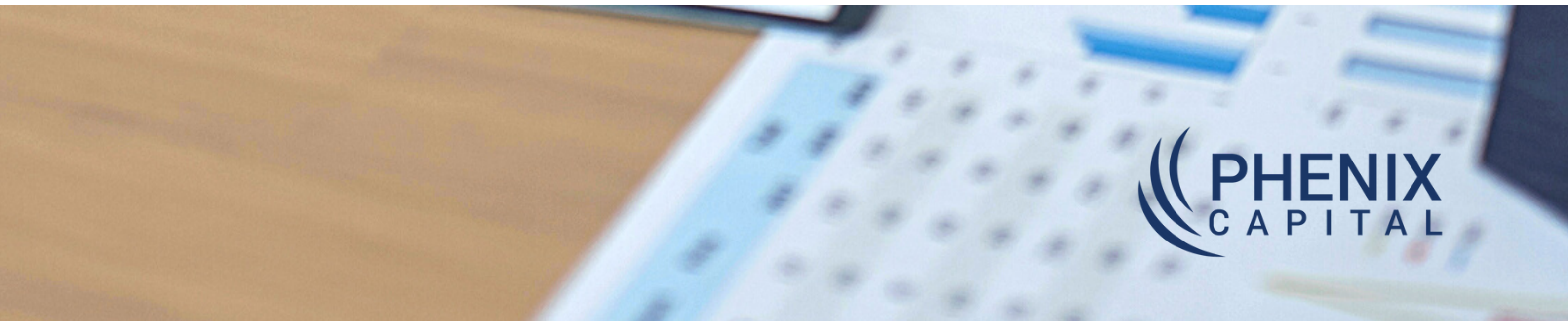
IMPACT REPORT

May 2022

PRIVATE DEBT FUNDS AT A GLANCE



PHENIX CAPITAL

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If you are a fund investor

and would like to have a live demo of the Phenix Capital Impact Database, please visit www.phenixcapitalgroup.com/impact-database and register your interest.

If you are an impact fund manager

and would like to be considered for listing on the Phenix Capital Impact Database please email sales@phenixcapitalgroup.com. Listing is free of charge.

ABOUT PHENIX CAPITAL

CATALYSING INSTITUTIONAL CAPITAL TOWARDS THE SDGS

Phenix Capital Group is an impact investment consultant that enables institutional investors to make impact investments.

We assist asset owners and asset managers in aligning their investments with their values, financial objectives, and the Sustainable Development Goals.

www.phenixcapitalgroup.com

Signatory of:

Our Vision

We envision a world in which institutional capital helps to end poverty, protect the planet and ensure prosperity for all

Our Mission

Our mission is to enable and catalyse institutional investments that realise financial, social and environmental returns

What we do

To achieve our mission, we enable institutional investors to allocate capital to impact investments through our Events & Webinars, Impact Database, Impact Fund Assessment and Placement Services

ABOUT IMPACT DATABASE

Phenix Capital’s mission is to enable the allocation of capital from institutional investors towards social and environmental solutions while supporting the 2030 Sustainable Development Goals (SDGs). With the Impact Database, Phenix Capital aims to provide investors with access to and intelligence on the impact fund market opportunities available to them.

Three main variables have been central to construct, monitor and update the database: **funds considered have an impact proposition, institutional scale, and target market-rate returns.**

Impact Investing goes beyond negative screening and using Environmental, Social and Governance (ESG) integration to reduce harm or avoid risks, to generating intentional positive impact. Phenix Capital defines impact investing as **investing with the dual mandate of financial return and positive societal or environmental impacts**, with the notion of measuring the positive and negative impact of investments, ensuring both **intentionality and additionality** among these.

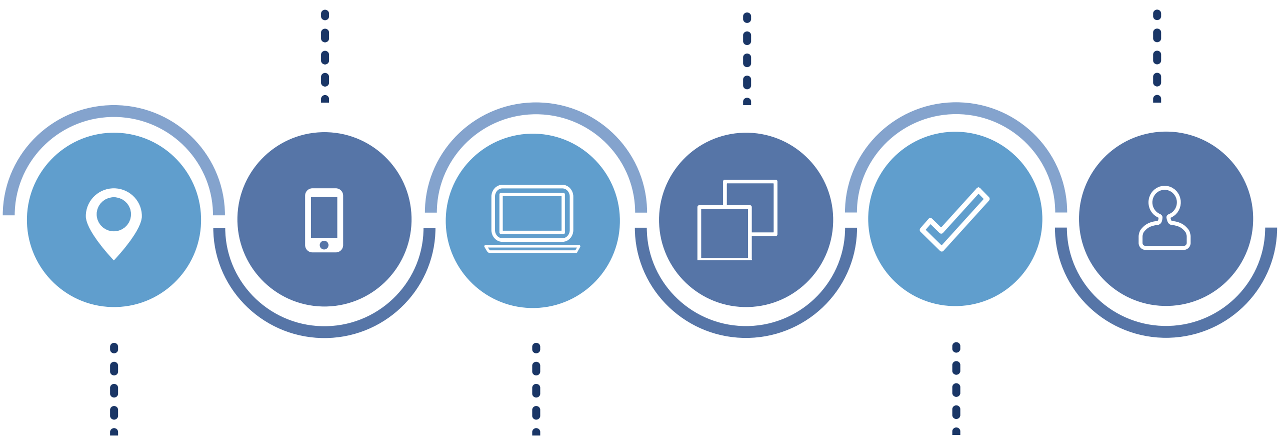
Phenix Capital’s Impact Database features funds that align with this definition through their creation of solutions for global social and environmental issues, whilst prioritising financial returns. This category of impact investments can be referred to as **financial-first impact investments**.

FUND SOURCING PROCESS

Introductory call with Fund Managers

Our Team analyses, objectifies and peer reviews the data shared

Users get notified and can act on the information published



Our Team sources & screens global impact Fund Managers across all asset classes

Fund Managers share data via a standardized data request form

Fund is published on the Database (no cost for Fund Managers)

INTRODUCTION & KEY TAKEAWAYS

PRIVATE DEBT FUNDS AT A GLANCE

This report aims to provide information about Private Debt Impact Funds. It combines top-down data from the Phenix Impact Database and interviews with relevant industry players.

In this report, private debt is defined as the investment of debt instruments to companies, that can range in size and scale and be implemented in different forms such as via direct lending, mezzanine, and or microcredit.

In addition, Phenix Capital Group has encompassed new data sets covering a series of impact themes that now link solutions-based investment themes to the Sustainable Development Goals (SDGs).

In the interview section, Symbiotics, a pure impact fund manager, shares its impact investment strategy rationale and how they work within different emerging countries. Moreover, Privium Fund Management shares its new private debt strategy and what it entails. Finally, Community Investment Management shares their impact mandate rationale across the globe and engagement strategy.

Some essential numbers in this report:

- Of the 2,050+ funds listed on Impact Database, **319 are private debt funds,** and **€43 billion** has been committed towards private debt funds since 2015.
- Historically, private debt funds have targeted more **emerging markets** (68.87%) than developed markets (25.79%) and global markets (5.35%).
- Historically, private debt is the **fourth** most targeted asset class by impact fund managers listed in the database, whereas when looking at currently fundraising impact funds it is in **third** place.
- Historically, **Financial Inclusion is the leading impact theme** with more historical capital commitments (around €20 billion in historical capital commitments).
- Currently, Financial Inclusion remains in the lead followed by Sustainable Agriculture and Farming, Transition to Renewable Energy and Gender Lens.
- Historically, and currently, **SDG 1 (No Poverty) is the most targeted** by private debt funds (around €22 billion in historical capital commitments). Currently, it is followed by **SDG 7 (Affordable and Clean Energy)** and **SDG 2 (Zero Hunger).**

We wish readers to make good use of this data!

PRIVATE DEBT FUNDS

ASSET CLASS OVERVIEW

319

Private Debt funds listed on Impact Database (total: 2,050+)

181

Private Debt asset managers listed on Impact Database (total 800+)

