanthropic assets are...

Those familiar with impact investing using philanthropic assets, U.S. total (n=321)

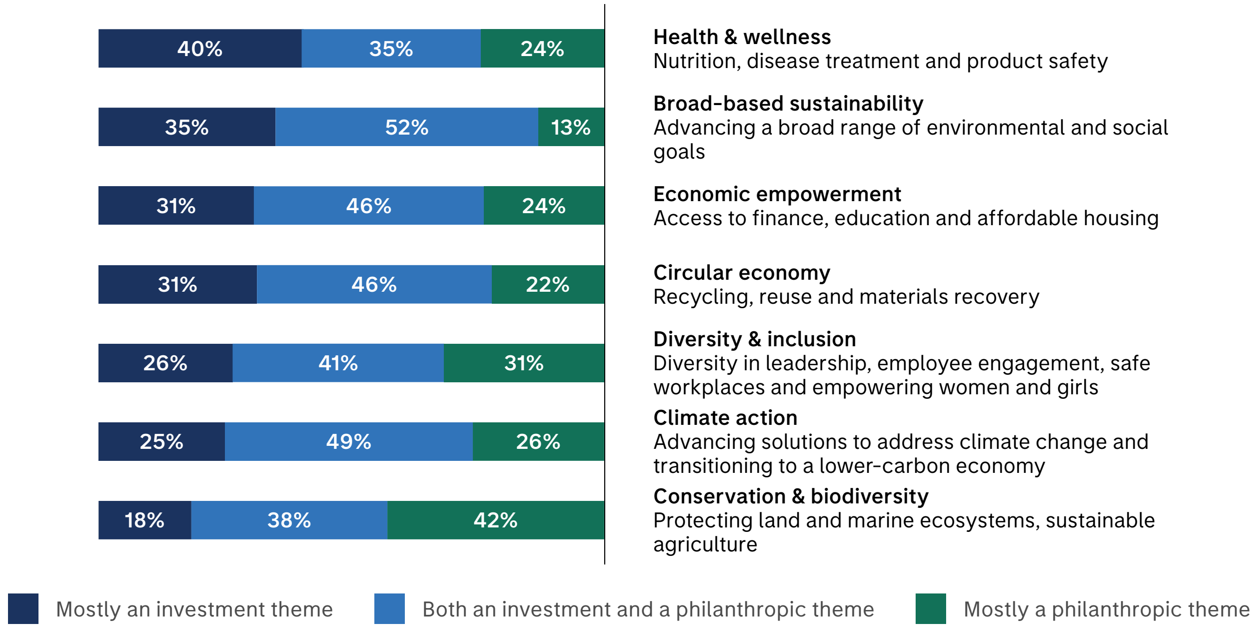


Source: Institute for Sustainable Investing, April 2026

FIGURE 6

How do you think about each of these themes as investments compared to philanthropic goals?

Those familiar with impact investing using philanthropic assets, U.S. total (n=153)



Source: Institute for Sustainable Investing, April 2026

The Practicalities of Impact Investing in Donor-Advised Funds

HOW A DONOR-ADVISED FUND WORKS

A donor-advised fund (DAF) is a charitable giving vehicle, structured to manage charitable donations on behalf of individuals, families and organizations. The donor makes contributions to a DAF which are then invested in line with their preferences, and have the potential to grow tax-free. The original capital and any investment returns remain within the DAF, providing capital for the donor to then recommend grants to charities over many years. Sponsoring organizations can be financial institutions, such as Morgan Stanley for MS GIFT; national charities, such as the National Philanthropic Trust; or community foundations focused on one geographical area or single-issue charities.

