THE FINANCIAL PERFORMANCE OF IMPACT INVESTING THROUGH PRIVATE DEBT

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symbiotics

GIIN
GLOBAL IMPACT INVESTING NETWORK

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ACRONYMS

AUM	Assets Under Management
BMR funds	Below-Market-Rate Seeking Funds
CAGR	Compound Annual Growth Rate
CDFI	Community Development Financial Institution
CDLF	Community Development Loan Fund
CHF	Swiss Francs
EQ2	Equity Equivalent
EURIBOR	Euro Interbank Offered Rate
GAAP	Generally Accepted Accounting Principles
HNWI	High-Net-Worth Individuals
IFRS	International Financial Reporting Standards
IRR	Internal Rate of Return
LC	Local Currency
LIBOR	London Interbank Offered Rate
MR funds	Market-Rate Seeking Funds
NAV	Net Asset Value
OFN	Opportunity Finance Network
PDIF	Private Debt Impact Fund
SDGs	Sustainable Development Goals
SME	Small or Medium-Sized Enterprise
TA	Total Assets
TER	Total Expense Ratio
UN	United Nations
USD	U.S. Dollars
WASH	Water, Sanitation, and Hygiene

FOREWORD

AMIT BOURI, CEO, GIIN

The GIIN is pleased to partner with Symbiotics, a leader in performance analysis, to offer *The Financial Performance of Impact Investing Through Private Debt*. This report provides much-needed evidence and transparency on the performance of private debt funds investing globally and across a range of impact themes, and follows our publication of financial performance benchmarks in private equity and real assets.

The Financial Performance of Impact Investing Through Private Debt confirms the credibility and viability of impact investing opportunities in the private debt asset class, the largest in impact investing. The findings indicate that a wide array of investment options are available for those seeking a stable return, portfolio diversification benefits, and positive impact.

Impact investing is one of the most promising – and perhaps critical – approaches to help solve the world's most pressing social and environmental challenges. Yet much more capital is required if it is to meaningfully address issues such as those related to climate risks, rising inequality, and access to basic services. By bridging knowledge gaps in both financial performance and impact measurement, we at the GIIN are working towards a future where capital is available at scale to meet these challenges.

We hope that this report helps readers recognize their role in shaping the future of impact investing. For those already making impact investments, this report can inform how private debt can enhance a portfolio; we encourage investors to share their financial performance data to help bring further transparency to the industry. For those new to impact investing, we hope this report provides confidence to enter the market and deploy capital that can generate powerful global progress while also meeting financial objectives.

ROLAND DOMINICÉ, CEO, SYMBIOTICS

The Financial Performance of Impact Investing Through Private Debt is an important milestone in impact investment knowledge sharing and capacity building. This investment class has been driving private sector capital flows in the industry over the past decade and will continue to be a very large share of the capital focused on the SDG 2030 horizon.

This report provides important insights into private debt impact fund business models, their investment strategies and key terms, investor characteristics and impact measurement practices, and—foremost—their performance. This study is a success in itself, with over 150 funds participating in the survey in its first year. It will also raise interest among the impact fund management audience, and among policy-makers, academics and researchers, and, above all, investors seeking benchmarks and references when approaching the industry and reviewing their investment universe. Most importantly, we hope to replicate the exercise over the years and build lasting analysis tools to further pursue these goals.

We are both delighted with and grateful to the GIIN for this new partnership, with whom we share a dedication to raising impact investment awareness, transparency and knowledge. We believe this partnership contributes to building our ecosystem and furthering our impact investing objectives.

EXECUTIVE SUMMARY

Impact investments — investments made into companies, organizations, and funds with the intention of generating positive social or environmental impact (or both) alongside financial return — are vital to addressing a range of global challenges, including slowing and mitigating climate change, ending poverty and hunger, and achieving gender equality in both emerging and developed markets. In addition to pursuing their impact goals, impact investments also offer promising market opportunities for investors across the risk-return spectrum.

This report adds vital new data to the expanding base of evidence regarding the financial performance of impact investments. Private debt or fixed income instruments comprise the largest asset class in impact investing, accounting for 34% of impact investors' reported assets under management (AUM).[1] The Global Impact Investing Network (GIIN) and Symbiotics have partnered on this report to analyze in aggregate the performance of impact investing through private debt. All surveyed funds provided audited or unaudited annual reports dating back to 2012 (or the earliest available year since), representing the sole basis on which all the return figures in this study were calculated. In general, this analysis shows that private debt funds seeking positive impact can offer very stable returns across various private debt risk-return strategies, sectors, impact themes, and geographies.

Of two main chapters in this report, one focuses on Private Debt Impact Funds (PDIFs), and the other focuses on Community Development Loans Funds (CDLFs). These two types of debt funds were studied separately because they have different legal environments and financing constraints. Key highlights of the report for both PDIFs and CDLFs are summarized below.

PRIVATE DEBT IMPACT FUNDS

Fifty PDIFs took part in the study.

Key Findings

- **Impact:** The most frequently targeted impact themes are financial inclusion, employment generation, and entrepreneurship. Others include access to energy, health improvement, clean technology, sustainable consumption, and agricultural productivity.
- **Fund Size:** Funds range in size from USD 3 million to more than USD 1 billion, with a median just below USD 100 million as of December 2016. Total AUM in the sample were USD 10.6 billion as of December 2016, registering compound annual growth of 15% between 2012 and 2016.
- **Return Philosophy and Net Returns:** Although a large majority of funds in the sample (representing on average more than 80% of total sample assets throughout the reviewed period) target competitive, risk-adjusted, market-rate returns, other funds in the sample, approximately one-fifth, intentionally target below-market-rate returns. By weighted average, the funds targeting market-rate returns generated a compound annualized net return of 2.6% over the five-year period under review. Funds targeting below-market-rate returns generated a compound annualized net return of −6.8%. For levered funds, interest paid to investors on issued notes averaged 3%.
- **Portfolio Quality:** As of December 2016, across the full sample and by weighted average, funds provisioned 2.6% of their total portfolios for potential losses while the average write-off

1 Abhilash Mudaliar, Hannah Schiff, Rachel Bass, and Hannah Dithrich, 2017 Annual Impact Investor Survey (New York: Global Impact Investing Network, 2017), 25, https://thegiin.org/research/publication/annualsurvey2017.

ratio was only only 0.7%, demonstrating high loan-recovery rates.

- **Portfolio Yield:** Average portfolio yields, the major source of income for PDIFs, remained stable throughout the period, varying between 6.0% and 6.4% for all funds, while income from other activities was a marginal source of revenue.
- **Cost Structure**: The average expense ratio decreased slightly from 3.4% in 2012 to 3.1% in 2016.
- **Comparison to Other Asset Classes:** Compared to other asset classes, risk-adjusted, market-rate-seeking PDIFs register relatively low but stable returns. Compared to emerging-market bonds, for example, PDIFs generated lower returns (2.6% versus 5.4%) but also exhibited far lower volatility (0.9% versus 7.2%) for a significantly better Sharpe Ratio (0.77 versus 0.49). From another perspective, PDIFs outperformed the Libor USD three-month more than five-fold, with almost equivalent volatility.[2]

Sample Characteristics

- **Sector Allocation:** The majority of sample PDIFs focus on the financial services sector (including microfinance), followed by funds that invest in arts and culture, education, energy, and food and agriculture.
- **Geographical Allocation:** The PDIFs in our sample invest in emerging markets all over the world. In terms of portfolio exposure, the two largest are Eastern Europe and Central Asia, followed by Latin America and the Caribbean, which combined represent 64.5% of the funds' overall weighted portfolio allocations.
- **Hedging Strategy:** Almost 40% of sample funds are fully hedged. Fully unhedged funds are characterized by higher volatility but also higher average returns.
- **Leverage:** Approximately one-third of PDIFs use leverage. For those funds, leverage represents on average 20% of their total assets.
- **Types of Investors:** Private investors, including institutional (37.9%) and retail (33.5%) investors, provide the largest share of funding to PDIFs.
- **Impact Measurement:** Funds measure impact through various output metrics, which vary by impact theme and include such metrics as 'number of women/clients reached,' 'number of jobs created,' 'amount of land cultivated,' and 'metric tons of CO_2 emissions reduced.'

COMMUNITY DEVELOPMENT LOAN FUNDS

The report analyzes the performance of 102 CDLFs, which cater to the financing needs of low-income communities in the United States.

Key Findings

- **Impact:** The top three targeted themes are employment generation, affordable housing, and food security.
- **Fund Size:** Typical CDLFs are small in terms of asset size, with approximately USD 25 million under management at the median as of December 2016. AUM in the total sample as of December 2016 were USD 5.6 billion. The average CDLF in the sample registered a CAGR of 5% since 2012.
- **Return Philosophy and Net Returns:** Almost all CDLFs in the sample target below-market-rate returns. CDLFs primarily raise capital through notes issued to investors, with interest paid on these notes averaging 2.9%.[3] These rates are relatively stable across different investment sectors, and larger CDLFs tend to pay slightly higher rates than smaller ones.
- **Portfolio Quality:** In 2016, loan-loss provisions comprised 4.9% of total portfolio across the sample. Microenterprise-focused funds have the highest provision for losses, while funds focused on housing and community facilities have the lowest. However, loans written off during the same year represented only 0.6%

2 The correlation analysis between PDIFs and other asset classes is limited by a small number of observations (i.e., only five periods of available annual data). A comparable asset class with 60 monthly observations for this time period, Microfinance Private Debt Funds, has a correlation with developed-market bonds of only 0.09 and negative correlations with all other asset classes. It also has a high Sharpe ratio of 1.77.

3 Since CDLFs' equity is typically in the form of grants, a net return comparable to the 2.6% return to equity investors in PDIFs cannot be calculated.

of outstanding portfolio, demonstrating a high loan-recovery rate.

- **Portfolio Yield:** Loan portfolio yields remained stable across years, ranging slightly from 5.2% to 5.4%; however, yields represent a relatively small share of CDLFs' total income compared to grants.
- **Cost Structure:** The total expense ratio (TER) in the sample has been relatively stable since 2013 at 9.4%.
- **Capital Structure:** CDLFs comprise both debt capital at market or below-market rates and grants from different types of private organizations and federal or local governments.

Sample Characteristics

- **Sector Allocation:** CDLFs that have a core focus on affordable housing dominate the sample, representing nearly half of total sample AUM. Those with a focus on business lending, community facilities, and microenterprises are also represented in the sample.
- **Geographical Allocation:** All CDLFs invest exclusively in the United States.
- **Legal Structure:** 98 out of 102 CDLFs are nonprofit companies.
- **Leverage:** All CDLFs use leverage, which represents almost half of total assets.
- **Types of Investors:** CDLF funding is mainly sourced from institutional investors (75%), including pension funds; financial institutions such as insurance companies, banks, and foundations; and non-governmental organizations. Public funders, the second-largest source, represent 18% of total assets.
- **Impact Measurement:** CDLFs measure impact through various output metrics encompassed by different impact themes, including affordable housing units created or retained; jobs created or retained; and number and diversity of beneficiaries reached.

This report takes the first steps towards developing benchmarks for investors and fund managers to understand and compare the performance of private debt impact investing funds that use a range of strategies. These data will be updated on an annual basis. As the sample grows, it will be possible to distill the data in more specific and segmented ways, expanding the usefulness for investors and fund managers focused on generating positive impact alongside stable financial returns.

1. MOTIVATION & BACKGROUND

Impact investments—investments made into companies, organizations, and funds with the intention of generating social or environmental impact (or both) alongside financial return — are vital to addressing a range of global challenges, including slowing and mitigating climate change, ending poverty and hunger, and achieving gender equality in both emerging and developed markets. In addition to pursuing their impact goals, impact investments also offer promising market opportunities for investors across the risk–return spectrum.

As of December 2016, a sample of 208 surveyed impact investors, allocating capital to various geographies, sectors, and asset classes and seeking a range of returns from below-market to above-market, managed USD 114 billion in impact investing assets.[4] Assets under management (AUM) among existing impact investors have recently been growing at an estimated 18% compound annual growth rate (CAGR), with new investors also steadily entering the field.[5]

Driving this growing interest, in part, are the Sustainable Development Goals (SDGs), launched by the United Nations (UN) in 2015 to target improvements in a wide range of social and environmental issues by the year 2030. Meeting these goals will require an estimated USD 2.4 trillion or more in investment capital over the coming decade.[6] While the impact investing market has shown robust growth, the need for exponential expansion is critical.

Industry growth will require, among other factors, rigorous data on the financial performance of impact investments. Evidence regarding such financial performance has recently begun to expand,[7] evidence to which this report contributes. Private debt or fixed income is the largest asset class in impact investing, accounting for 34% of impact investors' reported AUM, followed by real assets (22%) and private equity (19%).[8] The Global Impact Investing Network (GIIN) and Symbiotics have partnered for this report to analyze in aggregate the performance of impact investing through private debt.

Impact investing funds that use private debt vary by sector and geography. Seeking to reflect this reality, the report includes two distinct chapters. It first focuses on *Private Debt Impact Funds (PDIFs)* in various sectors and markets. These funds have varying capital structures, but mostly rely on equity and debt capital from investors such as pension funds, foundations, banks, or public sector funders. Next, the report considers *Community Development Loan Funds (CDLFs)*, which invest exclusively in the United States and rely on both private funding and grant.

The key analyses in this report will be updated annually—both with new, yearly data from existing funds and with data from the incorporation of new funds—to continually enhance their quality and maintain their relevance.

4 Abhilash Mudaliar, Hannah Schiff, Rachel Bass, and Hannah Dithrich, 2017 Annual Impact Investor Survey (New York: Global Impact Investing Network, 2017), xi, https://thegiin.org/research/publication/annualsurvey2017

5 Abhilash Mudaliar, Aliana Pineiro, and Rachel Bass, Impact Investing Trends: Evidence of a Growing Industry (New York: Global Impact Investing Network, December 2016), 5, https://thegiin.org/research/publication/impact-investing-trends.

6 Business & Sustainable Development Commission, Better Business, Better World (London: 2017), 16, http://report.businesscommission.org/.

7 Abhilash Mudaliar and Rachel Bass, GIIN Perspectives: Evidence on the Financial Performance of Impact Investments (New York: Global Impact Investing Network, November 2017), https://thegiin.org/research/publication/financial-performance.

8 Mudaliar et al., 2017 Annual Impact Investor Survey, 25.

1.1 METHODOLOGY

1.1.1 Sample

PDIFs considered in this report are mostly for-profit and invest in developed and emerging markets. CDLFs, which are certified by the U.S. Department of the Treasury, are largely nonprofit funds and exclusively invest in the United States.[9]

Given their different business models, the report separates these two peer groups.[10] Also, results on samples of fewer than three funds are not shared here in order to protect anonymity.

1.1.2 Inclusion Criteria

With regard to PDIFs, this report focuses only on independent investment vehicles that allocate on average more than 85% of their portfolios to private debt, target and measure social or environmental impact objectives (or both), target positive returns to investors, and manage capital from multiple investors.

The sample of CDLFs included only funds with more than half on average of their non-cash assets allocated to lending activities in the last five years (excluding funds that allocate most of their non-cash assets to other investment activities or training). Because CDLFs' core mission is to promote community development in their respective target markets, their impact criteria are implicitly verified by the sample selection. Nonetheless, excluded from the final sample were CDLFs primarily serving individual consumers, either through housing or consumer finance products (with such products for individual consumers, that is, representing more than half of the CDLF's lending portfolio). Analysis instead focuses on those funds investing in projects, organizations, or businesses (Table 1).

Table 1
Inclusion Criteria

	Included		**Excluded**	
Criteria	PDIFs	CDLFs	PDIFs	CDLFs
Impact	Intention/mission to generate social and environmental impact alongside a financial return.		No clear intention/mission to generate social and environmental impact alongside a financial return.	
Status	Independent Investment Vehicles			
Investors	Open to multiple investors		Open to single investor	
Fixed Income Investments	≥85% on average for five years	All CDLFs	>15% equity; fund of funds	Venture Capital Funds, Intermediary CDLFs, CDLFs lending to individuals
Investment Portfolio	≥50% of non-cash assets		<50% of non-cash assets	
Audited or Unaudited Financial Statements	Available		Not available	

9 More than 1,000 CDFIs (Community Development Finance Institutions) are certified as of October 2017, segmented into the following types: banks, credit unions, depository institution holding companies, loan funds, and venture capital funds. This report focuses only on the financial performance of loan funds. For a list of funds as of this date, see https://www.cdfifund.gov/programs-training/certification/cdfi/Pages/default.aspx.
10 For more information on business models, please refer to Sections 2.1 and 3.1 for PDIFs and CDLFs, respectively.

1.1.3 Source

PDIFs were identified through various networks and databases, including the GIIN's ImpactBase database, ImpactAssets 50, LuxFlag, Fundpeak, and the Symbiotics databases of microfinance and small and medium enterprise (SME) funds.

CDLFs matching the inclusion criteria (Table 1) were identified through the Opportunity Finance Network (OFN), the leading national network of CDFIs.

1.1.4 Data Accuracy

Participants in both peer groups submitted annual audited or unaudited financial statements for the past one to five fiscal years (that is, 2012–2016; see Appendix 2, Table 1), from which the Research Team standardized financial performance calculations as follows.

- **Extrapolation:** While most funds end their fiscal years on December 31, others operate on a different cycle. To enable comparison, their data were extrapolated accordingly as of December 31.
- **Exchange rates:** Most metrics, including growth calculations, were determined using end-of-year exchange rates.
- **Outliers:** Since this study focuses on patterns of return, the Research Team identified outliers only for sub-sections of the respective 'Financial Performance Breakdowns' of PDIFs and CDLFs. Outliers were defined as values amounting to three standard deviations above or below the mean of a particular metric. All figures in these sections include outliers. However, where helpful, the main text presents the results both including and excluding outliers.
- **Valuation methods:** Given the studied time frame of five years, the report presents no review of different funds' accounting methods, such as historical cost versus fair value, since these do not greatly impact the final performance figures.

Additionally, all PDIFs included in the sample completed a brief survey to provide supplemental background information on the financial and legal structure of their respective funds, target investment areas, impact themes, and geographic reach. The Research Team followed up with funds individually to ensure the accuracy of the supplied information. For CDLFs, OFN shared self-reported metrics with the Research Team from their network for the year 2016, which covered most of the survey questions. CDLFs were requested to input certain metrics on the survey platform when their information was incomplete.

1.1.5 Performance Calculation

For PDIFs, the Research Team computed fund performance based on the growth of Net Asset Value (NAV) per share, that is, net assets (assets net of liabilities) divided by the number of shares outstanding. This methodology gives the most accurate results in terms of fund performance. However, NAV per share information is not always available in funds' financial statements because most regulators do not require reporting on this metric. In such cases where critical NAV per share information was missing for a given fund, the Research Team approximated its NAV per share growth by using primary financial statement data.[11] Results based on this latter methodology will slightly differ from the NAV per share growth methodology, namely because information on the timing of cash flows related to share subscriptions and redemptions is not available in funds' financial statements. Thus, results presented in sections 2.5 A, B, C, D and E differ from the results presented in figures 12 and 13 ('Financial Performance Breakdown'), the latter figures being computed exclusively based on funds' annual reports.

Further, for multi-currency funds that offer share classes in currencies other than the fund's accounting currency, the Research Team approximated the unrealized foreign exchange variation against the USD for these respective currencies (mainly EUR and CHF share classes)

11 For more detail, see Appendix 1.

in order to extrapolate missing information on unrealized foreign exchange gains or losses from the funds' annual financial statements. The figures for return volatility shown in the report were calculated by considering the volatility of each respective sub-sample's (e.g., sector, hedging strategy) weighted performance.

For CDLFs, given their different capital structure, financial performance is mainly shown from the perspective of an investor buying notes issued by the CDLF and expecting, in most cases, a fixed-income return on this type of debt. Volatility for CDLFs is not calculated, because return patterns were very stable across the entire sample.

1.1.6 Regions and Sectors

Breakdowns by region and investment sector used for PDIFs are derived from recognized definitions from the World Bank and the GIIN, respectively (Tables 2 and 3). Analysis by region did not apply to CDLFs, which invest solely in the United States.

Table 2
List of Regions (World Bank Classification, 2017)

Regions
1 East Asia & Pacific
2 Europe & Central Asia
3 Latin America & the Caribbean
4 Middle East & North Africa
5 North America
6 South Asia
7 Sub-Saharan Africa

1.1.7 Selection of Impact Profiles

While the central objective of this report is to assess the financial performance of impact investing funds that provide loans to financial intermediaries or lend directly to projects and companies, several profiles showcase the approaches to impact measurement and management of typical funds in each sample. For PDIFs, profiles include one Financial Services fund, one Agriculture fund, and one Multi-sector fund. The CDLF profile focuses on a fund active in the Community Facilities sector in the United States.

Table 3
List of Sectors

GIIN Classification	OFN Classification
1 Education	1 Community Services Organizations
2 Energy	2 Housing
3 Financial Services (incl. Microfinance)	3 Small Business
4 Food & Agriculture	4 Microenterprise
5 Healthcare	
6 Housing	
7 Information and Communication Technologies	
8 Water, Sanitation and Hygiene	
9 Multi-sector	

2. PRIVATE DEBT IMPACT FUNDS

2.1 BUSINESS MODEL

PDIFs are independent investment structures differentiated by their legal status and distribution (public or private), investment sector, and geographies, all factors that ultimately affect their business models. Most funds (all but four) in this sample are for-profit. Most invest indirectly in end clients through financial intermediaries, mostly non-investment-grade institutions, while a few invest directly in projects and companies.