130

Private Debt asset managers currently fundraising

€43 billion

Total Capital Committed to Private Debt impact funds on Impact Database

179

Private Debt **funds currently fundraising**

€32 billion

Target size of all Private Debt impact funds currently fundraising

38

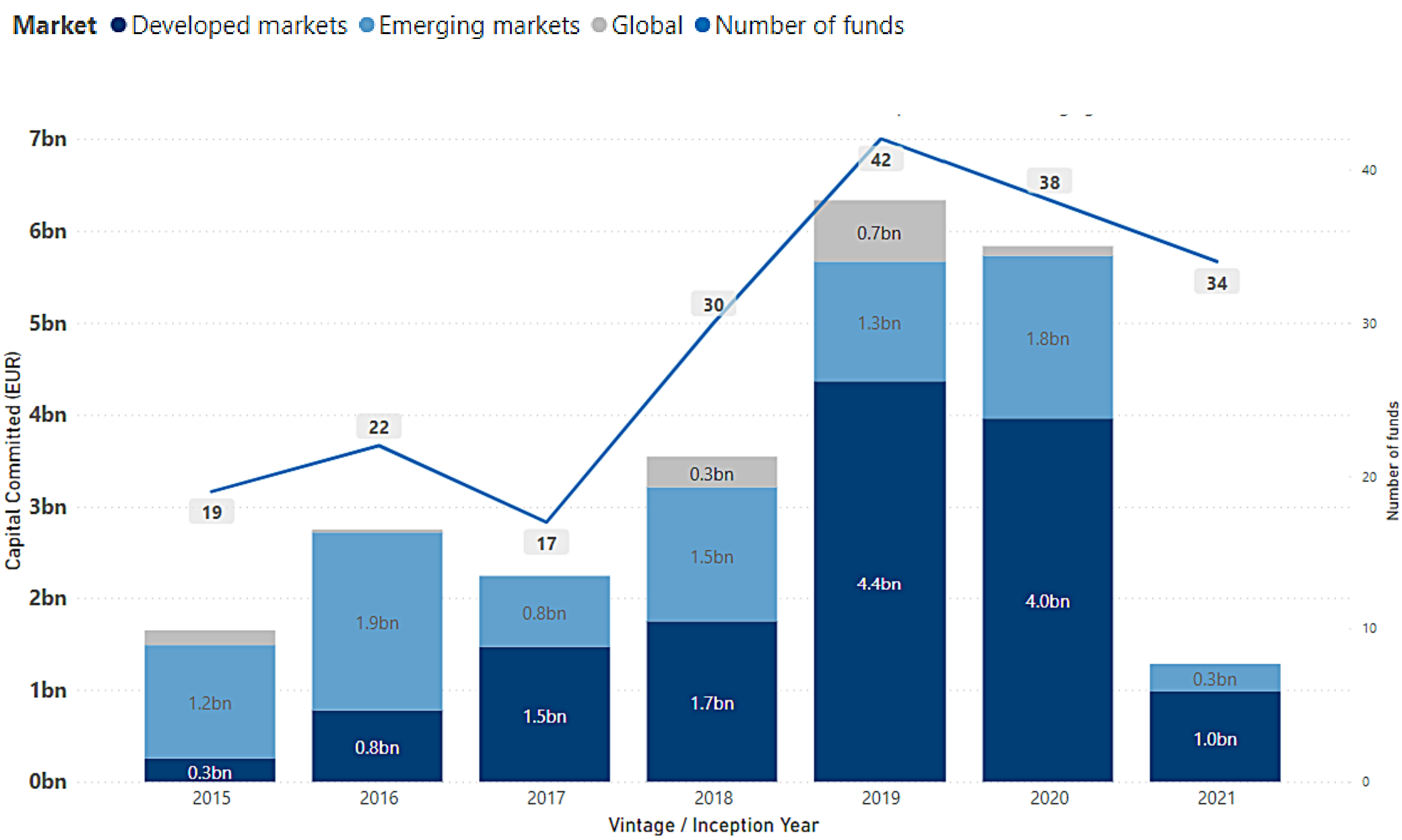
Private Debt impact funds launched in 2020

34

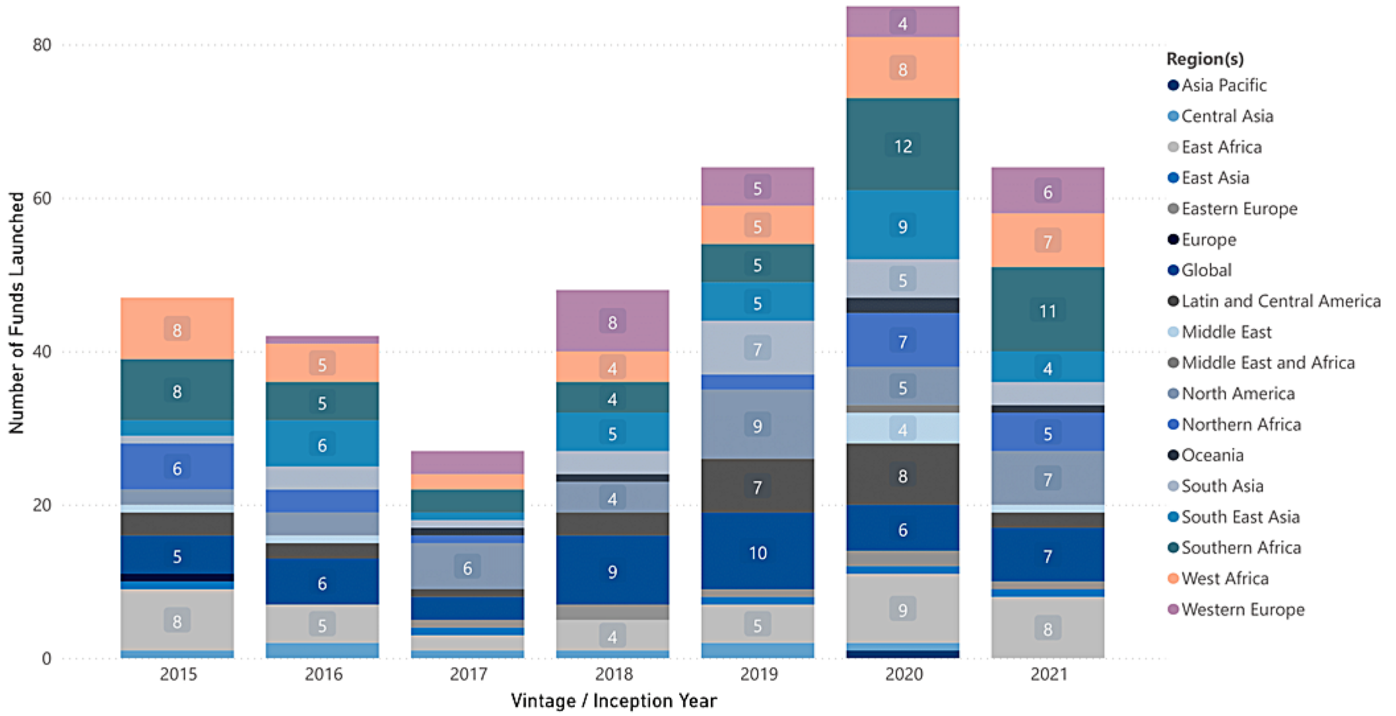
Private Debt impact funds launched in 2021

Private Debt impact funds - the evolution of commitments

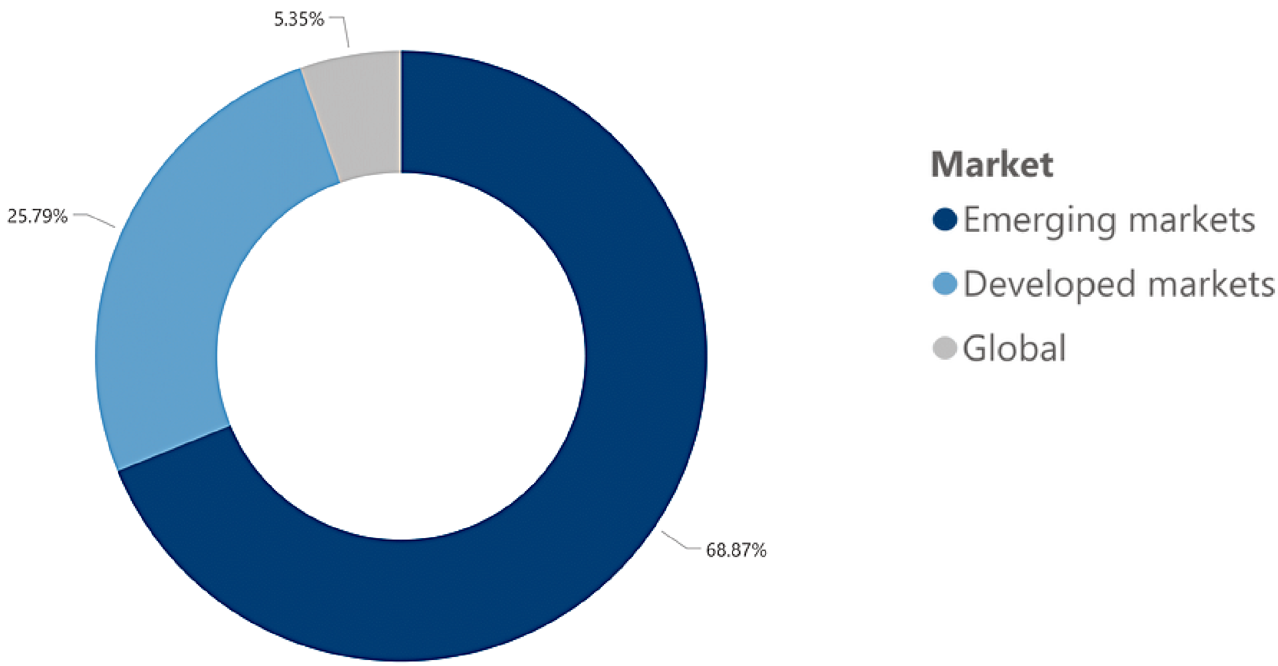
by market type and vintage/inception year



