



IMPACT REPORT 2018-2019

Putting the UN Sustainable Development Goals in Action and Achieving Genuine Impact



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Dear reader,

It is with great pleasure we present you the Incofin Investment Management Impact Report. This year we were privileged to celebrate our company's 10th anniversary as an independent impact fund manager. Today we witness impact investing as a prevalent theme in recent headlines – the increased attention has certainly propelled the industry to grow beyond USD 500 billion in size, as estimated by the Global Impact Investing Network (GIIN). At the same time, concerns continue to be raised whether the increasing inflows of investment capital can be deployed in a responsible manner, ensuring that positive impact prevails and negative externalities can be controlled.

Incofin's assets under management (AuM) are growing steadily within the current environment. Nonetheless, we ask ourselves whether the market for impact investments holds sufficient absorption capacity. We observe that within the industry, output measurement is often considered to be the key source of evidence of impact, causing many impact investors to focus most of their attention on solely measuring the output numbers of their investments, rather than assessing how the lives of the end client have been improved in meaningful ways. However, we believe being a responsible impact investor means something different and impact investors should address the question whether their investments are leading to outcomes they can stand by.

For illustration, we can reference the fintech industry, and in particular its subsector of nano loan providers. Nano loans are tiny loans with short durations distributed online via mobile apps; they hold the promise of providing great value for microentrepreneurs to tap into business opportunities, as well as supporting them during unexpected setbacks. These loan providers can roll out products in numbers that can quickly reach several hundreds of thousands, even millions of users. Over the past few months however, a significant correlation between the uptick of such loans and the rise of online gambling (during weekends in particular) was discovered in Kenya, where over 50 micro loan providers are operating. This resulted in Kenyan authorities taking measures against both online lenders and gambling platforms. This is not to say that offering loans through fintech models in a responsible way is impossible, but just as in the microfinance sector, it comes with a few caveats: Do you know your customer and do you have any view on whether they will use the money for a purpose you find in line with your mission as a lending institution?

Incofin commits to profoundly understand the impact thesis for every one of the investments it makes. It matters to us how tangible the benefits of our investments are, if the service can be scalable and efficiently delivered, and last but not least, who benefits from it all. Do we really positively impact and improve the living conditions of those we claim to attend to? To that end, for example, whenever we transact with an organized group of smallholder farmers, we screen the governance practices of these associations and assess the additional income that would be generated for the associated farmers. In the area of inclusive financial services, where we have been a forerunner in social performance management for many years, we have initiated establishing outcomes dashboards in partnership with several financial institutions.

In this report we bring you many examples of Incofin's best impact practices, demonstrating how our company is actively pursuing its impact mandate. As a common thread throughout the report we display how our work can be linked directly to the United Nations Sustainable Development Goals (UN SDGs).

Incofin's achievements rely on the incredible group of people at Incofin, who show a passion for impact that aligns with the entire organization. Additionally, we benefit from the guidance and support of a wonderful set of advisors and investors. This allows us to strategically consider venturing into other domains of impact investing, such as water and sanitation, or to cover the entire agri-food value chain and more.

Growing awareness to the need for positive impact presents many opportunities for Incofin to increase its activities, both to continue growing in sectors where we are already present and to expand to new areas. Continuing to deliver the diligence and rigour shown throughout our past and present work, with the ambition to be as meaningful in scale and impact as we can be, that is our commitment.

Incofin IM Management Committee



Geert Peetermans

Senior Managing Partner,
CIO



Loïc De Cannière

Managing Partner,
Founder



Paul Buysens

Managing Partner,
COO

Incofin in Numbers

As of 2018

USD
2.1 billion
invested

65
countries



1,300+
transactions

320+
investees

Financial services indicators

47 million
number of end beneficiaries in current portfolio



63%
rural borrowers



76%
female active borrowers



34%
female management staff of portfolio companies



41%
female staff of portfolio companies



Food and agriculture indicators

266,000
smallholder farmers and collectors served



73%
% rural clients



USD 548
incremental income per farmer family



5,957
farmers trained on good agricultural practices



413,471 metric tons
volume crops produced by investees



Impact means...

March 2018



... being results oriented

Incofin presents Environmental and Social (E&S) results for three of its funds under management during Supervisory Board meetings (RIF II and agRIF) and the General Assembly (Incofin cvso).



April 2018



... exchanging ideas

Incofin sponsors the Mini-Forum for Coffee Exporting Leaders, gathering coffee cooperatives, sustainably focused coffee SMEs and industry experts from Sustainable Harvest, FairTrade International, Utz/Rainforest Alliance, CIAT, and Fundación Paraguaya.

May 2018



... responsible lending

Incofin is spearheading a pioneering self-regulatory initiative, the Lending Guidelines, to prevent over-indebtedness in Cambodia. Thanks to the leadership of the Cambodia Microfinance Association (CMA) and the Credit Bureau of Cambodia (CBC), the guidelines have been endorsed by all Cambodian microfinance institutions (MFIs) and compliance is monitored through the evaluation of a monthly dashboard.

June 2018



... social due diligence rigor

Incofin launches the ECHOS 2.0 online platform, which hosts the full set of social and environmental due diligence parameters we use to make investments decisions, including each fund's customized list of the UN SDGs.

September 2018



... knowledge sharing

Incofin is featured in 'Financing the Sustainable Development Goals' by the GIIN, where we share the way our agri investment team tracks impact indicators aligned with the UN SDGs.

October 2018



... challenging norms

Incofin becomes a signatory to the Guidelines for Investing in Responsible Digital Financial Services, an initiative that strives to catalyze investments in responsible digital innovation, finetune evolving solutions, and share emerging evidence and business models for inclusive growth.



... climate adaptation

The workshop, entitled From Theory to Practice: Models of Agricultural Insurance That Work, equipped 25 participating financial institutions from 13 countries across Latin America with practical tools to incorporate climate risk management into their daily operations.



... exiting responsibly

Along with John Yung, representative of the Shanghai Commercial and Savings Bank (SCSB), Dina Pons, Co-Regional Director Asia and Impact Manager discussed the responsible exit of the Rural Impulse Fund II (RIF II), a fund managed by Incofin, from the leading Cambodian microfinance institution AMK Microfinance to SCSB at the GIIN Investor Forum.

Impact means...

December 2018



... standardized measurement

Incofin agrees to share social performance data with CERISE, a non-profit and pioneer in social performance management, to help their ongoing development of publicly available “impact” benchmarks for the industry. This also enables us to compare our investees’ social score against the entire CERISE universe.

February 2019



... collaboration

Loïc De Cannière, Managing Partner & Founder of Incofin, elected Chairman of the prestigious ‘Social Performance Task Force’: “I see a huge need and responsibility to share the insights of Social Performance Management (SPM) with the investor community using a universal and adequate language”.