FIGURE 7

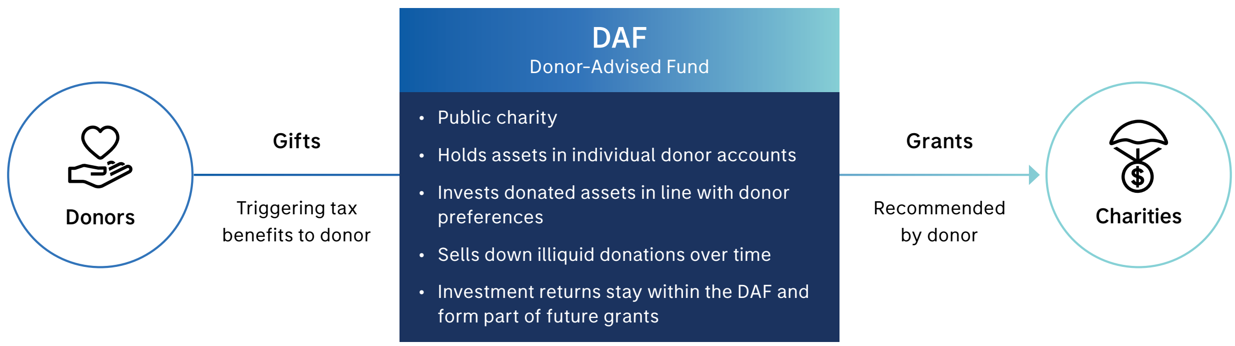
How a Donor-Advised Fund works

Donor-Advised Funds have been operating in the U.S. since the 1930s[6], although much of the growth in assets has come in the past 20 years. A DAF is a charitable giving vehicle administered by a sponsoring organization to manage charitable donations on behalf of individuals, families and organizations.

Donations are irrevocable, and donors receive the tax benefit at the time of contribution. Donors can contribute cash, other liquid assets such as mutual fund holdings, and in some cases more illiquid assets such as real estate or private company equity.

Contributions to a DAF are held in individual accounts invested in line with donor preferences. These investments have the potential to grow tax-free until the donor recommends charities to support. Any investment returns remain within the DAF and form part of future charitable donations.

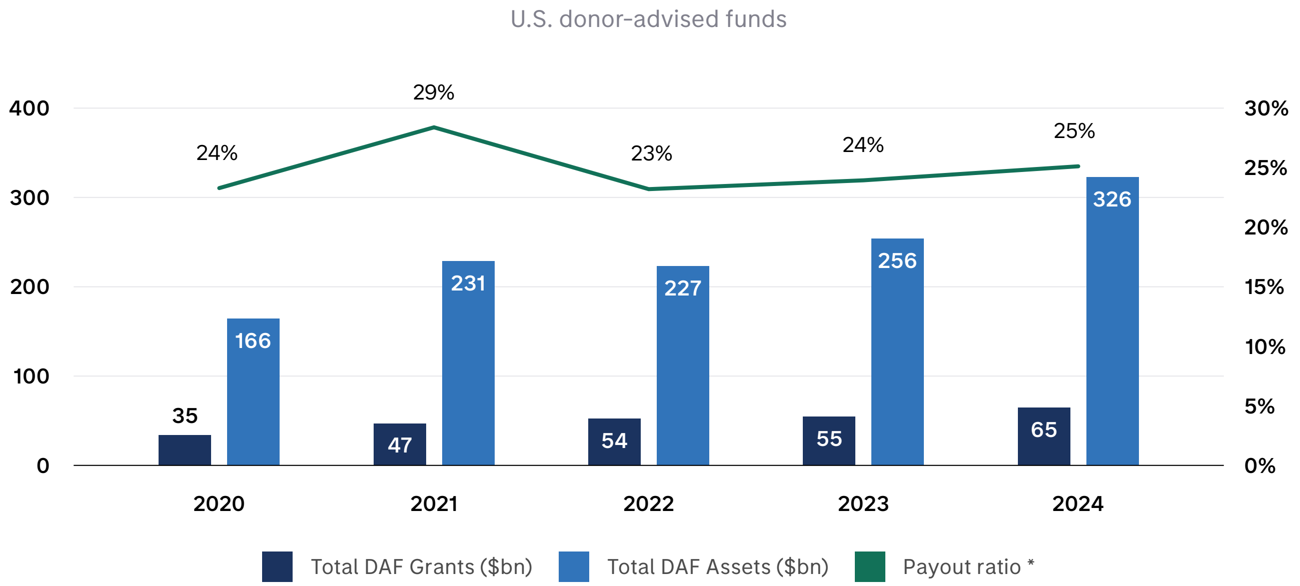
Donors retain advisory privileges over how money in their DAF account should be granted to charities. There is no mandated payout ratio, unlike for foundations, although in practice many DAFs pay out grants at a higher rate than the 5% that foundations require.



[6] Other countries, notably the U.K., also have the DAF structure but the U.S. is the largest asset pool. This report focuses on the U.S. market.

Assets held in U.S. DAFs doubled between 2020 and 2024, reaching $326 billion. Around 25% of DAF assets are distributed to charities as grants each year, reaching $65 billion in 2024, and representing around 10% of total charitable giving in the U.S.. The U.S. is the largest asset pool for DAFs, and is the focus of this report. However, the structure exists in other countries, notably the U.K., and both investments and grants based in other locations can be recommended.