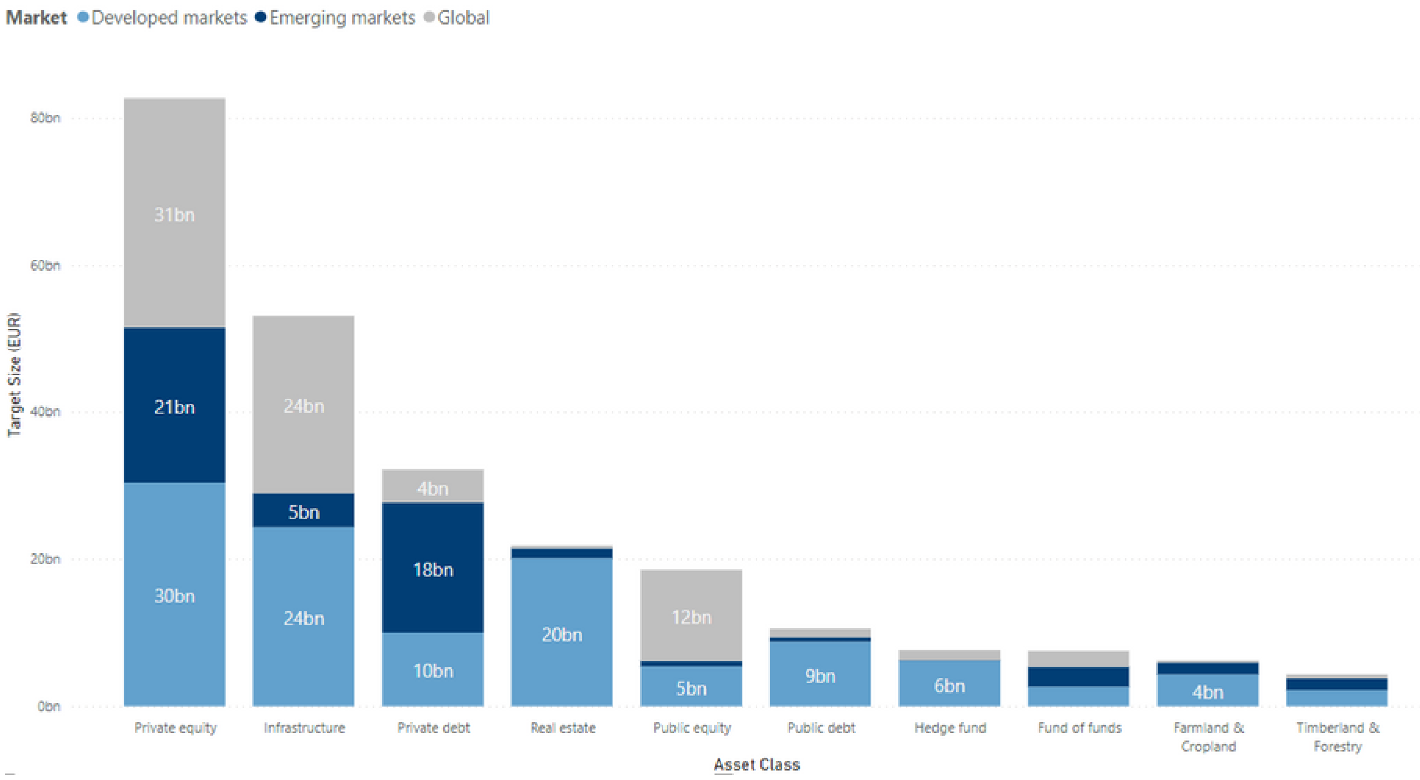
Private Debt impact funds - evolution
by region and vintage/inception year



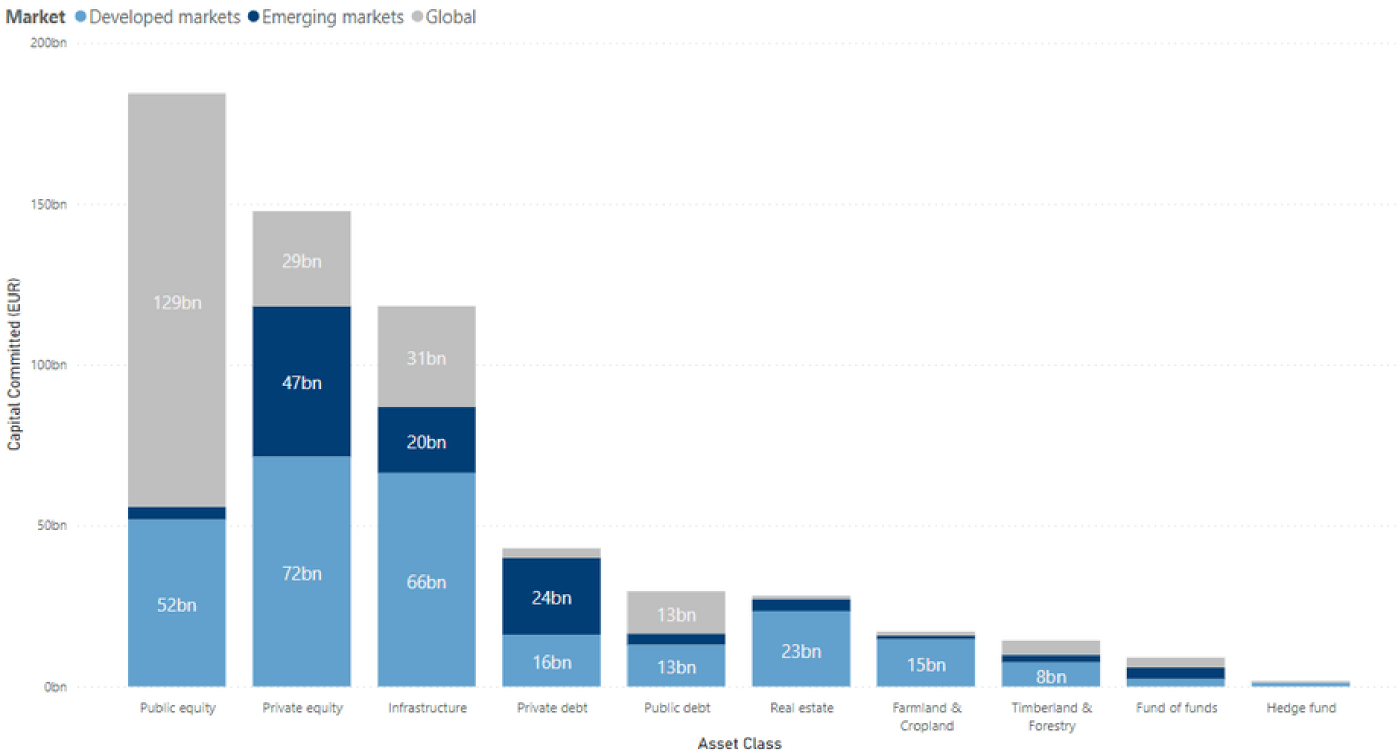
Private Debt impact funds
by market targeted



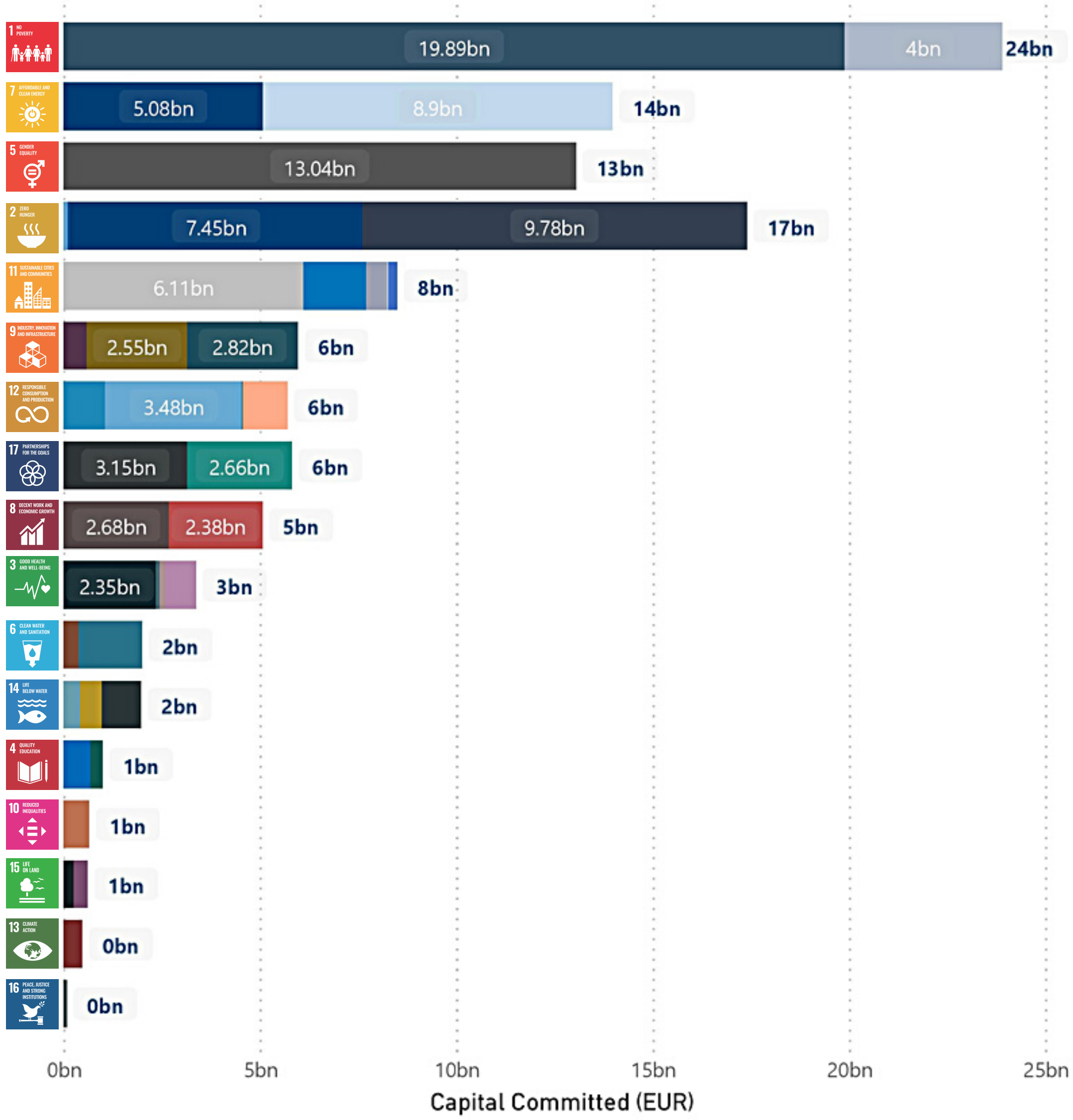
Private Debt impact funds currently fundraising by asset class, compared to the rest of the impact universe



