

Impact Finance Survey 2010



Survey Report, October 2010

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In collaboration with

Appui au Développement Autonome (ADA)
Arendt & Medernach (A&M)
Banque de Luxembourg (BL)
Ernst & Young (E&Y)
European Investment Fund (EIF)

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Introduction

At the initiative of Banque de Luxembourg, a number of institutions in Luxembourg, including Appui au développement autonome (ADA), Arendt & Medernach (A&M), Banque de Luxembourg (BL), Ernst & Young (E&Y) and European Investment Fund (EIF) have agreed to support the first European Venture Philanthropy Association (EVPA)'s General Assembly and Annual Conference in Luxembourg, in November 2010. This group of Luxembourg institutions decided to contribute to the upcoming event by shedding more light on the current status and development trends of Impact Finance, a social change instrument that seems to hold much promise.

The group mandated AlphaMundi Group, a Swiss advisory firm specialized in impact investing and sustainable development, to undertake an international survey of Impact Finance that would help identify present opportunities of and constraints to the growth of this nascent financial industry segment.

The main objective of this Survey is to identify how Luxembourg's financial industry, with its wide product range and legal engineering capabilities, can support the evolution of Impact Finance into a fully-fledged industry segment, and thereby foster its broader recognition within the international financial industry.

Both institutional and private HNWI investors have already begun to include Impact Finance products and strategies in their investment portfolios, be it private equity or other equity and debt investments, and thereby contribute to the segment's growth and emerging standardization.

Impact Finance is increasingly supported by regulators of financial industry hubs such as the US, the UK, and Switzerland. It complements the array of Official Development Assistance (ODA), Philanthropy and Foreign Direct Investments (FDI) instruments for Development, and unlocks new sources of capital for Development by blending financial returns and social incentives.

As Impact Finance structures and appeal to an increasing number of investors are closely linked to the investment management industry in general and investment funds in particular, the core part of this survey will focus on the support that Luxembourg's leadership in international investment funds can lend to Impact Finance.

Survey results are summarized in the report that follows, and will provide the foundations for a *White Paper on Impact Finance* addressed to the Luxembourg government.

"In this new sector you really can combine a humanist perspective with a commitment to economic profitability. It's a rare opportunity when you can do well and do good at the same time."

Survey Respondent, Spring 2010

I. About Luxembourg

Investment funds

Luxembourg is Europe's number 1 investment fund centre and the world's leading hub for global fund distribution.

The continuing development of the Grand-Duchy as a centre of financial and investment fund services has led to a unique concentration of specialist service providers. This unparalleled blend of expertise in the areas of fund administration, management and distribution enables Luxembourg to offer fund promoters an extraordinarily wide range of investment products. These can be tailored to meet the needs of specific market sectors.

Luxembourg's highly international investment fund industry also benefits from a very stable political and social environment. Its strategic position in the heart of Europe, its skilled multicultural and multilingual workforce, flexible and business friendly authorities, and a close working relationship between the business community and the Government make Luxembourg the first choice for fund set-up and distribution.

Luxembourg today offers a platform of services and structuring opportunities to the private equity industry. Products include competitive structures for setting-up private equity and venture capital funds, such as the investment company in risk capital (SICAR) or the specialized investment fund (SIF), as well as structures for pan-European private equity and venture capital acquisitions. Luxembourg has thus emerged as a prime jurisdiction for the structuring of private equity acquisitions and financings.

In the field of Microfinance, Luxembourg offers a wide variety of attractive fund structures for Microfinance Investment Vehicles (MIV), ranging from Undertaking for Collective Investment (UCI) Part II funds (under the 2002 Law) to more flexible structures such as the SIF and the SICAR, already mentioned, as well as Securitization Vehicles and Structured Products.

In 1998, Luxembourg was the chosen domicile of the first registered Microfinance fund. Today, with 26 MIVs registered in Luxembourg and 45% of the worldwide MIV assets under management (or nearly USD 3 billion), the Grand-Duchy is the leading centre for the domiciliation of MIVs. Six of the largest 10 MIVs are based in Luxembourg.

Strong support from the Financial Regulator and the Luxembourg Government

Luxembourg's continuous effort in the field of Development cooperation, its high level of ODA, its strong and pioneering commitment to microfinance, and its financial reputation as the domicile of 3,500 funds holding more than EUR 2,000 bn in assets, put the country in a prime position to make a determinant contribution to the development of Impact Finance in Europe.

As announced by the Government, the exemption of the subscription tax for Microfinance Investment Funds has become effective on July 30th, 2010. This initiative, in line with the government program for the 2009 – 2014 legislation periods, reflects the willingness of the Government to support the development of Microfinance for financial markets and to make Luxembourg the most attractive financial centre for a transparent and responsible Microfinance industry.

