



# Staten-Generaal van de Vlaamse ontwikkelingssamenwerking

*From Microfinance to Inclusive Finance*

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Incofin Investment Management  
Brussels, 24 May 2018



Committed Beyond

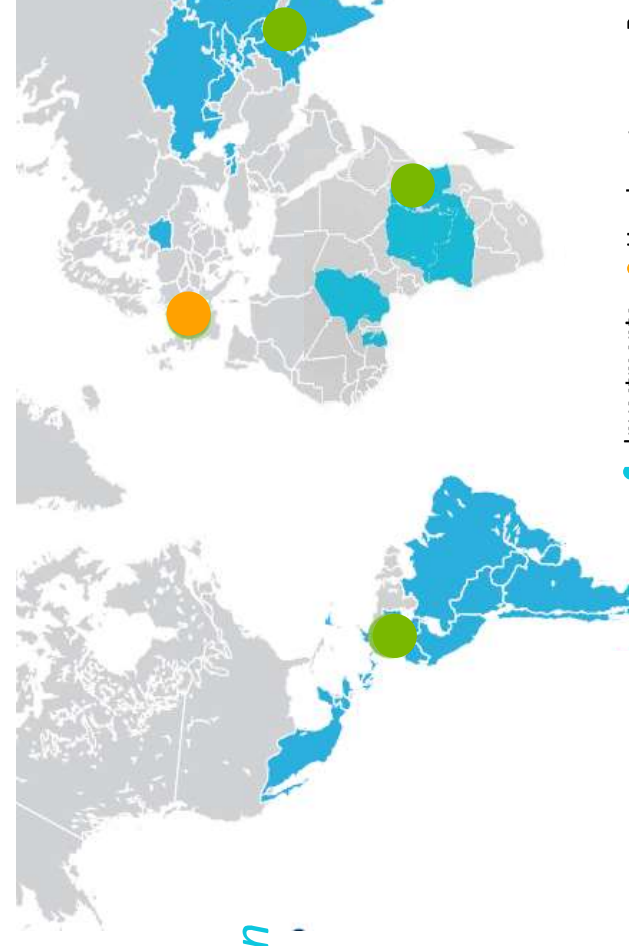
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# Introducing Incofin IM

*International impact investor with genuine social mission*

- AIFM licensed, leading international impact investment company
- > 15 years of experience in dealing with risk capital in the form of **debt and equity**
- Focuses on the **financial services** and the **agricultural sector**
- **Advisory services** to third-party funds or facilities and **operating support interventions** to our investment companies



**USD 1 billion assets**

**160+ in**

**315+ transactions**

**45 co**

**50 staff of over 20 nationalities**

**27 investment professionals:**

**9 private equity, 12 fixed income, 6**

**2 operating support experts**



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# Our commitment



We **partner** with entrepreneurs who develop **business solutions that foster inclusivity**



We **create value** for portfolio companies, micro entrepreneurs and their families, and other stakeholders in our eco system.



We **unite** people who believe in inclusive progress.

