

Community Investment Management Emerging Markets Private Credit Strategy

A HIGH IMPACT FUND



Photos courtesy of Community Investment Management (CIM)

SCALING RESPONSIBLE INNOVATION IN LENDING FOR UNDERSERVED COMMUNITIES IN EMERGING MARKETS

Small businesses are the heartbeat that pump vitality into local economies. They are the neighborhood shops and service providers that make a community function, creating local jobs and employing millions. Despite the economic and social value that small businesses generate, they frequently remain invisible to mainstream financial institutions.

Launched in 2021, CIM's emerging markets strategy brings CIM's successful financial track record in the U.S. to emerging markets. The strategy seeks to deliver on-market, risk-adjusted returns and positive social impact by investing in financial technology (fintech) companies that expand access to capital in traditionally underserved communities by providing innovative, responsible credit products. The investment approach is to provide strategic asset-backed debt facilities to fuel the growth of fintech lending partners, and in turn, broaden the reach of their responsible loan products. By helping these fintech partners scale, CIM aims to catalyze a more inclusive financial system for micro, small and medium enterprises ("MSMEs") and low and middle-income households.

CIM-LLC.COM

ABOUT COMMUNITY INVESTMENT MANAGEMENT

Community Investment Management (CIM) is a global institutional impact investment manager that provides strategic debt funding to scale and demonstrate responsible innovation in lending to small businesses and underserved borrowers in the United States and emerging markets. CIM partners with technology-enabled lenders through customized transaction structures to isolate bankruptcy risk and provide credit enhancement to investors. CIM's advocacy work in the sector has centered on developing a set of responsible practices and codified behavior within fintech lending. CIM is a member of the Executive Committee of the Responsible Business Lending Coalition, MoreThanFair, Impact Capital Managers, and the Investors' Council of the Global Impact Investing Network.

Since inception, CIM has provided over \$7B in debt financing to more than 8M underserved borrowers including small businesses, low-income households and students in the U.S. and emerging markets.

ABOUT THE VENTURE IMPACT PROGRAM (VIP)

VIP is an innovative way for MCF donors to engage in impact investing through philanthropy. Via a partnership with ImpactAssets — a market leader in impact investing — VIP enables philanthropic dollars to be directed towards both non-profit and for-profit companies that are seeking to make positive social or environmental impact.

For further information, contact Safia Kryger-Nelson at MCF, 415.464.2515 or skryger-nelson@marincf.org.



1 NO POVERTY



4 QUALITY EDUCATION



5 GENDER EQUALITY



8 DECENT WORK AND ECONOMIC GROWTH



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



10 REDUCED INEQUALITIES





ImpactAssets		RISK RETURN MATRIX		
RISK LEVEL	HIGH RISK			X
	MODERATE RISK			
	LOW RISK			
		NON-MARKET RATE	NEAR-MARKET RATE	MARKET RATE
RELATIVE RETURN				