Since 2006, the LuxFLAG label is granted for MIVs which invest 50%+ of their assets in microfinance. As of July 2010, Luxembourg numbered 26 MIVs with total assets of USD 2.8 bn.

In 2009, the Luxembourg Government contributed to the creation of the Luxembourg Microfinance and Development Fund, an innovative initiative where, for the first time, the State of Luxembourg accepts the role of promoter for a social venture capital fund, investing in equity and debt of Tier 2 and Tier 3 MFIs.

Development aid

Luxembourg provided Official Development Assistance (ODA) worth more than EUR 297 mn in 2009, or 1,04% of its GNI, the second highest ODA/GNI ratio after Sweden.

Luxembourg is a member of CGAP since 1998. The Luxembourg Roundtable on Microfinance was established in 2003 in order to stimulate the dialogue between all national actors, public and private, in this field. Luxembourg has been chairing the work of the UN Advisors Group on Inclusive Financial Sectors established by the United Nations Secretary General Kofi Annan during the International Year of Microcredit in 2005. Finally, Luxembourg also hosts the secretariat of the European Microfinance Platform (e-MFP).

Furthermore, the Luxembourg Government has been providing technical assistance to the microfinance sector in Africa, in Asia and in Central and Latin America for more than 10 years.

During the last ten years, Luxembourg has also played a significant role in supporting the emergence of rating and transparency in the microfinance sector worldwide.

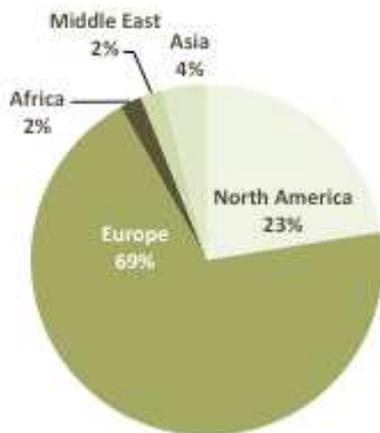
Survey Methodology

Methodology

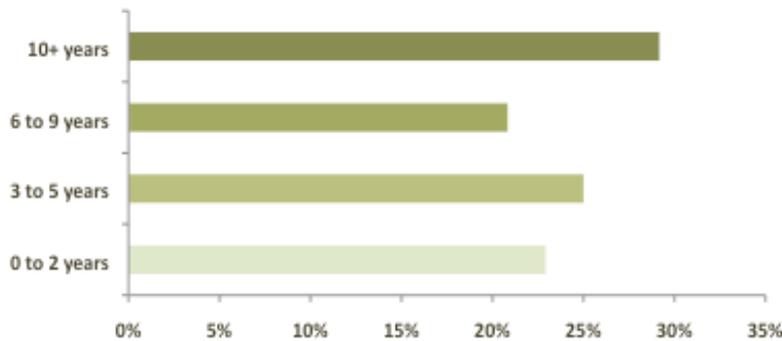
The survey questionnaire and sample were created by AlphaMundi and reviewed by the survey's initiators who requested the sample to be composed primarily of European product promoters. In all, 62 Impact Finance institutions accepted to take part in the survey (52 promoters and 10 investors).

It should also be noted that only half of the respondents incorporated their institutions more than 5 years ago, a reflection of Impact Finance's youth as a financial industry segment.

Corporate Domicile of Survey Participants



Institutional Track Record of Survey



We are very grateful to those who generously shared their time and knowledge to produce this report, including the representatives of the following institutions:

- 1) 4B Impact Finance
- 2) Access Holding
- 3) Active philanthropy forum
- 4) Acumen
- 5) Alterfin
- 6) Berkeley Energy
- 7) BIO
- 8) Blue Orchard
- 9) BonVenture Mgt. GmbH
- 10) Bridges ventures
- 11) Clean Tech Fund
- 12) Convivatus
- 13) CreSud
- 14) Development fund
- 15) DOEN foundation
- 16) DWM (Developing World Markets)
- 17) Eclof International
- 18) EcoEnterprises Fund
- 19) Elevar Equity
- 20) FE Clean Energy
- 21) Finnfund
- 22) F.I.T. Timber Growth Fund
- 23) Fondation Finethic
- 24) Geneva state finance department
- 25) Grassroots Business Fund
- 26) Impact Finance Management
- 27) India Housing Fund
- 28) Innpact Luxembourg
- 29) In Return East Africa Fund
- 30) Investisseur et Partenaire pour le dévpt.
- 31) Investing for good
- 32) Jacana Venture Partnership
- 33) KfW Bankengruppe
- 34) King Baudouin Foundation
- 35) Kois Investment
- 36) LGT Venture Philanthropy
- 37) Lok Fund
- 38) NeXii
- 39) Noaber
- 40) Norfund
- 41) Oiko Credit
- 42) Oltre Venture
- 43) Partners for the Common Good
- 44) Peace Dividend
- 45) Phitrust Advisors
- 46) Responsibility AG
- 47) Rianta Capital
- 48) Rockefeller Foundation
- 49) Sarona
- 50) Small Enterprise Assistance Funds
- 51) Social Capital Ireland
- 52) Social Stock Exchange
- 53) Social Venture Fund
- 54) SpringHill UK
- 55) Sorenson Housing Opportunity Fund
- 56) SOVEC Fund
- 57) Summit Development Group
- 58) Susi Partners
- 59) Symbiotics S.A.
- 60) TIAA-CREF
- 61) Triple Jump
- 62) Venturesome
- 63) Venture South