FIGURE 8



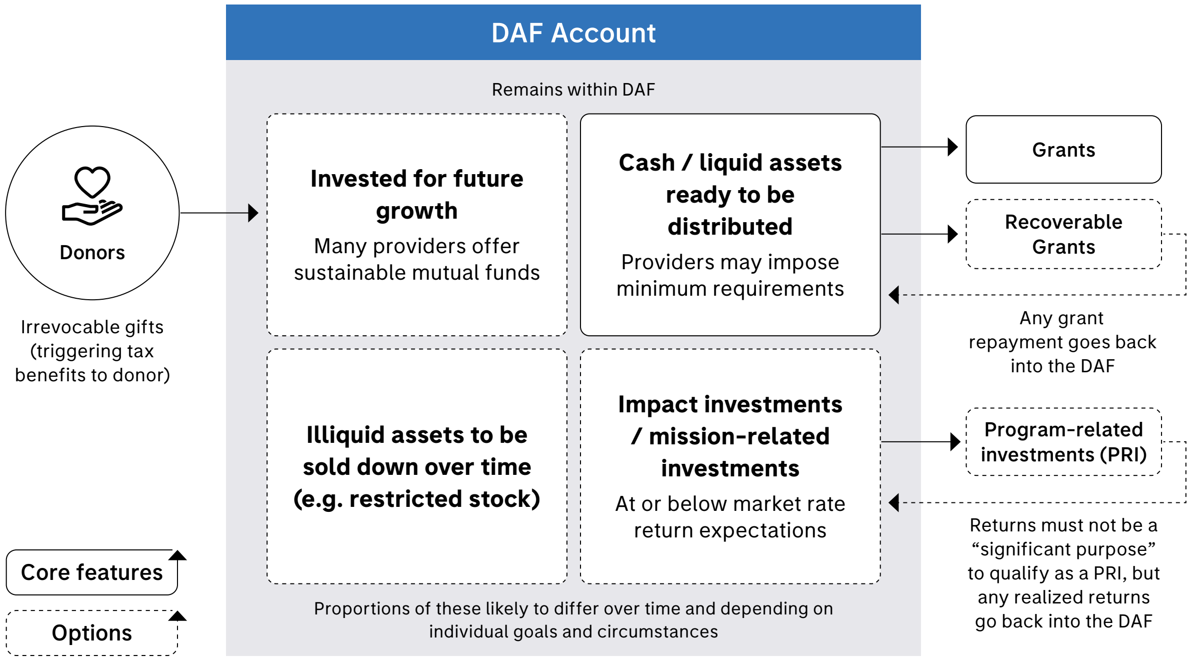
Source: Donor-Advised Fund Research Collaborative. 2024 figures are the most recent available. See footnote 4 on p. 4 for full citation.
* Grants as a % of prior year-end assets; some sources use different definitions.

HOW IMPACT INVESTMENTS FIT INTO THE DAF STRUCTURE

Over time, the DAF structure has evolved to accommodate the full spectrum of mission-driven capital allocation, from market-rate return investments across both public and private markets to below market-rate structures, as well as philanthropic options like recoverable grants. Decisions around the appropriate levels of allocation to each option – as well as risk and return expectations – are likely to be highly individual, driven by factors including the expected grantmaking timeline, thematic interests and the types of assets that have been donated. In all cases, any return realized goes back into the DAF account to be used for grantmaking.

FIGURE 9

Impact Investing Within the DAF Structure



Public market sustainable investments	More liquid public market investments may be most suitable where donors want to focus on growing assets for future grantmaking but retain the ability to sell down as needed for distributions. Recommending sustainable investment options can help donors to align this portion of their philanthropic capital with their preferences.
Private market impact investments	Compared to mutual funds, many private market impact investments offer greater potential to drive positive real-world outcomes, although with more restrictions on liquidity given longer investment horizons. DAFs can act as Limited Partners (LPs) in private market funds or invest directly, where DAF providers can support due diligence requirements. Impact investments may be most suited to donors with longer grantmaking time horizons, and/or a minority element of the portfolio.
Below market-rate structures	Social impact bonds or below market-rate loans can function as mission-related investments where some return is expected, but at a reduced rate where the outcome is strongly aligned with mission.
Philanthropic approaches	Recoverable grants[7] and Program-related investments (PRIs[8]) allow for a philanthropic approach, but with potential to recycle capital for future use.