All but two funds specialize in investments in emerging markets, with an average portfolio maturity of 4.5 years. Impact objectives include economic development for low-income communities, increased access to financing for micro, small, and medium-sized enterprises, and the financial needs of smallholder farmers, among others.

PDIFs are managed by specialized investment management companies that have developed labor-intensive business models by internalizing the full investment value chain, from data collection and monitoring of investees to evaluation of credit risk and pipeline management. Thus, these investment management firms represent a primary gateway for international investors who are interested in entering the impact investing space. The PDIFs included in this study are managed and advised by 27 investment managers based primarily in Europe and North America.

Funding for these PDIFs is sourced from different types of investors (public, private, retail, and high-net-worth individuals), either by issuing shares with varying subscription and redemption periods or by raising debt capital from which investors can generally expect a fixed-income return.

PDIFs invest in Financial Services (including Microfinance), Multi-sector, and Other sectors (including Arts and Culture, Education, Energy, and Food and Agriculture).

2.2 SAMPLE SNAPSHOT

The team identified 166 Private Debt Impact Funds that met our inclusion criteria, out of which 50 funds participated.

50

PRIVATE DEBT IMPACT FUNDS

30%

PARTICIPATION RATE

Table 4 lists the total number of participating PDIFs by year for which data was gathered. Most PDIFs provided four to five fiscal years of relevant financial statements.

Table 4

Number of Participating Funds by Year

Year	Number of Funds
2012	31
2013	37
2014	41
2015	48
2016	46

The PDIF sample mainly comprises funds that invest in Financial Services, including Microfinance, largely in emerging markets. Eight funds focus primarily in other sectors, including Arts and Culture, Education, Energy, and Food and Agriculture (in 'Other' Table 5).

Table 5
Main Investment Sector

Year	50%+ in Financial Services	50%+ in Other	Multi-Sector
2012	22	6	3
2013	27	7	3
2014	29	7	5
2015	34	8	6
2016	37	7	2

On average, one-third of PDIFs use leverage amounting to a maximum of one-fourth of total assets (Table 6).

Table 6
Levered versus Unlevered Funds

	Unlevered	Levered	
Year	Number of Funds	Number of Funds	Leverage Ratio
2012	22	9	24%
2013	25	12	20%
2014	29	12	21%
2015	33	15	18%
2016	30	16	17%

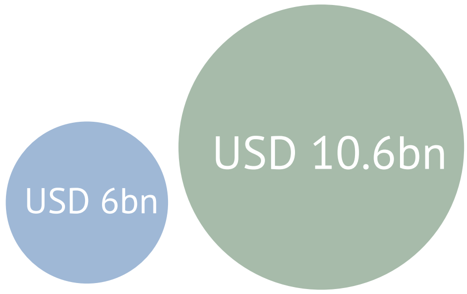
Nearly 40% of the sample is fully hedged, six funds are fully unhedged, and the remainder are partially hedged. Two funds invest only in USD.

Most respondents are private, for-profit funds and thus target risk-adjusted, market-rate returns. However, some nonprofit (five) and a few for-profit funds (eight) seek below-market-rate returns (either closer to capital preservation or closer to market-rate returns).

2.3 ASSET SIZE

2.3.1 Total Asset Growth

The total sample of PDIFs comprised USD 10.6 billion in assets as of December 2016, up from USD 6 billion in December 2012. This implies a CAGR of 15% between the two observations. However, this growth is partly explained by a higher sample size (n=46 in December 2016; n=31 in December 2012). Removing the effect of sample size, analysis of a constant sample of 29 funds between 2012 and 2016 gives a CAGR of 11.2%, a figure that better reflects the growth of the market.



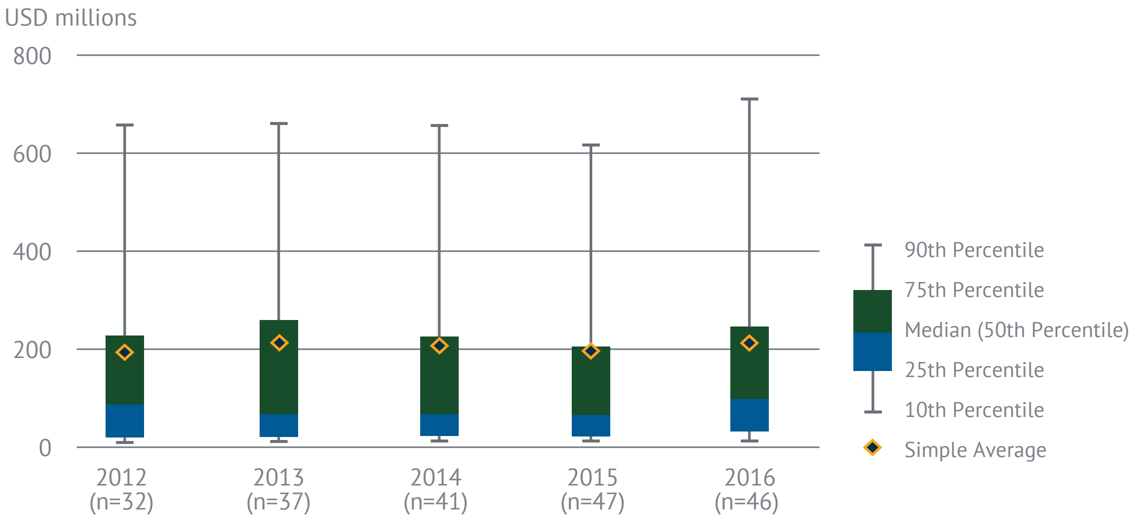
2012
Total Asset Size
n=31

2016
Total Asset Size
n=46

Over the past five years, the average size of PDIFs remained stable at around USD 200 million (Figure 1), growing by 2% per annum (CAGR). The range of funds' size is quite broad, with minimum assets of USD 3.5 million and maximum assets of USD 1.3 billion for 2016. On average, funds seeking risk-adjusted, market-rate returns are four to five times larger than funds seeking below-market returns. Levered funds average USD 232 million in assets, and unlevered funds average USD 147 million.

By sector, Multi-sector funds registered the highest average growth, driven mainly by one fund's growth (102% including outliers; 46% without outliers) and notably starting from a much lower base than the other sectors. Financial Services (16% of funds) registered the second-highest average growth.

Figure 1
Assets Under Management, Distribution of Sample



2.3.2 By Place of Incorporation

PDIFs are incorporated in various countries, most in Luxembourg (62% by size and 46% by number of funds). The Netherlands is the second-most-common place of incorporation in terms of volume (26%), while the United States is second in terms of number of funds (24%) and third in terms of total volume (8%; Appendix 2, Table 2).

2.3.3 By Vintage Year

Most PDIFs in the sample (30 out of 50) have a long track record (six years or more; Figure 3). PDIFs in the Financial Services sector tend to have the longest track records. However, the overall sample is relatively new; nearly two-thirds of funds are younger than 10 years.

Figure 3
Age of Funds

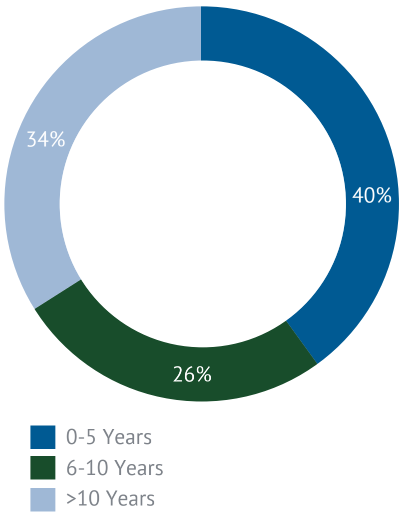


Figure 2
Average Assets Under Management by Sector [12]
USD millions

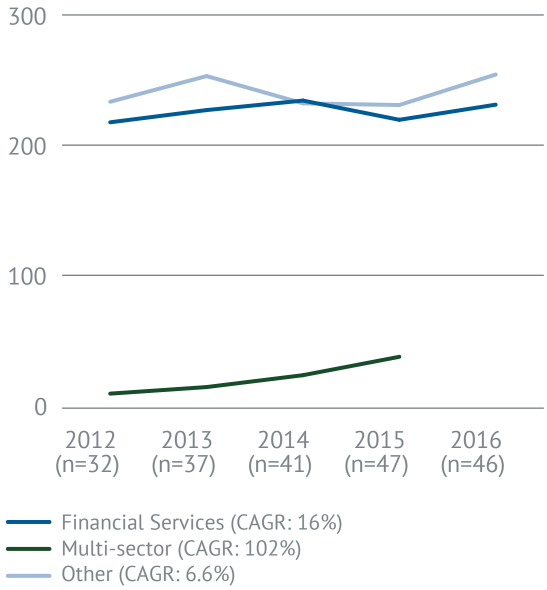
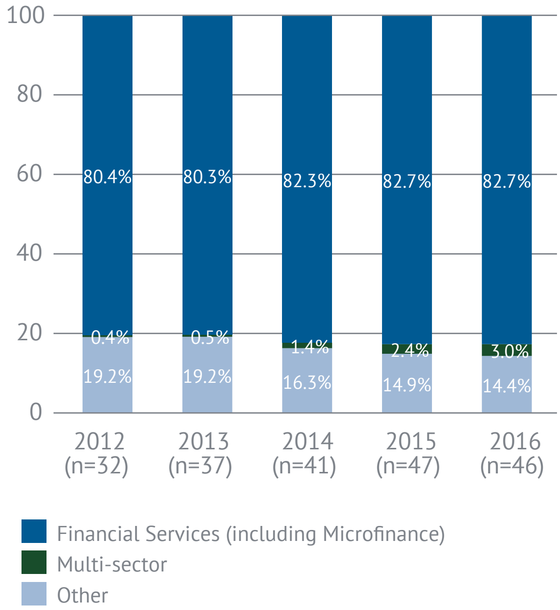


Figure 4
Total Assets by Sector
% of Total Assets



12 Due to a small sample size of funds in this category, metrics for Multi-sector funds are not disclosed for 2016.

Table 7
Total Asset Size (USD million) and CAGR by Sector

	Total Assets 2012		Total Assets 2016		CAGR of Total Assets	
Year	Average	Median	Average	Median	Average	Median
Financial Services (including Microfinance)	217.5	100.1	231.1	94.3	1.5%	–1.5%
Multi-sector	9.1	7.2	37.4	19.0	60.1%	38.1%
Other	233.3	160.5	254.2	104.2	2.2%	–10.2%

2.3.4 By Main Investment Sector

Financial Services (including Microfinance) is the most represented sector in the sample by both volume (80.4% in 2012 and 82.7% in 2016) and number of funds (70% in 2012 and 80% in 2016; Figure 4 and Table 7). Funds specialized in other sectors and those operating in multiple sectors have a small share of the sample in terms of both volume and number of funds.

2.3.5 By Size

Figures 5 and 6 split the PDIFs in the sample into tiers: large funds with more than USD 250 million in AUM, medium-sized funds with USD 50–250 million AUM, and small funds with less than USD 50 million in AUM. Compared to 2012, in 2016 the proportion of large funds in the sample decreased slightly in terms of both total assets and number of funds, while the proportion of medium-sized funds increased. The proportion of small funds remained consistent in terms of total assets and number of funds during the period under review.

Figure 5
Total Assets by Size

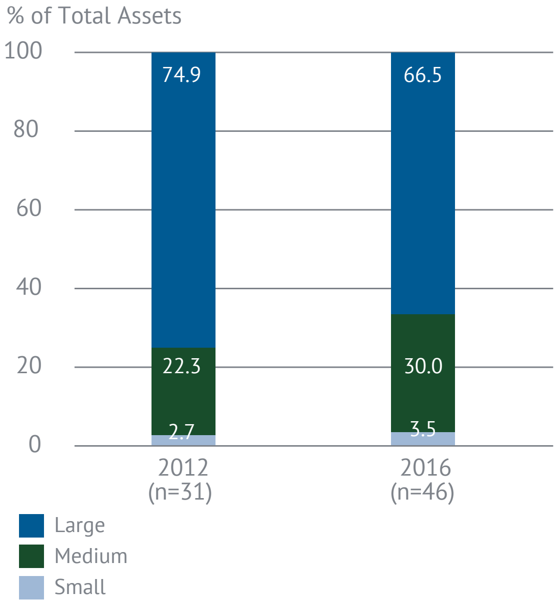
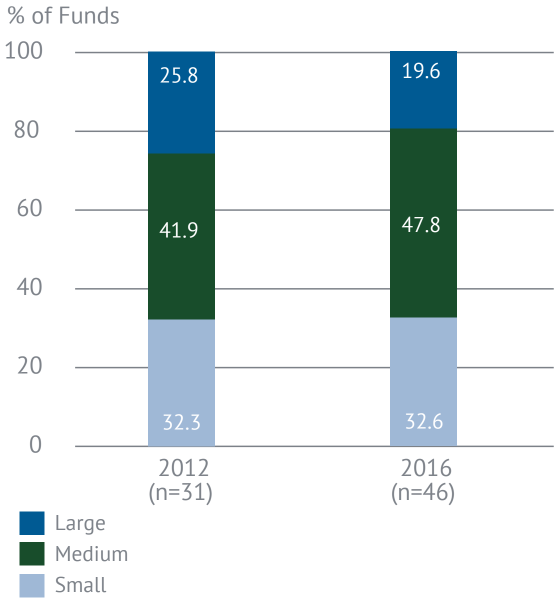


Figure 6
Number of Funds by Size



2.3.6 By Return Philosophy

Funds seeking risk-adjusted, market-rate returns (MR funds) comprise the majority of the sample in terms of number (on average 77%) and asset volume (on average 85%). MR funds have average AUM of USD 244 million, compared to below-market-rate-seeking funds (BMR funds) with average AUM of USD 38 million. In terms of investment sector, MR funds are mostly invested in Financial Services (81.7% on a five-year average), while BMR funds are primarily invested in 'Other' sectors (48%), followed by Financial Services (41%). By geographic allocation, BMR funds' main exposure is to Latin America (55%) and Sub-Saharan Africa (29%), while MR funds are primarily exposed to Eastern Europe and Central Asia (32%) and Latin America (31%).

2.4 PORTFOLIO AND INVESTOR CHARACTERISTICS

This section analyzes the sample funds' loan portfolios, excluding cash and other assets.

2.4.1 Total Loan Portfolio

As of December 2016, the combined loan portfolio of the PDIF sample reached USD 9.1 billion. The average fund in the sample has a loan portfolio of USD 182 million, while the median portfolio in the sample has USD 72.8 million. Roughly 75% of portfolios in the sample fall just below the mean, with a few large funds raising the sample average (Figure 7).

2.4.2 Average Maturity

The maturity of the average outstanding loan portfolio is 4.5 years. Larger funds by asset size appear to have longer maturities (Figure 8). By sector, there are shorter maturities in Financial Services and Multi-sector funds compared to other impact sectors (Figure 9).

Figure 7

Portfolio Size, Distribution of Sample (2016)

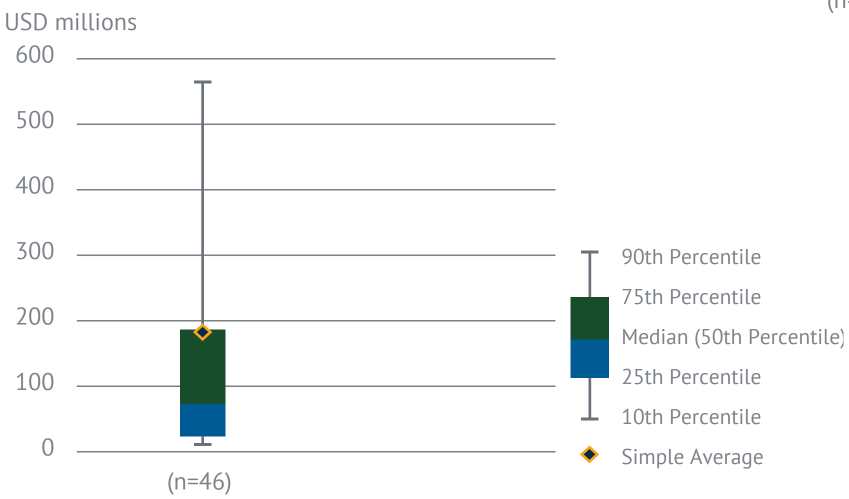


Figure 8

Portfolio Maturity by Fund Size (2016, weighted average)

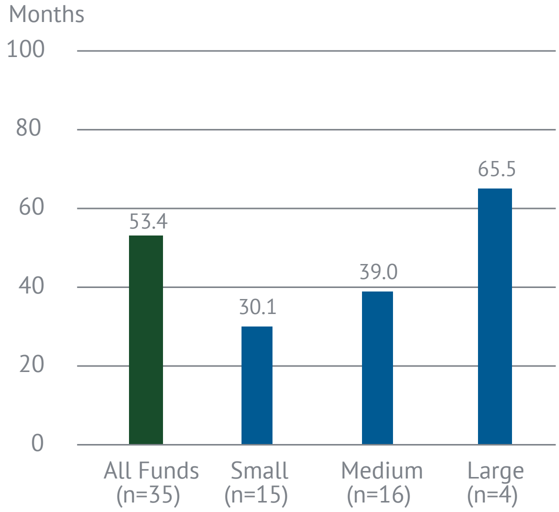


Figure 9

Portfolio Maturity by Sector (2016, weighted average)

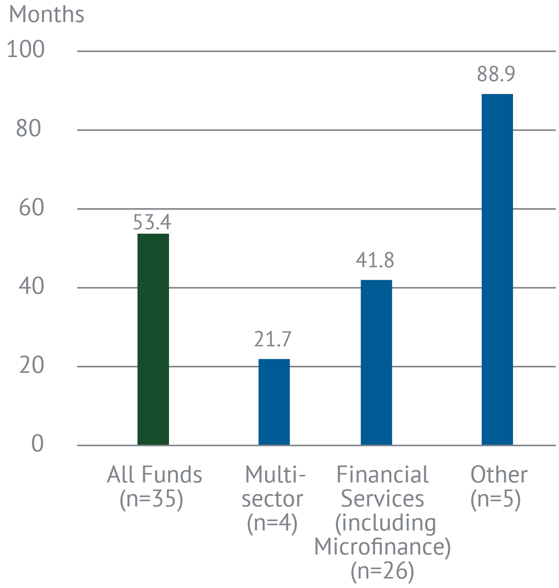


Table 8
Geographical Breakdown of Total Portfolio by Main Investment Sector

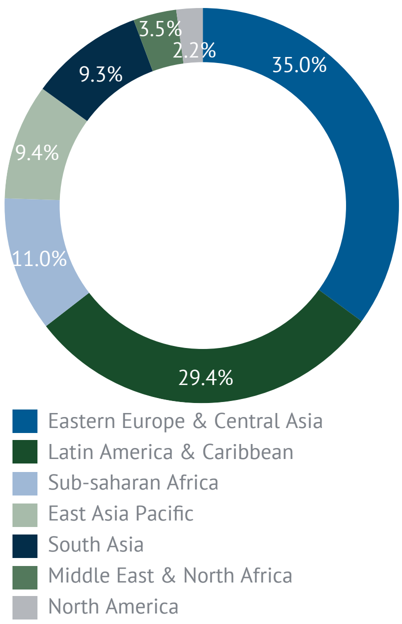
	Financial Services (including Microfinance)	Other	Multi-sector
Latin America & Caribbean	32%	9%	32%
Eastern Europe & Central Asia	30%	84%	2%
South Asia	11%	0%	0%
Sub-Saharan Africa	11%	3%	37%
East Asia Pacific	11%	0%	12%
Middle East & North Africa	3%	4%	4%
North America	2%	0%	13%

2.4.3 Geographic Breakdown

The largest region in terms of portfolio exposure is Eastern Europe and Central Asia, followed by Latin America and the Caribbean, two regions that together represent 64.5% of funds' overall weighted portfolio allocations (Figure 10). The lowest exposures are in the Middle East and North Africa and North America (3.5% and 2.2%, respectively, of the funds' portfolios).

Considering only the Financial Services sector, Latin America and the Caribbean has the largest allocation (32%), followed by Eastern Europe and Central Asia (30%; Table 8). Multi-sector funds invest primarily in Sub-Saharan Africa (37%). Separately, only funds focused in Financial Services invest in South Asia, while only Multi-sector funds have some significant exposure to North America (Table 8).