Our values

entrepreneurial

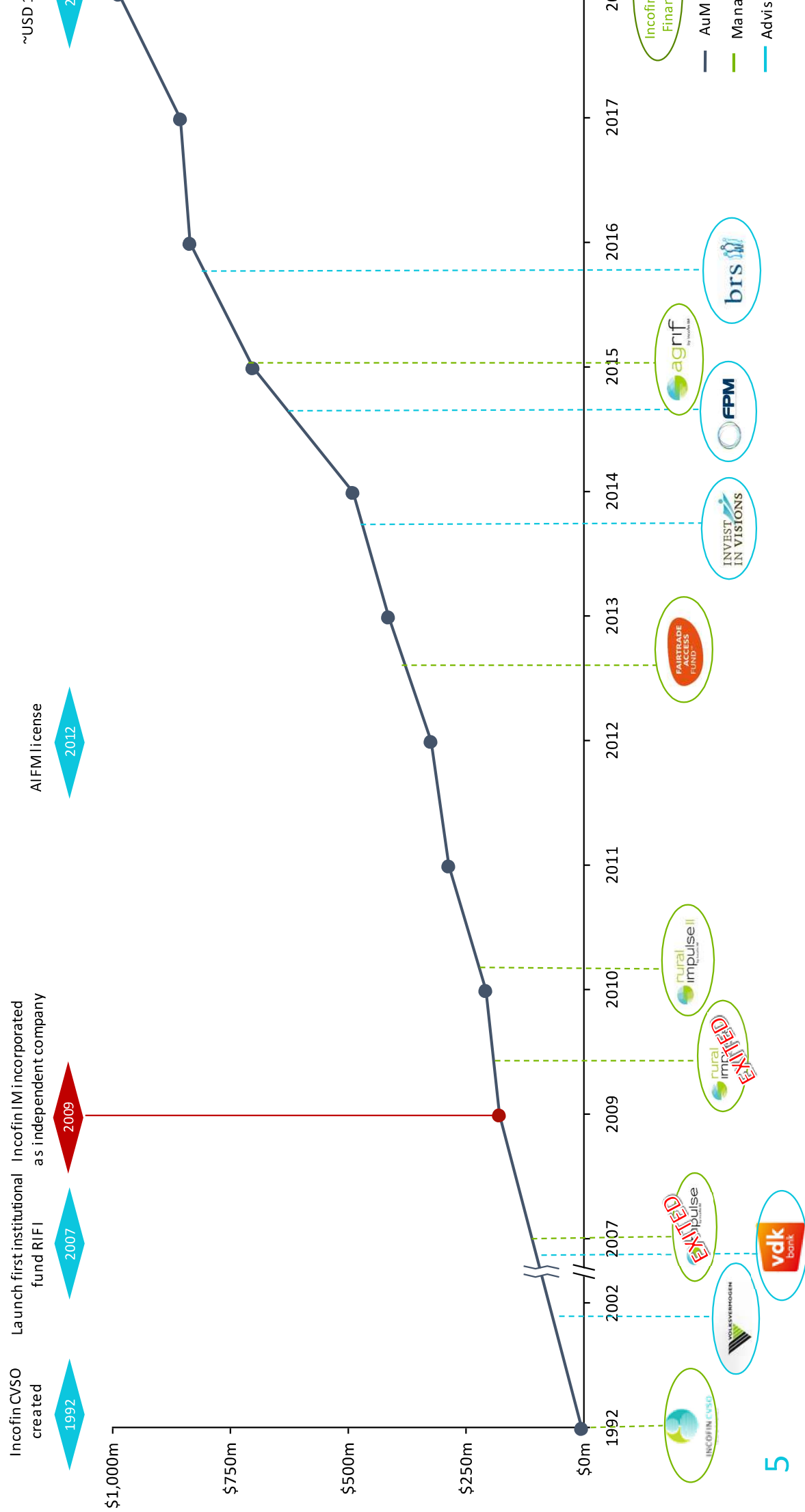
generous

practical

transparent



# Extensive experience in managing and launching global funds



## Our view of microfinance

- Multiple players in a mature market.
- The industry has moved from “microcredit” and “poverty alleviation” towards ‘financial inclusion’; a more inclusive sector approach.
- Social performance management is key to safeguard mission and makes business sense (adapted services, portfolio quality,..).
- Microfinance Institutions are becoming increasingly ‘sophisticated’; investors need to go beyond providing just capital
  - Providing capital is no longer sufficient on its own
  - Institutions are looking for a partner, a ‘hands-on’ approach that can add value to their business (Technical Assistance, Value Creation)



# Assessment of the sector

## Achievements of microfinance

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- Enhances resilience for individuals to support their families and household needs
- Creates the possibility of accumulating productive assets
- Encourages savings
- Serves those who are often overlooked in society, e.g. women

