IMPACT FINANCE LUNCHEON

MARKET OVERVIEW
BUILDING A PORTFOLIO

ISAG Forum
Geneva, 18 February 2011
Sustainable Development “meets the needs of the present without compromising the ability of future generations to meet their own needs.”

UN Brundtland Commission, December 1987

- Consuming environmental, economic and social capital slower than the natural replenishment rate.

Impact Finance “encompasses any profitable investment activity that purposefully generates measurable public benefits”.

- Excludes charitable donations; excludes Socially Responsible Investments (SRI) that can’t measure their environmental/economic/social impact.
People living on less than 2005 PPP USD 1.25 a day

- Crisis +100m extremely poor
- 1bn poor, hungry
- 2006-2008: food prices +17%
- Out of school: rural = 2* urban
- Natural disasters $262bn in losses 2008-2010, 97% victims: EM
- Forests -13m ha pa since 2000
Development is already driven by private sector funding mostly

**OECD ODA as GNI %**

**2015 – MDG target**

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**2008 Funding to Developing Countries**
A LONG ROAD AHEAD

0.27% of World Financial Assets

USD 81.7 trillion
USD 22 trillion
USD 6.9 trillion
USD 297 billion

UNPRI
SRI
Impact Investments
Other financial assets
200+ Impact Funds with USD22bn

USD BILLION

- Fair Trade: 4.2
- MF: 40
- US Community: 41.7
- Carbon FDI: 90
- Carbon Trade: 122

IF ASSET BREAKDOWN
EXAMPLE 1 – MF

Profit + Low Volatility + Low Correlation + Impact

- 10,000 MFIs
- 1,800 MFIs: $40bn in loans, 70m borrowers
- $10bn in foreign capital
- 91 MIVs in 2009 vs. 23 in 2000
- 5% MIV = 50% AuM
- MFI Social Rating: 81 in 2009 vs. 7 in 2005

Sources: CGAP, Symbiotics
A Growth Industry that is Profitable and High-Impact

Global Organic Land: 30.4m Ha (2006)

USA Corn & Soya → Organic = 73% of USA CO2 Kyoto Target

Sources: RIOA, FIBL
The Market Needs...

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<th>Policy Framework</th>
<th>Products &amp; Benchmarks</th>
<th>Investor Community</th>
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<td>Online List of Opportunities</td>
<td>Innovator/Leader Disclosure</td>
</tr>
<tr>
<td>Seed Money</td>
<td>Broader Offering</td>
<td>Education Events</td>
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<tr>
<td>Lighter SIV</td>
<td>Brokerage services</td>
<td>Newsletter</td>
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<tr>
<td>Registration/ Admin.</td>
<td>Screening Services</td>
<td>Investment Club</td>
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<tr>
<td>Subsidies to key providers/pro bono</td>
<td>Third-party label</td>
<td>(Know-how/Risk Sharing)</td>
</tr>
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<td>Institutional investment requirements</td>
<td>Impact</td>
<td>Customized Advisory</td>
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<td>Measurement Grants</td>
<td>Matching funds</td>
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IMPACT FINANCE SURVEY
MAIN FINDINGS

OCTOBER 2010
GOAL – help Luxembourg shape Impact Finance policy 2011+

**Timeframe:**
2Q. 2010

- 60 interviews
  - 50 promoters &
  - 10 investors

- Rockefeller, TIAA-CREF,
  - BIO, Blue Orchard, Lok,
  - SEAF...

Corporate Domicile of Survey Participants
IF MANAGER PROFILES

• Specialist Industry

Most fund managers exclusively dedicated to Impact Finance

• Polarized Industry

Track Record
Pioneers 6y+ / 5y-

Assets
AuM: 100m+ / 20m-
Most Popular Asset Classes
For Impact Investing

Investment Regions of Preference

Investment Sectors of Preference

Investment Style

DIRECT & VIA FUNDS: 36%
DIRECT: 57%
VIA FUNDS: 7%
INVESTMENT PROCESS

- Key Criterion: Financial Perf.
- Reporting 1-2 per annum
- Local staff is key
- Open to co-investing

**Investment Pipeline Main Sources**

- Informal Network
- Strategic Partners
- Media & Online Research
- Field Visits
- Sector Events
- Advertising

**Investment Process Key Components**

- Internet Based Funding Request
- On Site Visit
- Indp Inv. Committee/Board
- External Experts
- Staff Based in Investment Region

**Impact Finance Costliest Components**

- Impact Measurement
- Investment Monitoring
- Investment Screening
- Fund Raising
- Fund Administration
- Fund Set Up
PERFORMANCE & IMPACT

- 50% Mgt Fee > 2%
- 50% disclosed 2009 IRR
- Debt IRR 5%+, PE 10%+
- Systematic impact measuring < 50%
- In-house, custom measuring

“With Impact Finance, you do not create any dependency, as is the case with grants”.