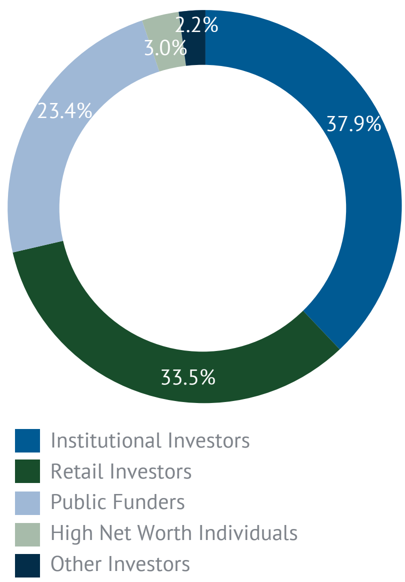
Figure 10
Geographical Breakdown by Total Portfolio Volume (2016, n=49)



2.4.4 Types of Investors

Private investors, including institutional (37.9%) and retail (33.5%) investors, provide the largest share of funding to PDIFs. Public sources (development finance institutions or government agencies) represent less than a quarter of total funding, and high-net-worth individuals represent only 3% (Figure 11).

Figure 11
Investor Type by Volume of Total Equity and Notes (2016, n=47)



2.5 FINANCIAL PERFORMANCE BREAKDOWN

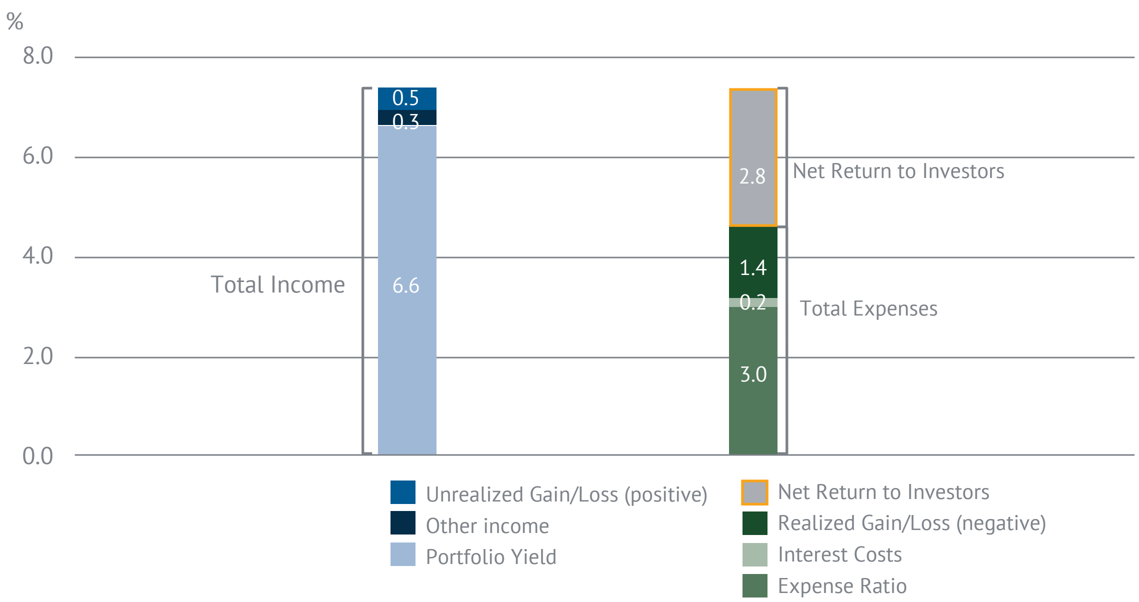
The following section assesses the financial performance of PDIFs.

From the perspective of an equity investor forming part of the shareholding structure of a PDIF, net returns depend on several factors. Broadly speaking, net returns primarily relate to the level of income generated by PDIFs' core lending business (the portfolio yield) and their total expense level. Figures 12 and 13 provide more detail regarding how MR and BMR funds have generated net returns to investors from 2012 to 2016.

For MR funds, income is composed mainly of portfolio yield (proceeds from the loan portfolio). Other sources of income include realized or unrealized gains (changes in the valuation of funds' assets, which in our sample are mainly driven by currency exchange fluctuations), proceeds from equity investments, if any, and recovery from write-offs, among other possible items. Costs include management fees, interest costs (cost of borrowing for levered funds), and realized or unrealized losses. Portfolio yield, other income, expense ratios, and interest costs are all relatively stable across the five years. The main drivers of fluctuations in annual performance are realized and unrealized gains or losses on assets.

MR funds generated a total income of 7.4% (expressed as a percentage of NAV) on a five-year average, comprising mostly the portfolio yield (6.6%; Figure 12). The sum of all expenses, including interest, amounts to 3.2%. After a realized loss of 1.4%, net return on the period was 2.8%.[13]

Figure 12
Financial Performance Breakdown (2012–2016), Risk-Adjusted, Market-Rate Funds

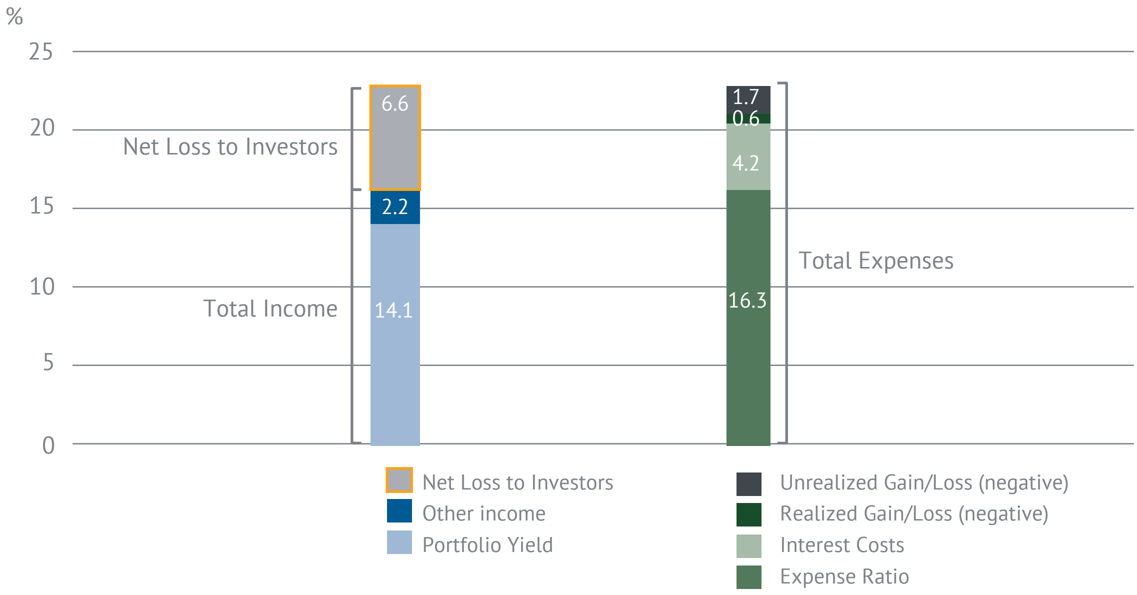


13 Net returns to investors in this section—that is, 2.8% for MR funds and −6.6% for BMR funds—differ from the respective averages of 2.6% and −6.8% for MR and BMR funds presented later in the chapter due to the different methodology required to calculate the complete financial breakdown shown in Figures 12 and 13. For more detail, please see 1.1.5 in the Methodology section.

A similar analysis for BMR funds (Figure 13) shows that these funds' total income is mainly generated by portfolio yield (14.1%) while total expenses are much higher (20.5%), with a much higher expense ratio (16.3%) due in part to greater leverage (and consequently a higher numerator; see section 2.5.3). As a matter of fact, all BMR funds regardless of their leveraging strategy show higher portfolio yields and expense ratios than MR funds, this may also be linked to their respective underlying portfolio investments. Furthermore, BMR funds' greater leverage also leads to higher interest costs (4.2%). Overall, the five-year period has negative net returns of −6.6% on a weighted average basis (including outliers).

The following sub-sections analyze more deeply a specific component of financial performance—first net returns, then portfolio yield, and finally cost structure—each broken down by segment (hedging strategy, use of leverage, return philosophy, and sector).

Figure 13
Financial Performance Breakdown (2012–2016), Below-Market-Rate Funds



2.5.1 Net Returns to Investors

A. Return Philosophy

Most funds in the sample seek risk-adjusted, market-rate returns (Table 9), both by number of funds and total assets (comprising, on average, more than 80% of total sample assets throughout the period under review).[14]

Weighted net returns of risk-adjusted, market-rate-seeking funds averaged 2.6% over the last five years. Over the same period, more than 90% of funds generated positive returns, ranging from 0% to 6.6%. In 2016, the 90th percentile of MR funds by performance registered 10% returns. Annual median and averages are close, evidence of relatively homogenous returns across the sample.

On the other hand, almost half of the below-market-rate-seeking funds had negative net returns (Figure 14). Weighted net returns of below-market-rate-seeking funds averaged −6.8% over the last five years, pulled down by an outlier. Excluding this outlier, the five-year average return of such funds is −0.2%.

Figure 14
Average Net Returns by Return Philosophy (2012–2016)

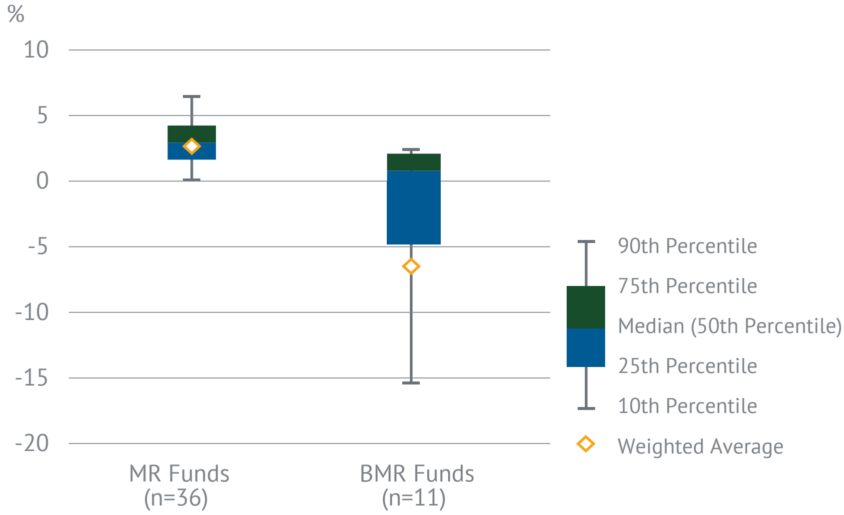


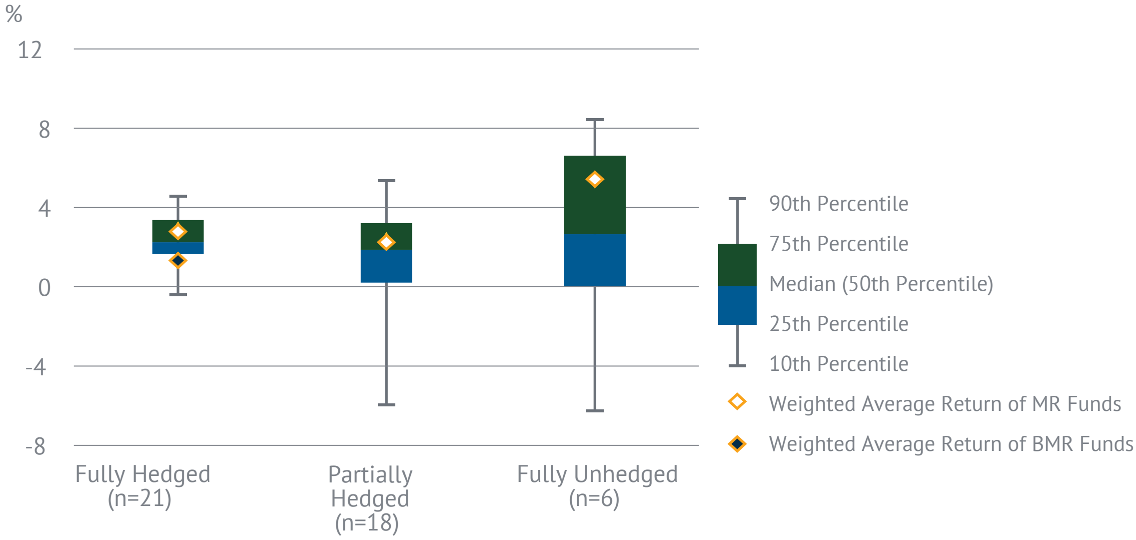
Table 9
Return Philosophy

	BMR Funds		MR Funds	
Year	Number of Funds	Sample Proportion by Total Assets	Number of Funds	Sample Proportion by Total Assets
2012	6	4.0%	23	82.5%
2013	8	3.5%	26	83.3%
2014	10	4.1%	28	85.6%
2015	11	4.2%	33	86.7%
2016	9	3.7%	34	87.7%

14 The sample proportion by total assets for BMR and MR funds does not sum to 100% because some funds in the sample did not report their return philosophies; these have been classified as neither MR nor BMR funds.

B. Hedged Versus Unhedged Funds
From 2012 to 2013, PDIFs (most investing in emerging markets) registered low returns due to the instability of several emerging market currencies that depreciated against the USD.

Figure 15
Average Net Returns by Hedging Strategy (2012–2016)



This depreciation impacted funds' hedging costs. Returns increased in 2014, before falling again in 2015–2016 after several political and economic challenges in emerging markets. For MR funds, the highest average annual compound returns over the period were registered by fully unhedged funds (5.6%) compared to fully hedged funds (2.8%; Figure 15). However, fully unhedged funds also had higher volatility (5.2%) compared to fully hedged (0.7%) or partially hedged (1.3%) funds (Table 10).

Table 10
Returns and Volatility by Hedging Strategy

	All Funds	Fully Hedged	Partially Hedged	Fully Unhedged
Compound Annual Net Return (5 years)	2.6%	2.8%	2.3%	5.6%
Volatility	0.9%	0.7%	1.3%	5.2%
Sharpe Ratio	0.77	1.27	0.29	0.71

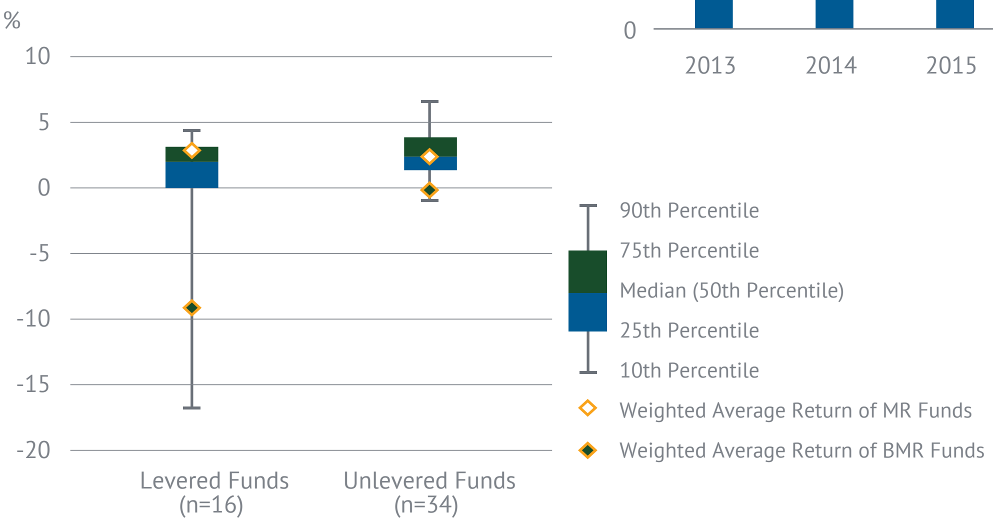
Table 11
Returns and Volatility by Leveraging Strategy

	All Funds	Levered	Unlevered
Compound Annual Net Return (5 years)	2.6%	3.0%	2.3%
Volatility	0.9%	0.6%	1.3%
Sharpe Ratio	0.77	1.96	0.29

C. Levered Versus Unlevered Funds
Overall, levered funds showed higher returns (3%) on average than unlevered funds (2.3%) over the five-year observation period (Table 11 and Figure 16). Using leverage enhances portfolio performance if the underlying portfolio return exceeds the cost of debt.

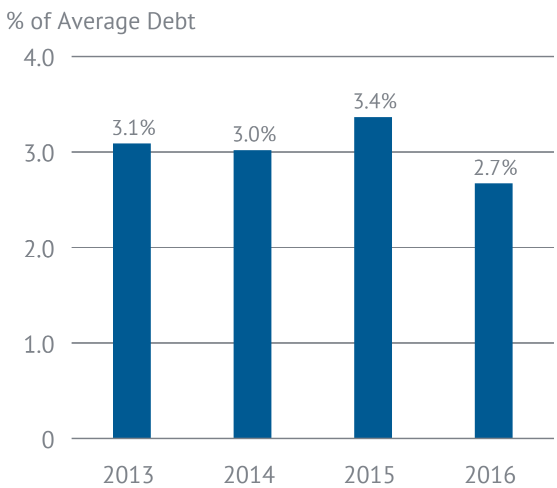
While the above figures on net return relate to the performance of PDIFs from the perspective of an equity investor, debt investors can also benefit from interest on debt capital provided to PDIFs. These types of investors can usually expect a fixed-income return from levered funds over a certain period of time.

Figure 16
Average Net Returns of Levered and Unlevered Funds (2012–2016)



Levered funds comprise one-third of the sample by number of funds and one-fourth by total assets. Interest rates they provide on notes issued to investors have averaged 3% on a weighted basis, with a maximum of 3.4% in 2015 (Figure 17).

Figure 17
Interest on Debt

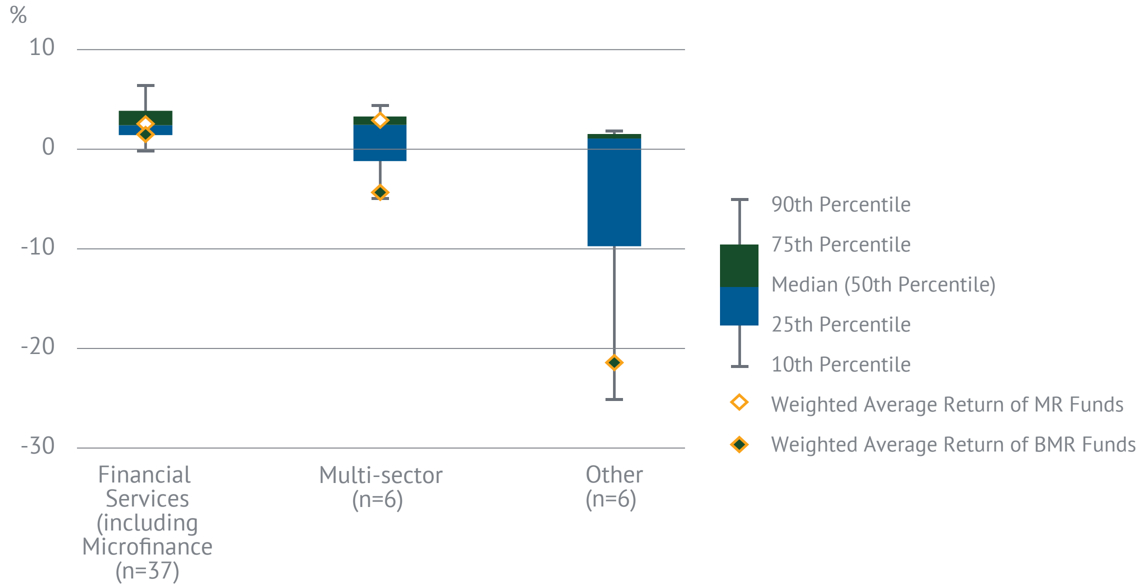


D. By Sector

Again considering net returns to equity investors, MR funds investing in the Financial Services sector (including Microfinance) showed more stable returns across the years, i.e. 2.6% (Figure 18), with the lowest annualized volatility of 1.0% compared to 4.0% for Multi-sector funds and 1.1% for funds investing in other sectors. The highest returns by sector were registered by Multi-sector MR funds (2.9% on a five-year average), while the worst performance was recorded by BMR funds investing in other sectors (−21.3%, or −10.6% when excluding one outlier).[15]

Finally, several outliers characterize the 'Other' sector category, mainly due to the heterogeneous sectors in which the funds invest, which results in wider variations in net return.

Figure 18
Average Net Returns by Main Investment Sector (2012–2016)



15 Funds in 'Other,' sectors targeting risk-adjusted, market-rate returns are not shown on the graph due to a small subsample size.

E. Comparison with Other Asset Classes

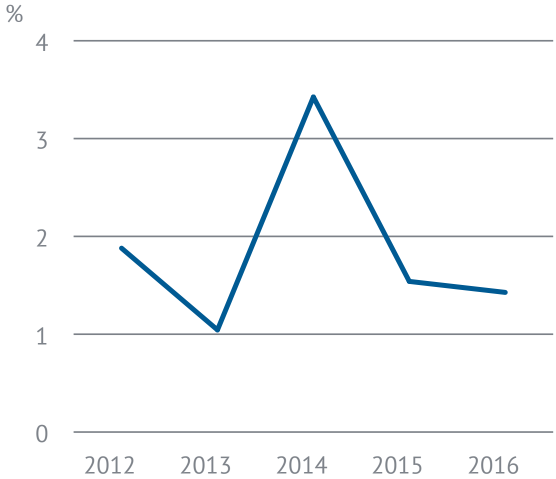
Among the respondents, seven funds benchmark themselves to three- or six-month Libor USD, two funds benchmark to six-month Euribor, and the others target a range of returns over a five-year term from 3% to 5%.[16]

Compared to other asset classes (Table 12),[17] PDIFs register relatively low but stable returns.[18] They outperformed the three-month LIBOR USD ('Cash' in Table 12) more than five-fold, while exhibiting annualized volatility (0.9%) trailing only three-month LIBOR USD (0.1%). PDIFs have a low to negative correlation with a range of other asset classes and a higher Sharpe ratio.[19] While these findings are based on a limited number of observations (five periods of annual data), they are supported by the SMX-MIV Debt Index of Microfinance Private Debt Funds, which is similar in key characteristics and based on 60 monthly observations for the same time period. The SMX-MIV Debt Index has a correlation with developed-market bonds of only 0.09 and negative correlations with all other asset classes shown. [20]

The spreads of MR funds above money markets (Figure 19) move in a band between LIBOR +100 and +300 basis points net return.