The views expressed herein do not necessarily reflect those of the institutions who mandated or participated in this study.

**"I see Impact Finance as an amazing combination of profit and impact,
through which you can reach the goal of making the world a better place."**

Survey Respondent, April 2010

Defining Impact Finance

For the purpose of this Report, the terms “Impact Finance” encompass any profitable investment activity that purposefully generates measurable public benefits. Impact Finance therefore spans multiple asset classes, economic sectors and geographical areas.

According to the Global Impact Investing Network (GIIN), impact investments are guided by the aim of solving social or environmental challenges while generating financial profit. Impact investing includes investments that range from producing a financial return, to market-rate or even market-beating financial returns. Although impact investing could be categorized as a type of “socially responsible investing,” it contrasts with negative screening, which focuses primarily on avoiding investments in “bad” or “harmful” companies: impact investors actively seek to place capital in businesses and funds that can harness the positive power of enterprise.

Charitable donations and grants may well complement impact investments, but they do not constitute an impact investment per se. The same holds true for responsible investments as they rarely allow for impact measurement. *“Impact investors want to move beyond socially responsible investments... Instead, they place capital in businesses and funds that can provide solutions at a scale that purely philanthropic interventions usually cannot reach... Examples include microfinance, community development, and clean technology”* (Monitor Institute 2009).

Market Context

The world is still reeling from the worst financial crisis on record. Scientific consensus tells us our planet stands on the brink of irreversible climate change. Poverty and wealth disparities, malnutrition and hunger, preventable diseases and birth-related mortality, lack of access to energy and sanitation: the list of global challenges can seem endless at times, and more worryingly, unsolvable at scale.

The rising debt and need for budgetary cuts faced by most OECD governments has effectively shifted much of the burden of sustainable development funding to the private sector. According to the Index of Global Philanthropy and Remittances 2010, *“global philanthropy, remittances, and private capital investment accounted for 75% of the developed world’s economic dealings with developing countries.”*

**“The problems we face today will not be solved by governments alone.
It will be in partnerships – partnerships with philanthropy,
with global business, partnerships with civil society.”**

U.S. Secretary of State Hillary Rodham Clinton, Global Philanthropy Forum, April 2009

Much of the financial industry subscribes to the concept of sustainability, as the list of signatories to the United Nations Principles for Responsible Investment reveals. Yet most of the actual practice focuses on doing little or no harm, and rarely provides the opportunity to measure the precise social and environmental impact of investments. Impact Finance may be a good response to this quandary. As Bridges Ventures noted in a 2009 report, *“Now, more than ever, capital markets need to play a role in addressing global sustainability challenges. Impact investment is helping slum schools in India to expand, farmers in Africa to participate in international value chains, and underprivileged Mexicans to build better homes. The sector stands poised both to address significant social and environmental issues and to chart a new course for the financial services industry to reclaim its stature as an engine of social and economic upliftment.”*

How much value does Impact Finance represent today, as a segment of the international financial industry? According to the New York Times, **the Global Impact Investing Network (GIIN) estimated Impact Investments to be worth USD 50 bn in April 2010, with a projected growth to USD 500 bn by 2014, “putting it at roughly 1 percent of all managed assets”.**

In conclusion, given the volume of assets already involved and the spread of industry standards such as the Impact Reporting and Investment Standards (IRIS), Impact Finance seems to be maturing rapidly.