March 2019



... normalizing impact reporting

Every March, Incofin presents E&S results for three of its funds under managements during Supervisory Board meetings (RIF II and agRIF) and the General Assembly (Incofin cvso).

April 2019



... accountability

Incofin becomes a signatory of the IFC-led initiative on “Operating Principles for Impact Management”. These set a market standard for impact investing in which investors seek to generate positive, measurable social and environmental impact alongside financial returns, bringing greater transparency, credibility and discipline to the impact investing market.

July 2019



... empowering investees

Through its agTAF Technical Assistance program, Incofin is supporting 8 equity investees in 6 countries to quantifiably measure the impact of their products and services on the lives of their end-clients. Developing a formal theory of change and dashboard of social outcome indicators will allow each investee to track progress towards achieving its social mission and the relevant SDGs.

October 2019



... setting standards

Incofin will present a paper on “Prevention of Over-indebtedness in the Age of Digital Finance” at the GIIN annual meeting. The working paper is an awareness building piece that aims at engaging investors in a discussion on how to mitigate the risk of clients’ over-indebtedness posed by digital financial services when targeting vulnerable populations.

November 2019



... alignment to the SDGs

Incofin will moderate a panel discussion on impact, “Outcome Measurement and UN SDG”, at the European Microfinance Week. This is a continuation of the discussion on the topic initiated at the same event in 2018, where Incofin Regional Co-Regional Director Asia and Impact Manager Dina Pons shared insights on developing impact strategies with investees.



Kompanion - Kyrgyzstan

Impact Taskforce Team

Impact around the clock



The Impact Impetus

At Incofin, we go to work every morning because we believe that impact investing - which we define as investing in business solutions created to fix a social problem - is likely one of the most relevant ways to promote an equal and sustainable world for tomorrow.

The reality is there and cannot be counter-argued anymore: pure capitalism is undeniably capable of creating enormous economic and financial value, but clearly also creating social inequalities and environmental harm. Meanwhile, no government interventions, whether through regulations aiming to tame capitalism or welfare state interventions aiming to redistribute wealth, can compensate for the harm made without falling into its own trap of ineffectiveness.

At Incofin, we believe that making investments only if they aim to reach reasonable financial goals while also having social impact is an efficient way to build a sustainable socio-economic model. Out of our

past 18 years of work in the impact space, 2018 and 2019 stand out in terms of "impact consciousness": from young kids going on strikes to call for "Climate Action", to retired workers with modest pensions asking for an appointment with their bank to ask about "responsible saving products"; from young professionals declaring during the first interview that they want to work for a company "with a true purpose", to family offices who want to leave a legacy to the world beyond their entrepreneurial success and talent...

As Sir Richard Cohen said *"This moment calls for nothing short of a revolution. Cue the impact revolution!"**

"Cue the impact revolution"

Sir Richard Cohen

As mentalities are shifting, impact investors such as ourselves, have an imperative duty to deliver on the impact promises that our industry claims. At Incofin, we have been measuring social performance management of all our investees since 2007: when no tool existed, we created our own; when the industry needed examples of field practices, we shared them; when the industry was finally aligned on standards, we embraced them and adapted our original tool to talk the same "impact language".

This is the reason why in 2018 we decided to integrate the United Nations Sustainable Development Goals (UN SDGs) into our impact work. We see them as an effective and practical framework forcing stakeholders across the industry to clarify their individual impact strategy and to rigorously measure social performance and impact.

Incofin believes the next step for the industry is to use the SDGs as a framework to identify which output

and outcome indicators make the most sense and truly track them over time. It is only through rigorous outcome tracking that we will be able to understand what "impact" we truly have. For twenty years, we built standards for social performance management. We shall now mobilize the same rigor and energy for "outcome" measurement. This will allow us to genuinely assess which business models are able to reach the highest social returns.

Dina Pons,

Partner, Co-Regional Director Asia and Impact Manager



* December 17th 2018 interview in the Financial Times.

Supporting Entrepreneurs

India Progress Fund (IPF)

India provides a strong consumption-led investment opportunity. The ecosystem is highly vibrant for consumers, investors and entrepreneurs. This leads to a situation where a variety of entrepreneurs offer a wide range of product and services - some in a responsible way and others simply out of the fear of missing out.

"Our focus is to back entrepreneurs who challenge the status quo."

This vibrant market happens to be home to more people living in extreme poverty than any other country in the world. Is investing in one of the largest developing economies automatically considered impact investing? While 70% of the Indian population live in rural and semi-rural areas, interestingly, as it stands, 50-70% of new business ventures focus on the 30% urban consumers.

Aditya Bhandari,

Partner and Co-Regional Director Asia



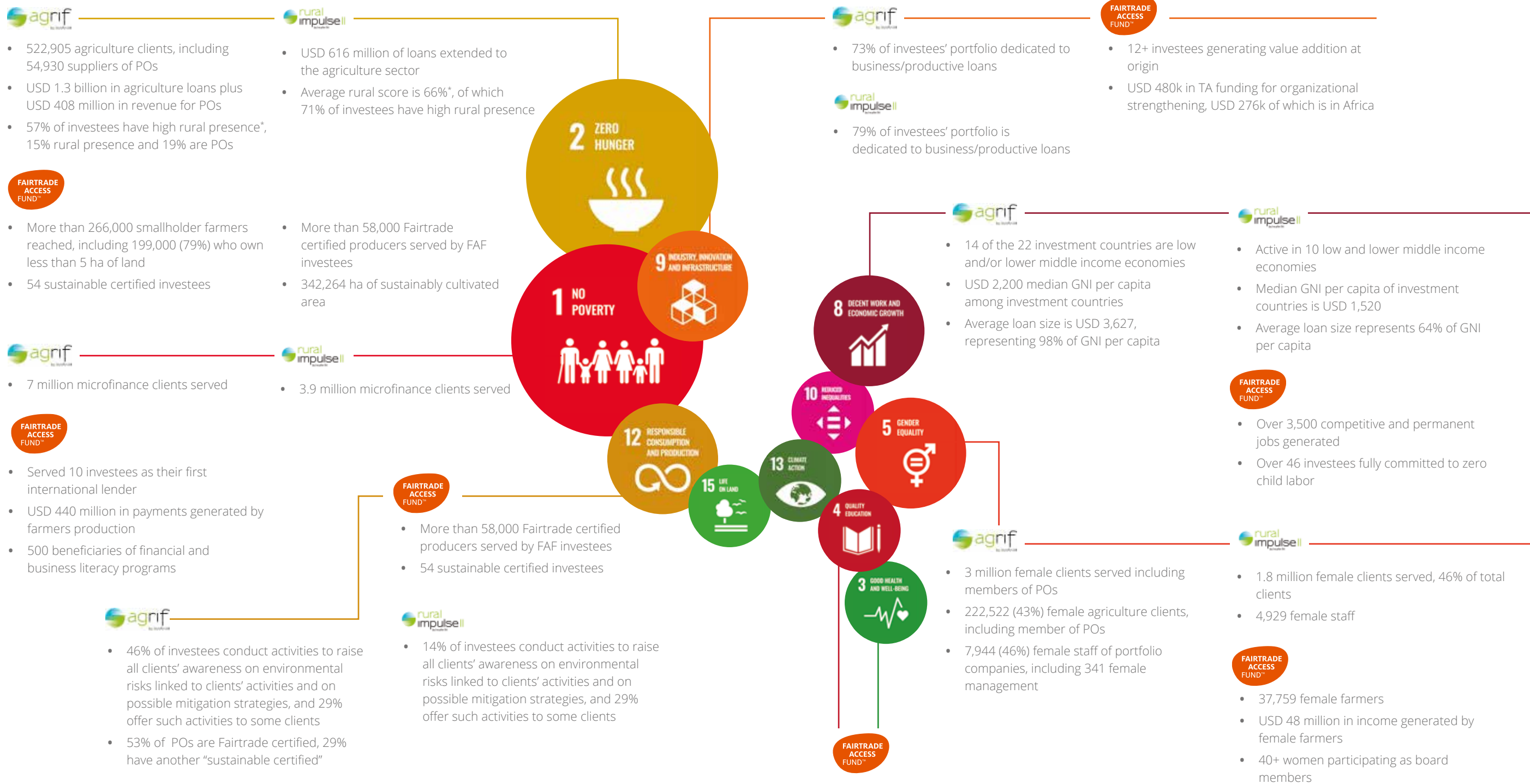
As impact investors, our focus is to back entrepreneurs who challenge the status quo, especially those who focus on the basic needs of the "real economy". Our newest fund offering, *India Progress Fund*, precisely caters to bring about basic products and services to the highly underserved rural and semi-rural economy. The Fund will be active in the high impact areas such as financial services, agricultural and food ("agri-food") value chain. The focus will be to back lending institutions offering income generating loans and agri-food entrepreneurs focusing on working with smallholder farmers and farmer groups.