Figure 19

Net Return Spread over Three-Month Libor USD



16 LIBOR is the London Interbank Offered Rate, or the rate of interest at which banks offer to lend money to one another on the wholesale money markets in London. Euribor, short for the Euro Interbank Offered Rate, is based on the average interest rates at which a large panel of European banks borrow funds from one another.

17 Returns and volatility for other asset classes were calculated using the following market indices:
- For Developed Market Bonds, 'JPM Hedged USD GBI Global.'
- For Emerging Markets Bonds, 'JPM EMBI Global.'
- For Microfinance Private Debt, 'SMX-MIV Debt USD'.
- For World Stocks, 'MSCI World Index.'
- For U.S. Stocks, 'S&P 500.'
- For Alternatives, 'HFRX Global Hedge Fund Index.'
- For Cash, 'Three-Month Libor USD.'

18 Compound Annual Net Return of PDIFs and their annualized volatilities are calculated only for MR funds.

19 The Sharpe Ratio is the average return earned in excess of the risk-free rate per unit of volatility or total risk. The risk-free rate used to compute the Sharpe Ratio is the 5y, Daily U.S. Treasury Yield Curve Rate as of December 31, 2016, published by the U.S. Department of the Treasury.

20 0 implies no existing correlation, while 1 implies perfect correlation.

Table 12

Returns, Volatility, and Correlation by Asset Class (2012–2016)

	Private Debt Impact Funds (MR Funds only)	Microfinance Private Debt	Developed Markets Bonds	Emerging Markets Bonds	Cash	World Stocks	US Stocks	Alternatives
Compound Annual Net Return (5 years)	2.6%	2.7%	3.4%	5.4%	0.4%	8.2%	12.2%	1.6%
Annualized Volatility (5 years)	0.9%	0.5%	3.1%	7.2%	0.1%	11.2%	10.4%	3.6%
Correlation Table								
Private Debt Impact Funds (MR Funds only)	1.00	0.91	0.81	0.45	-0.43	-0.01	0.07	0.10
Microfinance Private Debt		1.00	0.09	-0.00	-0.30	-0.08	-0.11	-0.19
Developed Markets Bonds			1.00	0.37	-0.12	-0.17	-0.18	-0.13
Emerging Markets Bonds				1.00	0.05	0.57	0.44	0.42
Cash					1.00	-0.03	-0.03	0.04
World Stocks						1.00	0.95	0.85
US Stocks							1.00	0.83
Alternatives								1.00
Sharpe ratio	0.77	1.77	0.48	0.49	-25.45	0.56	1.00	-0.08

All results from the table (Returns, Volatility, Correlation and Sharpe Ratio) for Private Debt Impact Funds are calculated using five annual observation points (2012–2016) whereas results for all other asset classes are calculated using 60 monthly observation points (Jan. 2012 – Dec. 2016)

2.5.2 Portfolio Yields

Average portfolio yields, the major source of income for PDIFs, varied slightly between 6.0% and 6.4% over the five-year period, while income from other activities remained a marginal source of revenue (Figure 20).[21]

Overall, levered funds naturally had higher portfolio yields than unlevered funds (Figure 21), particularly from 2014 to 2016, because portfolio yield is calculated on net assets plus average net subscriptions. For a given net asset size, a levered fund would have a larger portfolio than an unlevered fund. This higher numerator raises the portfolio yield of levered funds. Portfolio yields are higher for BMR funds (14% on average for the five-year period) compared to MR funds (6.6%, both levered and unlevered combined).

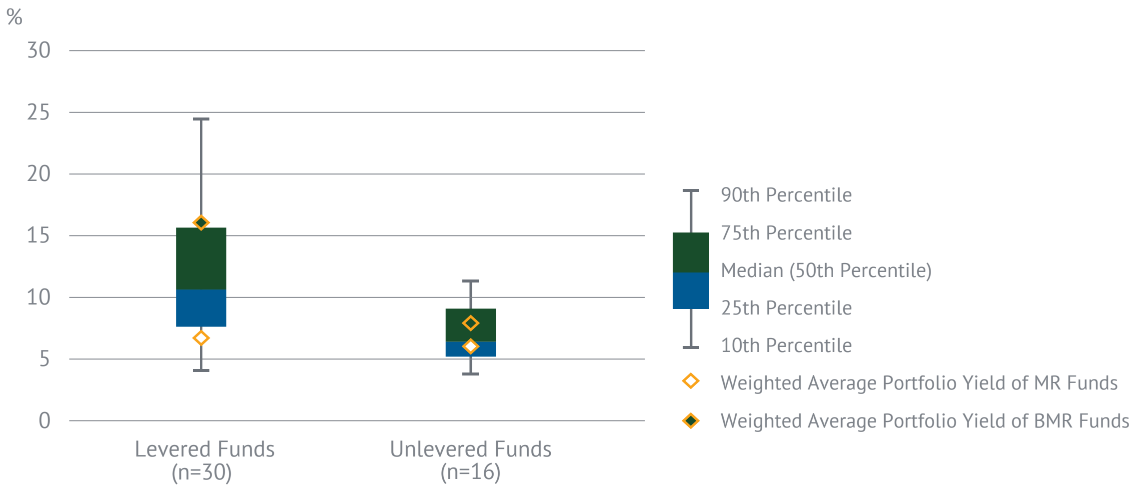
Figure 20

Total Income (Weighted Average)

Figure 21

Average Portfolio Yield of Funds, (2012–2016)

Unlevered Versus Levered



21 All figures in this section are calculated based on net assets and average net contributions.

2.5.3 Cost Structure

For PDIFs, the expense ratio, which includes management fees and other expenses,[22] constitutes the largest cost (Figure 22). The average expense ratio (3.1% over all five years) decreased slightly from 3.4% in 2012 to 3.1% in 2016 for all PDIFs, mainly because Financial Services funds have achieved economies of scale due to their long track record and size (see section 2.3.3).

Average interest costs for all funds remain low, between 0.2% and 0.3%, reflecting in part the zero interest costs of unlevered funds.

As with portfolio yields, total expenses are higher for levered funds (4.9%) than for unlevered funds (2.4%). One explanation is that the denominator (net assets plus net average subscriptions) is lower for the former, naturally resulting in higher total expenses for such funds relative to assets. BMR funds have a much higher average expense ratio (16.3%) than MR funds (3.0%) over the five-year period.

Regarding the expected total expense ratio (TER) as self-reported by PDIFs (Figure 23), most funds target a TER between 1% and 3%, but, depending on the fund's structure, TERs can exceed 5%.[23]

Figure 22

Average Fund Cost Structure (2012–2016)

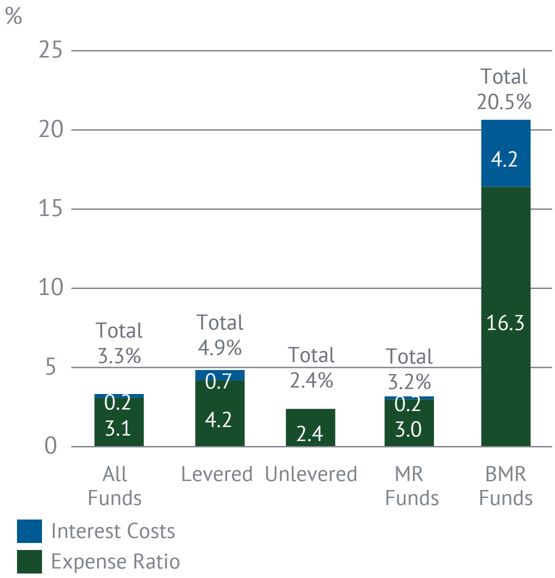
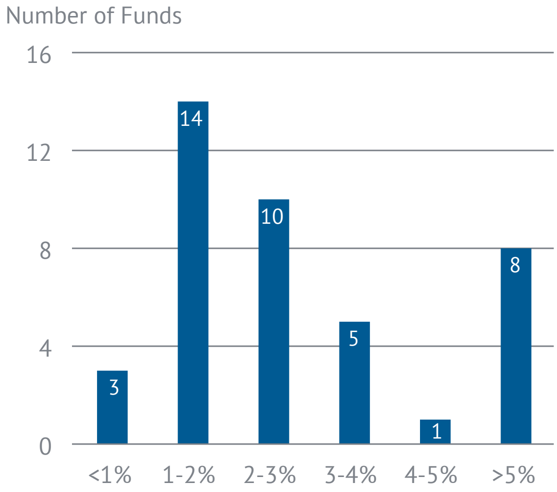


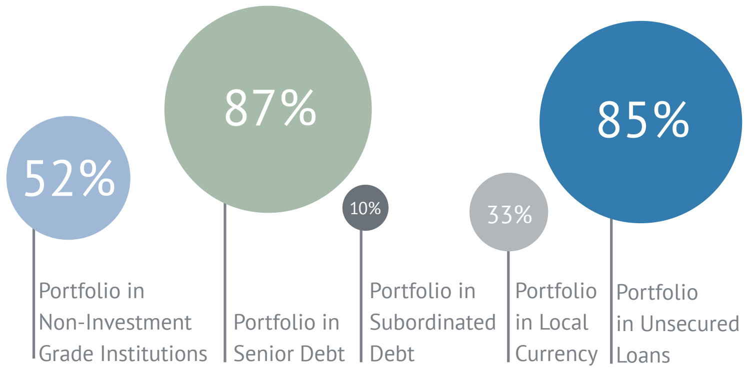
Figure 23

Distribution of Expected Total Expense Ratio



22 Other expenses include accounting fees, custodian fees, legal fees, marketing and distribution costs, and general administration fees.

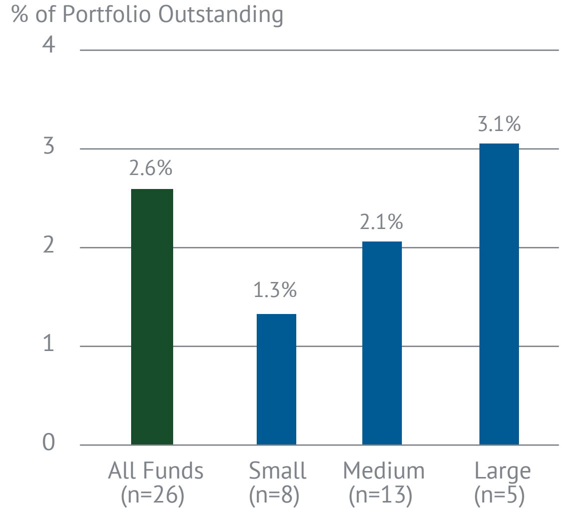
23 Expected TER was self-reported by participants on the survey platform and differs from the expense ratio computed using annual financial statements. Expected TER is also calculated using a different denominator, namely total assets, while the expense ratio computed from financial statements used as a denominator net assets plus average net contributions.



2.6 PORTFOLIO RISK

Most of the sample invests in emerging markets (see section 2.4.3 Geographical Breakdown), which informs their risk-management strategies in terms of investees, seniority, and portfolio quality. As of December 2016, half of the PDIFs' total portfolio is invested in non-investment grade institutions (< BBB–), 33% denominated in local currency, and 85% in unsecured loans.

Figure 24
Loss Provisions Outstanding by Fund Size
(2016, Weighted Average)



The level of loss provisioning for PDIFs in the sample was 2.6% on a weighted average basis (Figure 24). Larger funds tend to have higher provisioning ratios than smaller ones. Funds with total assets below USD 50 million had only 1.3% provision on average, whereas funds with total assets greater than USD 250 million had 3.1% of their portfolio provisioned, on average. BMR funds provisioned on average 7.3% compared to 2.6% for MR funds.

Furthermore, regarding hedging strategy, partially hedged funds have the highest provision rate (4.6%), and fully unhedged funds have the lowest rate (0.5%; Figure 25). However, fully unhedged funds are less mature than the others, on average, with most having fewer than three years' track record.

Large funds have the highest proportion of written-off loans (Figure 26), even though the proportion remains relatively low compared to their provisioning ratio.

Figure 25
Loss Provisions Outstanding by Hedging Strategy
(2016, Weighted Average)

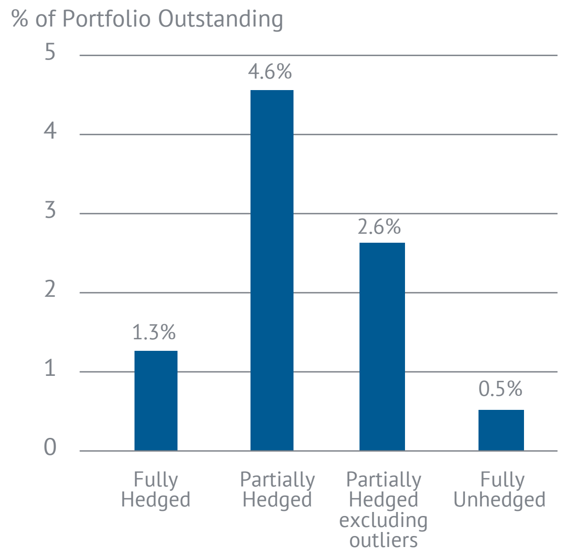
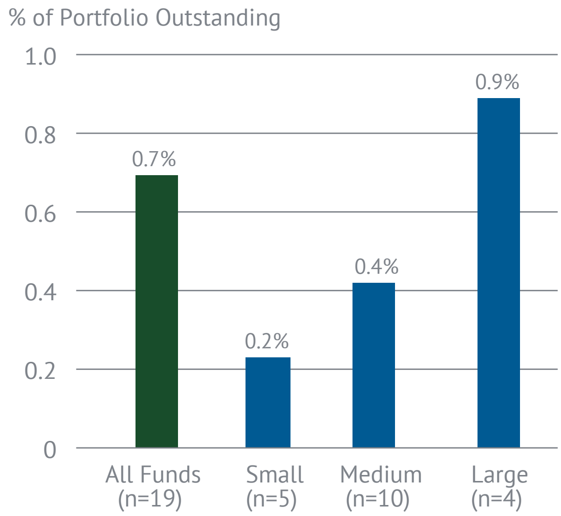


Figure 26
Write-offs by Fund Size
(2016, Weighted Average)

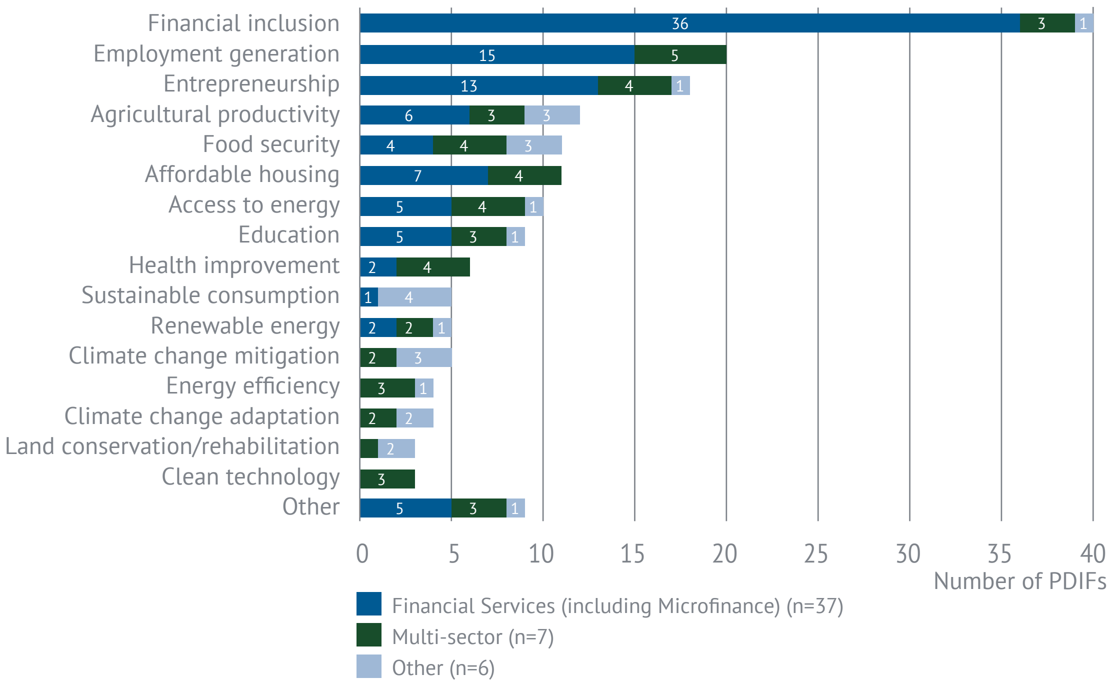


2.7 IMPACT MEASUREMENT

The most frequently targeted impact themes (particularly by funds mainly investing in Financial Services, including Microfinance) are financial inclusion, followed by employment generation and entrepreneurship (Figure 27). In addition to employment generation, funds that invest in multiple sectors mainly target access to energy, health improvement, and clean technology. Sustainable consumption, agricultural productivity, climate-change mitigation, and food security recur the most across funds investing in other sectors.

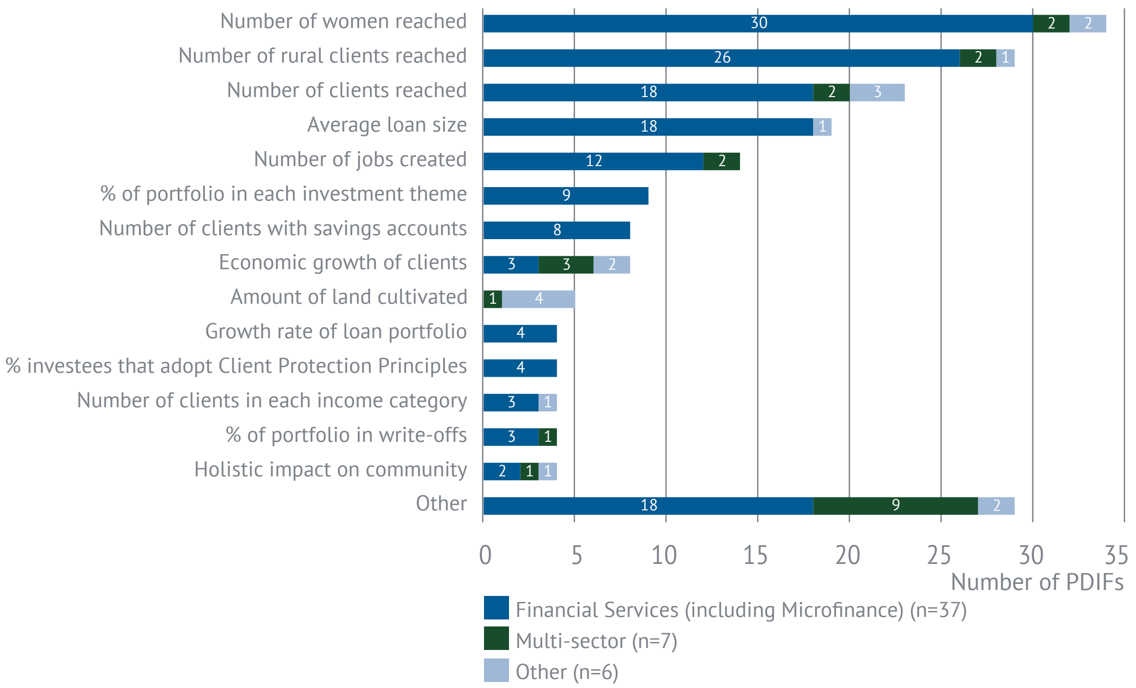
Forty-six of the 50 funds surveyed responded to an optional question about impact criteria applied prior to investment to inform investment selection or due diligence. Of those responding, 41 funds apply impact criteria to all their investments, two apply criteria only to some investments, and three did not apply any criteria. Furthermore, of the 28 respondents that described the type of impact criteria applied to investments, 11 use an Environmental, Social, and Governance (ESG) exclusion list.

Figure 27
Impact Themes by Main Investment Sector



In terms of impact metrics, funds listed up to five primary impact metrics they used to measure their social or environmental impact (Figure 28). After grouping impact metrics by category and sector, recurring the most for Financial Services funds are number of women reached (30 out of 37 funds), as well as number of rural clients (26 out of 37). Other impact metrics mentioned in this sector include average loan size (20) and number of jobs created (12). For PDIFs investing in other sectors, the most common impact metric is amount of land cultivated (four out of six funds), followed by number of clients reached (three). Finally, for Multi-sector funds, economic growth of clients (three of seven funds) and number of clients (by gender and location) are the most common.