I. Key Findings

The growth of Impact Finance is still constrained by structural limitations essentially related to market infrastructure and investor awareness. The survey has identified the following market-making initiatives that might facilitate the expansion of Impact Finance:

a) Seed capital and incubation facilities:

- A pool of public, foundation and private grant funding could provide seed capital to enable Impact Finance fund promoters to start their project, build a track record of 1+ year, and thereby make private fund raising easier. The pool of capital could be structured as a non-profit, evergreen fund, reinvesting any profits into further seed investments.
- Guarantee mechanisms and first-loss guarantees by Development Finance Institutions and governments could be set up, as an incentive to institutional investors in particular.
- An Incubating facility would ease registration and approval process, effectively permitting lighter and cheaper structures for start-up and early-stage projects (less than EUR 50 million)

b) Set and spread standards for Impact Finance:

- Building up market infrastructure would increase spreading of common conceptual definitions, impact measurement methods, reporting standards and norms.
- An online website could provide free access to links and documents related to Impact Finance methods, standards and news.
- A European Impact Finance association could be established, financed by public and private sector grants and memberships. This association could act as the European counterpart of and work in collaboration with US-based GIIN. Alternatively, an existing industry association could develop a dedicated position to cover Impact Finance news and standards.

c) Broadening market promotion amongst Institutions, Pension Funds, Foundations and HNWI:

- Large-scale and repeated awareness-building campaigns among institutional and HNWI investors, financial intermediaries, and main-stream media should be organized through tailor-made publications and events.
- Promoting the idea of a “third pocket” is essential in order to linking concepts of Impact and Finance and thus combining investment for financial and for social profit, demonstrating they are not mutually exclusive.
- Promotion of Impact Finance investments through incentives , e.g. tax incentives, and/or legal requirements should be envisaged, e.g. asking banks or pension funds to invest a set percentage of their portfolios in Impact Finance within a reasonable timeframe (1-3 years)

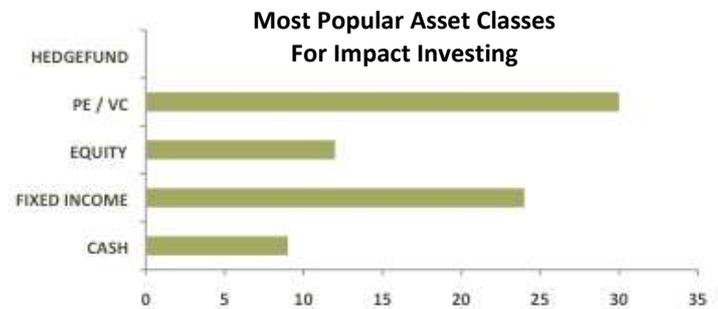
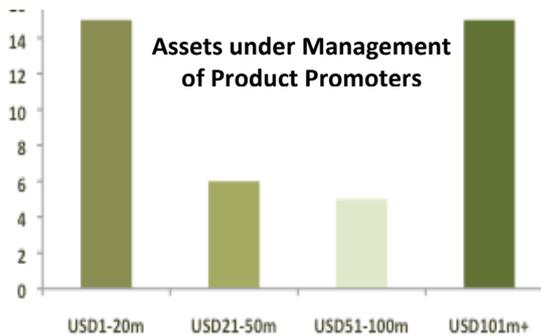
d) Build on the existing know-how of the financial sector and fund industry such as:

- Building bridges between venture capital and venture philanthropy;
- Transfer of knowledge between promoters and investors;
- Technical assistance and toolkits for fund managers regarding evaluation standards and impact measurement, due diligence of investments and reporting on investments

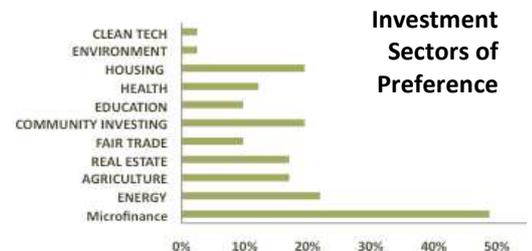
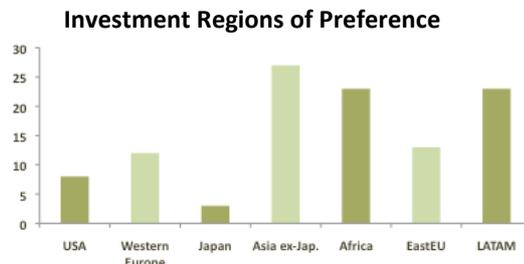
II. Details of Survey Findings

1. Asset Volumes, Structure & Performance

- Impact Finance is **an segment of specialists**; most product promoters are exclusively dedicated to this industry segment.
- Impact Finance is **polarized between industry pioneers and recent market entrants**, the former with USD 100m+ in assets, the latter with assets of USD 20mn or less. Only a quarter of the respondents fit between these two categories.
- The most popular investment geographies are **Asia ex-Japan, Africa, Latin America** and Eastern Europe, in that order, while the most popular investment sectors are **Microfinance, Energy, Community Finance and Housing, and Agriculture**, in that order.
- The majority of "Impact Finance Institutions" invest directly into impact enterprises, while a good third already invest through funds.