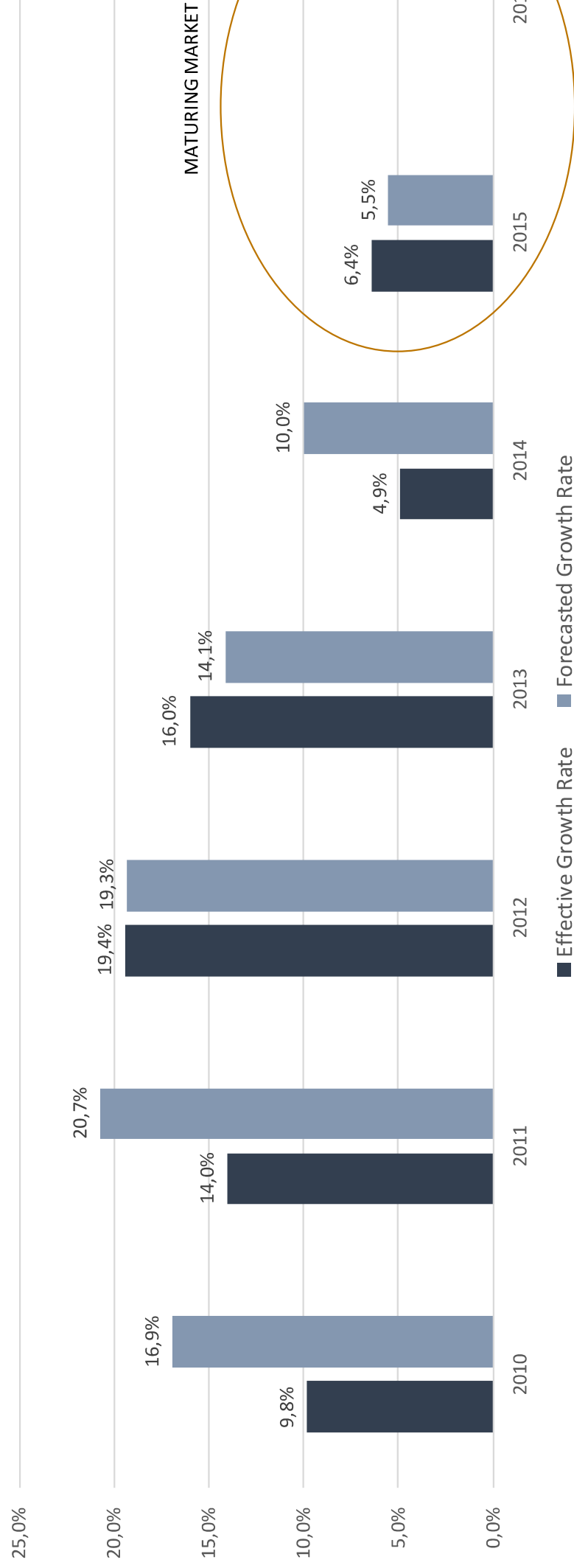
## Issues with microfinance

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- i. Crises of over-indebtedness (Bosnia, Serbia, Zimbabwe, etc.)
- ii. Political interference (Nicaragua, Azerbaijan, Zambia, Kenya, ...)
- iii. Oversupply of funding
- iv. Declining yields for investors

# Microfinance investment growth has been declining

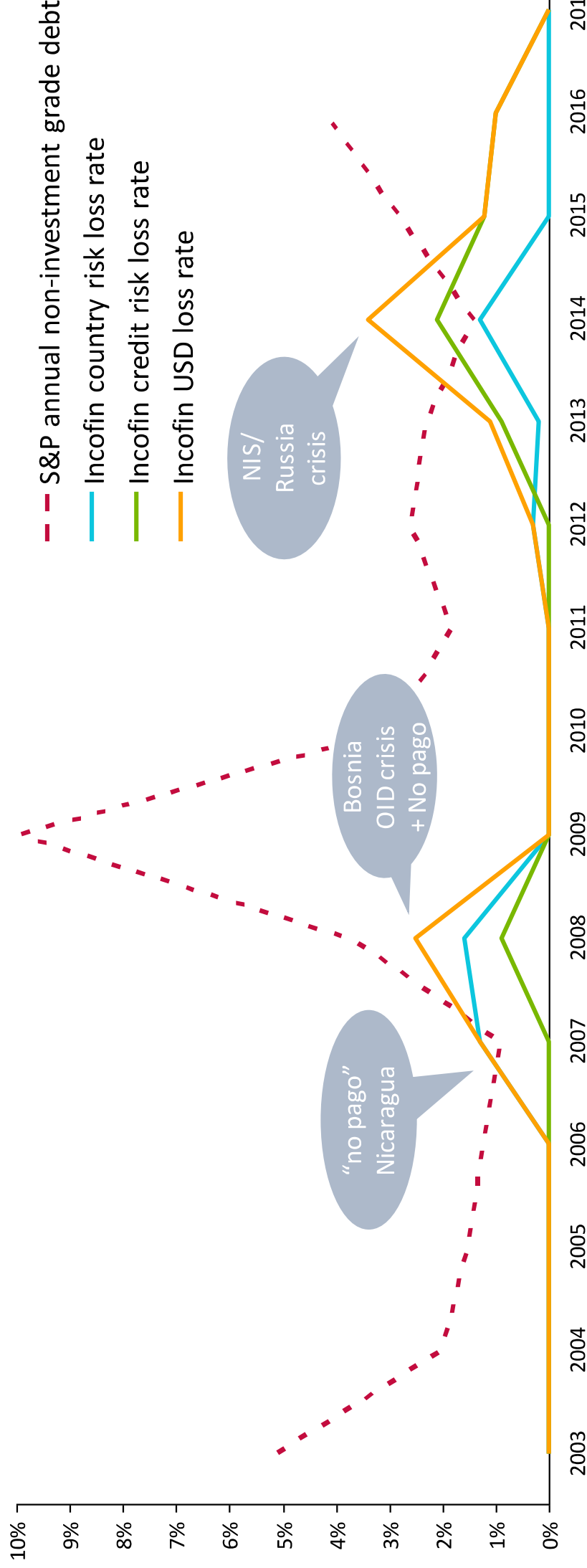
Microfinance Investment Vehicle: Total Asset Growth