Figure 28
Impact Metrics by Main Investment Sector



2.8 IMPACT PROFILES

The following section describes impact measurement and management processes and practices of three sample PDIFs: one investing primarily in Food and Agriculture, one focused on Financial Services (including Microfinance), and a third, Multi-sector fund.

2.8.1 Food and Agriculture

Background

By investing in agricultural businesses in developing countries, this open-ended fund aims to contribute to the sustainable development of actors in the value chain of local agriculture who can directly or indirectly contribute to the socioeconomic and ecological development of rural regions.

Specific impact objectives relate to agricultural productivity, resource security, job creation, working standards in agriculture, and livelihoods for farmers. Agriculture-related businesses to which the fund lends must:

- employ a sustainable business model;
- empower people at the base of the pyramid by sourcing from smallholder farmers or employing people from low-income groups.
- demonstrate a commitment to socially and environmentally friendly production;
- ensure owner and manager integrity; and
- have a real financing need (to avoid over-indebtedness).

Impact Measurement and Management Process

Monthly and quarterly reports are produced for investors with the following impact indicators:

- number of investments;
- number of institutions;
- number of farmers reached;
- number of countries; and
- number of commodities.

Impact Results

In November 2017 (the most recent month for which data were available), the fund was invested in 53 commodities spanning 44 developing countries. The fund reached over 814,000 farmers through the agricultural organizations it financed, helping drive economic growth in rural areas. For example, one company the fund financed helped rebuild the northern Ugandan cotton crop after the protracted period of armed conflict that ended in 2008. A capital injection enabled the company to establish cotton buying and processing operations, including purchasing a ginnery and accessing international buyers. Through its network of community-based agents, the company has provided agricultural extension and training services to 60,000 farmers on topics including agronomy, organic farming, post-harvest handling, numeracy, and financial literacy.

2.8.2 Financial Services

Background

This open-ended private placement fund seeks to increase financial inclusion by providing short-term loans to microfinance and SME financing institutions in emerging markets. The fund targets risk-adjusted, market-rate returns. Prior to investment, it assigns each prospective investee a social impact score, which it reviews, along with data on financial performance and anti-money laundering (AML) compliance, to determine whether to invest.

Impact Measurement and Management Process

The assessment prior to investment of social and environmental impact typically entails site visits to meet with various staff at the target investee, as well as interviews with end borrowers. The fund also considers whether the investee adheres to standard frameworks for client protection and social performance management, such as the SMART Campaign. After investing, the fund shares observations of social, environmental, or financial performance with senior leadership of the investee.

The fund continually measures progress towards improving financial inclusion by reviewing several key metrics on a quarterly basis. Examples include:

- percent of borrowers that are women;
- percent of investee staff that are women;
- average loan size issued by the investee;
- whether the investee is a deposit-taking institution and thus has an appropriate range of product offerings; and
- growth rate of gross loan portfolios.

The fund monitors investee performance over time. If significant changes occur—such as a modification of investee product offerings or borrower demographics—the fund will conduct additional analysis to understand any underlying factors. The fund may then choose not to renew a loan. Additionally, the fund annually produces a publicly available impact report that aggregates data at the fund level, assessing the fund's contributions toward three SDGs: 1. No Poverty, 5. Gender Equality, and 8. Decent Work and Economic Growth.

Impact Results

As of 2016 year's end, the fund had financed a total of 36 institutions across nearly 20 countries. Among these financial institutions, nearly half were deposit-taking. On average, its portfolio companies reached nearly 300,000 active borrowers during 2016, among whom approximately 60% were women. Over three-quarters of loans were productive. In 2016, the fund also received a Gold GIIRS rating of its social and environmental impact.

2.8.3 Multi-sector

Background

This open-ended private placement fund seeks market-rate returns from its portfolio, which is invested exclusively in emerging markets. The fund invests in multiple sectors, including Education, Energy, Food and Agriculture, and Housing to achieve a range of impact objectives aligned to six of the SDGs: 1. No Poverty, 7. Affordable and Clean Energy, 8. Decent Work and Economic Growth, 10. Reduced Inequalities, 12. Responsible Consumption and Production, and 17. Partnerships for the Goals.

Impact Measurement and Management Process

Prior to offering financing to a prospective loan client, the fund gathers data to ascertain their impact potential. To determine whether to invest, the fund reviews both business-related criteria—such as operational track record, profitability, and growth—and impact-related criteria, including the quality of the investee's products and services, the extent to which their impact can be measured, their governance structures, their reporting capabilities, and alignment of the company's and fund's visions.

During the life of a loan, the fund collects and reports impact data quarterly, using metrics identified by sector through the IRIS catalog. Additionally, investees participate in a GIIRS audit each year. The fund's reports include the following metrics, among others:

- metric tons of CO2 emissions reduced;
- number of smallholder farmers;
- number of clients receiving access to credit for the first time;
- percent of clients that are women; and
- percent of clients that live in rural areas.

Though the fund does not set quantitative impact targets, it does monitor changes in investee performance on each metric over time. If the data show decreasing or stagnating impact performance, the fund will investigate the underlying causes of the issue. The fund may choose not to renew loans if they do not achieve the desired impact.

Impact Results

During 2016, the fund reached nearly 400,000 clients, 90% of whom live in rural areas and 34% of whom are women. Portfolio companies employed over 4,500 staff. In one example, a solar energy portfolio company installed a solar system in a primary school in rural Uganda, which generated sufficient light and energy to power the school. As a result, students could access information through TV programming and study at the school during the evening hours.

3. COMMUNITY DEVELOPMENT LOAN FUNDS

3.1 BUSINESS MODEL

Community Development Financial Institutions (CDFIs) are mission-driven financial institutions, certified by the U.S. Department of the Treasury, that cater to low-income people in the United States.[24] CDFIs are split into four main groups by business model and legal structure: community development banks, community development credit unions, community development loan funds, and community development venture capital funds, the most common of which are Community Development Loan Funds (CDLFs).[25]

This chapter focuses only on CDLFs, which are mostly nonprofit organizations that provide financing and technical assistance to the following sectors, as the Opportunity Finance Network (OFN), the industry association for CDFIs, defined in their 2017 *Side by Side* Report:[26]

- **Microenterprises:** Financing for-profit and nonprofit businesses with five or fewer employees (including the proprietor) and with a maximum loan or investment amount of USD 50,000 for the purpose of start-up, expansion, working capital, or equipment purchase or rental.
- **Businesses:** Financing for-profit and nonprofit businesses with more than five employees or with an amount greater than USD 50,000 for the purpose of expansion, working capital, or equipment purchase or rental.
- **Commercial Real Estate:** Financing construction, rehabilitation, acquisition, or expansion of nonresidential property used for office, retail, or industrial purposes.
- **Housing Developers:** Financing housing organizations for purposes such as predevelopment, acquisition, construction, renovation, lines of credit, working capital, and mortgage loans to support the development of rental or for-sale housing, including service-enriched and transitional housing.
- **Community Facilities:** Financing human and social service agencies, advocacy organizations, cultural or religious organizations, health care providers, child care providers, and education providers.

CDLFs operate as investment funds that directly finance individual clients, projects, and companies in specific states, thus benefiting from close engagement with their end clients in addition to building local knowledge and expertise. The funds collect and analyze data on their clients, evaluate the risks of specific clients and projects, and manage portfolios while negotiating funding needs with investors.

CDLFs comprise both debt capital at market or below-market rates and grants from different types of private organizations and federal or local governments. Investors have several ways to invest in CDLFs, most commonly by providing debt financing through notes and credit lines.

24 U.S. Department of the Treasury, "Community Development Financial Institutions Fund," https://www.cdfifund.gov.
25 Opportunity Finance Network, "What are CDFIs?," https://ofn.org/CDFIs.
26 Side by Side is an annual reference guide for industry practitioners, investors, and others interested in assessing the activity and performance of the opportunity finance industry. It presents data from OFN Member financial institutions and includes peer group analyses for the primary financing sectors. Opportunity Finance Network, Side by Side Fiscal Year 2016 (Philadelphia: Opportunity Finance Network, 2017).

Banks are one of the primary classes of investors to make use of this investment channel, as investment in CDLFs enables them to fulfill the 1977 Community Reinvestment Act, which encourages depository institutions to help meet the credit needs of the communities in which they operate, including low- and moderate-income neighborhoods.

Investing in CDLFs by buying shares is also possible, though atypical. A special financial instrument designed for CDLFs, the equity equivalent (EQ2) investment, is similar to preferred stock. EQ2 notes are designed to leverage additional debt capital in order to increase lending and investing activities in disadvantaged communities.[27]

According to the latest data,[28] as of fiscal year 2016, 524 CDLFs were certified by the CDFI Fund, of which 197 report data to OFN. These 197 CDLFs had total financing outstanding of USD 7.4 billion. By sector, two-thirds of CDLF assets went into Businesses (27%), Housing to Organizations (23%), and Microenterprises (14%). The remaining third was invested in Housing to Individuals (12%), Community Facilities (10%), Commercial Real Estate (7%), Consumer Finance Products (3%), Intermediaries (2%),[29] and Other segments (2%).

3.2 SAMPLE SNAPSHOT

All CDLFs are incorporated in the United States, use U.S. GAAP for their accounting, and lend locally and exclusively in USD. The Research Team identified 163 CDLFs among OFN's members that met our inclusion criteria, of which 102 participated. As noted earlier (in Section 1.1.2), CDLFs primarily serving individual consumers (that is, CDLFs with more than half their lending portfolio allocated to housing or finance products for individual consumers) were excluded from the sample to focus the analysis on funds investing in projects, organizations, or businesses.

102
COMMUNITY DEVELOPMENT LOAN FUNDS

63%
PARTICIPATION RATE

Table 13
Number of Participating Funds by Calendar Year

Year	Number of Funds
2012	89
2013	93
2014	99
2015	102
2016	57

The number of participating funds for each year varies according to the availability of annual financial statements (Table 13). The number of participating funds dropped remarkably in 2016 because nearly half of the CDLFs in the sample operate on a non-calendar business cycle.

27 Equity equivalent (EQ2) notes are subordinated, low-interest debt with rolling maturities and limited rights to repayment acceleration. However, due to a lack of consistent, standardized reporting on EQ2 among CDLFs, this report does not track this metric.
28 These figures differ from those presented in this report due to differences in the sample size and dataset used. Opportunity Finance Network, *Side by Side* Fiscal Year 2016 (Philadelphia: Opportunity Finance Network, 2017).
29 "Intermediaries" correspond to financing provided to other CDFIs. Opportunity Finance Network, *Side by Side* Fiscal Year 2016 (Philadelphia: Opportunity Finance Network, 2017).

However, some CDLFs self-reported data for December 2016 to OFN regarding their total assets and loan portfolios, so all trend figures related to assets and portfolios are also shown for 2016. Data for most other metrics are shown until 2015, since the 2016 sample is much smaller than for the previous years. Most CDLFs provided four to five relevant financial statements (Appendix 2, Table 6).

By main investment sector, Housing-focused CDLFs comprise nearly 40% of the total sample (Table 14). CDLFs that finance local businesses form one-third of the sample, while CDLFs providing loans to microenterprises and investing in community facilities represent 16% and 10% of the total sample, respectively.

Table 14

Investment Sectors

Year	Business	Community Facilities	Housing	Microenterprise	Other
2012	29	9	36	13	2
2013	31	9	37	14	2
2014	34	10	38	15	2
2015	35	10	38	17	2
2016	22	7	19	7	2

As mentioned above (Section 3.1), these loan funds rely heavily on leverage to finance their own lending activities. On average, leverage represented nearly half of total assets in the sample from 2012 to 2015 (Table 15).

Table 15

Leverage as a Percentage of Total Assets

Year	Average Leverage as % of Total Assets
2012	47%
2013	49%
2014	49%
2015	50%
2016	Small sample

3.3 ASSET SIZE

3.3.1 Total Asset Growth

At the fund level, CDLF total assets range widely (Figure 29), from less than USD 1 million up to USD 1 billion. At the end of 2016, the average and median CDLF funds had USD 55.2 million and USD 24.9 million in AUM, respectively. In terms of growth from 2012 to 2016, the mean size of CDLFs grew 5%, while the median grew 12.4%.

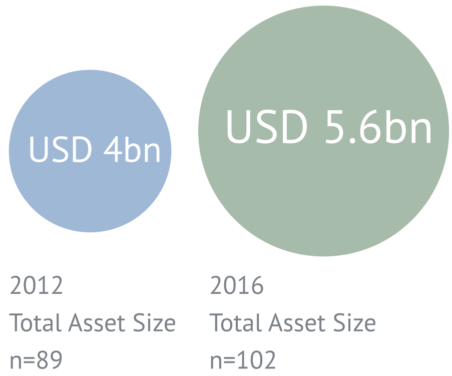
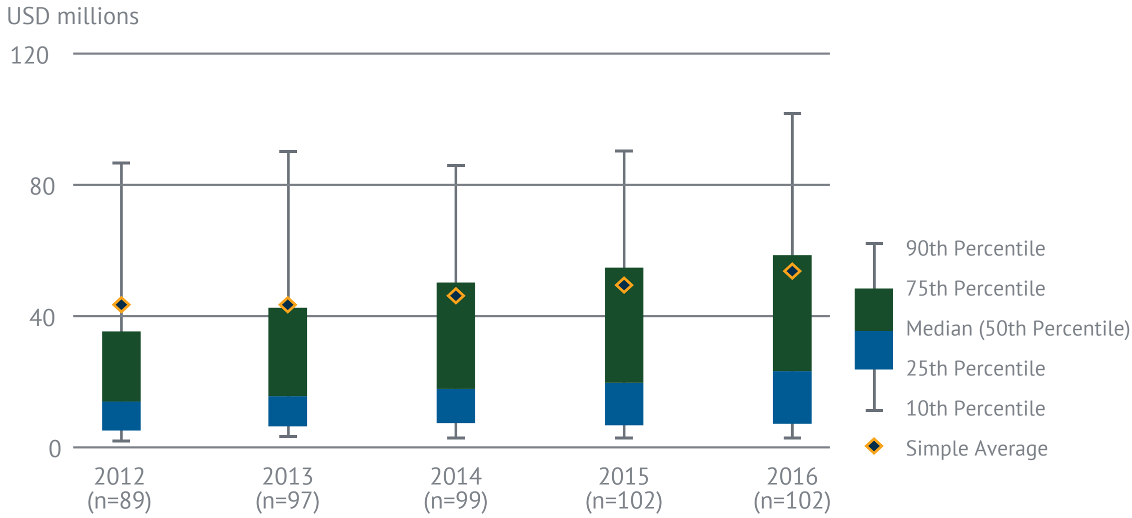


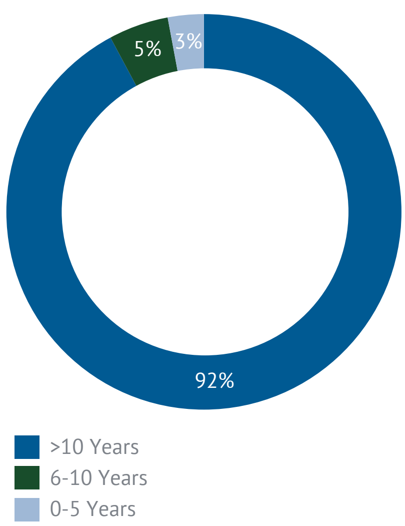
Figure 29
Assets Under Management, Distribution of Sample



3.3.2 By Vintage Year

Most CDLFs in the studied sample were incorporated around the mid-1980s. Hence, most (94 of 102) have a significant track record of a decade or more (Figure 30).

Figure 30
Age of Funds



3.3.3 By Main Investment Sector

Housing is the main sector of activity for CDLFs, and has slightly decreased by 6 percentage points between December 2012 and 2016 (Figure 31). By contrast, assets of CDLFs investing in community facilities have increased as a proportion of the sample from 20% in December 2012 to 23% at the end of 2016. CDLFs of this type are larger, on average, as illustrated by the fact that they only represent 10% of the total sample by number of funds (Table 14). Meanwhile, CDLFs investing in microbusinesses are comparatively smaller on average, representing 4% of total sample assets as of 2016.

Over the period under review, CDLFs investing in microenterprises have grown the fastest on both average and median bases, although from a much lower base (Table 16). At the median, all types of CDLFs except those investing in community facilities have shown double-digit growth.

Figure 31
Total Assets by Sector

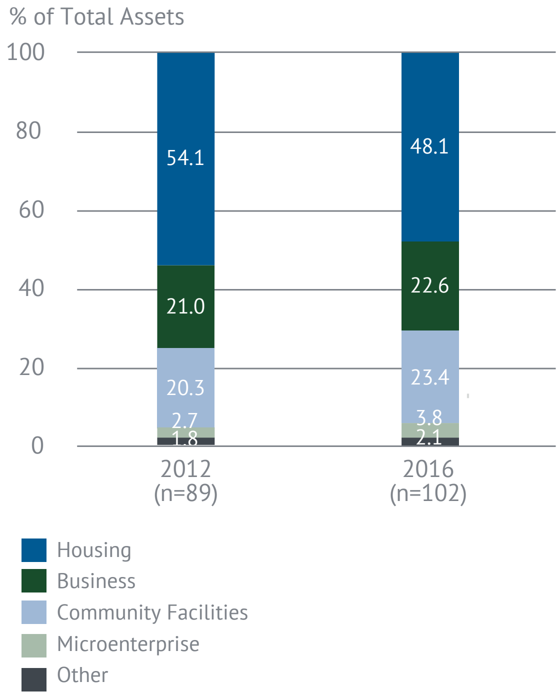


Table 16
Total Asset Size (USD millions) and CAGR by Sector

	Total Assets 2012		Total Assets 2016		CAGR of Total Assets	
	Average	Median	Average	Median	Average	Median
Business	29.3	13.3	36.4	22.7	5.6%	14.3%
Community Facilities	91.2	45.5	132.0	44.9	9.7%	-0.3%
Housing	60.6	21.2	71.2	32.4	4.1%	11.2%
Microenterprise	8.5	3.7	12.5	7.5	10.3%	19.6%

3.3.4 By Size

At the end of 2016, 72% of the CDLF sample is characterized by small funds, those with total assets below USD 50 million. Medium-sized CDLFs (USD 50–250 million in assets) form nearly a quarter of the total sample, up from 13% at the end of 2012. Finally, large CDLFs with assets in excess of USD 250 million are few, averaging less than 5% of the sample over the five-year observation period.

Large CDLFs, while scarce in number, represent the largest proportion of total sample assets in 2016 at 41% up from 33% at the end of 2012. Medium-sized and small CDLFs account for more than 35% and more than 20% of the total sample, respectively.

3.4 PORTFOLIO AND INVESTOR CHARACTERISTICS

3.4.1 Total Loan Portfolio

This section analyzes the loan portfolios of CDLFs in the sample, excluding cash and other assets, to specifically analyze their core lending activity.

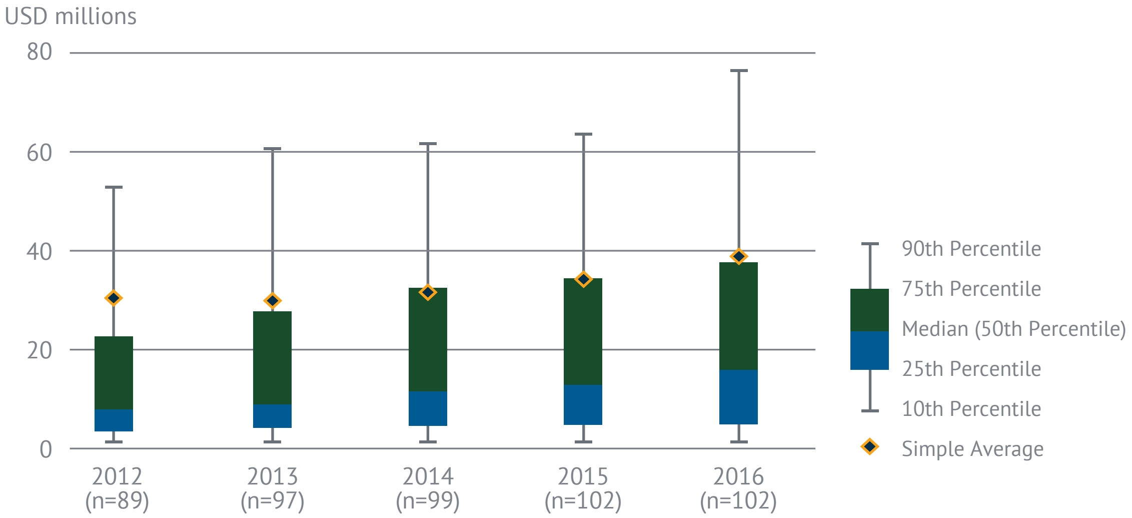
3.4.1.1 Average Loan Portfolio Size

Combined, the outstanding loan portfolio of our sample of 102 CDLFs amounted to nearly USD 4 billion as of December 2016, implying an average loan portfolio of USD 39.1 million (Figure 32). Since 2012, CDLFs in the sample have grown their loan portfolios by 6.4% annually.

The median portfolio value almost doubled in size from 2012 to 2016, from a base value of USD 8.2 million in December 2012 to USD 16.3 million at the end of 2016. This represents a CAGR of 18.7% over the same period.