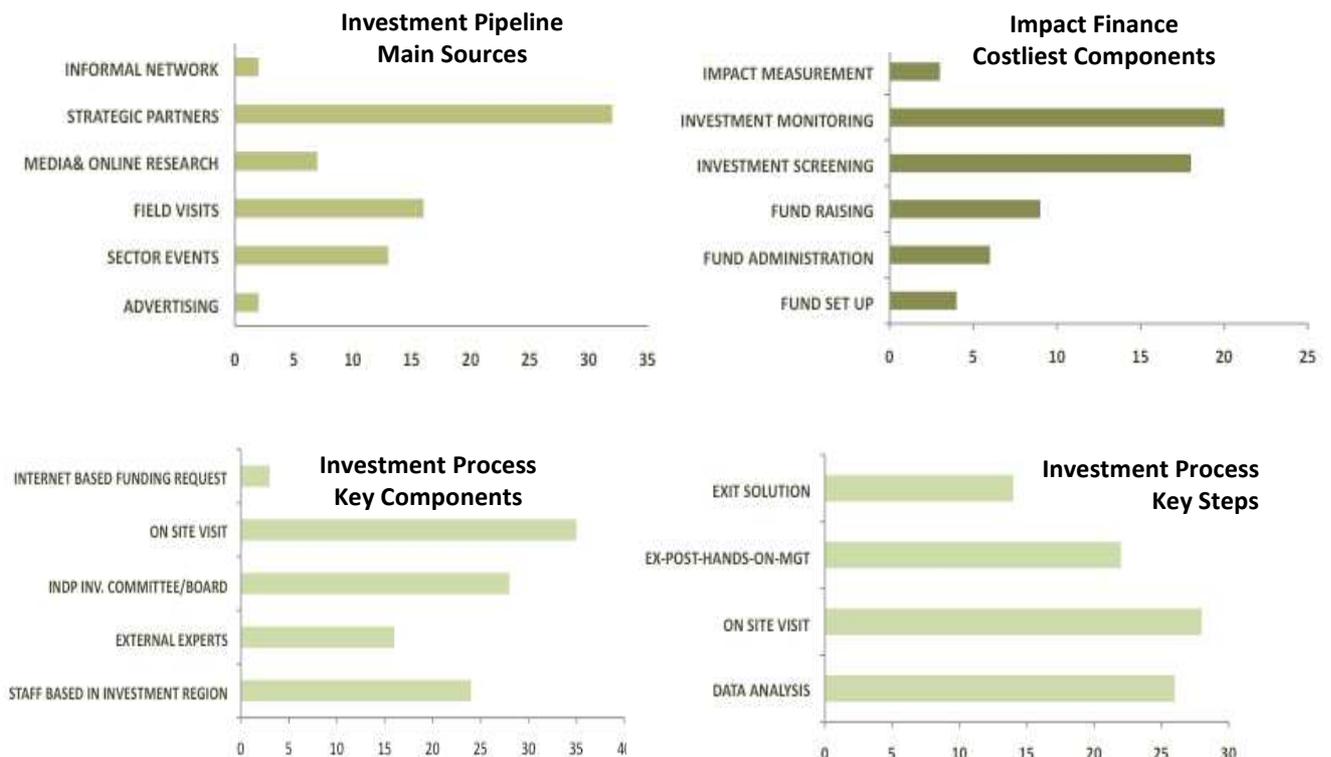


- More than half the respondents use closed PE/VC investment vehicles. Investment deals average USD1m or less for nearly half of the respondents.** As a result, Impact Finance endures comparatively high transaction costs and an illiquid environment.
- Management fees amount to 1-2% of assets for close to half of the respondents, and are **above 2% for the other half** of the respondents. Half of the respondents also charge performance fees, two thirds of which are set at 20% with a hurdle of 6% or more.
- While most Impact Finance proponents target relatively high financial returns, only slightly more than half were willing to disclose their actual financial performance for the year 2009, which on **average was greater than a net annualized return of 5%.**