Perhaps all investments have ripple effects benefiting the society at large, but we'd like to believe we make a small difference by focusing on entities that have a strong impact intent and generate measurable impact for their end-clients.

Rahul Rai,

Partner, India





* This indicator is the average rural score among the investees. The rural score is calculated by a scorecard that takes into account the percentage of rural population in the country and the population of the branch/sales points according to World Bank data. POs stand for producer organizations; ha stands for hectares.



- 97% of the investees have a formal non-discriminatory policy which covers most of the main vulnerable groups such as gender, ethnicity, race, disability, HIV status, religion, sexual orientation, political affiliation or participation in a trade union



- 92% of the investees have a formal non-discriminatory policy which covers most of the main vulnerable groups such as gender, ethnicity, race, disability, HIV status, religion, sexual orientation, political affiliation or participation in a trade union



- 54 sustainable certified investees
- 342,264 ha of sustainably cultivated area



- 38 investees certified in organic production
- USD 290k in TA funding towards extension services, good agricultural practices and preservation
- 342,265 ha sustainably cultivated



agRIF's mission is to enhance financial inclusion in the agricultural value chain, especially focusing on smallholder farmers rural micro-, small and medium entrepreneurs.



Rural Impulse Fund II (RIF II) is the successor fund of RIF I, set up with the aim to promote socio-economic development in rural areas by providing debt, equity, and technical assistance to rural and agriculture focused microfinance institutions.



The Fairtrade Access Fund (FAF) is an evergreen fund operating in Latin America, the Caribbean, and Africa. It offers lending products to agricultural agricultural producer organizations and agricultural SMEs who work primarily with smallholder farmers and have a strong commitment to sustainable development.





Financing Sustainable Agro Value Chains, the SDG-Aligned Way

When launched in 2012, the Fairtrade Access Fund (FAF) was the first fund advised by Incofin aiming to only provide direct investments to partners involved in the agro value chain.

The FAF was launched with the idea of contributing to two intrinsic impact objectives: the reduction of the funding gap faced by smallholder farmers in developing countries and the support of a fair and sustainable agro value chain. In 2015, agRIF was launched with similar objectives and with the capacity to provide direct financing to agro value chains for up to 10% of its portfolio.

In order to reach these two ambitious goals, we developed a portfolio of loan instruments covering different financial needs: from short-term loans financing pre-export contracts to long-term loans financing infrastructure projects and crop renovation, among others. All of these loans are allocated across different value chains and geographies. Today, 30% of our portfolio is allocated to long-term loans contributing to different objectives, from improving post-harvest processes to supporting climate change adaptation by investing in crop renovation.

By financing sustainable value chains, we have been able to support trade under sustainable certified conditions, which often leads to premiums for producers. These premiums are important and distinctive factors which have directly contributed to improving living conditions of many smallholder farmers and their families. These premiums are often utilized for different purposes: from social projects (health, education) to productive projects (crop diversification, implementation of new agro practices, etc.).

There is no doubt that the agro debt portfolio is a key contributor to several UN SDGs, either directly or indirectly. In order to have a better understanding of the portfolio's contribution to the SDGs, we have mapped the SDGs in our Social and Environmental Assessment tool.

Impact measurement

Direct FAF contribution



Indirect FAF contribution



Out of the 17 SDGs, our agro portfolio is directly contributing to 8 SDGs and indirectly to 4, under specific circumstances. The strongest links are with SDG 2 (zero hunger), SDG 8 (decent work and economic growth), SDG 10 (reduced inequalities), SDG 13 (climate action) and SDG 12 (responsible consumption and production). In certain specific circumstances, for example in countries in post-conflict situations, the Fund is contributing to peace-building efforts by promoting economic activities in affected areas (link with SDG 16). We can, for instance, mention our investments in eastern D.R. Congo or in some regions of Colombia. Our efforts to map these outcomes to the SDGs have started in 2018 and will certainly be shared with a greater audience in the coming years as we believe that it demonstrates a great example of impact in the agro value chain.

David Dewez,

Partner, Regional Director of Latin America and the Caribbean and Agro Fund Manager



2 IMPACT THESIS

I. Intent


- Started out as an NGO with the vision to be the leading provider of transformative financial solutions to rural smallholder farmers in East Africa and the mission to improve the livelihoods of rural smallholder farmers and micro-entrepreneurs by providing wealth creating financial solutions
- Unique from mainstream MFIs in targeting smallholder farmers (branches 100% rural) and mainly using group lending methodology
- Like-minded existing shareholders such as Acumen and the Grameen Foundation

II. Who ... is the customer

- Micro-entrepreneurs and small growers of coffee, tea, maize, bean, bananas, and horticulture
- Underserved by traditional banks due to lack of financial background or material security
- Clients are 100% rural, 67% female and 39% youth

III. Why/What ... benefit does the end client have?

- Increased access to credit leading to increased productivity and income, which result in better living standards
- While Juhudi does not track outcome data yet, it regularly assesses client satisfaction. With this investment we could build Juhudi's outcome measurement capacity.