Private Debt impact funds - capital commitments by asset class, compared to the rest of the impact universe



Realised capital commitments toward Private Debt impact funds by SDGs and Impact themes Targeted



- Financial inclusion
- Poverty reduction

- (Clean) Energy access scarcity
- Transition to renewable energy

- Gender Lens

- Access to food
- Smallholder farming
- Sustainable agriculture & farming

- Affordable housing
- Clean transportation
- Culture preservation and improvement
- Smart & sustainable cities

- Access to Information and Communication
- Cleantech

- Circular economy
- Ethical & sustainable supply chain
- Waste management

- Blended finance
- Technical assistance services

- Access to Employment
- Sustainable and Decent work

- Access to healthcare & improved quality of care
- Aging population
- Unmet medical needs
- Wellbeing & mental health

- Access to water & sanitation
- Water & sanitation efficiency

- Ocean Preservation
- Small-scale fisheries
- Sustainable aquaculture

- Access to education
- Edtech

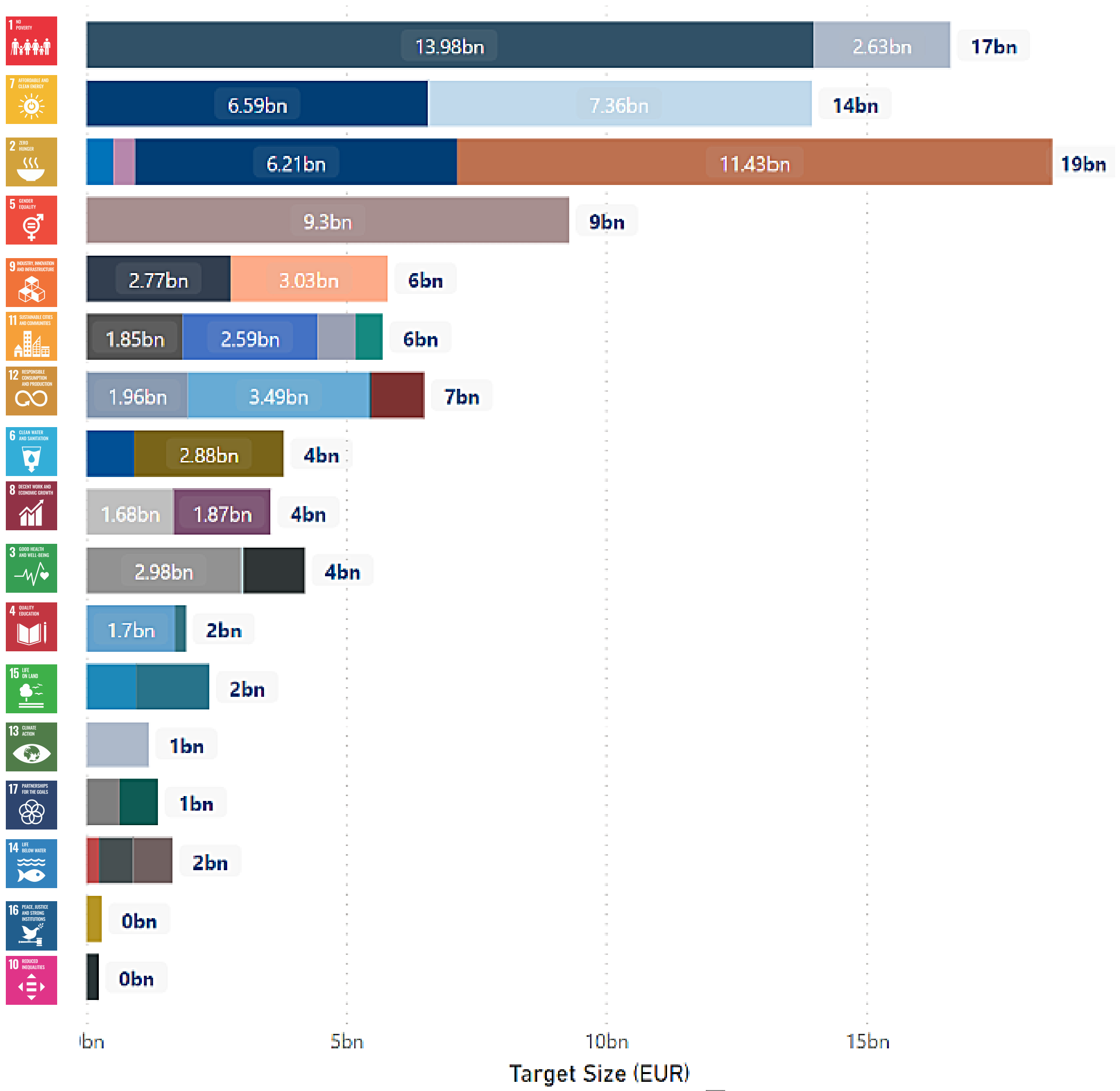
- Inclusive economy

- Conservation & biodiversity
- Forestry management

- Climate mitigation

- Peacebuilding economy

Current fundraising targets towards Private Debt impact funds by SDGs and Impact themes Targeted



- Financial inclusion
- Poverty reduction

- (Clean) Energy access scarcity
- Transition to renewable energy

- Access to food
- Foodtech
- Smallholder farming
- Sustainable agriculture & farming

- Gender Lens

- Cleantech
- FinTech

- Affordable housing
- Clean transportation
- Culture preservation and improvement
- Green buildings & Infrastructure

- Circular economy
- Ethical & sustainable supply chain
- Sustainable and ethical consumer products
- Waste management

- Access to water & sanitation
- Water & sanitation efficiency

- Access to Employment
- Sustainable and Decent work

- Access to healthcare & improved quality of care
- Aging population
- Wellbeing & mental health

- Access to education
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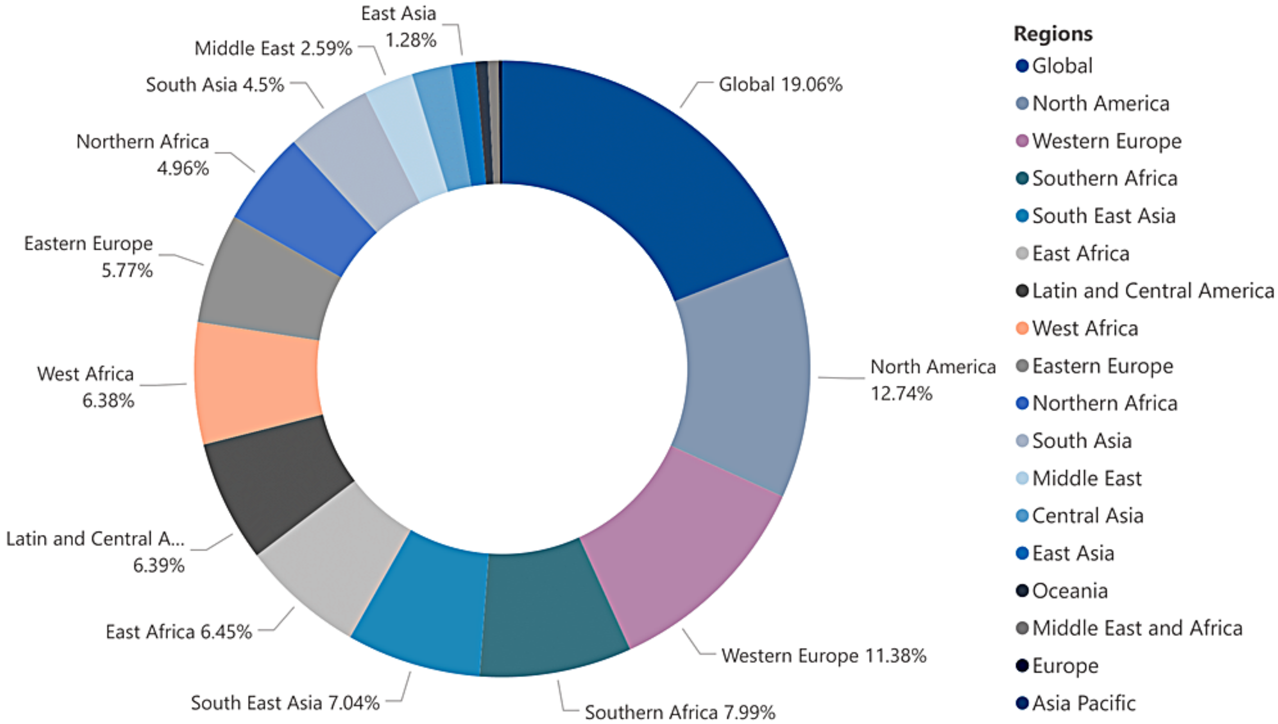
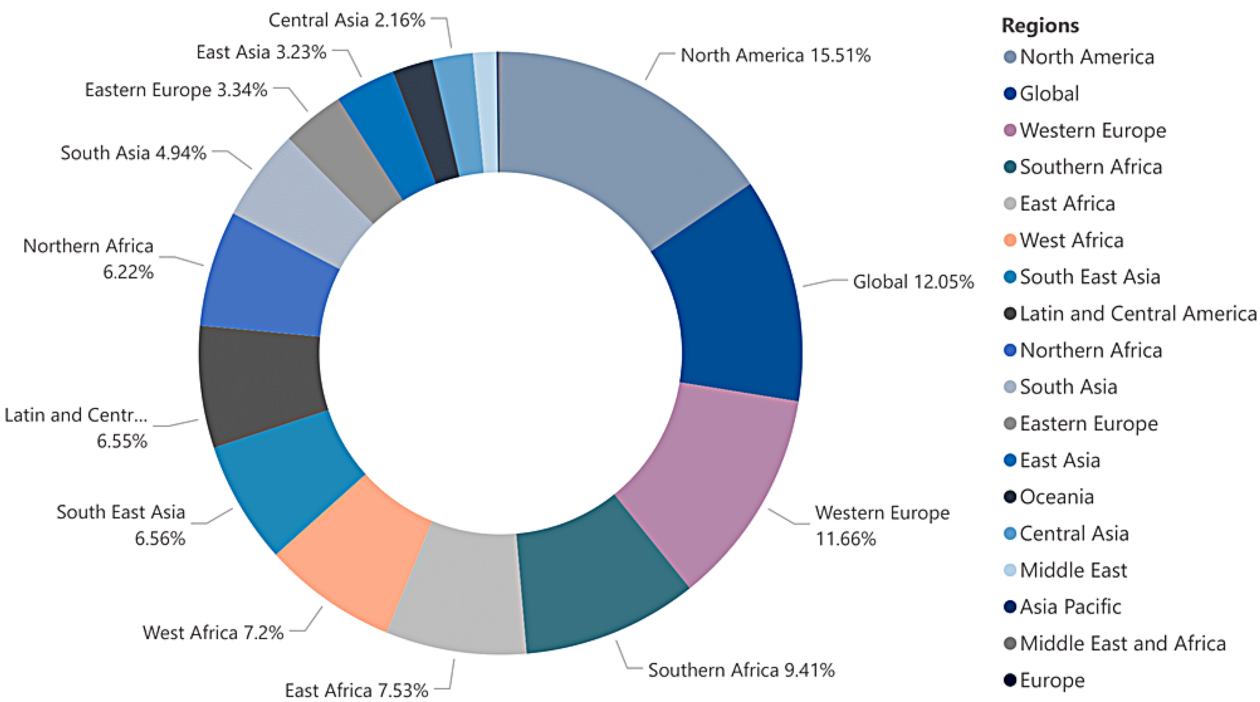
- Peacebuilding economy