# Crises in microfinance

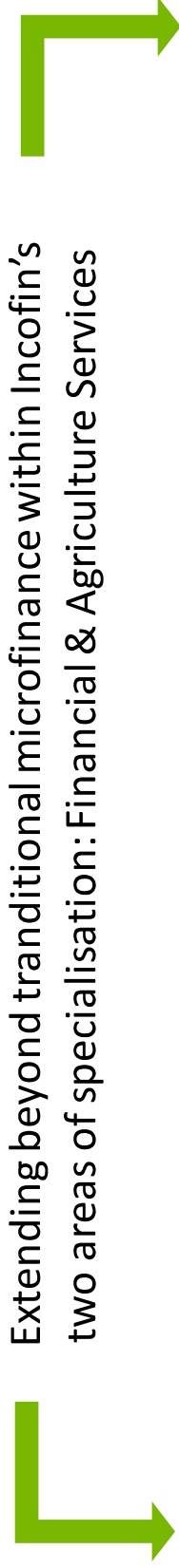
Comparison of Incofin debt loss rates to S&P debt default rates<sup>1</sup>



Committed Beyond

# Broadening impact beyond microfinance

*Effective and sustainable business solutions at the bottom of the pyramid are possible*



Financial Services



Microfinance  
(ongoing)



SME Finance




Alternative banking  
models & differentiated  
financial products




Fin-tech

Agriculture



Agri-finance (producer  
organisations and agri-SMEs)