Impact thesis

Social and environmental audit



Impact Thesis

In 2019, Incofin cvso invested in Juhudi Kilimo, a Kenyan MFI. Juhudi's mission is "to provide market-driven, wealth-creating financial services for rural smallholder farmers and enterprises while achieving a positive social impact". Above is an excerpt of the "in-take presentation" made to the Incofin cvso Investment Committee to gauge their in-principle interest in the investment to allow Incofin to pursue its due diligence process.

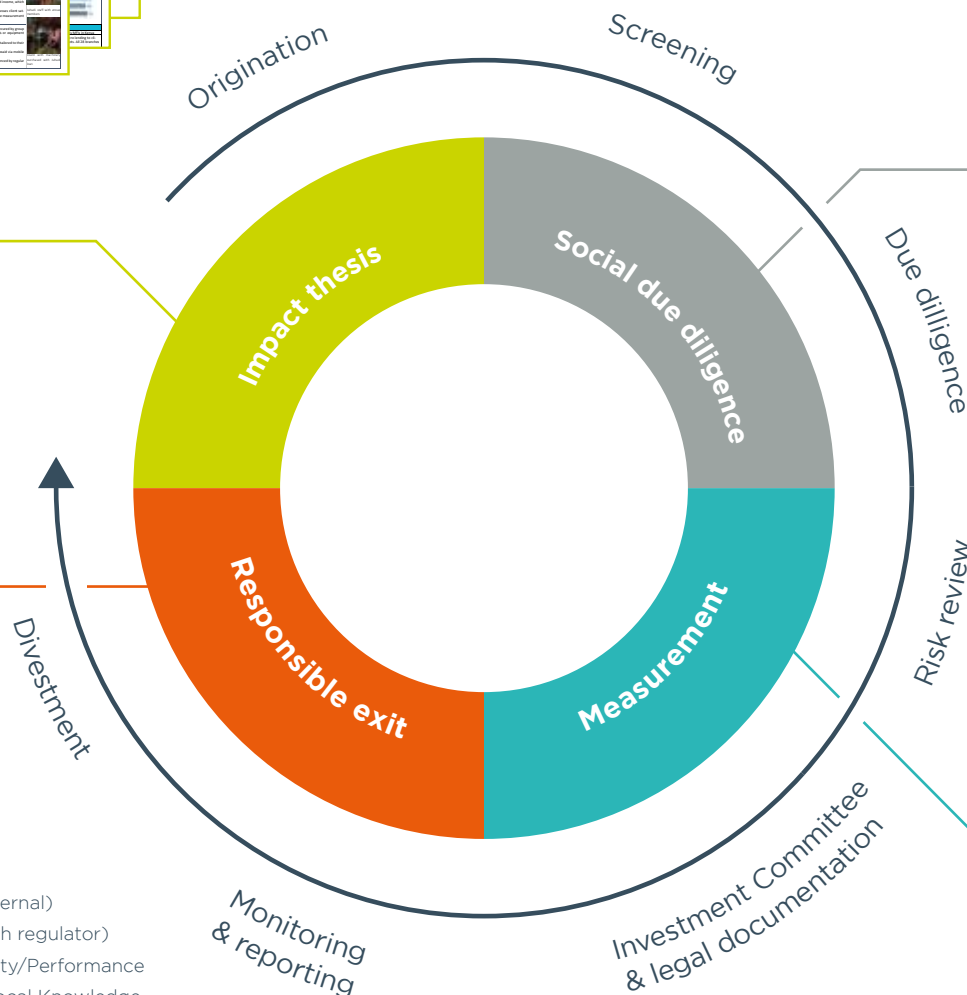
Responsible Exit

In 2012, RIF II invested in AMK, one of the largest and most recognized rural servicing financial institutions in Cambodia to support its rural outreach strategy. In early 2018, the end of the investment period, it was a priority to exit to a financially solid investor who also honors the growth and impact development plans of AMK. Through screening interviews, a Taiwanese bank, Shanghai Commercial and Savings Bank (SCSB) proved its long-term view on Cambodia and ensured it would aim to contribute to the sustainable and responsible development of AMK and of Cambodia's microfinance market.

SCSB not only brought a strong understanding of grassroots rural entrepreneurship but also agreed to anchor AMK's target clients and social mission. SCSB has proven to be in line with its claim during the investment process and its fair treatment of customers was recognized by the Financial Supervisory Commission of Taiwan.

- Reputation (external)
- Reputation (with regulator)
- Financial Stability/Performance
- Regional and Local Knowledge
- Financial Inclusion Knowledge
- Social Performance
- Clear Rationale for Acquisition
- Corporate Culture
- Funding Availability
- Management Stability (at parent level)
- Management Development (for acquired organizations)
- Innovation/Technology

Criteria



Social due diligence

In 2017, agRIF invested in SAVE Solutions, one of the largest banking business correspondents in India's poorest state, Bihar. During due diligence and each year post investment, SAVE's social and environmental practices are assessed in 7 dimensions using the industry recognized social due diligence tool SPI4 ALINUS.

A different social audit tool developed in-house is used for our agri-investees. Villa Rica, a Peruvian coffee cooperative has a total E&S score of 79%, scoring particularly well on the "Environment" dimension as it encourages agro-ecological practices that are friendly to biodiversity.

Measurement

In 2016, agRIF invested in Crystal, a Georgian micro-finance institution. Since 2018, Crystal and Incofin, together with DWM, a long time shareholder, have collaborated to develop an "outcome dashboard" to track impact. Starting from Crystal's social mission, we identified the social goals it hopes to achieve ("why"). We then identified corresponding "output indicators" to measure progress towards these goals. The mechanism to collect such indicators through existing systems and an annual end-client survey is currently being developed. By the end of 2019, Crystal will have collected the base line data, which will be tracked annually to inform strategic decisions.



Mapping Crystal's social mission against the UN SDGs

Translating social intent into real practice



Rent2Own, motorcycle rental services in Myanmar

At the end of 2018, Incofin invested, through its agriculture-focused fund agRIF, in Rent2Own Holdings Pte. Ltd to boost the company's offering of motorcycle renting services to the rural population of Myanmar. Incofin and Rent2Own (R2O) are now working hand in hand to develop an Impact Action Plan.

Step 1: What is your social mission?

R2O was created with the strong belief that the provision of adequate, affordable and transparent motorcycle rental services to low income populations in Myanmar, especially people based in less well-connected rural areas, can boost their employability and improve their overall living standards.

Clients are:

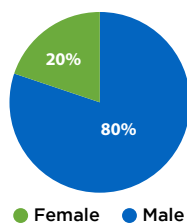
- Predominantly rural (living in less than 150,000 people districts*)
- Self entrepreneurs account for 37% with 20% farmers
- Average monthly income USD 285
- 95% make less than USD 383 per month

Step 2: Are you reaching the population you said you wanted to reach?