[7] Recoverable Grants are a philanthropic tool that offer donors the potential to recover granted capital if the recipient charity meets a predetermined success scenario. Any funds recovered to your donor-advised fund can then be used for future grantmaking.

[8] A loan or other investment made to a for-profit or nonprofit organization, where money is expected to deliver limited or concessionary returns. This return can then be recycled to provide additional funds for loans or investments to other organizations.

Impact Investing and Donor-Advised Funds at Morgan Stanley

In 2002, Morgan Stanley Global Impact Funding Trust, Inc. (MS GIFT) was established as the sponsor of our donor-advised fund program. MS GIFT DAF clients can select a wide range of investment options for their donations. These include a suite of investment options made available by Morgan Stanley's Investing with Impact platform which was launched in 2012. Over time, both MS GIFT and Investing with Impact have continued to innovate to help individual investors align their capital allocation with their own unique missions.

"One of the most exciting opportunities we've created for donors is the ability to magnify the impact of their donor-advised fund investments and grantmaking while extending the reach and effectiveness of every philanthropic dollar. Collaborative initiatives like MS GIFT Cures, the Next Gen Dynastic Cohort, and our recoverable grants program transform DAFs into platforms for collaborative innovation and catalytic philanthropy."

MELANIE SCHNOLL BEGUN
President, Morgan Stanley GIFT. Managing Director,
Head of Family Office Resources Field Engagement

"Enabling access to impact investing for donors means addressing two challenges: identifying the opportunities that best deliver on donors' goals and amplifying the impact donors are having with their dollars. Aligning individuals' and families' missions across financial, philanthropic and human capital can secure legacies for the long term."

EMILY THOMAS
Executive Director, Head of Investing with Impact,
Morgan Stanley Wealth Management

Key:

- Sustainable investing
- Impact investing
- Philanthropy

2002 | 2009 | 2012 | 2015 | 2017 | 2018 | 2019 | 2021 | 2026

2002

MS GIFT FOUNDED

2009

GLOBAL SUSTAINABILITY OFFICE FOUNDED

2012

INVESTING WITH IMPACT FOUNDED

2015

First faith-based investing primer

Conceptual frameworks and practical guidance for individual investors wishing to manage their investments in line with the teachings of their faith

2017

INCLUSIVE & SUSTAINABLE VENTURES FOUNDED[9]

2018

Mission Align 360˚

Structured process to help clients evaluate, align and activate the full spectrum of their capital - financial, philanthropic and human - toward achieving their unique mission

2019

MSIQ®

Comprehensive framework to identify and prioritize over 100 social and environmental impact preferences across more than 500 third party investments

MS GIFT Cures

Donor collaborative in partnership with Harrington Discovery Institute seeking to advance promising medical discoveries into clinical trials

2021

Recoverable Grants

Often used to bridge temporary funding needs for nonprofits. Via partner CapShift, MS GIFT has facilitated $6.6m in recoverable grants since launch

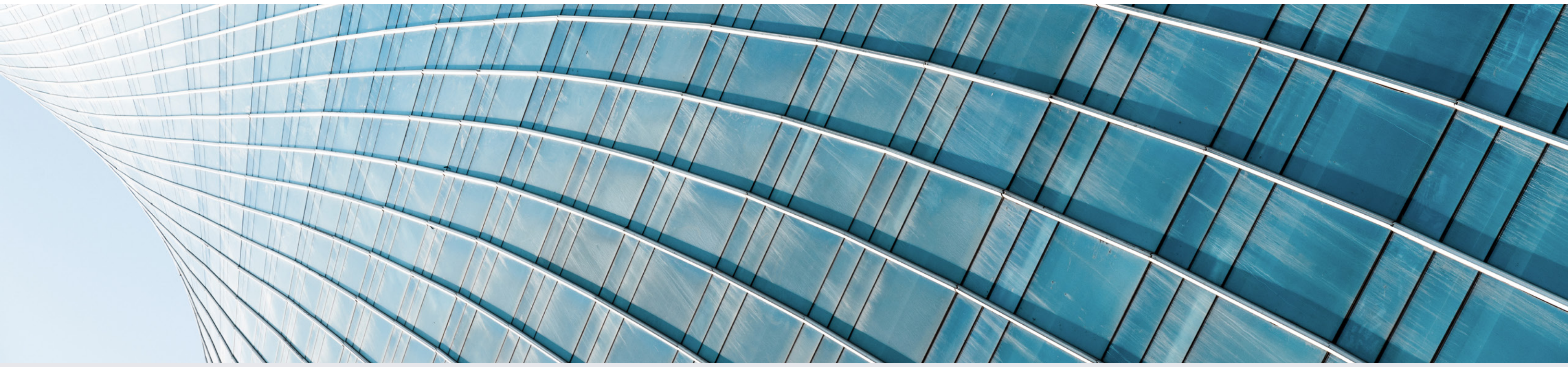
2026

Impact-first assessment

Framework for investors seeking to deepen their impact via private market solutions that aim to direct capital to areas underserved by traditional impact financing