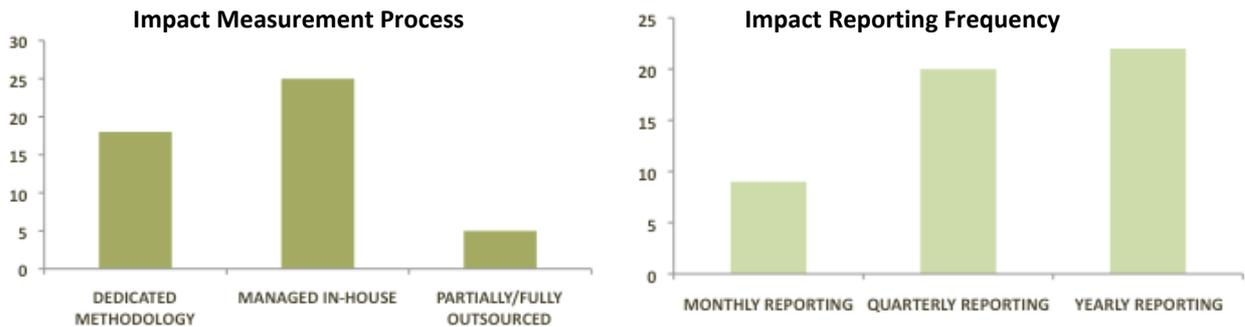
2. Investment Process & Lessons

- a) **Investment screening and monitoring is the costliest component of Impact Investing**, followed by fundraising.
- b) Investment **opportunities are mostly identified through strategic partners**, field visits and intelligence, and specialized events, in that order.
- c) The net majority of the respondents **have local staff in their target investment region** and do on-site due diligences. Less than 10% use online screening tools.
- d) The net majority of the respondents require at least 3 months to process investment opportunities, from early identification to disbursement. Overall **the key decision criterion is financial performance**, closely followed by impact.
- e) A majority of the **respondents are open to co-investments with other impact finance funds and private investors**, while only a minority would consider co-investing with public sector agencies or private grant makers and foundations.
- f) An active, hands-on monitoring of investment deals is recommended by most respondents.
- g) A majority of the respondents provide **reporting to investors on a bi-annual or annual basis**, while only a fifth of the respondents provide monthly or more frequent reporting.



3. Impact Measurement

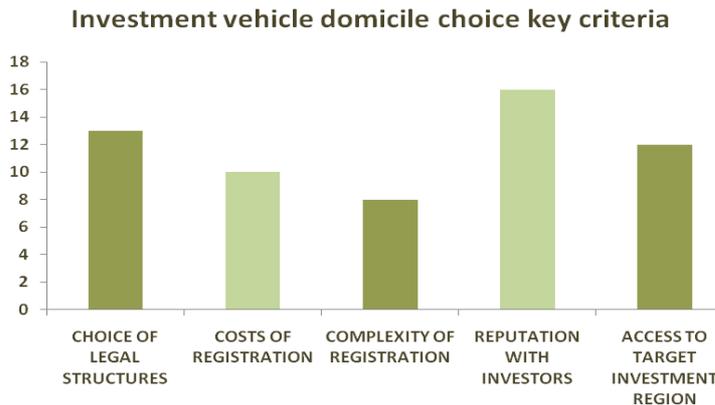
- a) Slightly **less than half of the respondents measure their investment impact systematically.**
- b) The net majority of the **respondents measure impact themselves**, often with a customized methodology.
- c) Impact measurement in its current practice rarely seems to detract from financial performance, and then only by 0.5% of IRR at most.



“Poor people seek dignity, not dependence. With Impact Finance you do not create any dependency, as is the case with grants.”
Survey Respondent, Spring 2010

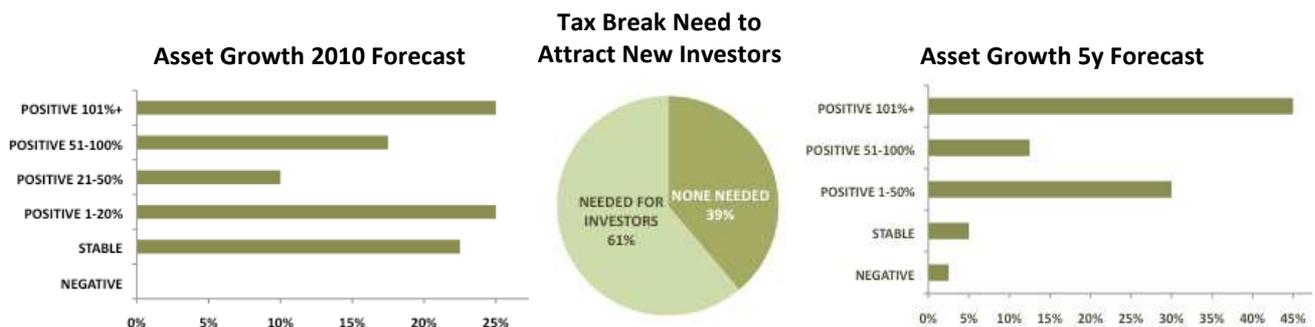
4. Choice of Vehicle and Domicile

The first criterion of selection of a domicile for Impact Finance funds is the **domicile’s reputation with target investors.**