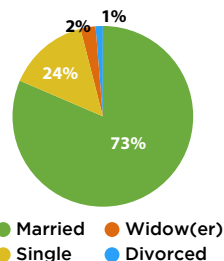
R2O is a data-driven company and already collects bountiful information on its clients' socio-economic profiles. At every board meeting, R2O management presents a list of "outreach indicators" to the board. Results from early 2019 prove R2O's deep rural outreach, where 20% of clients are farmers and 93% of clients make less than USD 383 per month.



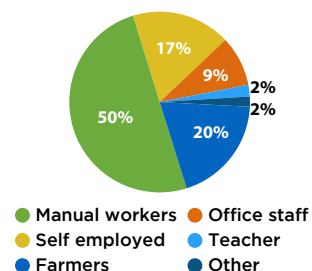
Gender



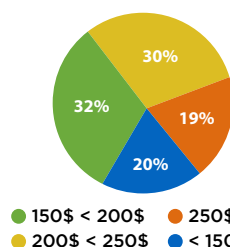
Marital Status



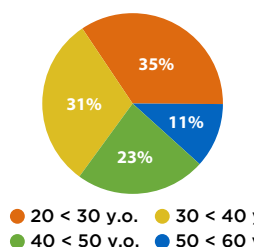
Profession



Income (US\$)



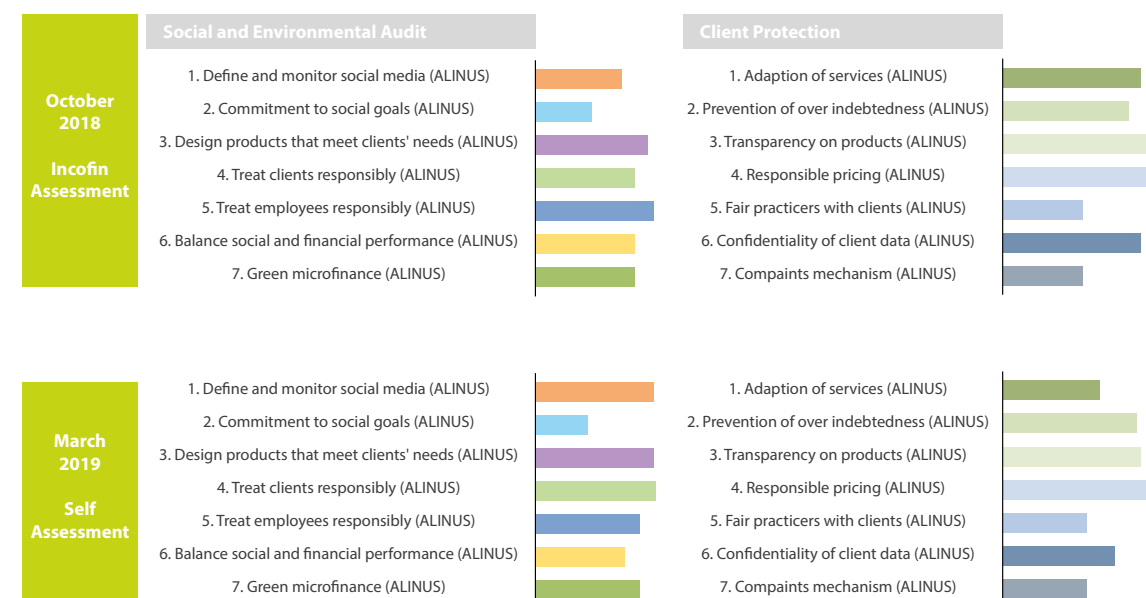
Age



* According to World Bank rural score calculation.

Step 3: What is your current social performance management?

While R2O's social intent is clear, further formalization of processes is needed for the young company set up in 2016 to become a best in class social performer. During the February 2019 board meeting, R2O brainstormed an "Impact Action Plan". Using the industry recognized social audit tool SPI4 developed by CERISE, the company assessed its social performance practices, an exercise which will create action plans for areas of improvement.



Step 4: What do your clients think? Do they notice changes?

R2O is determined to understand whether its social intent is materializing into tangible results for its end clients. "With our rental services, we see our young clients being able to apply for jobs in companies further away from their home, while our self-employed clients, including farmers, report being able to move more goods around with a positive effect on their revenues. Because we are a data-driven company, we are planning to track clients' outcome data to measure our true impact." commented Olivier Bertrand, CFO of R2O Myanmar.

R2O identified four key social goals that are aligned with its social mission and is currently defining relevant social indicators to track progress towards those.

Step 5: Don't forget the environment!

R2O also has a strong "green agenda." To mitigate the CO2 emission of a motorcycle, R2O is implementing a reforestation program to be a carbon neutral institution, which will contribute to UN SDG 13 on "Climate Action". "We calculated the CO2 emissions of our bikes during a one year period and know the numbers of trees that need to be planted to offset that. We are setting up a foundation which will be dedicated to engage with local communities and offer free reforestation of areas around pagodas. We have chosen such a set-up because we know that these areas are less prone to illegal logging," said Philippe Lenain, CEO of R2O.



Contributing to the development of micro and small business projects



Lovćen Banka, financial intermediary in Montenegro

The mission of Lovćen Banka is to contribute to the development of the Montenegrin economy through the creation of new economic opportunities to support citizens' initiatives and local businesses. Poverty reduction, women empowerment and rural area development constitute the core of Lovćen's social mission.

Lovćen Banka was founded in 2011 as the microfinance organization "Kontakt". The company soon felt the need for developing more diverse financial services in Montenegro and therefore wanted to provide a full fledged service offering to its clients. This led to the transformation of the company into a bank in 2014. With an average loan size of around EUR 15,000, Lovćen became one of the top 8 Montenegrin banks by total portfolio size in just four years. It currently serves around 6,574 borrowers, covering all major regions of Montenegro with its branch network. Aleksandra Popovic, Chairman of the Board of Lovćen, says: *"Development should come first and the rest will follow"*. To achieve this, Lovćen has been introducing a wide range of new targeted products to the market, among which include loans for seafarers, special loans for the tourism industry, loans to support small bakeries and small agro producers like olive oil, wine, meat and milk.