Impact Measurement Process

Impact Reporting Frequency
Key Criterion: REPUTATION
Asset Growth 2010 Forecast

- 75% expect AuM +50%+ in 2010

Asset Growth 5y Forecast

- Asia > Africa > Latin America

- Agriculture & Energy > MF > Health
GROWTH REQUIREMENTS

• 45% believe in Impact Finance label vs. 25%
• Seed Capital Needs to Double
• Tax Incentives are Needed

CONCLUSIONS:

➔ Supportive Public Policy Framework
  Tax Incentives, Funding, IFV Registration Facilitated

➔ IF Investor Community
  Leadership, Peer Coaching, Co-Investing

➔ Access to Standardized Information
  Listing Opportunities Online, Performance Standards
GROUP OVERVIEW
FUND FOR LATIN AMERICA
Commercial business with a social mission: reduce poverty, preserve the environment

Complement charity & government work with capital market solutions, increase effectiveness of Development resources

Generate attractive financial returns and measurable public-benefit outcomes

Achieving sustainable development through scalable and financially viable solutions
Advisory Solutions for People and Planet

ORGANIZATIONAL CHART

AlphaMundi Group AG (Switzerland)

SocialAlpha Investment Fund SICAF-SIF (Luxembourg)

Board
- Pieter Oostlander, Noaber Foundation
- Tim Radjy, Chair
- Philipe Depoorter, Banque de Luxembourg

Investment Committee
- Donald Peck
- Joseph Naayem
- Oussama Himani
- Anand Chandani

Provision & Services

Consulting Services
- Mirjam Schöning, Schwab Foundation
- Eric Künzi, Vice-Chair
- JP Paddack, Chair WWF Int.
- Tim Radjy, CEO

Investment Advisory
- Investment Advisory Consulting Services

Accountant Juris Treuhand
- Auditor Deloitte

Providers
- Legal Advisor: Arendt & Medernach
- Custodian & Administrator: Banque de Lux.
- Auditor: Ernst & Young

Staff
- Antoine Melo, COO
- Martin Barragan, CIO
- Michael Von During
- Nina Cejnar

AlphaMundi SAIF
# Social Alpha Investment Fund (SAIF)
Luxembourg SICAV-SIF: qualified investors only

<table>
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</thead>
<tbody>
<tr>
<td>BASTION</td>
<td>Debt</td>
<td>USD</td>
<td>MF, OA/RD</td>
<td>6m, then monthly</td>
<td>12 p.a.</td>
<td>6%+ p.a.</td>
<td>Hurdle 5%</td>
<td>M. Up to 2% / P. 20%</td>
<td>10% p.a.</td>
</tr>
<tr>
<td>VENTURE</td>
<td>Private Equity</td>
<td>USD</td>
<td>MF, Edu., Food</td>
<td>Closed 7-9y</td>
<td>2 p.a.</td>
<td>15%+ p.a.</td>
<td>Hurdle 8%</td>
<td>M. Up to 3% / P. 20%</td>
<td>20% p.a.</td>
</tr>
</tbody>
</table>
Advisory Solutions for People and Planet

INVESTMENT PROCESS

Extensive Due Diligence Process Upfront

1. Pipeline Screening
2. Due Dil. Arm's Length
3. Deal Outline
4. Due Dil. On Site
5. Investment Terms
6. Portfolio Allocation
7. Monthly Monitoring

AlphaMundi Officers
External Consultants
SAIF Investment Committee
SAIF Investment Board