MS GIFT and Inclusive & Sustainable Ventures work together

Directing mission-oriented investments and grants to inclusive and sustainable opportunities



[9] ISV now incorporates the Sustainable Solutions Collaborative

Looking Ahead: MS GIFT and Inclusive & Sustainable Ventures Work Together

At Morgan Stanley, our Inclusive & Sustainable Ventures (MSISV) accelerator program supports early-stage startups and nonprofits with access to capital, strategic resources and firmwide expertise to help scale impact. MSISV's mission is to catalyze innovation and impact by aligning its grants and investments across four Impact Categories: Environment, Health & Wellbeing, Economic Empowerment and Education & Human Capital that together can help to build a more inclusive and sustainable future.

As of 2026, MSISV and MS GIFT are working together to direct mission-oriented investments and grants via a donation from Morgan Stanley. MSISV continues to source and select investment opportunities and grant targets, manage portfolio investments and facilitate the annual accelerator program.

160+
startups and organizations supported

~65%
of MS GIFT donor giving in 2025 went to causes aligned with MSISV's impact categories

9 years
serving founders, startups and organizations

18,000+
applications since inception

"Early-stage ventures solving complex social and environmental challenges often need patient capital to scale. Donor-advised funds represent one of the largest pools of mission-driven capital, and when deployed thoughtfully, they can be an important complement to other sources of funding for founders focused on delivering measurable impact."

LATOYA WILSON
Managing Director, Global Co-Head,
Morgan Stanley Inclusive & Sustainable Ventures

MSISV's Impact Categories

ENVIRONMENT

Accelerating solutions across climate tech, circular economy, sustainable food and agriculture, smart and sustainable cities, climate adaptation and impact measurement

HEALTH & WELLBEING

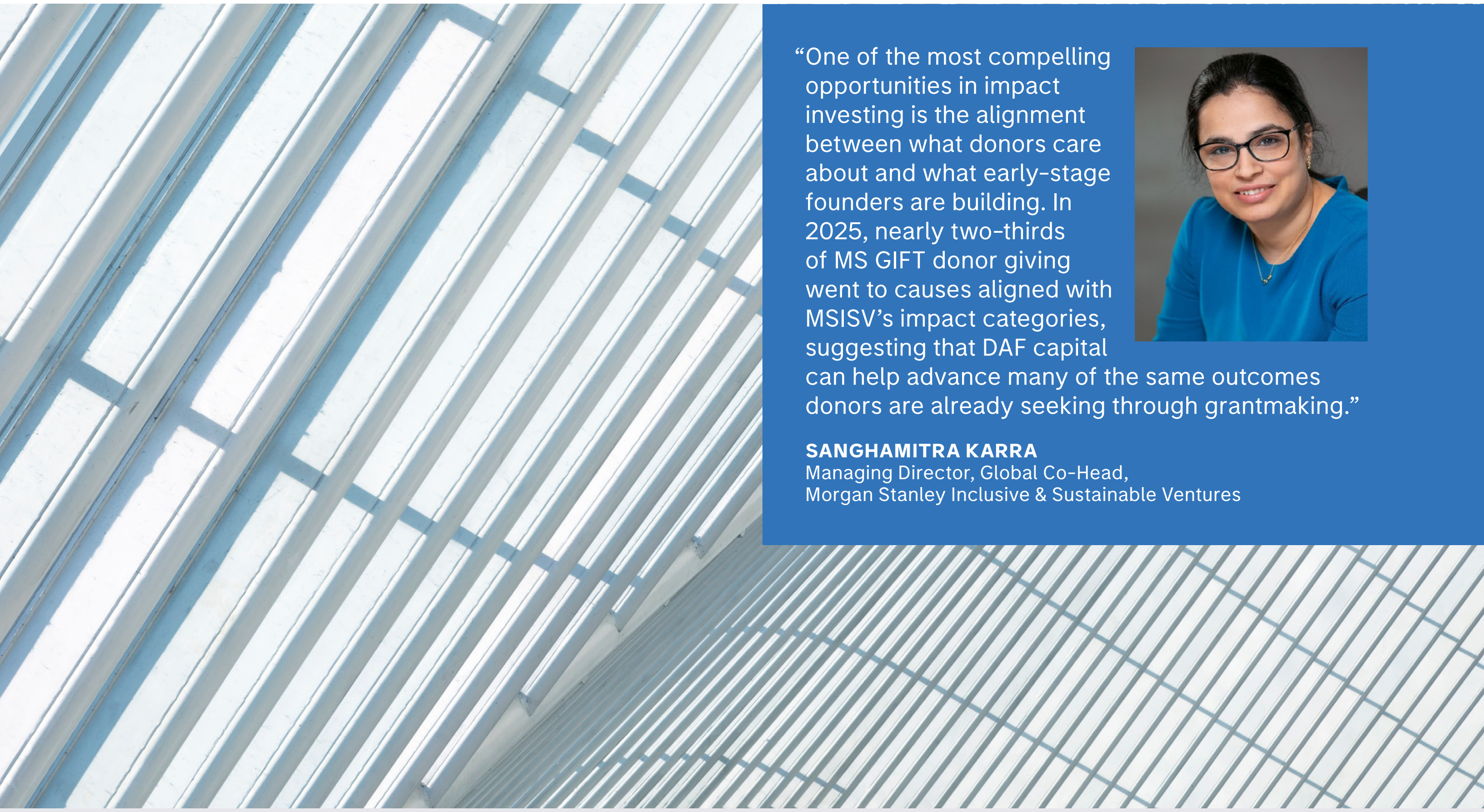
Expanding access to care while scaling and strengthening health infrastructure to deliver demonstrable outcomes