In 2019, Incofin supported Lovćen with a EUR 2 million senior loan facility extended through the Incofin cvso fund. Elvina Garayeva, Incofin Debt Investment Manager for Eastern Europe and Central Asia says, *"Travel and tourism are playing one of the central roles in Montenegrin economy. The sector is to a great extent based on micro, small and medium size enterprises. Lovćen Banka provides diversified, targeted and accessible financial solutions to these entities that are well adapted to the local needs and business environment."*



Facts

- **6,574** active borrowers
- **EUR 15,000** average loan size
- **60%** women clients



Bringing the Amazonian treasure to the world by supporting SMEs



Fairtrade Access Fund's (FAF) investments in Brazil nuts in Bolivia

The Brazil Nut, known as castaña or nuez in Spanish, comes from the Bertholletia excelsa, a tree that grows in the depths of the Amazonian jungles thanks to the pollination of bees and the agouti, a large rodent, that buries the nuts. This natural process, complex yet completely flawless, is thus free of pesticides and human intervention. Because of its benefits, not only are Brazil nuts considered a "superfood" for their health benefits, but are also widely used in soaps and other beauty products for their natural oils.

According to Instituto Boliviano de Comercio Exterior (Bolivian Institute of Foreign Trade), IBCE, Bolivia is the number one global exporter of Brazil nuts without skin followed by Brazil and Peru. Currently, there are no industrial scale Brazil nut plantations whose production is steady enough to meet export demands. Changing climate patterns that make rainfall unpredictable present obstacles to a successful harvest, upon which many Amazonian communities depend for their livelihood. Consequently, environmental preservation is a top priority for investors, associations, companies and small collectors preserving this intricate tropical environment.

In 2013, FAF entered the Bolivian Brazil nut market. The market showed a Bolivian Brazil nut market with a stagnant production of seeds but with the potential to expand. Since then, 5 harvest seasons have been financed by FAF with USD 22.9 million disbursed, positioning the product as the third (or second according to seasonality) most important product for the fund.



Our thorough analysis of the Brazil nut market in Bolivia unveiled that investing directly in associations or collectors would not create the ripple effect this economy needed. Our strategy since 2013 has thus focused on investing in SMEs with the potential to grow and that, at the same time, benefit the different links in the entire supply chain, i.e. associations, zafreros, etc. FAF's intervention applies a holistic approach, supporting SMEs in financing, certifications and trainings, and environmental protection to help the Brazil nut SMEs actively contribute to the sustainability and growth of Bolivian communities in the Amazon rainforest. FAF's investees are role models in fighting Child Labour and Forced labor, having undergone international audits to obtain the Fairtrade, Organic and BRC certification and provide fair collection prices—paying on average close to double the average minimal price paid the local markets.

It has been a long and fruitful journey since 2013. By 2018, the FAF has helped export 2.3 billion Brazil nuts and the four SMEs involved have profoundly improved their businesses, becoming role models of environmental sustainability for the region.

Facts

- **USD 1.7 million** annually of FAF financing per Brazil nut SME
- Export of **2.3 billion Brazil nuts** facilitated by FAF
- **USD 390,720** annually received in fair trade premiums per SME which is used to fund social projects such as schools and health care



Building resilience through contributing to climate change adaption & mitigation



The EcoMill project by delosAndes Cooperativa, producer organization in Colombia

Incofin recently financed a successful eco-mill project for a Small Producer Organization (SPO) in Colombia through two of its funds; the agRIF and the Fairtrade Access Fund. The eco-mill project is a large-scale wet mill plant with state-of-the-art, water efficient machinery from market leading suppliers, that includes its own water treatment facility.



One of the key challenges faced by the coffee sector, especially at the processing level, is its potential negative impact on the environment. The traditional methods of coffee processing, completed at the farm level, are extremely labor-intensive, wasteful, have a low rate of productivity, and can be costly.

Aiming to provide the best socioeconomic alternative for coffee farmers, improve the quality of coffee and support the conservation of natural resources, the eco-mill project was born. The mill services farmers in the region, giving them the option to sell coffee cherries directly to the wet mill on the day of harvesting. Moving from a large number of household-level mills to a large-scale centralized mill, with water-efficient milling technology, improves water resource management and, through clear economies of scale, provides positive social benefits to producers, with approximately 25,300 hectares of coffee cultivated land; yielding an average of less than 7 hectares per farmer.

Facts

- **320** smallholder farmers where **37%** are female. Average farmer's land size: **6.2 ha**
- Improve quality of life for coffee farmers: the time spent on processing is reduced up to **7 hours** each day.
- Reduction of on-farm costs by an average of **30%**



- **+60 million** liters of water saved every year: water consumption is expected to decrease from 40 liters of water per kg of coffee to 5 liters per kg
- **35,000 inhabitants** of the region will have access to cleaner water



- Solar panels provide **45%** of the needed annual energy consumption of the mill
- Heat produced through a singular boiler fueled by **dry parchment skin** (reduced waste and cleaner heat generation)



- Estimated annual production: **1,680,000 kgs** of dry parchment, which is equivalent to purchasing 7,860,000 kgs of coffee cherries
- **Greater traceability** and standardization
- Quality coffee is promoted: **full control** over the wet milling process
- Origin story: buyers looking to support **eco-friendly produce**



Promoting smallholder resilience to climate change through innovative agricultural insurance

Technical Assistance program in collaboration with Fundenuse, Micredito and Fundeser, microfinance institutions in Nicaragua

Through its Rural Finance Partnership technical assistance program, Incofin worked with three local microfinance institutions (MFIs) – Fundenuse, Fundeser and Micredito – to implement the first ever meso-model agricultural index insurance product in Nicaragua.

Designed jointly by project coordinator MG Consulting, AXA XL Reinsurance and local Nicaraguan insurance company Iniser, the coverage aims to boost the resilience of smallholder farmers to increasingly frequent and destructive weather events that threaten agricultural production and rural livelihoods. The coverage helps 17,800 farmers coffee and basic grain farmers, more than 90% of which possess fewer than 10 hectares of land, from economic shocks related to drought and excess rain.

The product's innovation lies in its unique design. Whereas traditional insurance schemes would require administering individual policies for each farmer, in this case, the MFI acts as policy holder and risk aggregator. Payouts are triggered based on pre-established rainfall indexes measured via satellite precipitation data. This set-up reduces basis risk and administrative costs, making the coverage more accessible compared to traditional models.

After being approved by the Nicaraguan Superintendence for Banks and Other Financial Institutions (SIBOIF, by its Spanish acronym), the product triggered its first pay-out in August 2018 due to the ongoing drought in Central America, which has already caused significant crop losses. The MFIs will use the insurance pay-out to restructure loans of the most vulnerable farmers in the affected regions,



preventing these clients from falling into arrears and eliminating the need to sell off productive assets in order to repay their loans. The second payout was triggered in October 2018 due to excess rain.

The project is jointly financed by the US-based Multilateral Investment Fund (MIF), a member of the Inter-American Development Bank Group, the Dutch development bank FMO and Belgium-based social impact fund Incofin cvs

Facts

- **17,800** farmers covered
- **90%** of farmers hold a land of less than 10 ha
- **2 payouts** triggered in August 2018 (drought) and in October 2018 (excess rain)



Bringing affordable financial services to clients' door step

ADVANS
Growing together

Technical Assistance for Advans Côte d'Ivoire, a microfinance institution

While only 15% of the adult population in Côte d'Ivoire have a bank account, almost half use mobile internet services - by far the highest penetration rate in West Africa. It is an opportune time for the environment to increase financial inclusion levels via more affordable and time-effective "last mile" banking innovations. "Agent banking" is a relevant innovation by offering clients quick and easy "cash in and cash out" services at nearby shops, equipped with customized digital solutions.