ImpactAssets		FUND SUMMARY
ASSET CLASS	Private Debt	
TARGET SIZE	\$1B (\$184M committed as of January 1, 2024)	
TERM	Evergreen	
TARGET RETURN	7-9% net IRR	
REDEMPTION	Monthly with 30 days' notice and 2.5% gate	
GEOGRAPHY	Emerging markets (Latin America and the Caribbean, Asia, Eastern Europe, the Middle East and Africa)	
IMPACT AREAS	Financial inclusion	
INVESTMENT FEES	This recommendation will incur an additional fee of 0.40%. The fee is calculated on current asset basis.	
FUND MANAGER FEES	<ul style="list-style-type: none"> 1.50% annual management fee, paid monthly 5% Preferred Return to investors, 20% of fund profits above annual preferred return with a shared catch -up Expenses limited to 50 bps annually 	
INVESTMENT THESIS	<ul style="list-style-type: none"> Provides strategic debt funding to fintech companies offering credit products that address the financing gap between banks and high-cost alternative lenders in emerging markets Lending partners work with MSMEs and low-income borrowers underserved by the traditional banking sector 	
ILLUSTRATIVE INVESTMENT	<p>Konfio is a financial technology organization based in Mexico, a country with a well-regulated banking system but a fragmented lending market. Small and medium enterprises (SMEs) in Mexico constitute 97% of all companies and 88% of all formal private sector employment, yet these businesses are underserved by traditional banks.</p> <p>To date, Konfio has offered two product lines: software-as-a-service (SaaS) solutions for SMEs and larger corporates, as well as credit products for SMEs. The company offers solutions by providing a 100% digital credit process with a hybrid underwriting approach that uses both traditional data as well as non-traditional data to calculate an instant credit score, loan decision and risk-based pricing.</p> <p>CIM's partnership with Konfio provides capital for the growth of its credit card product for SMEs, addressing the "missing middle" segment between personal credit cards (high interest rates) and traditional corporate credit cards (high qualification barriers). With technology to assess creditworthiness in a cost-efficient manner, Konfio is well-poised to serve SMEs who require smaller business loan sizes.</p>	
STRENGTHS	<ul style="list-style-type: none"> Extension of a performing and proven U.S.-based lending strategy Income-generating impact debt option that offers both high yield for an emerging markets strategy and liquidity features. Investment strategy provides strong risk management via highly structured asset-backed credit facilities that include risk-sharing mechanisms and bankruptcy remoteness. Robust process in place to deal with and effectively hedge currency risk, given volatility and cycles in currencies are a permanent fixture in many of CIM emerging markets strategy's target markets. 	
RISKS	<ul style="list-style-type: none"> Ability to assess the CIM emerging markets strategy team's cohesion is limited as the team is comprised of several new hires, including on its leadership team. This is mitigated by the fact that the strategy has 1.5 years of investing track record and team operations since launch. Governance structures are still under development, requiring improvements to the Investment Committee and the establishment of an LPAC for the emerging markets strategy. This is mitigated by the CIM emerging market's strategy team's willingness to engage with investors in constructive dialogue around governance, and these changes are currently in progress. 	

The Summary of Terms is a summary and not exhaustive. The Strategy's Offering Circular contains additional details on strategy terms, disclosures, and risks. All investing involves risk of loss. Actual returns could differ materially and adversely from those expressed or implied in any forward-looking statements as a result of various factors. Any estimated future returns set forth herein are hypothetical and do not constitute a forecast. They have estimations and assumptions about events that have not yet occurred. Such estimations and assumptions may require modification as additional information becomes available and as economic and market developments warrant. Any such modification could be either favorable or adverse. Targeted performance is not necessarily indicative of future results, and there can be no assurance that the applicable investment will achieve comparable results to those presented.

There is no guarantee that any projection, forecast or opinion around any given investment will be realized with respect to impact, performance or liquidity. Past performance does not guarantee future results.

ImpactAssets Legal and Program Disclaimer: This is not a solicitation to buy or sell securities, nor a private placement offering pursuant to any private placement memorandum that must be issued to qualified investors. It is an informational description of charitably oriented, social purpose investment options that have been approved by ImpactAssets only for use in its donor advised fund asset base. It is only for use by its donors. Any allocation to private debt and equity investment options may result in losses and illiquidity that will be borne solely by each donor advised fund account with investment in these options, as well associated program fees. Investment minimums apply. Grant making from the principal value will not be possible until distributions are returned to The ImpactAssets Donor Advised Fund. There is no guarantee of any recovery of capital. The Fund Manager has not approved the information contained in this Fund profile, including the assignment of risk ratings contained herein. The Units may be offered solely to, and subscriptions will be accepted only from "Accredited Investors," as defined in Rule 501(a) of Regulation D promulgated under the authority of the Act, who are also "Qualified Clients," as defined in Rule 205-3 of the United States Investment Advisers Act of 1940, as amended.

CIM prepared this portfolio information document and the calculations herein. None of the information in this document has been reviewed or audited by an independent accountant or other independent testing firm. CIM believes the data is correct, but does not assume any liability or obligation to update the data if such data is incorrect. The data in this document may not be inclusive of the entire portfolio. CIM uses data inputs and reporting from its portfolio companies and conducts additional research to supplement the data where available, and therefore such reporting may be incomplete.