- Inclusive economy

Private Debt historical capital committed by region



Private Debt Funds currently fundraising by region



HISTORICAL TOP 5 - Impact themes targeted

Capital committed by Private Debt funds

1 NO POVERTY	Financial Inclusion	€20 billion
5 GENDER EQUALITY	Gender Lens	€13 billion
2 ZERO HUNGER	Sustainable agriculture & farming	€10 billion
7 AFFORDABLE AND CLEAN ENERGY	Transition to renewable energy	€9 billion
2 ZERO HUNGER	Smallholder farming	€7 billion

CURRENT TOP 5 - Impact themes targeted

Target size of Private Debt funds

1 NO POVERTY	Financial Inclusion	€14 billion
2 ZERO HUNGER	Sustainable agriculture & farming	€11 billion
5 GENDER EQUALITY	Gender Lens	€9 billion
7 AFFORDABLE AND CLEAN ENERGY	Transition to renewable energy	€7 billion
7 AFFORDABLE AND CLEAN ENERGY	(Clean) Energy access scarcity	€7 billion

INDUSTRY INTERVIEW

Privium Fund Management ("Privium") is an independent, globally operating Alternative Investment Fund Manager that has offices in Amsterdam, London, Hong Kong, Singapore, and Shangai. Privium manages various strategies, including long-only equity, impact loans, real state, private equity, hedge funds, fund of impact funds, and private debt.

Privium has been involved in impact investing since 2013, and its current ESG and impact strategies focus on healthcare, financial inclusion, sustainable agriculture, and energy transition in Europe, the US, and emerging markets.

We interviewed Jenny Overman, CFA, CAIA, Associate Director at Privium.

Can you share your journey into impact investing with us?

Privium has been a throughline in my impact investing journey. Before impact investing became understood as it is now, I was part of the team that managed the sustainable discretionary portfolios of ABN AMRO MeesPierson in the Netherlands.

While building a sustainable or responsible investment portfolio of listed equities and bonds was already challenging at the time, it was just about impossible in the alternative asset space. With only a few funds available, mostly in microfinance, that had the quality and liquidity needed for the largest private bank in the Netherlands, we knew that we had to build our own if we wanted to get serious with this.

Privium provided the solution with the Privium Sustainable Impact Fund setup, which allowed much more flexibility in fund selection and liquidity and a deepening of the impact strategy.

We kept in touch as the impact investing space developed, and years later, I came full circle by joining Privium. Now I work on the Privium Sustainable Impact Fund and our other impact and sustainable funds.

Privium is an investment firm with a global reach, active in many countries with representations in major financial centres. Can you explain Privium's investment approach within the impact space as an LP?

Our funds all have different strategies and focus areas. Therefore, our investment approach differs per strategy/fund. Especially across asset classes and jurisdictions, a different process could be required to ensure that potentially impactful investments or material risks are not overlooked.

A point that will always come up in the investment decision-making process would be alignment. We prefer to invest in solutions rather than mitigation of negative externalities of old approaches.

For example, vertical farming or an alternative protein project would be selected over an animal-friendly fish farm. Another point would be policies and reporting.

When focusing on impact outcomes, it can be easy to overlook the externalities of production or selling practices which can lead to unintended negative impact.

We always appreciate it when the management of our selected investments not only adheres to the industry standards but actively works towards improvement. The same goes for reporting. As the requirements for impact reporting change, so must the industry accommodate this.

Can you share some of the challenges and opportunities of working within the private debt space?

When I first looked into the private debt space, I was blown away by the number of projects and options available. There is something to fit every investment mission and vision. Post-COVID, I think the sector has learned a lot about efficient deployment, deal sourcing, debt servicing, communication and KYC, which will benefit the quality and healthy growth of the sector.

The big challenge for us is liquidity, as our main impact funds are open-ended. We have found some ways around this, like setting up our FMO Privium Impact Fund to co-invest based on FMO's loan book. Or when we support the launch of newly listed investment trusts that invest in private debt or infrastructure.

> I very much believe that impact investments, in a suitable structure, should be accessible to as many investors as possible to have the biggest effect. While closed-end non-listed is the de facto structure, we've had to pass on multiple very interesting strategies that could have worked in a closed-end exchange-listed fund as well.

Is Privium focusing on any specific region, impact theme, or SDG when deploying private debt capital?

Depending again on the fund and its strategy, this differs. The investment mission is driving the SDG, thematic, country, or sector target, which often leads to allocations broadening as a market matures and more options become available. It also allows us to support new managers and initiatives if they fit the mission or collaborate within the industry to create something that we think is missing.

In general, we found that going mission first rather than SDG first resonates better with our managers as they may find it challenging to fit their investment idea into an SDG or worry that it may constrict their strategy or deal sourcing. Often we can link the impact results of the portfolio to specific SGDs, and it becomes a valuable part of the impact reporting process. But for some cases, there is just not a clear enough link even though the investees are doing amazing things. Those funds develop their own impact KPIs based on sector standards and management expertise.

How do you incorporate impact objectives in the financing conditions?

We ask our managers always to incorporate impact objectives in some way. Usually, a release of trances or rate discount is made contingent on the successful completion of an ESG improvement or continuous delivery of agreed impact objectives. Here, the best way to actually achieve such impact investments is through communication and support. Requiring a significant change or the delivery of impact data with limited backing on why and how this can be done will damage the impact effort in the long term.

How do you maintain engagement across the investment cycle?

At selection, we investigate our manager's capabilities to stay on top of their positions, and we prefer a local presence if possible. We look for innovative managers who continue working with their borrowers or projects during the entire tenor. We regularly contact our managers and encourage them to disclose their engagement efforts in their reporting.

Where we do our own engagement, initial relationship building is the most important factor for success. By having engagement integrated into the initial analysis, a pathway of quick improvements and longer-term projects can be defined and discussed at the initiation. A close collaboration between the portfolio manager and engagement specialist will yield the best results when working with the investee over the lifetime of the investment, as differences in language, expectations, timeframe, and resources can cause issues.

From an LP perspective, what do you look for when sourcing and screening private debt funds to invest in?

Apart from the points mentioned above, we like to see diversification and innovation. In financial inclusion and other growing areas like renewable energy, overlaps can occur, and returns compress as competition for projects increases. Also, as these markets develop and more investors come in, our additionality becomes limited. The inclusion of innovative managers that unlock new geographies, client groups or projects fits our impact ambitions.

What do you see as an impact trend within the private debt market for 2022?

Data requirements will continue to increase across the sector as European regulations on impact reporting are rolled out. Hopefully, this will support the convergence of a minimum level of impact data and measurement standardisation. Closer cooperation between investors in the space is needed to facilitate standard-setting and ease the reporting burden on borrowers.