Advans Côte d'Ivoire (Advans CI), a microfinance institution offering credit, savings, insurance and payment services to Bottom Pyramid MSMEs in Côte d'Ivoire, recognized this opportunity and began offering digital solutions like agent and mobile banking to its customers.

Incofin, through the Technical Assistance program of its fund Incofin cvso, supported Advans CI in scaling up and launching new products and services offered through mobile and agent banking channels. Among those is the provision of a digital emergency loan, a new type of loan to help Advans CI's clients cope with health or family emergencies. Clients can access this loan directly through their feature phone, which is automatically disbursed to their account. In addition, this solution offers wallet-to-bank (WTB) and bank-to-wallet (BTW) transfer services, enabling clients to transfer money from their Advans CI account to a mobile wallet to make payments as well as to

send the money to friends or relatives in urgent need of cash and vice versa. Thanks to the support of Incofin cvso, the number of these transactions has increased tenfold, from 1,737 per month in 2017 to 11,081 per month in June 2018.

Incofin is also supporting Advans CI in implementing a unique agent banking solution in partnership with the fintech company InTouch, enabling its clients to deposit and withdraw money at one of the 38 agents and 48 TOTAL gas stations throughout the capital city Abidjan. The customer can recognize an agent by a colorful board with Advans CI's name and logo at his shop window. By identifying himself with an ID card and a mobile phone number, the client can deposit or withdraw cash directly from or to his pocket.

In November 2018, Advans CI won the prestigious European Microfinance Award on "Financial Inclusion through Technology" for its mobile banking solution enabling cocoa farmers to save and also have access to education loans for their children.



Facts

- **6,574** active borrowers
- **14,100** active borrowers
- **15 branches**, of which 16 outside Abidjan
- Number of **transactions** increased from 1,737 per month in 2017 to **11,081 per month** in June 2018
- Advans Côte d'Ivoire enables its clients to deposit and withdraw money at **38 agents and 48 gas stations** throughout the capital city Abidjan



Advans - Ivory Coast

Committed beyond investment

We are a leading emerging markets focused impact fund management company specialized in rural financial inclusion and in the agri-food value chain.

Driven by a strong interest for business solutions that promote inclusive progress, we want to improve the lives of the more vulnerable or less privileged people. By doing so, we are committed to deliver positive social impact in addition to attractive financial returns to our investors. We provide the dedicated support and tailored guidance entrepreneurs need in order to build sustainable businesses.

From the spin-off of a Belgian cooperative investing in SMEs in Africa and Latin America to today's leading global impact asset manager active in multiple sectors, Incofin has come a long way. While we continue to deepen our market and industry expertise, we believe there is no geographical or sectoral boundary to our entrepreneurial spirit and commitment to impact.

All of Incofin's activities come under the umbrella of strong values and purpose. We are committed to the highest professional standards and ethics. We value diversity, entrepreneurship, gender balance, mutual respect, and willingness to listen. We foster transparency and practicality, internally and externally. We love to challenge and to be challenged, both within our team and with our stakeholders. And above all: we love to generously share our insights within our ecosystem.

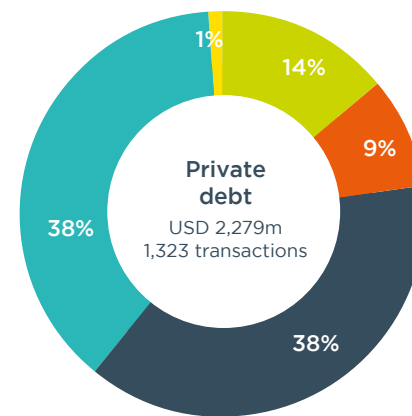
We are a team-owned company, committed to our social mission, growth and development by investing in our own funds.

As a "glocal" entity, we have built a team of 59 members, with 18 nationalities and 53% female staff, allowing Incofin to maintain and grow an extensive and in-depth local market knowledge.

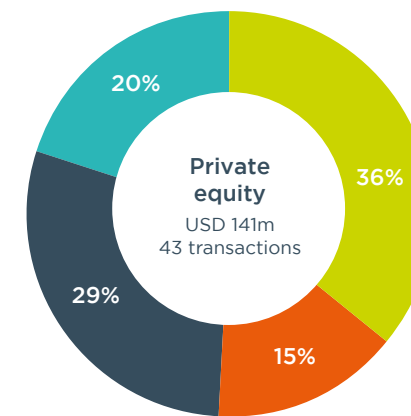
With our local offices in Cambodia, Kenya, India and Colombia, and our head office located in Belgium, we promote physical and cultural proximity to our investees.