5. Incubating and Growth Catalysts

- a) A majority of the respondents began with less than USD 5mn of seed capital, yet only a fifth expected to break even with USD 10mn or less, highlighting the **need for greater volumes of seed capital**.
- b) Fundraising and investor promotion will continue to be primarily driven by conferences and targeted road shows, followed by publications.
- c) A third of the respondents believe a database platform presenting Impact Finance products could be useful for fundraising purposes, as could investment-matching incentives from the public sector.
- d) Participants have a very positive outlook on the growth of Impact Finance, half expecting their assets to double in size at least by 2015.
- e) Two-thirds of the respondents believe **PE/VC is the most promising asset class** for Impact Finance, followed by listed equity and debt-related instruments.
- f) **Asia ex-Japan will remain the investment region of greatest appeal** for Impact Finance in the foreseeable future, followed by Africa, Latin America, and Western Europe in that order.
- g) The sectors of greatest appeal in the future will include **Agriculture and Energy** on par, Microfinance, and Health, in that order.
- h) Close to half the respondents believe **third-party Impact Finance measurement and reporting standards would catalyse market growth and make fundraising easier**, while a quarter of the respondents are not convinced such a standard is worth the effort.
- i) Three quarters of the respondents would be willing to contribute financial and impact performance data to enable the third-party rating of their product, the writing of case studies, and dissemination of their impact investment experiences at events.
- j) More than half the respondents believe **special tax incentives are needed to attract new investors** to the field, while a quarter of the respondents believe tax breaks are not needed to grow the market.



"I believe the sector is going to become a megatrend."

Survey Respondent, Spring 2010

III. Perspectives

It is interesting to compare these findings with those of a US-focused survey on Impact Finance dating from one year ago.

In 2009, the Monitor Institute reported that Impact Investment opportunities included growing investor awareness, increasingly urgent environmental threats and social inequities, and early successes in related investment sectors. Challenges numbered “*high transaction costs caused by fragmented demand and supply, complex deals, and a lack of understanding*”, lagging market infrastructure and metrics, and an insufficient product offering and capital allocation capacity. “*Impact investing could remain stuck for a long time unless concrete actions are taken to build a more coherent marketplace*”. Should such concrete actions be taken however, the report hinted that “*over the next 5-10 years, impact investing could grow to represent about 1% of global assets under management*”.

It would seem that within a year, market sentiment among Impact Finance proponents has shifted from the risk of remaining stuck in a rut for a long time, to the prospect of doubling assets within 1-5 years. Market infrastructure is also being built up fast, including the development of pilot trading platforms exclusively dedicated to Impact Finance (such as www.nexii.com or the Social Stock Exchange in the UK), pooled asset facilities (such as the one proposed by www.seaf.com), the progressive emergence of impact measurement and reporting standards, and the endorsement of Impact Finance by at least four key international asset management market leaders, including the USA, the UK, Switzerland and Luxembourg.

Given the multiplicity of initiatives launched by experienced practitioners and aimed at resolving the sector’s constraints to growth, it is likely that the necessary market infrastructure and investor promotion solutions will be piloted this year and the next, and implemented at scale as of 2012, leading to the exponential growth of the sector thereafter, along a trajectory similar to the expansion and mainstreaming of Microfinance.

“I’ve spent my entire career on this and become more and more convinced over the years. Traditional charity often meets immediate needs, but too often fails to enable people to solve their own problems over the long term. Market-based approaches have the potential to grow when charitable dollars run out. In terms of impact on poverty, bringing people up the economic ladder, that’s the most sustainable way that I know of.”

Survey Respondent, Spring 2010

IV. Conclusion

Impact Finance is an opportunity for investors “to do good and to do well at the same time”. It tends to address the root causes of issues, empower beneficiaries to self-help, and lead to potentially larger-scale solutions or even systemic change. Its practitioners see it as a nimbler approach for development, as it can usually deploy capital and solutions on a greater scale than public or philanthropic capital.

APPENDICES

Survey Partners Profiles



ADA, experts in microfinance, has for over 15 years been initiating innovative concepts that have been successfully tried out and developed through microfinance institutions in the South. ADA's action with partners aims at increasing access to inclusive financial services (bank accounts, loans, saving schemes or money transfers) for millions of people worldwide, for whom traditional bank services are inaccessible. ADA is a non-profit organization under the High Patronage of H.R.H. the Grand Duchess of Luxembourg.