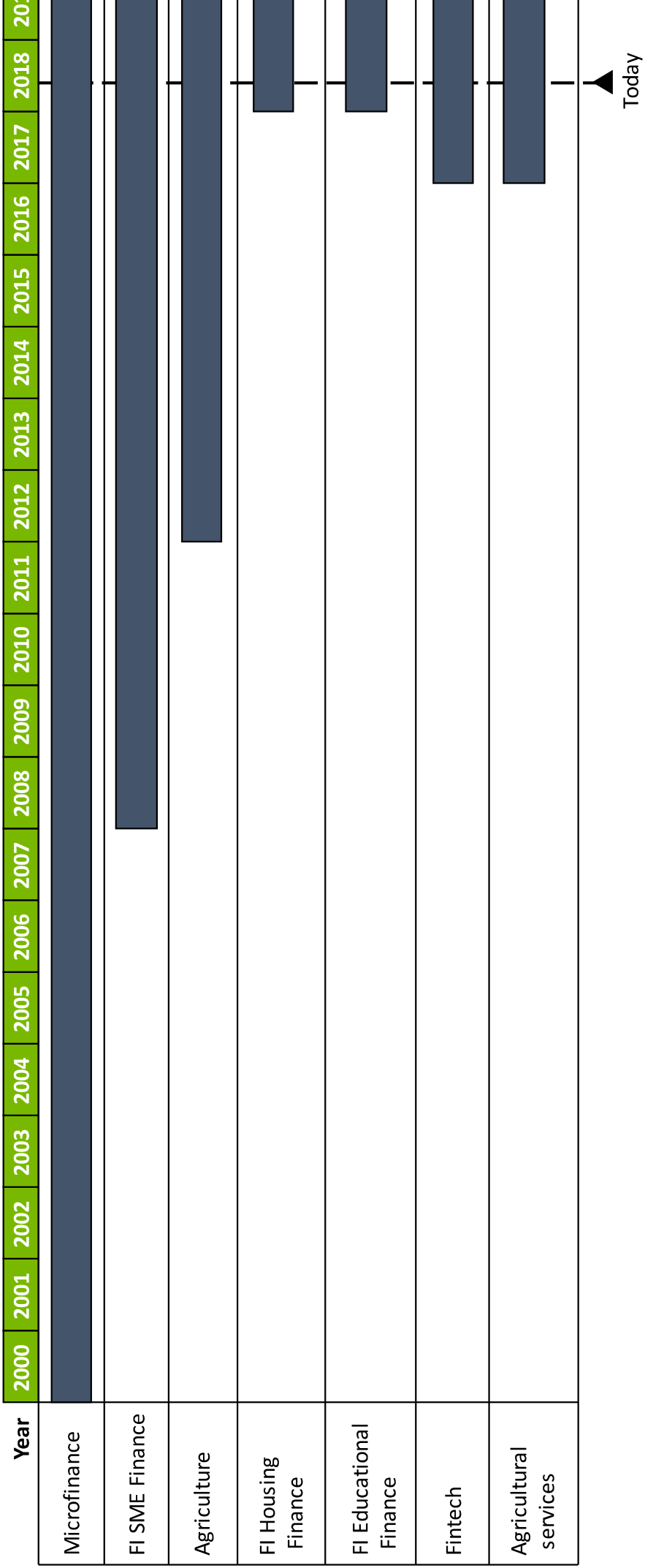


Agricultural services /  
Agricultural value chain



Sustainable and organic  
farming

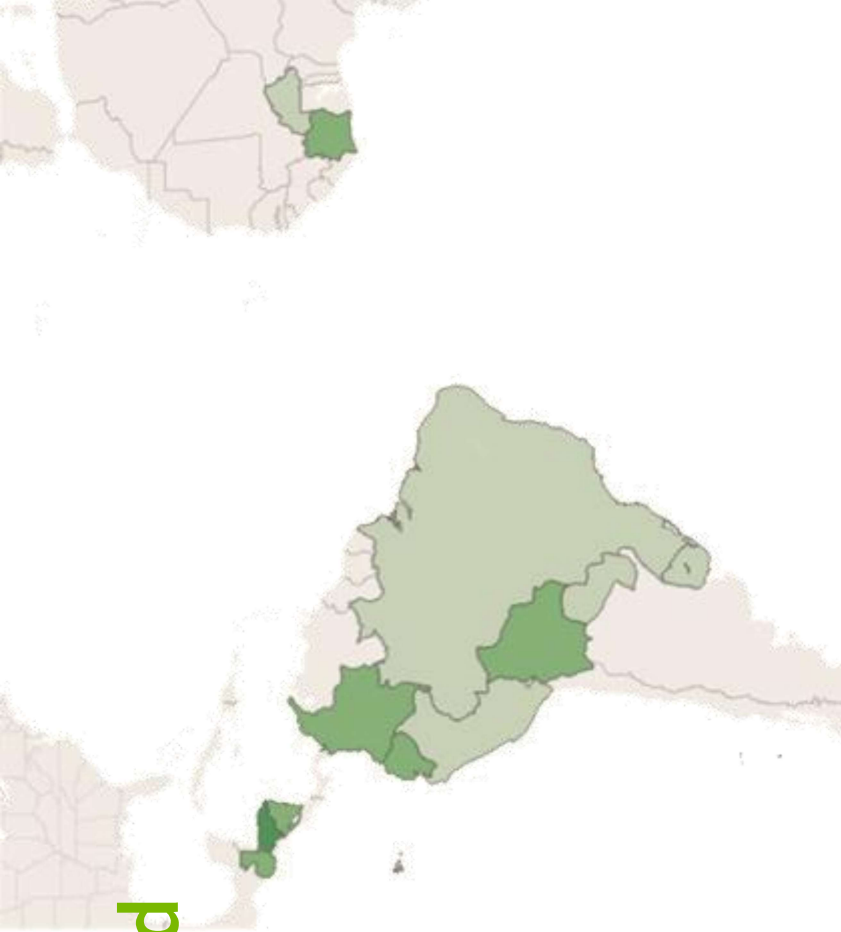
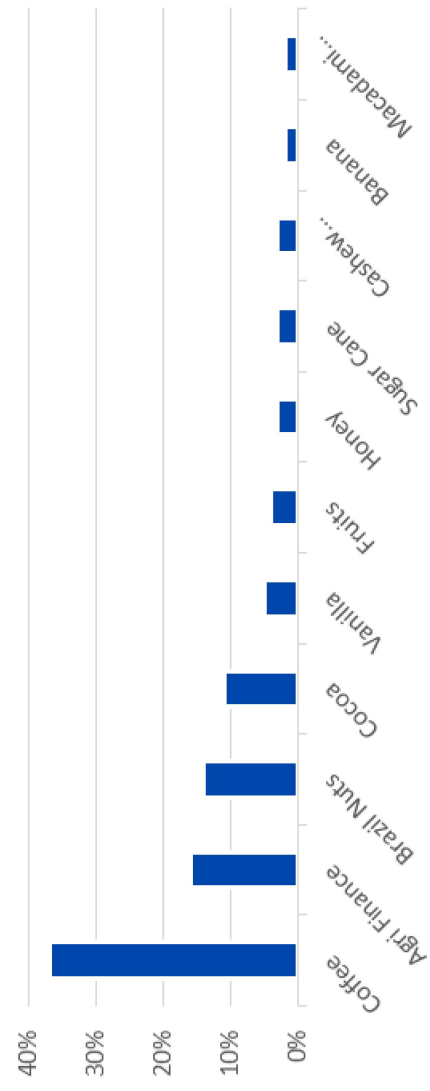
# Sector expansion