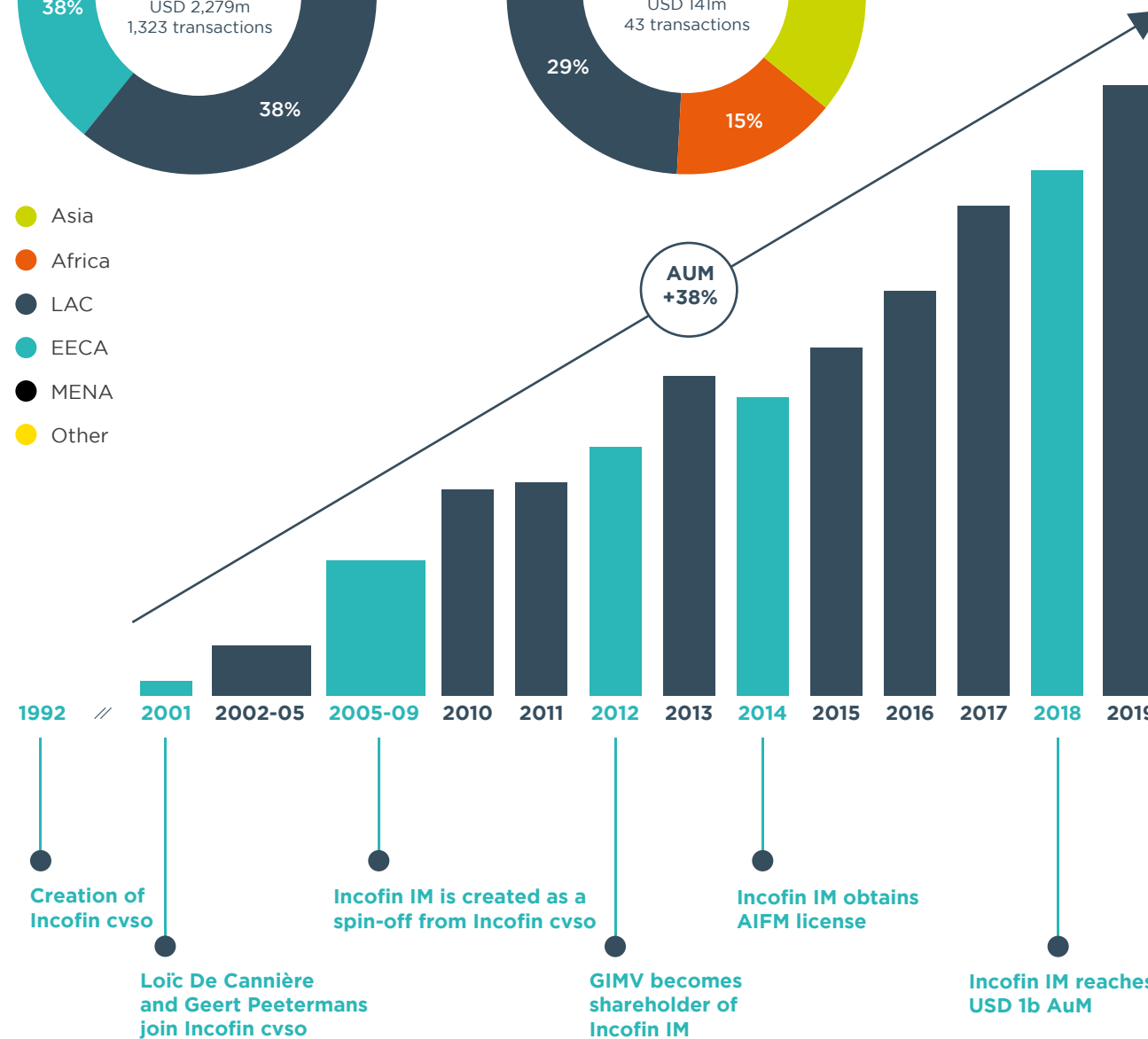
Breakdown of debt by region
(loan size since inception)



Breakdown of equity by region
(disbursements since inception)



- Asia
- Africa
- LAC
- EECA
- MENA
- Other



● Key milestones

From rural financial inclusion to agriculture and beyond...






With over 18 years of experience working with risk capital through debt and equity investments, we have invested over USD 2.4 billion in over 320 financial institutions/ agri-businesses across 66 countries in Asia, Africa, Latin America and the Caribbean and Eastern Europe.

	Incofin cvso	Rural Impulse Fund II, SA Sicav-SIF (RIF II)	agRIF, Coöperatief U.A.	Incofin Inclusive Finance Fund RAIF (IFF)	Fairtrade Access Fund, SA, Sicav-SIF (FAF)	
Domicile	Belgium	Luxembourg	The Netherlands	Luxembourg	Luxembourg	
Maturity	Open-ended	2010-2020	2015-2025	Open-ended	Open-ended	
Impact Objective	Impact fund investing in entities contributing to the social, environmental and/ or economic development of Bottom-of-the-Pyramid population with their products and services.	Successor of RIF I (2007-2017). Invests in MFIs that serve disadvantaged rural areas.	Investment fund aiming to enhance financial inclusion in the agricultural value chain, especially focussing on smallholder farmers and rural MSMEs.	Fund making debt investments in Financial Service Providers with the aim of supporting financial inclusion in emerging economies.	Impact fund contributing to the development of a fair agriculture sector by providing smallholder farmers better access to capital and addressing their technical assistance needs.	
Investment regions	Global	Global	Global	Global	Global	
	Invest in Visions Mikrafinanzfonds (IIV)	BRS Microfinance Coop Fund	FPM SA	VDK Bank NV	Volkvermogen NV	Microfinance Enhancement Facility, SA, Sicav-SIF (MEF)
Domicile	Germany	Belgium	DR Congo	Belgium	Belgium	Luxembourg
Maturity	Open-ended	Open-ended	Open-ended	Open-ended	Open-ended	2009-2025
Impact Objective	Microfinance fund open to retail and institutional investors. Provides loans to MFIs in developing countries.	Cooperative fund that supports microfinance and microinsurance to sustainably improve the quality of life of the poorer population in LAC, Africa, and Asia.	Promotes financial inclusion in DR Congo by supporting MFIs that target MSMEs and low-income working populations.	Provides loans to MFIs in emerging countries.	Holding company that invests in MFIs through equity and debt.	Fund aiming to support economic development and prosperity globally through the provision of additional development finance to micro-enterprises, via qualified financial institutions.
Investment regions	Global	Global	DR Congo	Global	Global	Global

Capital Plus Approach

We always seek to be our investees' hands-on co-pilot. We are members of the board of directors for all companies where we invest equity and contribute by initiating social performance thinking through strategic conversations, guiding companies on how to engage debt providers, raising investees' profiles by showcasing their success in industry events and supporting investees with grant-funded technical assistance adjusted to each investee's institutional needs.

Technical assistance is an important part of Incofin's Capital Plus approach. To date we have mobilized over EUR 9 million in grant funding and structured about 100 technical assistance projects in various fields including governance enhancement, risk management, product development, social performance, new technologies, or business planning.

	Incofin cvso	Rural Impulse Fund II, SA Sicav-SIF (RIF II)	FOMIN	Fairtrade Access Fund, SA, Sicav-SIF (FAF)	agRIF, Coöperatief U.A.
	TA Facility 	TA Facility 	Rural Finance Partnership 	TA Facility 	TA Facility 
Objective	Improve the overall development of MFIs and promote best practices	Improve the overall development of MFIs and promote innovation and best practices in rural microfinance	Enhance sustainable and adequate financial products and services to better serve rural clients	Addressing the needs of smallholder farmers and agricultural entrepreneurs involved in sustainable agriculture	Foster financial inclusion of smallholder farmers and rural entrepreneurs through increasing the outreach and capacity
Geography	SSA, Latin America, South-East Asia, EECA, MENA	SSA, Latin America, South-East Asia, EECA, MENA	Latin America	Latin America and SSA	SSA, Latin America, South-East Asia, EECA, MENA
Eligible Institutions	Sustainable MFIs that help enterprising people set up their own businesses, improve their living conditions	Commercial MFIs offering financial services in disadvantaged rural areas to support entrepreneurship and income generation	MFIs with a significant rural focus that service rural population engaged in agriculture and micro businesses	Sustainably certified Small Producer Organizations, agriculture-focused MFIs and agricultural value chain SMEs	Rural and agriculture-focused MFIs, SPOs and agricultural value chain SMEs
Duration	Open-ended	2012-2019	2014-2018	Open-ended	2018-2025

Snapshot of some of our Investors and Industry Partners

Thank you to all our investors and partners who trust us...

Our investors include leading development funds, banks, insurance companies, pension funds, alternative investment funds, family offices and retail investors.





Committed beyond investment