Arendt & Medernach is a leading Luxembourg full service law firm. Luxembourg's flexible banking and investment fund legislation and extensive network of double tax treaties have enabled it to emerge as a leading centre for international lending, investment funds and private banking. As the largest Luxembourg law firm, with 250 legal professionals, Arendt & Medernach provides clients with excellent advice combining an in-depth understanding of the financial markets with specialised knowledge of the legal considerations.



Founded in 1920, Banque de Luxembourg is a long-established private bank in the Grand Duchy of Luxembourg. We serve local and international private and institutional investors, families and business people. Philanthropy advisory services are an extension of the Bank's commitment to be at its clients' sides in all their projects and at every stage of their lives. The Bank's longstanding involvement in the community and in socially responsible projects in Luxembourg underpins the decisive role it has played in promoting the development of philanthropy, social entrepreneurship and social finance in the country.



Ernst & Young is a global leader in assurance, tax, transaction and advisory services. The Luxembourg office has a dedicated Private Equity practice with more than 100 professionals and has been working in close collaboration with the EVCA (European Private Equity & Venture Capital Association), ALFI and the Luxembourg Private Equity & Venture Capital Association (LPEA) on numerous initiatives to promote Private Equity in Luxembourg and abroad. Ernst & Young provides audit and advisory services to many microfinance and social finance investment structures and is pleased to further contribute to the development of impact finance as an asset class.



EIF is Europe's leading developer of risk financing for entrepreneurship and innovation. EIF is part of the European Investment Bank group and provides equity and guarantee instruments for Small and Medium sized Enterprises through financial intermediaries. Its objectives are to contribute to the pursuit of EU objectives as well as to earn an appropriate return. EIF invests either its own funds or those made available by third parties through specific mandates. EIF is keen to contribute to the development of the European microfinance sector which fosters employment for both job creation and job sustainability and which encourages social and economic integration.



Advisor Profile

AlphaMundi Group Ltd was established in 2007 as a commercial venture with a social mission, and is based in Zurich, Switzerland. The Group seeks to contribute to self-sustaining and measurable poverty reduction and environmental preservation in developing countries.

Over time, AlphaMundi expects most HNWI and institutional investor portfolios to allocate at least 1% of their financial assets to impact investing.

www.alphamundi.ch

The following AlphaMundi advisors contributed to the survey:



Tim Radjy is the Chief Executive Officer and a member of the Board of Directors of AlphaMundi Group, the Chairman of the Board of Directors of Social Alpha Impact Fund (SAIF), and a Trustee of the Global Exchange for Social Investment (GEXSI). He previously worked first for Morgan Stanley Capital International and for UBS where he became a founding member of UBS Philanthropy Services. Tim also spent time in Bolivia in 2006 to review the Swiss Development Agency's microfinance program and help it spin off into an independent foundation.



Michael von During is a senior analyst at AlphaMundi Group. Previously, he worked as investment analyst for Symbiotics S.A. Working out of the company's Mexico City and Geneva offices, Michael was in charge of the Central American region, where he managed a portfolio of microfinance institutions (MFI), performing on-site due diligence visits in order to provide financial resources in line with their needs and risk profile. Previously, he worked for an MFI operating in Nicaragua and for the International Guarantee Fund (FIG) in Geneva, an NGO specialized in leveraging loans to MFIs through loan guarantees.



Nina Cejnar is a business manager at AlphaMundi Group. Previously Nina spent time in Nepal in 2008 to help establish the microcredit Bank Nava Udyā and in 2007 to write a report on self-sustaining orphanages. Other work experiences include internships at McKinsey in Germany and L'Occitane in Australia.

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Glossary of Abbreviations

DAC	Development Assistance Committee, www.oecd.org/dac
DFI	Development Finance Institution Development finance institutions (DFI) are alternative financial institutions including microfinance institutions, community development financial institution etc. These institutions provide a crucial role in providing credit in the form of higher risk loans, equity positions and risk guarantee instruments to private sector investments in developing countries. DFIs are backed by States with developed economies and have a general mandate to provide finance to the private sector for investments that promote development. The purpose of DFIs is to ensure investment in areas where otherwise, the market fails to invest sufficient funds.
FDI	Foreign Direct Investment
FI	Fixed Income
GIIN	Global Impact Investing Network, www.globalimpactinvestingnetwork.org
GIIRS	Global Impact Investing Rating System, www.giirs.org
IF	Impact Finance
IRIS	Impact Reporting and Investing Standards, www.iris-standards.org
MDG	Millennium Development Goal, www.undp.org/mdg
MF	Microfinance
MFI	Microfinance Institution
PE	Private Equity
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development, www.oecd.org
PRI	Principles for Responsible Investment, www.unpri.org
SRI	Socially Responsible Investment
UNEP FI	United Nations Environmental Program Financial Initiative, www.unepfi.org
VC	Venture Capital