Figure 32

Loan Portfolio, Distribution of Sample



3.4.1.2 Average Maturity

At the end of 2016, the maturity of CDLFs' outstanding loan portfolios averages 102.2 months when weighted by portfolio size.

By CDLF sector, average maturity varies widely (Figure 33). CDLFs financing community facilities have the longest maturity (145.4 months), while Housing CDLFs have the shortest (83.3 months).

By size (Figure 34), the largest funds have the longest maturity (115.4 months). The average maturity for the total sample is thus driven upwards by a small number of large funds.

Figure 33
Portfolio Maturity by Sector

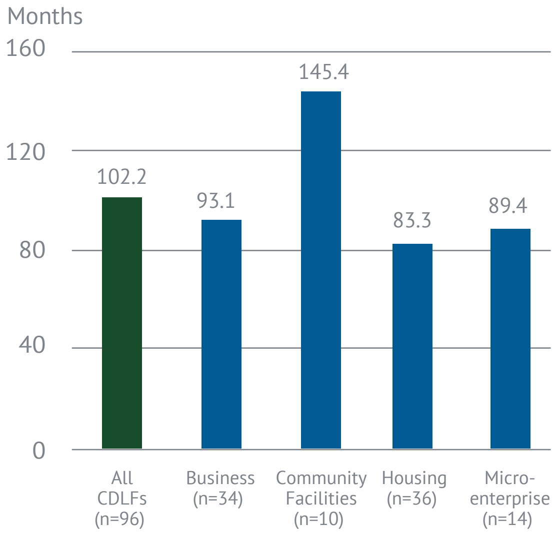
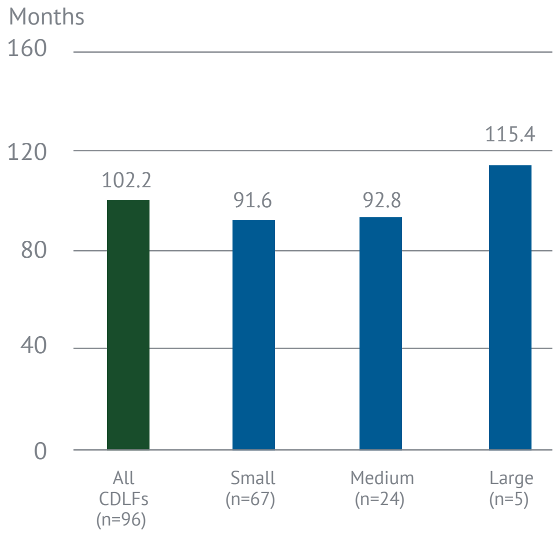


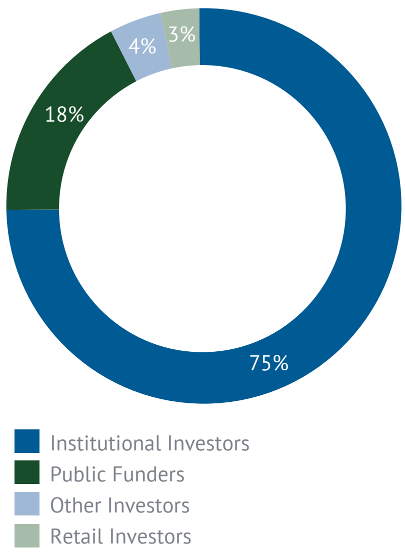
Figure 34
Portfolio Maturity by Size
(2016, Weighted Average)



3.4.2 Types of Investors

As of December 2016, institutional investors have provided 75% of funds that CLDFs have borrowed,[30] broadly including pension funds; financial institutions, such as insurance companies, banks, asset management companies, and corporate treasuries; non-governmental organizations; and foundations. Public funders account for 18% of CLDF funds, while the remaining portion of borrowed funds came from retail (3%) and other (4%) investors (Figure 35).[31]

Figure 35
Investor Type as a Percentage of Notes and Lines of Credit (2016)



30 Borrowed funds that form the basis of this investor breakdown include both notes payable and lines of credit. They do not, however, systematically include EQ2, which primarily originate from banks (institutional investors). Hence, the share of institutional investors could be understated.
31 Given the relatively small number of observations for the investor breakdown (n=55) compared to the total number of CDLFs (n=102) in the sample, these data might not entirely capture the current investor breakdown.

3.5 FINANCIAL PERFORMANCE BREAKDOWN

This chapter analyzes return patterns of CDLFs from the perspective of a debt investor who finances a fund's capital structure and expects a fixed-income return on this investment. This analysis begins with the interest rate that investors earned on this debt financing, followed by general consideration of the portfolio yields CLDFs generated, examination of how these differ by size and sector, and, finally, discussion of cost structure.

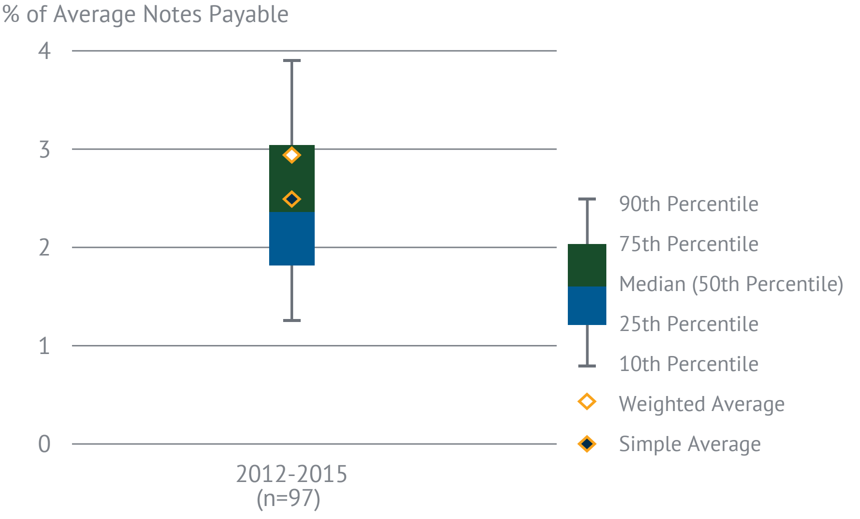
3.5.1 Net Returns to Investors

Most CDLFs are nonprofit entities, as is well-reflected in their return philosophies: only one CDLF in the sample reported targeting risk-adjusted, market-rate returns.

Interest rates paid on notes have been very stable for CDLFs, averaging 2.9% over the four-year period, with little dispersion of values between the 10th and 90th percentiles (Figure 36). Removing outliers does not change this weighted average of 2.9%.

Figure 36

Average Interest Rates on Notes (2012–2015)



CDLFs also pay interest on lines of credit, usually raised from banks, but most CDLFs in the studied sample did not report doing so. Only four to six funds, depending on the year, used this type of debt financing, paying relatively stable rates, given the small sample size, around a five-year average of 3% (except for a peak observed in 2013).

Interest rates paid on notes were relatively consistent by year across all sectors (Figure 37). Housing CDLFs paid the highest interest rates, while funds lending to microenterprises generated the lowest returns to investors, with rates between 2.1% and 2.6% depending on the year.

Large funds exhibited higher returns to investors compared to mid-sized or small funds (Figure 38). Rates are very stable since 2013 across all sizes of fund, averaging 3.2% for large CDLFs,[32] 2.9% for medium-size CDLFs, and 2.6% for small CDLFs.

Figure 37

Interest Rates on Notes by Sector

% of Average Notes Payable

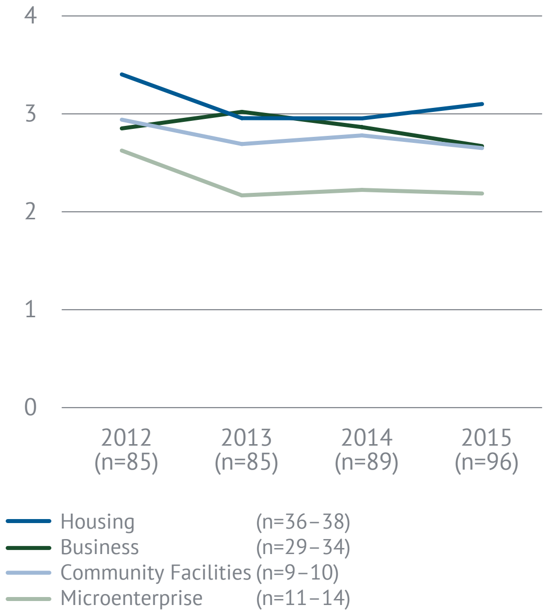
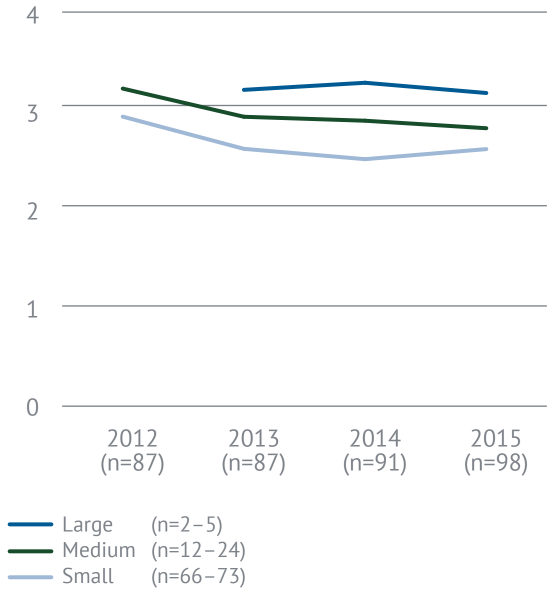


Figure 38

Interest Rates on Notes by Size

% of Average Notes Payable



32 2012 value for Large CDLFs is not shown due to a sample size fewer than three.

3.5.2 Portfolio Yields

The portfolio yield of CDLFs provides a good proxy for the interest rates these funds charge in their lending activities.[33] On a weighted average basis, portfolio yields were relatively stable over the observation period, staying within a band from 5.2% to 5.4%. Ninety percent of CDLF observations fall between 4% and 9% (Figure 39), averaging 5.3% over the sampled period (or 5.2% after removing outliers).

Yields by investment sector, which were likewise stable across the observed years, were highest on average for CDLFs investing in microenterprises (12.5%) and lowest for Housing-focused CDLFs (4.2%; Figure 40). Interest rates on loans to businesses or community facilities fell between these extremes. After removing outliers, the portfolio yield for Microenterprise-focused CDLFs drops to an average of 9.2%.

Figure 40

Portfolio Yield by Sector

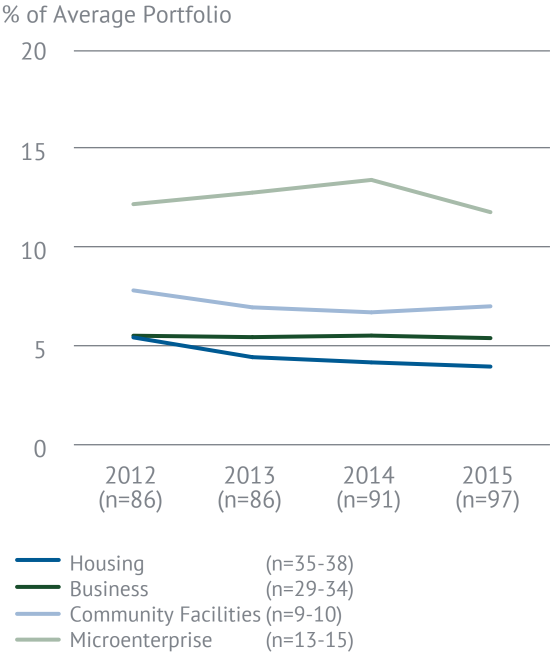
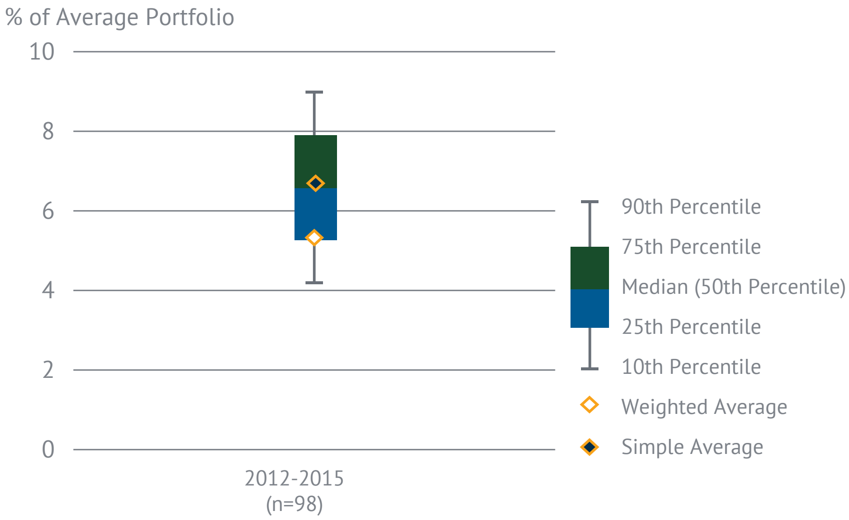


Figure 39

Average Portfolio Yield (2012–2015)



33 The portfolio yield of CDLFs is calculated on the average loan portfolio over two years.

Small CDLFs have higher yields compared to medium-sized or large CDLFs (Figure 41),[34] perhaps because they make generally smaller loans that tend to command higher rates of interest.

As nonprofit funds, CDLFs often rely on grants and donations from mission-driven organizations in addition to income from their lending activities to cover their operational costs.

Breaking down the ratio of total income to average assets (Figure 42), interest income from the lending portfolio remained stable at 3.6% of average assets, but this did not represent funds' main source of income. The more volatile grants and contributions (Figure 43) comprise the major proportion of sample CDLFs' total income, averaging 5.7% from 2013 to 2015. On average, during the same period, other income represented 3.7% of sample CDLFs' total income.[35]

Figure 41
Portfolio Yield by Size
% of Average Portfolio

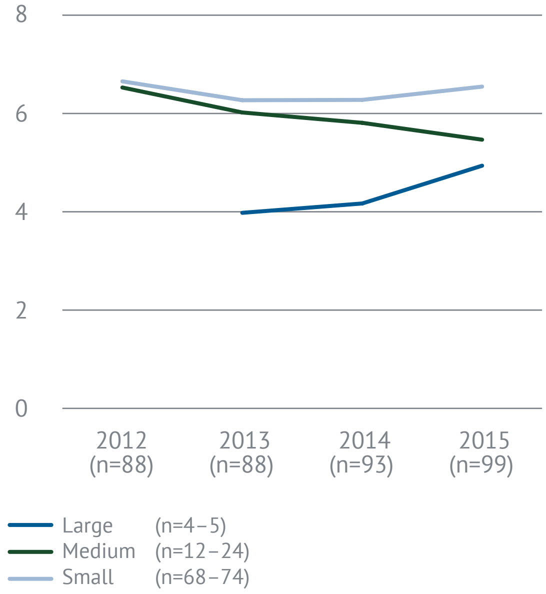


Figure 42
Sources of Fund Income
% of Average Assets

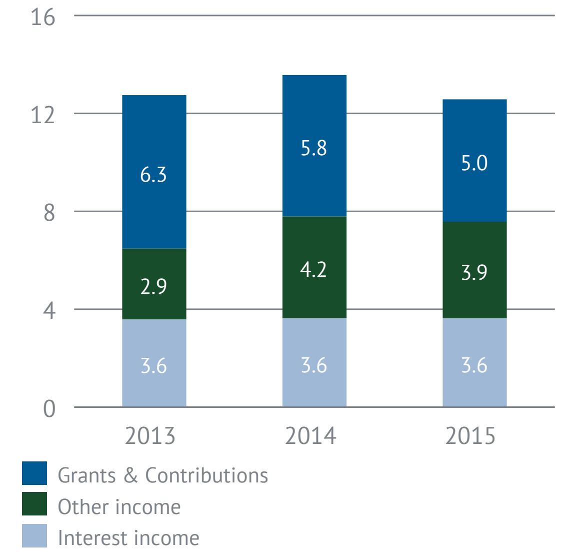
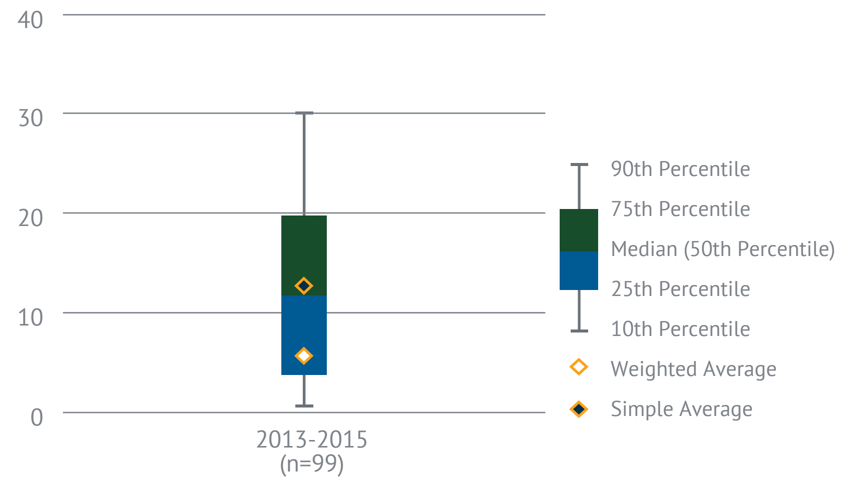


Figure 43
Average Grants and Contributions (2013–2015)
% of Average Assets



34 2012 value for Large CDLFs is not shown due to a sample size fewer than three observations.
35 Components of "Other income" vary by the sector of focus of each CDLF. Usually, other income comprises non-interest income, such as management or advisory fees, investment income, unrealized gains, and rental income.

3.5.3 Cost Structure

The TER of CDLFs, calculated on average assets over two years,[36] has been relatively stable at 9.4% (9.3% when excluding outliers) since 2013 (Figure 44). Interest expenses have also been very stable at 1.4% of average assets. Expenses unrelated to interest payments to note holders and credit lines drive the relatively high expense ratio. Larger CDLFs tend to have smaller TERs (Figure 45). On a weighted average basis, from 2013 to 2015, the TERs were 13.4%, 9.7%, and 6.5% for small, medium, and large CDLFs, respectively. Small CDLFs excluding outliers have a slightly lower weighted averaged TER of 13.1%.

These other expenses, which vary by sector of focus, are usually split into program expenses, fundraising expenses, and general and administrative expenses, all of which can include payroll, pension benefits, loan loss provisions, professional or consultancy fees, marketing costs, maintenance, depreciation and amortization, business development, and rental expenses.