INDUSTRY INTERVIEW

Community Investment Management

Community Investment Management ("CIM") is a **global impact investment manager** that provides strategic debt funding to scale Fintech innovation and expand access to capital in traditionally underserved communities in the U.S. and emerging markets. Since 2014, CIM has partnered with 25 innovative digital lenders to provide over $2 billion in debt financing to 500,000 unique small businesses and individual borrowers.

We interviewed their **Managing Partner**, Jacob Haar, at Community Investment Management.

Can you share a bit of your journey into impact investing?

I first came across the impact investing nearly two decades ago while working on the operating side of a special lender in Azerbaijan, where we financed microenterprises that lacked access to formal financial services. In 2005, I first began working as an impact investor when my long-time co-founder Michael Hokenson and I launched a private credit asset manager that provided debt capital to emerging markets, especially lenders serving micro-, small and medium enterprises (MSMEs).

While the term "impact investing" was not yet formalised when we launched our first private credit strategy financing MSME lenders, our approach to investing to generate attractive returns for investors and deliver meaningful social impact over the past 17 years has remained remarkably consistent.

Whether making private credit investments financing brick-and-mortar MSME lenders in those early days or during the past decade financing innovative financial technology (Fintech) companies in developed markets such as the United States or emerging markets, responsible lending to underserved borrowers can be compelling from both a financial and impact perspective. Our focus has always been sustainably addressing market inefficiencies at scale, which requires an institutional investment approach anchored in a strong commitment to generating positive outcomes in the lives of underserved communities.

Community Investment Management (CIM) is a pure impact player active in the debt space in emerging and developed economies. Can you explain CIM's approach to the private debt impact space?

Our approach is to provide strategic debt facilities to fuel the growth of fintech and broaden the reach of their responsible loan products. Due to market inefficiencies, our fintech partners deliver these responsible loan products in traditionally underserved communities.

Expanded access to capital is a crucial tool for growth, which is unfortunately often unavailable in underserved communities. Access to responsible credit empowers small businesses to diversify their products, manage cash flow, and expand market share.

For low-income households, many of which are unbanked and under-banked, access to responsible loan products enables them to smooth consumption, consolidate debt, and invest in their futures. At CIM, we intentionally partner with fintech that expands access to capital in underserved communities through innovative products.

Our model is characterised by

1. Deep engagement with the fintech lender
2. The achievement of structural alignment between our investors and lenders, which incorporates effective mitigants such as bankruptcy remoteness and first loss credit enhancement
3. Comprehensive monitoring procedures to ensure portfolio quality is maintained undergrowth.

This model has given us a market-leading position as a strategic capital provider and insight.
We leverage our deep expertise and Fintech networks, combining them with robust experience evaluating and financing diverse lending models to offer bespoke, structured debt solutions that accelerate the success of our Fintech partners. We have on-the-ground team members in the U.S., Europe, Latin America and Asia, and across the team, we have worked in 40+ markets.

Through our strategy of establishing long-term partnerships with our lending partners and offering them customised asset-backed credit facilities to grow their portfolios, we have established a robust track record that proves impact creation and risk-adjusted returns are not mutually exclusive.

Can you share some differences between U.S. and emerging markets' private debt?

We first started structuring private credit investments with fintech In 2014, with an initial focus on US fintech financing underserved small businesses. Perhaps surprisingly, over 40% of American households are unable to pay for an unexpected $400 emergency (according to the US Federal Reserve), and 63 million Americans, particularly in communities with people of colour, are severely under-banked or unbanked. The financial fragility in these marginalised communities is difficult to overcome, as many of the financial services available are predatory in nature.

Over the past ten years, innovative fintech models in the United States have emerged to serve many of the small businesses left behind. CIM has provided more than $2 billion in funding to underserved communities in the United States.

In more recent years, the emerging markets fintech ecosystem also has become a buzzing laboratory of innovation supported by ample VC funding, compelling infrastructure, and regulatory improvements across key geographies. Over the last five years, VC investments in emerging markets (ex. China) have nearly tripled, with almost a third of all investments going to fintech companies. There is a widespread need for strategic impact debt capital for this laboratory of innovation to produce and demonstrate responsible models at scale. This is where we come in.

We find that fintech in emerging markets is keen to partner with impact investment firms like CIM. Beyond the growth capital we provide, we also offer our lending partners advisory support. We know that when they succeed - commercially and impactfully - we also succeed.

What can you tell us about the selection process of companies for your private debt portfolio?

At CIM, we believe that integrating impact into the selection process is a competitive advantage. This enables us to identify early lending innovators that both demonstrate responsible and transparent practices and have promising growth trajectories. Fintech innovators that we partner with are solving pain points for underserved borrowers - small businesses, low-income households, students, etc. - and overcoming these key barriers: small loan size, lack of collateral, limited credit history, geographic distance, affordability, tailored tenor/amortisation schedules, etc. The use of technology, data, and analytics reduces the transaction costs that historically have left these borrowers excluded from the financial system.

How do you incorporate impact objectives in the financing conditions? Is there a specific strategy to maintain engagement across the investment cycle?

Our firm's theory of change is that we can contribute to creating inclusive and responsible financial systems by strategically investing in growth-oriented Fintech focused on providing capital to the underserved. When we provide debt capital to accelerate fintech's growth, commercial success and impact creation in underserved communities, we demonstrate to mainstream financiers and investors that responsible loan products offered to underserved communities are bankable.

To embed impact in the financing conditions - and more importantly, throughout the partnership - we also provide targeted capacity building to lending partners. We support fintech to strengthen its operational management, align with responsible industry practices, implement more robust ESG policies, measure their impact, and help them attract additional funding.

> **Our approach is to stay engaged and grow with our fintech partners, aiming to support their development as contributors to economic and social value in the communities they serve. Our investment diligence process considers how our capital may help sustain lenders' social impact beyond the life of the credit facility.**

CIM's impact-oriented capital and deep partnership model ensures that by the time innovative lending products are brought into the financial mainstream, they have been engrained with key impact product design features, terms, and criteria which ensure alignment beyond the life of CIM's investment. Also, we introduce our fintech partners to impact-oriented investors, who can continue scaling.

We catalyse more inclusive financial systems by demonstrating the financial viability and commercial success of cutting-edge fintech that offers responsible loan products. These innovative fintech - operating at a meaningful scale - create a ripple effect that encourages mainstream financiers and additional financial service innovators to replicate and offer tailored solutions to address the pain points of historically underserved communities.

How do you measure investment contributions towards impact objectives and SDGs?

We catalyse and scale solutions that contribute to SDGs 1 (No Poverty), 4 (Quality Education), 5 (Gender Equality), 8 (Decent Work and Economic Growth), 9 (Industry Innovation and Infrastructure), and 10 (Reduced Inequalities).

Our niche in the marketplace is a strategic growth partner for fintech that focuses on solving pain points for the underserved. We typically engage with these lending partners earlier than banks and other sources of institutional debt capital and provide loan facilities that are larger and less expensive than smaller funders.

We also engage with partners throughout the life of our investment, providing strategic, impact, and operational guidance. CIM brings an all-of-firm approach to partnerships because we believe that when we nurture and scale responsible lenders, who offer tailored products to the underserved, we are catalysing a more inclusive financial system.

Demonstrating commercial success while increasing underserved communities' access to responsible credit products breeds copycat behaviour among financial service providers and investors. The expansion of responsible credit products offered to underserved communities is good for small businesses and marginalised households because with greater competition comes innovation and the dignity of choice.

> **We can measure our firm's progress toward scaling responsible lenders and ultimately catalysing more inclusive financial systems through qualitative and quantitative metrics.**

Together the qualitative and quantitative data help us assess how we are advancing and provide insights on how we can improve. Because of our unique position as a lender to responsible credit providers, we also have visibility into the types of underserved borrowers that are benefiting from greater access to capital. This data is valuable as our goal is to empower underserved communities with the dignity of choice around what types of financial tools best meet their needs.

Are there any specific SDGs or impact themes CIM focuses on? Can you give some examples of successful investment in a particular impact theme and sector?

CIM catalyses and scales solutions that contribute to six SDGs. We map our KPIs to the SDGs to track progress.

Our portfolio companies are advancing SDGs by investing responsibly in underserved communities. Their innovation and commitment to empowering underserved communities through greater access to capital are impressive and inspiring. One such example is Konfio, a fintech serving SMEs driving greater financial inclusion in Mexico.

Micro, small and medium enterprises (SMEs) in Mexico are the backbone of the country's formal economy. They constitute 97% of all companies and 88% of formal private sector employment. Despite a fairly well developed and liquid banking sector, the Mexican MSME lending market is fragmented, excluding millions of MSMEs from access to growth financing and working capital. Konfio, recognising this gap in financial services to MSMEs, offers solutions across three strategic pillars: financial services, payments, and business management tools.

Konfio's borrower-centric approach reduces friction in key touchpoints that inhibit MSMEs access to capital: the credit application, collateral requirements, and business and process management. Konfio leverages technology to offer solutions and reduce these frictions, leading to greater accessibility of tailored credit for MSMEs. In doing so, Konfio contributes to SDGs 8 and 10.

What advice would you give to LPs looking to invest in private debt?

Private debt is an increasingly important allocation within institutional portfolios, growing faster than other private market asset classes. When managed well, certain private debt strategies focused on difficult-to-access market areas can offer lower risk for the level of returns generated while driving meaningful impact in the real economy.