Investee Proposal
SAIF IC Vote
Investment Contract
SAIF BoD Resolution
Investee Factsheet
<table>
<thead>
<tr>
<th>SECTOR</th>
<th>ASSET CLASS</th>
<th>GROSS IRR</th>
<th>TIMEFRAME</th>
<th>IMPACT</th>
</tr>
</thead>
<tbody>
<tr>
<td>AGRI (SME)</td>
<td>DEBT</td>
<td>13.5%</td>
<td>3 YEARS</td>
<td>RURAL JOBS +ORGANIC</td>
</tr>
<tr>
<td>MF (NGO)</td>
<td>DEBT</td>
<td>10.5%</td>
<td>2 YEARS</td>
<td>RURAL OUTREACH</td>
</tr>
<tr>
<td>MF (SME+NGO)</td>
<td>DEBT</td>
<td>8.7%</td>
<td>2 YEARS</td>
<td>URBAN &gt;&gt;&gt; RURAL</td>
</tr>
<tr>
<td>MF (SME)</td>
<td>DEBT</td>
<td>9.25%</td>
<td>2 YEARS</td>
<td>URBAN POOR</td>
</tr>
<tr>
<td>EDU (SME)</td>
<td>PRIVATE EQUITY</td>
<td>20%</td>
<td>5-7 YEARS</td>
<td>HIGHER EDU ACCESS</td>
</tr>
<tr>
<td>RETAIL FOOD (SME+NGO)</td>
<td>PRIVATE EQUITY</td>
<td>27%</td>
<td>7-9 YEARS</td>
<td>DIGNITY +5% +ADVOCACY</td>
</tr>
</tbody>
</table>
**LOAN TO MFI NGO**

- 46% rural clients
- 60% women
- 54% primary edu. only
- 21% borrowing for 1\textsuperscript{st} time
- 36% below poverty line
- 99.7% without collateral
- Loan process: 2 days
- Health & nutrition program
- 15% of net profit to CSR
- Staff: local, 3% turnover, 47% women, health insurance
- **SAIF \(\rightarrow\) 463 clients**
SAIF BENEFICIARY STORY

MICROFINANCE CLIENT STORY - PERU

My name is Vilma, I live in the district San Camilo of Lima.

40 years ago, I started with my own business. It now has become a family business, my daughters are working there too.

What first had been a small kiosk in the market place has grown to a small shop: we sell food to approximately 50 people per day.

This could only have become possible with the financing and support of our Microfinance Institution.

And thanks to this, I was able to finance the vocational education of all my children.

The loan of SAIF-Bastion to a Peruvian MFI enabled it to empower more than 400 entrepreneurial poor like Vilma
### Market-Building Activities

<table>
<thead>
<tr>
<th>Policy Framework</th>
<th>Products &amp; Benchmarks</th>
<th>Investor Community</th>
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<tr>
<td>White Paper for Luxembourg Gvt. October 2010</td>
<td>Identifying impact funds</td>
<td>Toniic</td>
</tr>
<tr>
<td>UK Big Society Bank Geneva Initiative?</td>
<td>Designing new products</td>
<td>SOCAP, EVPA, Luncheons</td>
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<tr>
<td>European Multilateral Project?</td>
<td>Facilitating a brokerage platform</td>
<td>Media Releases</td>
</tr>
<tr>
<td>Institutional Alliance for pilot FoIF?</td>
<td>Systematic impact measurement</td>
<td>Dedicated advisors in each country</td>
</tr>
<tr>
<td></td>
<td>Ratings</td>
<td>Public pension funds to match private investments?</td>
</tr>
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</table>
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CH-8001 Zurich

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The terms of any investment, including risk considerations, will be exclusively subject to the detailed provisions contained in the offering memorandum, prospectus or other issuer documentation related to the certificates or securities of the outlined funds. Investors should review the offering memorandum prior to making an investment decision. The outlined funds have not yet been established and no investment operations have been carried out.

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4B Ltd is a Geneva based wealth management company focused entirely on social and environmental impact investing.

With value-driven investments and returns, 4B aims at connecting its clients' assets with social and environmental challenges. In the process of seeking positive impact and sustainability, 4B focuses on a holistic approach which places as much emphasis on investment means as on major social and environmental stakes.

4B's investment style is drawn from a strong view that social and environmental challenges are globally interconnected. Following this basis, 4B believes that sustainability is best achieved through impact diversification.

Coupled with active risk management, 4B's core investment strategy focuses on impact investing throughout all financial asset classes.

4B provides its clients with impact investment solutions for all or part of their financial portfolio.