Figure 44
Components of Total Expense Ratio

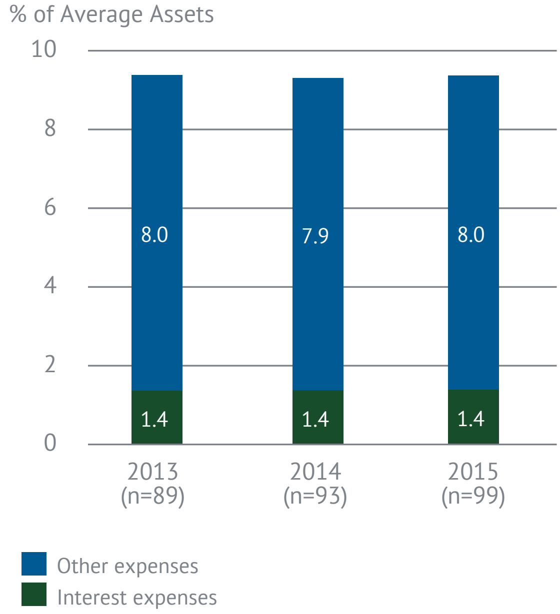
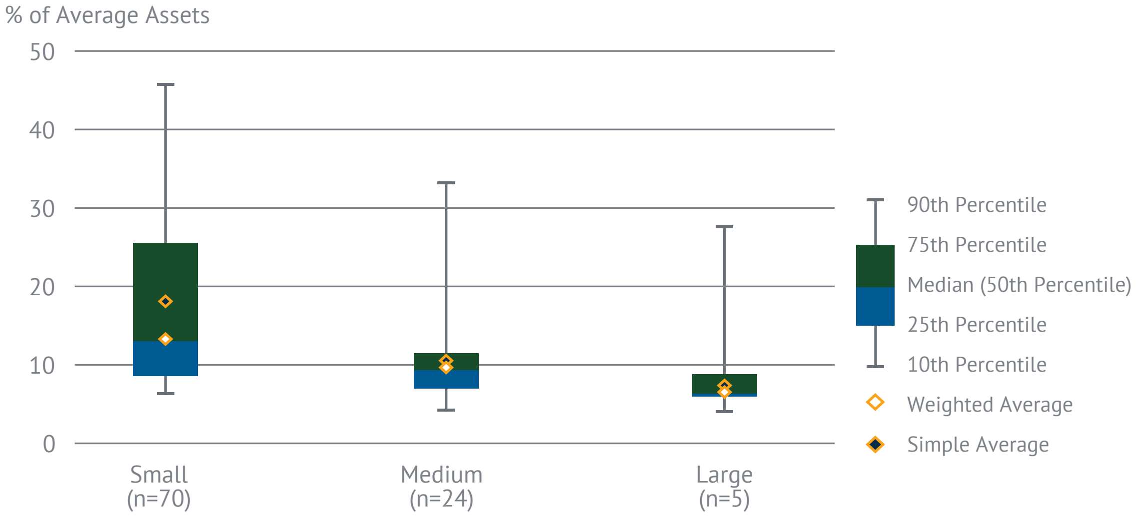


Figure 45
Average Total Expense Ratio by Size (2013–2015)

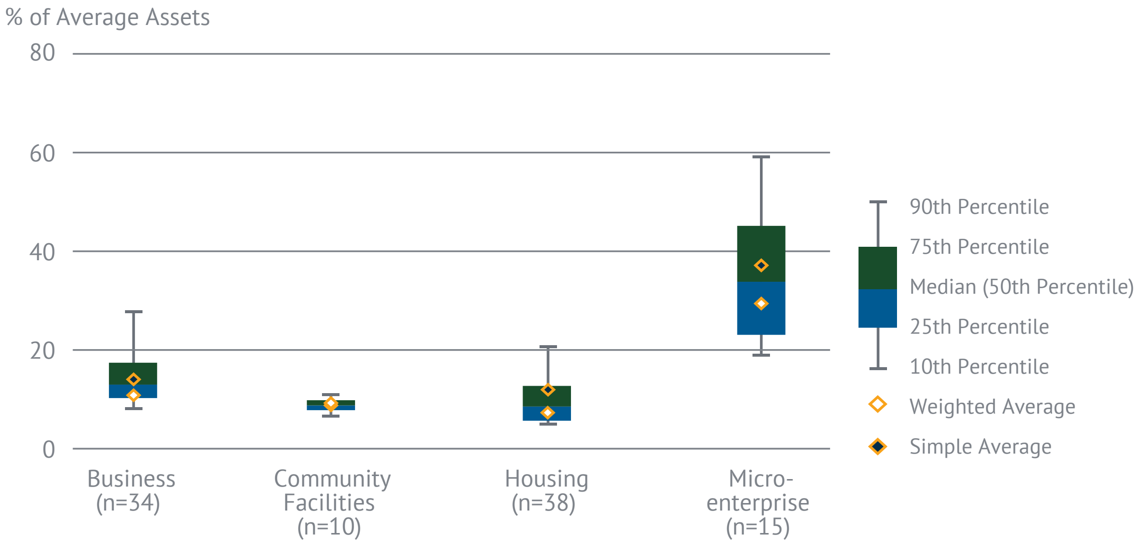


36 Given their different business models, the TER is calculated differently for CDLFs (on average assets over years) compared to PDIFs (on net assets plus average net subscriptions). In addition, since CDLFs finance themselves primarily through debt, interest expenses are included as part of the TER for CDLFs but not for PDIFs.

The TER of CDLFs that mainly finance microenterprises is the highest relative to the other investment sectors in the sample, at 29.5% on average from 2013 to 2015 and somewhat decreasing from 31% at the end of 2013 to 27.8% at the end of 2015 (Figure 46). Housing CDLFs have the lowest TER, averaging 7.4% and, given their weight in the sample, driving the overall trend in TERs for all studied CDLFs.

Figure 46

Average Total Expense Ratio by Sector (2013–2015)



3.6 PORTFOLIO RISK

Considering the full sample of CDLFs,[37] at the end of 2016, loan loss provisions outstanding as a percentage of total portfolio amounted to 4.9%, with differences within the sample by sector or size.

Microenterprise-focused funds have the highest loss-provisioning ratio at 6.9%, while CDLFs lending to businesses have a ratio of 6.6%. The remaining two sectors, Housing and Community Facilities, have the lowest ratio of loss provision to total portfolio, with 4.4% each.

Large funds in the sample had the lowest loss-provisioning ratio (2.6%) compared to small (5.7%) or medium-sized funds (7.2%; Figure 47).

Loans written off during 2016 represent 0.6% of portfolio outstanding, with relatively more write-offs by smaller funds in the sample (Figure 48). They were also more common at Microenterprise-focused CDLFs in the sample, at 4.4%, compared to funds focused on other sectors, which have write-off ratios below 1%.

Figure 47

Loss Provisions Outstanding by Size (2016)

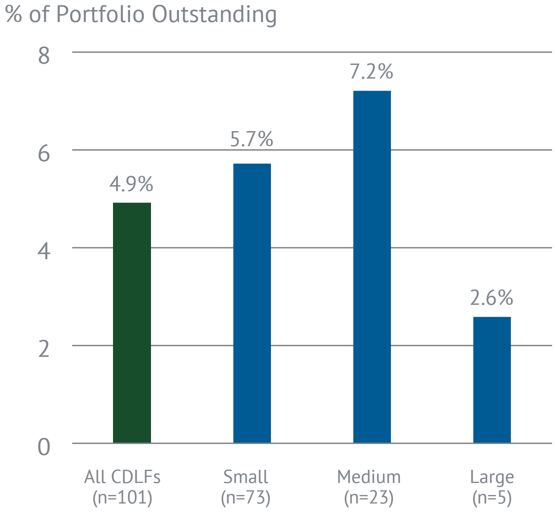
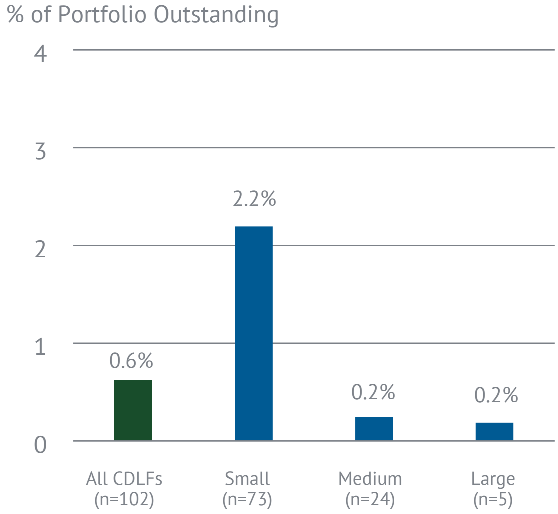


Figure 48

Write-Offs by Size (2016)



37 101 CDLFs out of the full sample of 102 CDLFs reported this metric.

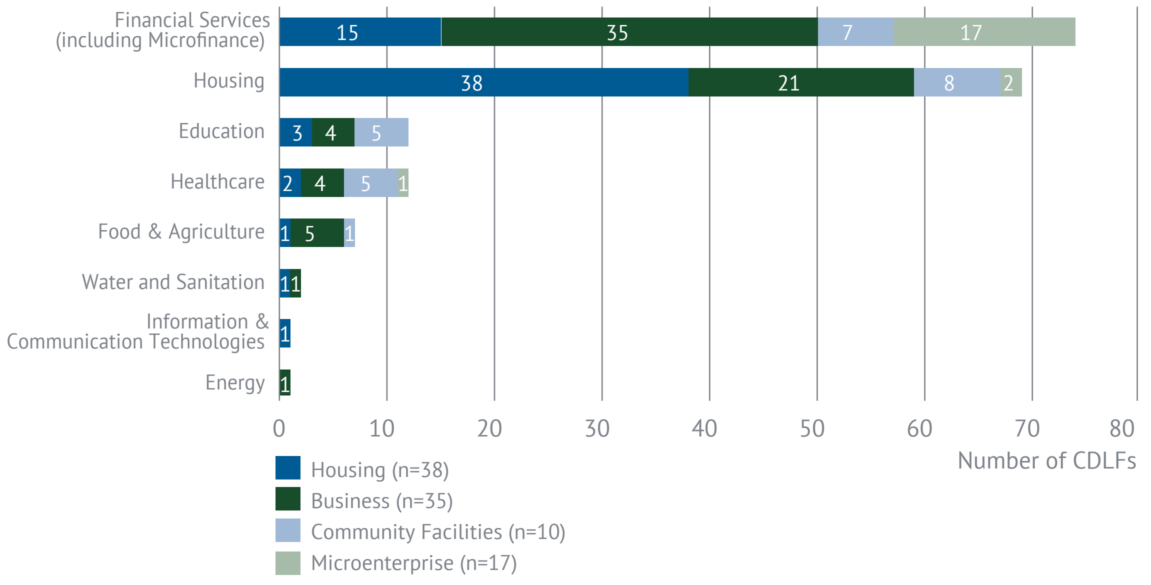
3.7 IMPACT MEASUREMENT

While each CDLF tends to focus on one main investment sector—such as Business, Housing, Community Facilities, or Microenterprises—CDLFs provide lending products in various different sub-sectors.[38] The most prevalent sub-sectors in the sample (Figure 49) are Financial Services (including Microfinance) and Housing, with nearly three-fourths of funds in the sample exposed to one of these two sectors. Twelve CDLFs in the sample focus on each of Education and Healthcare.

All of the Business- and Microenterprise-focused CDLFs invest in Financial Services (including Microfinance), while all of the Housing-focused CDLFs invest in the housing sub-sector. However, these CDLFs also invest in Healthcare, Education, Food and Agriculture, Energy, and WASH to varying degrees.

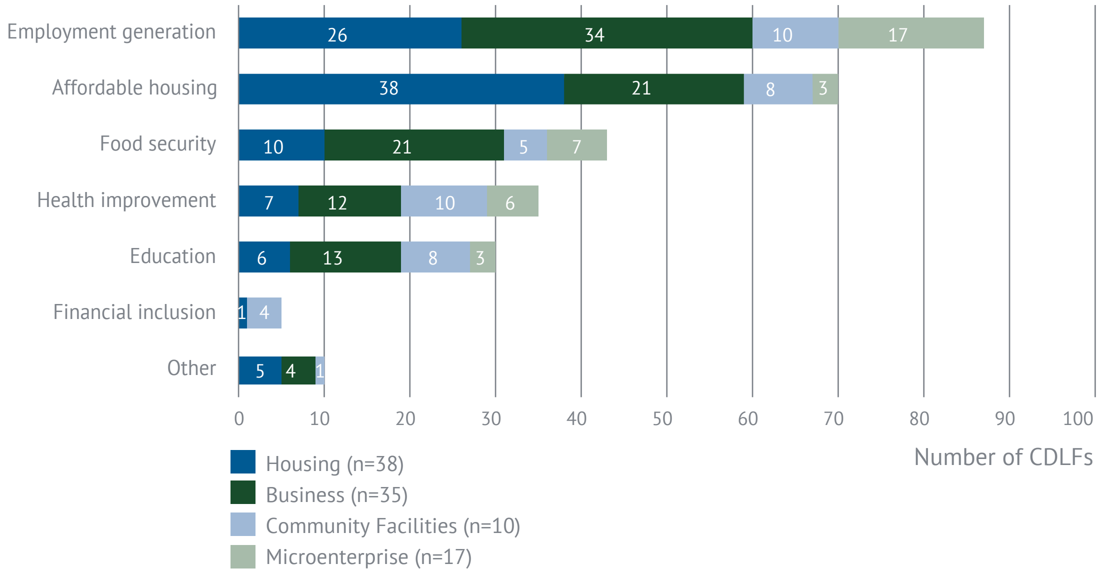
CDLFs focused on community facilities also have multi-sector characteristics, investing not only in Housing (eight of 10 such CDLFs) but also Financial Services including Microfinance (seven), Healthcare (five), Education (five), or Food and Agriculture (one).

Figure 49
Sectoral Activity by Main Investment Sector



38 Most self-reported information by CDLFs to OFN with regards to their investment sectors or impact themes did not cover the full range of this study's internally defined list of sectors and impact themes. In particular, Community Facilities-focused CDLFs cover a broad range of sectors and impact themes. Therefore, the Research Team re-allocated some answers by the Community Facilities-focused CDLFs to match our internal definitions.

Figure 50
Impact Themes by Main Investment Sector

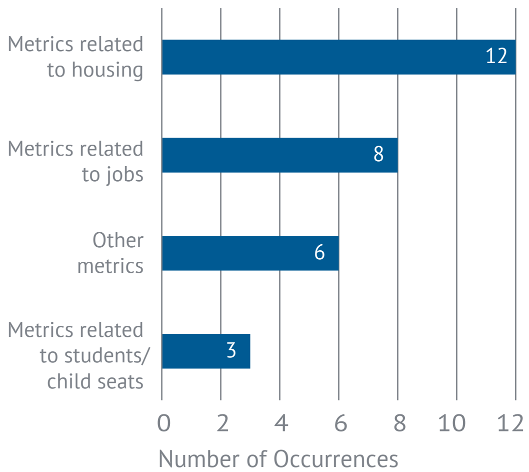


In terms of targeted impact themes (Figure 50), CDLFs in the sample most commonly target employment generation, affordable housing, and food security (respectively targeted by 87%, 71%, and 43% of the sample funds). In another common practice among CDLFs, one-third of the sample targets health improvement, education, or both.

Categorizing the list of self-reported impact metrics that CDLFs use to measure their social and environmental impact, metrics related to housing recur the most, notwithstanding the relatively small sample (seven) of overall respondents self-reporting any impact metrics (Figure 51). Specific targeted metrics among the CDLFs reporting most commonly relate to the number of housing units created or preserved or the number of people housed. The second most common impact metric is the number of jobs created or preserved, followed by the catch-all category, 'Other metrics'.[39]

Metrics relating to education and childcare are least common in the sample.

Figure 51
Impact Metrics (n=7 CDLFs)



39 'Other metrics' include outreach indicators related to low-income populations, women, and small businesses.

3.8 IMPACT PROFILE

The following section showcases the impact measurement and management processes and practices of a typical CDLF investing in community facilities.

Background

This revolving loan fund makes loans to nonprofit organizations, cooperatives, and mission-driven enterprises in the western United States. The fund targets below-market rates of return and strong, local social impact. Its borrowers provide healthcare, affordable housing, food, and other critical goods and services to low-income communities. Its loans—for working capital and real estate, among other needs—often offer more flexible terms than are available from commercial lenders, helping borrowers become more financially resilient.

Impact Measurement and Management Process

Every three years, the fund completes a strategic planning process, during which it identifies needs in its service area and establishes a capitalization strategy to address those needs. Impact-related targets are set during this process based on the amount of funds the CDLF can raise and invest, as well as goals related to impact and influence, financial sustainability and economic growth, and organizational performance. Indicators used include:

- affordable housing units created or retained;
- square feet of community space created or retained;
- jobs created or retained; and
- number and diversity of beneficiaries reached.

The fund obtains baseline information on these metrics from borrowers during the underwriting and due diligence process. The projected impact and area of operation inform an internally developed social-impact rating. For borrowers with high ratings, the fund may be willing to offer more favorable terms or absorb greater risk. A low score might prompt the team to talk to the borrower to determine ways to achieve greater impact.

The fund's entire staff reviews the impact data received every quarter to inform decisions about geographies and lending programs to maximize impact. The fund produces an annual impact report for investors and staff, along with a bimonthly team newsletter featuring specific impact stories; all of these materials are posted to its public blog. The fund also checks in with borrowers several years after project completion to estimate long-term impact achieved.

Impact Results

In fiscal year 2017, the fund made 26 loans totaling USD 21.6 million in nine counties. Projects financed by the fund during the year created or preserved 545 jobs, 494 affordable housing units, and more than 109,000 square feet of community-facility space. One loan to a food justice organization enabled that organization to acquire land to develop a permanent plant nursery, small aquaponics farm, and retail fresh food stand to grow and sell a diverse array of trees and plants. The organization employs formerly incarcerated individuals while promoting organic food production and environmental sustainability in its region.

4. CONCLUSION

Investors can choose from a wide range of products to build diversified portfolios. This study demonstrates that investors have attractive options if seeking stable returns alongside positive impact.

Performance analysis over the period 2012 to 2016 presented here offers insights into the behavior of impact investments in private debt. They are also consistent with other research showing that returns on such investments typically maintain low volatility in the face of risk while performing in line with expectations.[40]

Whether focused on emerging markets (like the PDIFs in this sample) or developed markets (like the CDLFs), private debt impact investing funds are a gateway for different types of investors who seek to generate social and environmental impact, or both, alongside a financial return.

This study has shown that private debt impact investing funds have the following characteristics:

- **Offer stable returns**
  Returns for PDIFs seeking market-rate returns have averaged 2.6% per annum since 2012, with low volatility of 0.9%. Such PDIFs had a higher Sharpe ratio than a range of traditional investment products, including bonds and cash. Some PDIFs also raise debt financing, providing a fixed-income return to investors that has averaged 3% since 2012. CDLFs paid an average of 2.9% to holders of their notes, with very little year-on-year variation. Write-off ratios of 0.7% for PDIFs and 0.6% for CDLFs also demonstrate these funds' high portfolio quality.

- **Offer investors different risk-return strategies**
  Investors accustomed to the traditional bond market may hesitate to invest in different, potentially less stable currencies. Such investors may prefer fully hedged funds—and such funds in the study's sample registered a solid average return of 2.8% with 0.7% volatility. However, the data also show that returns on average are higher (5.6%) in the more adventurous segment of fully unhedged funds, albeit with higher volatility (5.2%).

- **Seek impact through a range of sectors**
  While a range of sectors are represented in this sample, PDIF assets, at least in this sample, are concentrated in Financial Services. The most frequently cited impact objective for this group is financial inclusion, though funds also seek many other types of impact, from increased access to basic services like health and education to promotion of entrepreneurship and employment. For CDLFs, which work exclusively in low-income areas in the United States, top impact themes are employment generation and affordable housing, and some funds also aim to advance food security, health, education, and financial inclusion in their communities.

This study, which adds to a growing body of evidence regarding the financial performance of impact investments, takes the first steps toward building a robust database of private debt impact investing funds that will be maintained and regularly updated. This effort will establish much-needed, reliable benchmarks to help impact investors and fund managers make allocation decisions and compare their performance to peers. As the samples grow, so will their representativeness and value for current and prospective impact investors alike.

40 Abhilash Mudaliar and Rachel Bass, GIIN Perspectives: Evidence on the Financial Performance of Impact Investments (New York: Global Impact Investing Network, November 2017), https://thegiin.org/research/publication/financial-performance.