Indeed, private debt is not without significant risk. Investors absorb more operational risk when investing in private debt because the underwriting and facility structuring demand experienced portfolio managers, who anticipate and mitigate potential downside risks. Having just gone through an unprecedented global pandemic that injected significant uncertainty into the market, LPs should partner with seasoned teams and make sure they understand the loss mitigants and potential effects of leverage in the strategies they are considering.

What do you see as emerging trends within the private debt market for 2022?

2022 is heading toward a more challenging economic environment with inflationary pressures, higher interest rates, geopolitical uncertainty, and the ongoing economic dislocation from the pandemic. While macroeconomic forces impact all asset classes, many private debt investments should fare well during these challenging times.

Private debt tends to be more resilient to market volatility. This climate will reveal the differences between various private debt opportunities and managers. Those with rigorous underwriting, properly structured covenants, and comprehensive financial monitoring are better positioned to navigate and provide consistent returns. We encourage LPs to assess the risk-adjusted returns available through private debt against maturing private equity positions and lower yield fixed income options.

Beyond the potential of providing consistent, risk-adjusted returns, private debt also offers impact-focused LPs the opportunity to generate transformative improvements in the lives of millions of micro and small businesses and low-income households.

INDUSTRY INTERVIEW

symbiotics

Symbiotics is a specialist **impact asset manager** dedicated to private debt investment in emerging and frontier markets. Symbiotics offers investments focused on impact outcomes, tailoring investment solutions according to client needs in the form of investment funds and segregated mandates.

The Symbiotics group provides a full spectrum of impact debt investment services to institutional investors and high-net worth individuals, financing micro-, small and medium enterprises and low- and middle-income households in emerging and frontier markets. The Symbiotics group offers asset management, loan origination and portfolio advisory services.

We interviewed their **Head of Asset Management**, David Grimaud, CFA. David has 17 years of investment experience and previously held roles from product specialist to analyst and investment manager for structured products, hedge funds and derivatives at Amundi Asset Management, Société Générale and Crédit Agricole.

He holds a BA in Applied Mathematics from Université Paris-Ouest La Défense, an MSc in Financial Modelling and Capital Markets from EPFL (Lausanne, jointly with Ecole Polytechnique in France) and an MBA from Thunderbird School of Global Management. He told us about Symbiotics' strategy and his path in impact investing.

"We have structured and originated **6,500 deals** for over 520 companies in almost 100 emerging and frontier markets representing **USD 6.5 billion**."

The firm holds a total of assets under management and advisory of USD 2.9 billion, as at 31 December 2021.

Can you share with us a bit of your journey into impact investing?

I started my career within investment banking and traditional asset management firms. **My family is from Africa**, and this heritage contributed to my keen interest in the world of development finance.

I worked for 8 years on the more traditional side of asset management, then took a break to study for an MBA. As part of my studies, I took on a number of assignments within development finance. My first assignment was working for a private equity manager in Lagos, Nigeria investing in microfinance and female-led companies.

I then worked with the ministry of social affairs in Liberia to develop small social enterprises in Liberia and help them gain a level to attract international funding.

I went on to work on an assignment for a London based private equity manager providing SME banking investments in Sub-Saharan Arica.

When I graduated from the MBA program, I sought out opportunities within the impact space and was introduced to Symbiotics. The rest, as they say, is history.

Symbiotics is a pure impact player active in more than 90 countries that started with microfinance and built an impact portfolio through private debt. Can you explain Symbiotics' overall approach to the impact space?

Our approach has always been to provide traditionally underserved businesses increased access to capital and financial services. We do this by offering investment solutions that connect socially responsible investors to micro, small and medium enterprises and value chain development projects in low-income economies.

Our investment focus lies where we believe we can provide the greatest impact; facilitating the provision of loans to small and medium businesses and in regions that require investment to grow.

Emerging and frontier markets are inhabited by around 80% of the world population, they grow around twice as fast as developed markets and are undergoing a structural shift that creates a major investment opportunity pool. These markets are characterized by favourable macro-economic fundamentals, including strong demographics and economic growth.

With a global network of analysts and a dedicated foreign exchange team, Symbiotics has developed specific expertise in local currency investments in emerging and frontier markets.

Symbiotics has been investing in emerging and frontier markets since 2005, and we have experience in both local currency and hard currency hedged investments. We focus on impact outcomes and also have the expertise to tailor investment solutions according to client needs, in the form of investment vehicles (pooled funds and segregated mandates), as well as customized solutions according to SDGs or impact requirements.

Our aim is to offer loans and financing that are not only responsible investments but will create sustainable growth for local players in these underserved and underdeveloped markets. Investments of this kind aim to assist the local economy, help them to gain autonomy and establish sustainable practices to support their society and grow their economy.

Can you share some of the challenges and opportunities of working within the private debt space in developing countries?

The major challenge can be to gain access to these opportunities. With financial markets that are not well developed, investments are typically available as private investments or infrastructure, which most investors won't have access to and therefore need to invest via an intermediary.

Political and economic risk, regulatory or security issues, corporate regulation, legal framework for contract law, governance issues, lack of or inconsistency of data, as well as the risk of local incidents, can be off-putting for investors.

Whilst you could view these challenges as an obstacle to invest, we see an opportunity for growth and to create impact that is unmatched elsewhere.

As with any other strategy, what's important is to identify and mitigate the risks involved. This is where we leverage our global network of analysts, our regional offices, which offer increased proximity and, therefore, insight into our markets, and our on-the-ground analysts who regularly report on investment opportunities. We have built up a data set and knowledge that allows us to take a stance using consistent data sets, and we can therefore manage the risk with a greater degree of confidence.

Symbiotics invests across the real economy. Can you give some examples of successful investment in a specific impact theme and sector?

Greenlight Planet Group is an example; a social business that designs, distributes and finances solar energy to households and small businesses without access to a reliable electric grid. To give an idea of scale, over 2 billion people worldwide.

The business distributes broadly across South Asia and Sub-Saharan Africa, working with financing programs to make solar energy affordable and accessible. Many households in these regions rely on kerosene lamps for lighting. It's an expensive energy source, a fire hazard, a pollutant and known to emit particles which can attack the eyes and lungs. Reportedly with kerosene lighting, you're nine times more likely to contract tuberculosis than using solar.

Greenlight produces solar lamps and a range of other solar energy household appliances. The solar lamps provide up to 3 hours of additional productive time each night for children to study and play or for small businesses to remain open after the sun sets, offering a safer, green affordable energy, a decrease in energy costs and an improvement in air quality.

Investment in Greenlight promotes SDG 7, ensuring access to affordable, reliable, sustainable and modern energy for all and also overlaps with SGD 5, the goal to achieve gender equality and empower all women and girls since women often benefit from the extra hours of light to study when with limited light, they would likely be limited to performing household duties.
Symbiotics funded USD 10 million with Greenlight Planet in Q1 2022.

A second example is **Samunnati Financial Intermediation & Services India** (Samunnati), a microfinance institution, that provides tailored agricultural financing to smallholder farmers in India. Over half of India's population is employed in agriculture and related activities, many from underprivileged backgrounds and end up marginalised or in poverty. The sector faces a number of agriculture-related risks, and they just don't have the resources to tackle them effectively.

Samunnati offers basic financial solutions to support smallholder farmers in 18 Indian states, supporting three types of activities: food security, climate resilience, and greenhouse gas management. It also works with businesses that provide development opportunities to those particularly disadvantaged, such as women and ex-soldiers. Like most investees we select, Samunnati is a leading social and environmental performer, addressing the borrowing and technical needs of low-income entrepreneurs and farmers locally
Samunnati won a number of industry awards in 2021, including "Best Workplace for Women" by Great Place to Work India and The Economic Time's "Promising brand 2021".

As an aside, Symbiotics won the Environmental Finance "Award for innovation – bond structure" for a second consecutive year, having issued an INR345 million (USD 4.6million) three-year green bond for Samunnati.

We launched a special purpose vehicle (SPV) to help small firms to enter the green, social and sustainability bond market. The SPV enters into a loan agreement with the investee, typically a financial institution, whereby investors provide the funds for that specific loan via the sale of notes under a bond issuance. Each bond is linked to a single loan. The bond tracks several impact report metrics, including kilograms produced per year, organic fertiliser use, and the percentage reduction of water use.

Our solution makes green bonds affordable for medium-sized non-banking financial institutions in emerging and frontier countries with issuance below global averages. While most issuers focus on hard currency bonds in developed countries, this issuance was innovative by making sustainable (local currency-denominated) bonds available in emerging and frontier markets.

Investment in Samunnati promotes SDG 13; take urgent action to combat climate change and its impacts.

What factors are essential when deciding on different transaction structures, such as debt seniority for a private debt portfolio?

A large part of our portfolio is generally composed of medium-term maturities, with 3 years an average duration. Overall, we favour senior debt transactions, which allow lower tenor and better portfolio allocation over time.

Subordinated debt is an option that we would consider for lending partners with whom we have a historical relationship, a certain level of familiarity and confidence in the institution.

There are three dimensions to our analysis; bottom-up, top-down and impact potential. The top-down analysis aims to gauge the market and environmental factors that can impact each institution.

We use matrices to streamline our analyses and assess factors such as economic fundamentals, hedging costs, GDP and inflation forecasts. The bottom-up analysis encompasses an analysis of the institution’s governance, business model and financial performance.

Given the importance of our impact promise, we also rate institutions based on environment and social factors to gauge the likelihood of contributing to impact of the loan. For this, we score each institution, including key dimensions like financial inclusion and client protection and compare it versus peers.

Does Symbiotics use a specific impact framework to measure, monitor and report the impact of its investments?