4B Impact Finance S.A. 34, rue de Candolle, 1205 Geneva, Switzerland, Tel. +41 22 888 1200, Fax +41 22 888 1201, www.4bfinance.ch
Impact Investing Description

- Impact First rather than Finance First
- Indissociable Risk / Return Analysis and Measure:
  - Social
  - Environmental
  - Economic
  - Financial
- Value Creation more than Value Destruction Avoidance
- Long Term Added Value Approach rather than Ethical/Moral Basis
- Very much a bottom up approach
<table>
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<tr>
<th>Impact Investing Asset Allocation</th>
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<tr>
<td><strong>Liquidity / Income / Preservation</strong></td>
</tr>
<tr>
<td>Cash</td>
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<tr>
<td>Alternative Bank Deposit</td>
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<tr>
<td>SME* BOP Focus W/C financing</td>
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<td>Trade Finance</td>
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*Social and/or environmental focus*
Impact Investing: Examples

- Social Alpha Venture Fund
- Mobile Banking
- Biodynamic Tea company
- Smart metering
- Panama reforestation
- Diagnostics health clinic
Impact Finance: Microfinance

ISAG, 18 février 2011
MFI Performance (SYM50)
Volumes (Luxembourg)

Source: Symbiotics
## Performance (SMX USD)

<table>
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<tr>
<th>Year</th>
<th>Jan</th>
<th>Feb</th>
<th>Mar</th>
<th>Apr</th>
<th>May</th>
<th>Jun</th>
<th>Jul</th>
<th>Aug</th>
<th>Sep</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Yield</th>
<th>Vol</th>
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<tbody>
<tr>
<td>2011</td>
<td>134.31</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.15%</td>
<td>0.57%</td>
</tr>
<tr>
<td>2010</td>
<td>131.05</td>
<td>131.27</td>
<td>132.02</td>
<td>132.39</td>
<td>132.30</td>
<td>132.46</td>
<td>132.79</td>
<td>133.09</td>
<td>133.39</td>
<td>133.63</td>
<td>133.79</td>
<td>134.11</td>
<td>2.55%</td>
<td>0.57%</td>
</tr>
<tr>
<td>2009</td>
<td>127.15</td>
<td>127.30</td>
<td>127.71</td>
<td>128.07</td>
<td>128.52</td>
<td>128.98</td>
<td>129.45</td>
<td>129.90</td>
<td>129.98</td>
<td>130.21</td>
<td>130.28</td>
<td>130.77</td>
<td>3.08%</td>
<td>0.54%</td>
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<tr>
<td>2008</td>
<td>120.29</td>
<td>120.83</td>
<td>121.38</td>
<td>121.84</td>
<td>122.31</td>
<td>123.52</td>
<td>123.99</td>
<td>124.41</td>
<td>124.89</td>
<td>125.82</td>
<td>126.45</td>
<td>126.87</td>
<td>5.95%</td>
<td>0.52%</td>
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<tr>
<td>2007</td>
<td>113.09</td>
<td>114.03</td>
<td>114.58</td>
<td>115.13</td>
<td>115.64</td>
<td>116.11</td>
<td>116.70</td>
<td>117.47</td>
<td>118.10</td>
<td>118.61</td>
<td>119.24</td>
<td>119.74</td>
<td>6.33%</td>
<td>0.46%</td>
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<tr>
<td>2006</td>
<td>107.66</td>
<td>108.07</td>
<td>108.61</td>
<td>109.07</td>
<td>109.53</td>
<td>109.98</td>
<td>110.38</td>
<td>110.86</td>
<td>111.28</td>
<td>111.69</td>
<td>112.23</td>
<td>112.62</td>
<td>5.09%</td>
<td>0.35%</td>
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<tr>
<td>2005</td>
<td>103.02</td>
<td>103.22</td>
<td>103.60</td>
<td>104.01</td>
<td>104.37</td>
<td>104.81</td>
<td>105.08</td>
<td>105.59</td>
<td>105.93</td>
<td>106.32</td>
<td>106.76</td>
<td>107.17</td>
<td>4.30%</td>
<td>0.33%</td>
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<td>2004</td>
<td>100.13</td>
<td>100.29</td>
<td>100.50</td>
<td>100.67</td>
<td>100.83</td>
<td>101.12</td>
<td>101.35</td>
<td>101.61</td>
<td>101.89</td>
<td>102.19</td>
<td>102.45</td>
<td>102.75</td>
<td>2.75%</td>
<td>0.20%</td>
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<tr>
<td>2003</td>
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<td>100.00</td>
<td>0.00%</td>
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Performance (Benchmarking)
• Do you have any questions?

• Do you already have Impact Finance experiences to share?

• What can Geneva do with regards to Impact Finance?

• What are the first steps for your own institution to begin impact investing?