5. APPENDICES

5.1 METHODOLOGY

PRIVATE DEBT IMPACT FUNDS

Metric	Simple Average	Weighted Average
2.2 Sample Snapshot		
Participation Rate	N/A	Number of Funds Meeting Criteria / Number of Funds Assuming They Met the Criteria
Leverage as a % of Total Assets	Sum of Total Debt to Assets Ratio / n	Sum of Total Debt / Sum of Total Assets
2.3 Asset Size		
Total Assets	Sum of Total Assets / n	N/A
Total Assets by Sector	Sum of Total Assets of Sector i / Number of Funds of Sector i	Sum of Total Assets of Sector i / Sum of Total Assets of All Sectors
Total Assets by Size	Sum of Total Assets of Size i / Number of Funds of Size i	Sum of Total Assets of Size i / Sum of Total Assets of All Sizes
Number of Funds by Size	N/A	Sum of Number of Funds of Size i / n
Number of Funds by Age	Number of Funds of Age i / n	N/A
Average Net Assets	Sum of Net Assets / n	N/A
Average Net Subscriptions	Sum of Average Net Subscriptions / n	N/A
2.4 Portfolio and Investor Characteristics		
Average Portfolio Size	Sum of Total Portfolio / n	N/A
Outstanding Average Maturity	Sum of Average Maturity of Outstanding Loan Portfolio / n	Weight of Fund 1 * Average Maturity of Fund 1 + Weight of Fund 2 * Average Maturity of Fund 2 + ... + Weight of Fund n * Average Maturity of Fund n
Oustanding Average Maturity by Sector	Sum of Average Maturity of Outstanding Loan Portfolio of Sector i / Number of Funds of Size i	Weight of Fund 1 in Sector i * Average Maturity of Fund 1 in Sector i + Weight of Fund 2 in Sector i * Average Maturity of Fund 2 in Sector i + ... + Weight of Fund n in Sector i * Average Maturity of Fund n in Sector i
Outstanding Average Maturity by Size	Sum of Average Maturity of Outstanding Loan Portfolio of Size i / Number of Funds of Size i	Weight of Fund 1 of Size i * Average Maturity of Fund 1 of Size i + Weight of Fund 2 of Size i * Average Maturity of Fund 2 of Size i + ... + Weight of Fund n of Size i * Average Maturity of Fund n of Size i
Geographical Breakdown by Region	N/A	Sum of Portfolio in Region i / Sum of Total Portfolio
Geographical Breakdown by Sector	N/A	Sum of Portfolio in Region i for Funds in Sector i / Sum of Total Portfolio for Funds in Sector i
Investor Breakdown by Type	N/A	Sum of Investments by Investor Type i / Sum of Total Equity and Notes Volumes
2.5 Financial Performance Breakdown		
Net Asset Growth	N/A	Sum of Net Income / Sum of Net Assets (t-1) + Average Net Capital Movement t OR NAV per share t / NAV per share (t-1) -1
Net Returns by Return Philosophy	N/A	Sum of Net Income for Funds in Return Philosophy i / Sum of Net Assets (t-1) + Average Net Capital Movement t for Funds in Return Philosophy i OR NAV per share t for Funds in Return Philosophy i/ NAV per share (t-1) for Funds in Return Philosophy i -1

PRIVATE DEBT IMPACT FUNDS

Metric	Simple Average	Weighted Average
2.5 Financial Performance Breakdown		
Net Returns by Hedging Strategy	N/A	Sum of Net Income for Funds in Hedging Strategy i / Sum of Net Assets (t-1) + Average Net Capital Movement t for Funds in Hedging Strategy i OR NAV per share t for Funds in Hedging Strategy i/ NAV per share (t-1) for Funds in Hedging Strategy i -1
Net Returns by Leverage Strategy	N/A	Sum of Net Income for Funds in Leverage Strategy i / Sum of Net Assets (t-1) + Average Net Capital Movement t for Funds in Leverage Strategy i OR NAV per share t for Funds in Leverage Strategy i/ NAV per share (t-1) for Funds in Leverage Strategy i -1
Net Returns by Sector	N/A	Sum of Net Income for Funds in Sector i / Sum of Net Assets (t-1) + Average Net Capital Movement t for Funds in Sector i OR NAV per share t for Funds in Sector i/ NAV per share (t-1) for Funds in Sector i -1
Net Returns by Size	N/A	Sum of Net Income for Funds of Size i / Sum of Net Assets (t-1) + Average Net Capital Movement t for Funds of Size i OR NAV per share t for Funds of Size i/ NAV per share (t-1) for Funds of Size i -1
Net Target Return	Sum of Net Target Returns / n	Weight of Fund 1 * Net Target Return of Fund 1 + Weight of Fund 2 * Net Target Return of Fund 2 + ... + Weight of Fund n * Net Target Return of Fund n
Cost of Debt on Notes Payables	Sum of Interest Expense Ratio / n	Sum of Interest Expense i / Sum of (Debt/Coupon i + Sum of Debt/Coupon (t–1) /2)
Portfolio Yield	Sum of Portfolio Yield Ratios / n	Sum of Interest on Investments i / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t)
Other Income	Sum of Other Income Ratios/ n	Sum of Other Income i / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t)
Total Income	(Sum of Portfolio Yield Ratios / n) + (Sum of Other Income Ratios / n)	Sum of Interest on Investments + Other Income
Portfolio Yield by Leverage Strategy	Sum of Portfolio Yield Ratios for Funds in Leverage Strategy i / Number of Funds in Leverage Strategy i	Sum of Interest on Investments i for Funds in Leverage Strategy i / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t) for Funds in Leverage Strategy i
Portfolio Yield by Sector	Sum of Portfolio Yield Ratios of Sector i / n	Sum of Interest on Investments i for Sector i / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t) for Sector i
Portfolio Yield by Size	Sum of Portfolio Yield Ratios of Size i / n	Sum of Interest on Investments i of Size i / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t) of Size i
Total Expense Ratio	Sum of TER / n	Sum of Total Expense i – Sum of Interest Expense i / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t)
Interest Costs	Sum of Interest Costs Ratio / n	Sum of Interest Expense i /(Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t)
Realized/Unrealized Gains/ Losses	(Sum of Realized/Unrealized Gain Losses Ratio + Sum of Unrealized LC Classes Ratio)/ n	Sum of Realized/Unrealized Gain Losses i + Sum of Unrealized LC Classes i / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t)

PRIVATE DEBT IMPACT FUNDS

Metric	Simple Average	Weighted Average
2.5 Financial Performance Breakdown		
Unrealized on Local Currency Classes	Sum of Unrealized LC Classes Ratio / n	Sum of Unrealized LC Classes i / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t)
TER – Levered	Sum of TER of Leveraged Funds / n	Sum of Total Expense i of Levered Funds – Sum of Interest Expense i of Levered Funds / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t) of Levered Funds
TER – Unlevered	Sum of TER of Unlevered Funds / n	Sum of Total Expense i of Unlevered Funds – Sum of Interest Expense i of Unlevered Funds / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t) of Unlevered Funds
Expected TER	Sum of Expected TER Ratios / n	Weight of Fund 1 * Expected TER of Fund 1 + Weight of Fund 2 * Expected TER of Fund 2 + ... + Weight of Fund n * Expected TER of Fund n
Expected TER by Sector	Sum of Expected TER Ratios of Sector i / n	Weight of Fund 1 of Sector i * Expected TER of Fund 1 of Sector i + Weight of Fund 2 of Sector i * Expected TER of Fund 2 of Sector i + ... + Weight of Fund n of Sector i * Expected TER of Fund n of Sector i
TER by Sector	Sum of TER of Sector i / n	(Sum of Total Expense of Sector i – Sum of Interest Costs i of Sector i) / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t) of Sector i
TER by Size	Sum of TER of Size i / n	(Sum of Total Expense of Size i – Sum of Interest Costs i of Size i) / (Sum of Net Assets (t–1) + Sum of Average Net Subscriptions t) of Size i
2.6 Portfolio Risk		
Investment Grade Investees	N/A	Sum of Total Portfolio in Investment Grade Institutions / Sum of Total Portfolio
Local Currency Portfolio	N/A	Sum of Total Portfolio in Local Currency / Sum of Total Portfolio
Seniority	N/A	Sum of Total Portfolio in Senior Debt / Sum of Total Portfolio
Secured vs. Unsecured Lending	N/A	Sum of Total Portfolio in Secured Loans / Sum of Total Portfolio
Provisions Outstanding	Sum of Provision Ratios / n	Sum of Provision Volumes / Sum of Total Portfolio
Provisions Outstanding by Sector	Sum of Provision Ratios of Sector i / Number of Funds of Sector i	Sum of Provision Volumes of Sector i / Sum of Total Portfolio of Sector i
Provisions Outstanding by Size	Sum of Provision Ratios of Size i / Number of Funds of Size i	Sum of Provision Volumes of Sector i / Sum of Total Portfolio of Size i
Provisions Outstanding by Hedging Strategy	Sum of Provision Ratios of Hedging Strategy i / Number of Funds of Hedging Strategy i	Sum of Provision Volumes of Hedging Strategy i / Sum of Total Portfolio of Hedging Strategy i
Write-offs	Sum of Write-off Ratios / n	Sum of Write-off Volumes / Sum of Total Portfolio
Write-offs by Sector	Sum of Write-off Ratios of Sector i / Number of Funds of Sector i	Sum of Write-off Volumes of Sector i / Sum of Total Portfolio of Sector i
Write-offs by Size	Sum of Write-off Ratios of Size i / Number of Funds of Size i	Sum of Write-off Volumes of Size i / Sum of Total Portfolio of Size i

PRIVATE DEBT IMPACT FUNDS

Metric	Simple Average	Weighted Average
2.7 Impact Measurement		
Impact Themes	Number of Funds of Impact Theme i / n	N/A
Impact Themes by Sector	Number of Funds of Impact Theme i and Sector i / Number of Funds of Sector i	N/A
Impact Metrics	Number of Funds of Impact Metric i / n	N/A
Impact Metrics by Sector	Number of Funds of Impact Metric i and Sector i / Number of Funds of Sector i	N/A

COMMUNITY DEVELOPMENT LOAN FUNDS

Metric	Simple Average	Weighted Average
3.2 Sample Snapshot		
Participation Rate	N/A	Number of Funds Meeting Criteria / Number of Funds Identified from U.S. Government Website
Leverage as a % of Total Assets	Sum of Total Debt to Assets Ratio / n	Sum of Total Debt / Sum of Total Assets
3.3 Asset Size		
Total Assets	Sum of Total Assets / n	N/A
Total Assets by Sector	Sum of Total Assets of Sector i / Number of Funds of Sector i	Sum of Total Assets of Sector i / Sum of Total Assets of All Sectors
Total Assets by Size	Sum of Total Assets of Size i / Number of Funds of Size i	Sum of Total Assets of Size i / Sum of Total Assets of All Sizes
Number of Funds by Size	N/A	Sum of Number of Funds of Size i / n
Number of Funds by Age	Number of Funds of Age i / n	N/A
Average Net Assets	Sum of Net Assets / n	N/A
3.4 Portfolio and Investor Characteristics		
Average Portfolio Size	Sum of Total Portfolio / n	N/A
Outstanding Average Maturity	Sum of Average Maturity of Outstanding Loan Portfolio / n	Weight of Fund 1 * Average Maturity of Fund 1 + Weight of Fund 2 * Average Maturity of Fund 2 + ... + Weight of Fund n * Average Maturity of Fund n
Oustanding Average Maturity by Sector	Sum of Average Maturity of Outstanding Loan Portfolio of Sector i / Number of Funds of Size i	Weight of Fund 1 in Sector i * Average Maturity of Fund 1 in Sector i + Weight of Fund 2 in Sector i * Average Maturity of Fund 2 in Sector i + ... + Weight of Fund n in Sector i * Average Maturity of Fund n in Sector i
Outstanding Average Maturity by Size	Sum of Average Maturity of Outstanding Loan Portfolio of Size i / Number of Funds of Size i	Weight of Fund 1 of Size i * Average Maturity of Fund 1 of Size i + Weight of Fund 2 of Size i * Average Maturity of Fund 2 of Size i + ... + Weight of Fund n of Size i * Average Maturity of Fund n of Size i
Geographical Breakdown by Region	N/A	Sum of Portfolio in Region i / Sum of Total Portfolio
Geographical Breakdown by Sector	N/A	Sum of Portfolio in Region i for Funds in Sector i / Sum of Total Portfolio for Funds in Sector i
Investor Breakdown by Type	N/A	Sum of Investments by Investor Type i / Sum of (Notes + Lines of Credit)

COMMUNITY DEVELOPMENT LOAN FUNDS

Metric	Simple Average	Weighted Average
3.5 Financial Performance Breakdown		
Notes Interest Rates	Sum of Notes Interest Rates Ratios / n	Sum of (Interest Expense t + Accrued Interest Expense t – Accrued Interest Expense t–1) / (Sum of (Notes Payables t + Sum of Notes Payables t–1) /2)
Lines of Credit Interest Rates	Sum of Lines of Credit Ratios / n	Sum of (Interest Expense on LOC t + Accrued Interest Expense on LOC t – Accrued Interest Expense on LOC t–1) / (Sum of (LOC t + Sum of LOC t–1) /2)
Notes Interest Rates by Sector	Sum of Notes Interest Rates Ratios by Sector i / n	Sum of (Interest Expense t + Accrued Interest Expense t – Accrued Interest Expense t–1) of Sector i / (Sum of (Notes Payables t + Sum of Notes Payables t–1) /2) of Sector i
Notes Interest Rates by Size	Sum of Notes Interest Rates Ratios by Size i / n	Sum of (Interest Expense t + Accrued Interest Expense t – Accrued Interest Expense t–1) of Size i / (Sum of (Notes Payables t + Sum of Notes Payables t–1) /2) of Size i
Net Target Return	Sum of Net Target Returns / n	Weight of Fund 1 * Net Target Return of Fund 1 + Weight of Fund 2 * Net Target Return of Fund 2 + … + Weight of Fund n * Net Target Return of Fund n
Portfolio Yield	Sum of Portfolio Yield Ratios / n	Sum of (Interest Income t + Accrued Interest t – Accrued Interest t –1) / (Sum of (Portfolio t + Sum of Portfolio t –1) /2)
Other Income	Sum of Other Income on Average TA Ratios / n	Sum of (Total Income – Interest Income) / (Sum of (Total Assets t + Sum of Total Assets t –1)/2)
Total Income	Sum of t otal Income on Average TA Ratios / n	Sum of Total Income / (Sum of (Total Assets t + Sum of Total Assets t –1)/2)
Portfolio Yield by Leverage Strategy	N/A	N/A
Portfolio Yield by Sector	Sum of Portfolio Yield Ratios of Sector i / n	Sum of (Interest Income t + Accrued Interest t – Accrued Interest t –1) of Sector i / Sum of (Portfolio t + Sum of Portfolio t –1) /2) of Sector i
Portfolio Yield by Size	Sum of Portfolio Yield Ratios of Size i / n	Sum of (Interest Income t + Accrued Interest t – Accrued Interest t –1) of Size i / Sum of (Portfolio t + Sum of Portfolio t –1) /2) of Size i
Total Expense Ratio	Sum of TER / n	Sum of Total Expenses / (Sum of (Total Assets t + Sum of Total Assets t –1)/2)
Interest Costs	Sum of Interest Expenses on Average TA Ratios / n	Sum of (Interest Expenses on Notes + Interest Expenses on Lines of Credit) / (Sum of (Total Assets t + Sum of Total Assets t –1)/2)
Other Expenses	Sum of Other Expenses on Average TA Ratios / n	Sum of (Total Expenses – Interest Expenses on Notes – Interest Expenses on Lines of Credit) / (Sum of (Total Assets t + Sum of Total Assets t –1)/2)
TER by Sector	Sum of TER of Sector i / n	Sum of Total Expenses of Sector i/ (Sum of (Total Assets t + Sum of Total Assets t –1)/2) of Sector i
TER by Size	Sum of TER of Size i / n	Sum of Total Expenses of Size i / (Sum of (Total Assets t + Sum of Total Assets t –1)/2) of Size i

COMMUNITY DEVELOPMENT LOAN FUNDS

Metric	Simple Average	Weighted Average
3.6 Portfolio Risk		
Provisions Outstanding	Sum of Provision Ratios / n	Sum of Provision Volumes / Sum of Total Portfolio
Provisions Outstanding by Sector	Sum of Provision Ratios of Sector i / Number of Funds of Sector i	Sum of Provision Volumes of Sector i / Sum of Average Total Assets of Sector i
Provisions Outstanding by Size	Sum of Provision Ratios of Size i / Number of Funds of Size i	Sum of Provision Volumes of Sector i / Sum of Average Total Assets of Size i
Write-offs	Sum of Write-off Ratios / n	Sum of Write-off Volumes / Sum of Total Portfolio
Write-offs by Sector	Sum of Write-off Ratios of Sector i / Number of Funds of Sector i	Sum of Write-off Volumes of Sector i / Sum of Total Portfolio of Sector i
Write-offs by Size	Sum of Write-off Ratios of Size i / Number of Funds of Size i	Sum of Write-off Volumes of Size i / Sum of Total Portfolio of Size i
3.7 Impact Measurement		
Impact Themes	Number of Funds of Impact Theme i / n	N/A
Impact Themes by Sector	Number of Funds of Impact Theme i and Sector i / Number of Funds of Sector i	N/A
Impact Metrics	Number of Funds of Impact Metric i / n	N/A
Impact Metrics by Sector	Number of Funds of Impact Metric i and Sector i / Number of Funds of Sector i	N/A

5.2 SAMPLE SNAPSHOT, OTHER METRICS

5.2.1 Private Debt Impact Funds

Appendix 2, Table 1
Count of Financial Statements Submitted and Used

Statement Count	Number Submitted
5 Financial Statements	27
4 Financial Statements	5
3 Financial Statements	5
2 Financial Statements	3
1 Financial Statement	10

Most PDIFs are incorporated in Europe (36), followed by North America (12) and Africa (2).

Appendix 2, Table 2
Countries of Incorporation

Country	Number of Funds
Luxembourg	23
United States	12
Netherlands	8
Other	7
Total	**50**

Accounting principles follow the same trend, with 15 funds applying Luxembourg Generally Accepted Accounting Principles (GAAP), followed by the International Financial Reporting Standards (IFRS) and U.S. GAAP.

Appendix 2, Table 3
Fund Accounting Principles

Country	Number of Funds
Lux GAAP	15
IFRS	14
US GAAP	11
Other	5
Other	5
Total	**50**

Most funds use either USD or EUR as their main accounting currency.

Appendix 2, Table 4
Fund Accounting Currencies

Accounting Currency	Number of Funds
USD	34
EUR	15
Other	1
Total	**50**

Appendix 2, Table 5: Fund Asset Size by Place of Incorporation

Country of Incorporation	Total Assets 2016, Millions USD	Number of funds
Luxembourg	6,586	23
Netherlands	2,744	8
United States	871	12
Other*	502	7
Total	**10,702**	**50**

* Belgium, Italy, Mauritius, Norway, South Africa and Switzerland

5.2.2 Community Development Loan Funds

Appendix 2, Table 6: Count of Financial Statements Submitted and Used

Statement Count	Number Submitted
5 Financial Statements	51
4 Financial Statements	39
3 Financial Statements	2
2 Financial Statements	6
1 Financial Statement	4

5.3 LIST OF RESPONDENTS

Private Debt Impact Funds

Actiam Institutional Microfinance Fund II
Actiam Institutional Microfinance Fund III
Actiam-FMO SME Finance Fund I
agRIF Fund
Alterfin CVBA
ASN-Novib Microcredit Fund
BlueOrchard Microfinance Fund
Capital for Communities Fund
Community Investment Management Enterprise Loan Fund
Cresud SpA
Dual Return Fund SICAV
Dual Return Fund – Vision Microfinance Local Currency
Envest Microfinance Fund
European Fund for Southeast Europe
Finethic Microfinance
Finethic Microfinance II
Fond pour l'Inclusion financière en RDC
Green for Growth Fund
GroFin SGB Fund
Higher Education Finance Fund
Incofin CVSO
Incofin Fairtrade Access Fund
Income & Impact Fund
Kolibri Kapital ASA
Living Cities Blended Catalyst Fund
Living Cities Catalyst Fund
Luxembourg Microfinance and Development Fund
Microfinance Enhancement Facility
MicroVest + Plus
MicroVest Local Credit Fund
MicroVest Short Duration Fund
Oikocredit
Regional MSME Investment Fund for Sub-Saharan Africa
responsAbility Fair Agriculture Fund
responsAbility Micro and SME Finance Fund
responsAbility SICAV (Lux.) Financial Inclusion Fund
responsAbility SICAV (Lux.) Micro and SME Finance Leaders
responsAbility SICAV (Lux.) Mikro- und KMU-Finanz-Fonds
Root Capital
SocialAlpha Bastion: Impact Debt Fund
Emerging Impact Bond Fund
SEB Microfinance Fund
SEB Microfinance Fund II
SEB Microfinance Fund III
SEB Microfinance Fund IV
High Yield Frontier Impact Fund
The Small Enterprise Impact Investing Fund
TriLinc Global Impact Fund
Triodos Cultuurfonds
Triodos Groenfonds

Community Development Loan Funds

Access to Capital for Entrepreneurs
ACCION Chicago
Arcata Economic Development Corporation
Arkansas Capital Corporation
Baltimore Community Lending
Black Business Investment Fund
Boston Community Capital
Bridgeway Capital
Business Center for New Americans
Business Impact NW
Capital Impact Partners
Carolina Small Business Development Fund
CASA of Oregon
Cincinnati Development Fund
Clearinghouse CDFI
Colorado Enterprise Fund
Common Capital
Community Capital of Vermont
Community First Fund
Community Health Center Capital Fund
Community Loan Fund of the Capital Region
Community Reinvestment Fund
CommunityWorks
Cooperative Business Assistance Corporation
Cooperative Fund of New England
Craft3
Economic and Community Development Institute
Economic Opportunities Fund
Enterprise Development Fund
Entrepreneur Works Fund
Finance Fund Capital Corporation
Florida Community Loan Fund
Forward Community Investments
Four Bands Community Fund
Fresno Community Development Financial Institution
Fund for Good Jobs
Genesis Fund
Genesis LA Economic Growth Corporation
Greater Minnesota Housing Fund
Harlem Entrepreneurial Fund
Hope Enterprise Corporation
Housing Partnership Network
Housing Trust Silicon Valley
Idaho Nevada Community Development Financial Institution, Inc.
IFF
Impact Capital
Invest Detroit Foundation
Justine Petersen Housing and Reinvestment Corporation
Kentucky Habitat for Humanity
Land Bank Twin Cities
Latino Economic Development Corporation
Legacy Redevelopment Corporation

Leviticus Alternative Fund
Liftfund
Local Enterprise Assistance Fund, Inc.
Los Angeles LDC
Mountain Association for Community Economic Development
Main Street Launch
Maryland Capital Enterprises
Mercy Loan Fund
Mile High Community Loan Fund
Milwaukee Economic Development Corporation
Montana and Idaho Community Development Corporation
Mountain BizCapital
National Housing Trust Community Development Fund
Natural Capital Investment Fund
National Council on Agricultural Life and Labor Research Fund
Nebraska Enterprise Fund
Neighborhood Lending Partners of Florida
NeighborWorks Capital
New Hampshire Community Loan Fund
Nonprofit Finance Fund
Nonprofits Assistance Fund
North Alabama Revolving Loan Fund
North Carolina Community Development Initiative
Northcountry Cooperative Development Fund
Northeast Entrepreneur Fund
Northern California Community Loan Fund
Northern Initiatives
Northside Community Development Fund
Ohio Capital Finance Corporation
Opportunity Fund Northern California
Opportunity Resource Fund
Partners for the Common Good
People Incorporated Financial Services
ROC USA Capital
Rural Community Assistance Corporation
Rural Electric Economic Development
San Luis Obispo County Housing Trust Fund
Siouxland Economic Development Corporation
Southeast Community Capital Corporation
The Chicago Community Loan Fund
The Disability Fund
Valley Economic Development Center, Inc. (VEDC)
Vermont Community Loan Fund
Virginia Community Capital
Vital Healthcare Capital (V-Cap)
Wisconsin Women's Business Initiative Corporation
WomenVenture
Working Solutions
Anonymous CDLF

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