ECONOMIC EMPOWERMENT

Unlocking inclusive growth through access to capital, financial inclusion, affordable housing and community wealth-building

EDUCATION & HUMAN CAPITAL

Advancing lifelong learning and the future of work by scaling edtech, digital equity, workforce development and responsible labor practices



"One of the most compelling opportunities in impact investing is the alignment between what donors care about and what early-stage founders are building. In 2025, nearly two-thirds of MS GIFT donor giving went to causes aligned with MSISV's impact categories, suggesting that DAF capital can help advance many of the same outcomes donors are already seeking through grantmaking."

SANGHAMITRA KARRA
Managing Director, Global Co-Head,
Morgan Stanley Inclusive & Sustainable Ventures

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ESG investments may also be referred to as Sustainable investments, impact aware investments, socially responsible investments or diversity, equity, and inclusion (“DEI”) investments. It is important to understand there are inconsistent ESG definitions and criteria within the industry, as well as multiple ESG ratings providers that provide ESG ratings of the same subject companies and/or securities that vary among the providers. This is due to a current lack of consistent global reporting and auditing standards as well as differences in definitions, methodologies, processes, data sources and subjectivity among ESG rating providers when determining a rating. Certain issuers of investments including, but not limited to, separately managed accounts (SMAs), mutual funds and exchange traded-funds (ETFs) may have differing and inconsistent views concerning ESG criteria where the ESG claims made in offering documents or other literature may overstate ESG impact. Further, socially responsible norms vary by region, and an issuer’s ESG practices or Morgan Stanley’s assessment of an issuer’s ESG practices can change over time.

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Investment managers can have different approaches to ESG and can offer strategies that differ from the strategies offered by other investment managers with respect to the same theme or topic. Additionally, when evaluating investments, an investment manager is dependent upon information and data that may be incomplete, inaccurate or unavailable, which could cause the manager to incorrectly assess an investment’s ESG characteristics or performance. Such data or information may be obtained through voluntary or third-party reporting. Morgan Stanley does not verify that such information and data is accurate and makes no representation or warranty as to its accuracy, timeliness, or completeness when evaluating an issuer. This can cause Morgan Stanley to incorrectly assess an issuer’s business practices with respect to its ESG practices. As a result, it is difficult to compare ESG investment products.

The appropriateness of a particular ESG investment or strategy will depend on an investor’s individual circumstances and objectives. Principal value and return of an investment will fluctuate with changes in market conditions.

An investment in an exchange-traded fund involves risks similar to those of investing in a broadly based portfolio of equity securities traded on exchange in the relevant securities market, such as market fluctuations caused by such factors as economic and political developments, changes in interest rates and perceived trends in stock prices. The investment return and principal value of ETF investments will fluctuate, so that an investor's ETF shares, if or when sold, may be worth more or less than the original cost.

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