Yes. We take a three-fold impact management approach to investments, measuring sustainable finance filtering through ESG ratings, impact investing intentionality through SDG mappings, and inclusive finance outreach through BOP measurement.

We assess each opportunity prior to investment on its likelihood of contributing to sustainable development using both qualitative and quantitative indicators to evaluate the institution and its sustainability values.

We attribute each investment with a primary impact goal based on its investment sector and align with the United Nations Sustainable Development Goals (SDGs).

Once we have invested, we measure social with reference to factors such as:

- Client location (urban or rural),
- Gender,
- Client activity (agriculture, manufacture, trade, services),
- Loan type (microfinance, SME, household, housing, education),
- GDP of target countries
- Investees' average balance sheet size
- Average end client's access to capital

Regular factsheets are produced based on the above, and we produce comprehensive impact reporting as required.

Is there an engagement strategy to monitor the portfolio companies? For example, do you work with local partners?

Yes, we monitor portfolio companies, and they have contractual obligations to share data regarding their engagement strategy and performance at regular intervals. They also provide an annual data package which reports on various social indicators and allows us to gauge whether the activities financed are in line with the intended social impact as identified prior to investment.

We ensure to visit our investees periodically so that we can update their credit rating and social responsibility ratings according to the evolution of practices and performance. It is important for us to access regular on the ground research so that our internal ratings and impact measures are reviewed and maintain validity.

The Symbiotics group has an investment division whose analysts travel regularly to visit their markets and institutions. We work closely with our on-the ground analysts to monitor portfolio companies and our partner company Tameo Impact Fund Solutions, to produce comprehensive impact reports which we use for client reporting.

Although the impact market is growing, what would you say is still holding back certain investors from doing impact through private debt? What is your advice for those investors?

At this time, the impact market is growing, and there is growing interest in impact investments. Yet, investors do not know how to classify these investments or work within their asset allocation framework. Traditional asset allocation models are not necessarily suitable for impact investment as they tend to be developed based on purely financial factors and according to traditional investment asset classes and geographies.

It would seem that investors have not translated their desire to impact invest into concrete allocations or methodology. Therefore, we would encourage investors to adapt their asset allocation guidelines and rules to create a model that matches their impact investing vision. This could mean allocating a percentage of the overall portfolio or each asset class to impact investments or considering what should be achieved with the impact allocation within the allocation framework.

What do you see as an impact trend within the private debt market for 2022?

In general, we have seen increased interest in impact investing, with more and more investors researching responsible investment options that contribute to sustainable development.

The trend that we have seen, not only in 2022 but over recent years, is the diversification of impact investing within the private debt market, with investors seeking to reach broader impact goals.

Financial inclusion was previously a primary impact focus for a number of investors; now, we are seeing greater demand for SDG 5, for example, the goal to achieve gender equality and empower all women and girls.

Sustainable development goals linked to climate change remain a driving force, and we are seeing sustained interest in those wishing to target climate-related sustainable development goals and expect this to continue going forward.

IMPACT THEMES MAPPED AGAINST THE SDGS

The Phenix Capital Group has mapped the SDGs against Impact Themes, which are based on **the most globally endorsed terms used by practitioners in the financial sector**, and what's used by generally accepted frameworks, to enable both fund managers and fund allocators to better **understand how the SDGs and it's sub-goals translate into outcome-based investment areas -** by the name that they are commonly known and referred to in the financial industry.

Mapped against the SDGs' sub-goals, our Impact Themes offer a comprehensive way for investors and fund managers in the financial industry to identify what social or environmental outcome is generated by an impact investment and its contribution to the Sustainable Development Goals.

THE REVAMPED IMPACT THEMES ARE ALREADY AVAILABLE IN OUR IMPACT DATABASE FOR FUND FILTERING, VIA THE FUND SEARCH FUNCTION.

PHENIX IMPACT FUND ASSESSMENT

Phenix Impact Fund Assessment is a proprietary framework developed in close consultation with institutional asset owners and industry leaders, for the purpose of **assessing the robustness of a fund's impact proposition**.

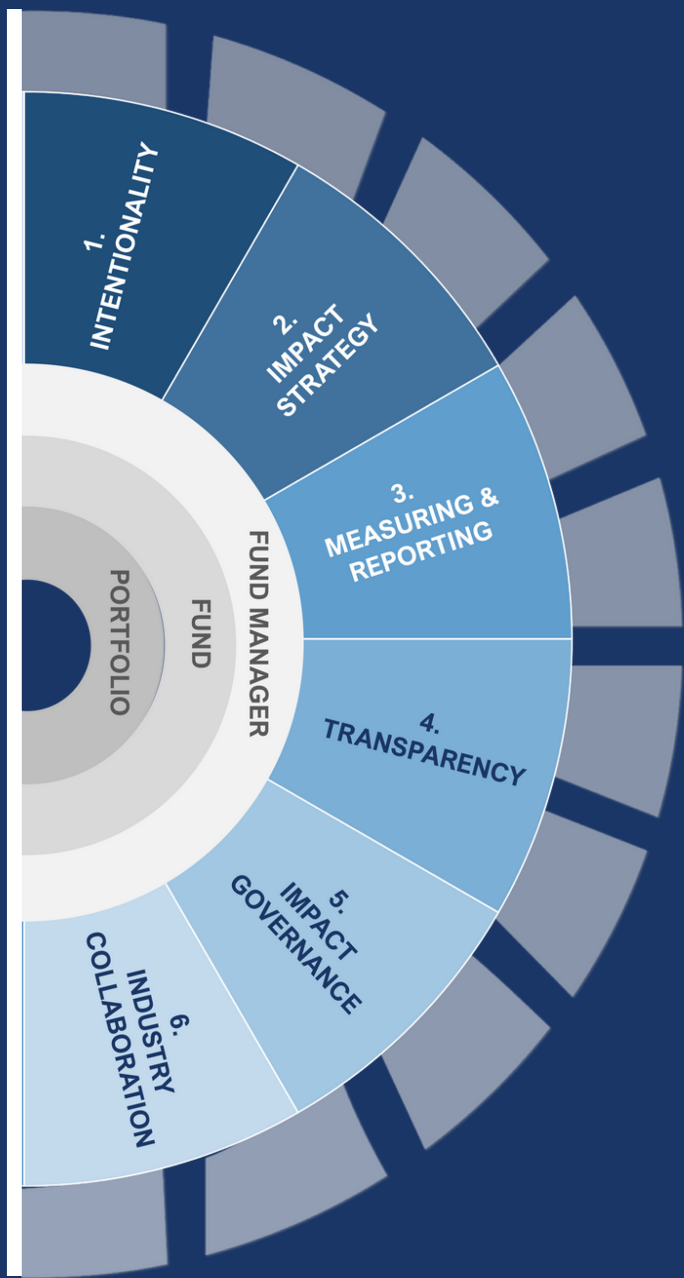
On 6 themes and 33 criteria, it examines to what extent the policies, procedures and human resources are in place to deliver the impact that a fund aims to create.

ASSESSING THE ROBUSTNESS OF IMPACT FUND PROPOSITIONS

Uncover strengths and weaknesses

Adopt industry best practices

Prepare for institutional impact due diligence



PHENIX IMPACT FUND ASSESSMENT

VISIT SITE >>>

GLOSSARY & SYMBOLS

Committed capital: Amount committed in a fund vehicle by its limited partners / investors.

Developed markets: We include Europe (excl. Eastern Europe), North America, Asia Pacific (Singapore, Japan, and South Korea only), Oceania (New Zealand, Australia) Middle East and Africa (Israel only).

Direct lending: A specialised form of private debt, in which loans are made to middle-market companies. It is the private debt strategy with lower risk, achieved by using collateral.

Emerging markets: We include Latin and Central America, Asia Pacific (excl. Singapore, Japan, South Korea), Middle East and Africa (excl. Israel) Europe (Eastern Europe only).

Fund managers: Organisation managing commingled, pooled and customised vehicles invested by institutional asset owners. Also called General Partner or GP.

Global: Funds that have an investment geographic scope encompassing both developed and emerging markets.

Impact investing: Investments with the dual mandate of financial return and positive societal or environmental impacts, with the notion of measuring the positive and negative impact of investments, ensuring both intentionality and additionality among these.

Institutional asset owners: Outsourced CIOs, pension funds, insurance companies, family offices, sovereign wealth funds, endowments, foundations, banks, fiduciary managers, discretionary investment consultants. Also called Limited Partner or LP.

Market targeted: Markets fund managers target for their investments: We include Global, Developed markets, Emerging markets.

Mezzanine: A specialised form of financing in which loans are subordinated to banks, with no collateral. It is the most equity-like form of private debt.

Microcredit: A common form of microfinance, characterised by small loans to individuals or small companies.

Private debt: Debt instruments to companies: direct lending, mezzanine, microfinance strategies.

Public debt: Publicly traded fixed income securities: investment grade or high yield, focused on green bonds and municipal and community infrastructure and affordable housing issuers.

Regions targeted: Regions fund managers target for their investments: We include Asia Pacific (East Asia, Central Asia, South Asia, South East Asia), Europe (Western Europe, Eastern Europe), Global, Latin and Central America, Middle East and Africa (East Africa, Middle East, Northern Africa, West Africa, Southern Africa), North America, Oceania.

Target fund size: Amount the fund manager is targeting when raising capital.

Vintage: Year where the fund manager first calls capital from investors.

Full glossary: www.phenixcapitalgroup.com/impact-investing-glossary

DISCLAIMER

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