# Agriculture: Fairtrade Access Fund

- i. Contribute to the development of a **fair and sustainable agriculture sector**
- ii. Address the **financial** needs of smallholder farmers by:
  - *bridging the gap in pre-harvest financing needs*
  - *providing long term financing with the aim to contribute to financing investments that will enable:*

iii. Provide a **fair return** to investors





USD 45 m

fund size\*



disbursements  
(since inception)

**USD 135m**



investees reached

**64**

# Adapting Impact Measurement: example of Fairtrade Fund



**Part A** Impact Thesis

Impact Thesis Framework allows for a transparent and objective screening of the potential investment prior to the formal due diligence process

*Impact Thesis Methodology*

I. Intent	...is there drive and genuine <b>social</b> and <b>environmental</b> intent?
II. Who	... is the investee and what role does it play in the <b>supply chain</b> ?
III. Why/What	...benefit does the <b>smallholder farmer</b> have?
IV. How	...are the services provided? ... <b>transparent/fair/sustainable</b> supply chain?

**Part B** Social & Environmental Audit

Incofin's proprietary tool allows the assessment of social and environmental performance of its investees

**Part C** Impact Measurement

The FAF has fund specific impact measurement have been developed in alignment with the UN

*Direct FAF Contribution*

- 1 NO POVERTY
- 2 ZERO HUNGER
- 8 DECENT WORK AND ECONOMIC GROWTH
- 10 REDUCED INEQUALITIES
- 13 CLIMATE ACTION
- 17 PARTNERSHIPS FOR THE GOALS

*Indirect FAF Contribution*


- 3 GOOD HEALTH AND WELL-BEING
- 5 GENDER EQUALITY
- 11 SUSTAINABLE CITIES AND COMMUNITIES
- 15 LIFE ON LAND

# Agricultural services: Sohan Lal (India)

*Investing beyond microfinance*

*Technology enabled agri-logistics to offer innovative solutions to smallholder farmers and SMEs in the agriculture value chain*





Committed to working towards exponentially multiplying the number of customers over 3 years, including direct outreach to smallholder farmers and continuing to strengthen agriculture value chain.



**2,315** warehouses in India  
**553.61**m MT throughput  
**600** commodities

 **USD 72.4m** loan portfolio  
 **20** Indian states and **29** locations in India

### Investment Details

Fund	Agrif
Year	2017
Amount	USD 8m
Ownership %	7.5%
Board seat	Yes

### Value Creation (Highlights)


- Develop lending vertical to facilitate small farmer engagement and empowerment
- Formalize Board and Sub-committee structure to adopt the global best practices
- Drive international expansion, starting from India

# Fin-Tech: Faircent (India)

Investing beyond microfinance

*The #1 P2P lending platform in India, utilising technology and proprietary processes to make credit accessible to more people, easier, faster and fairer*





*Focused strategy to increase combined lender and borrower registrations 24 months through the inclusion of the unserved and underserved segments of Indian population.*

-  **148,682** registered borrowers
-  **15,509** registered lenders
-  **21.6%** portfolio yield
-  **USD 2.4m** total disbursements
-  **32** Indian states
-  **16%** clients new to credit

### Investment Details

Fund	Agrif
Year	2017
Amount	USD 1.5m
Investment round	Series B
Ownership %	8%
Board seat	Yes

### Value Creation (Highlights)

- Incofin IM to draw on experience in impact financial sector
- Drive definition and implementation of impact targeted at vulnerable target groups
- Lead the process on strengthening the corporate governance structure & treasury management setting up of full board and new committee



Committed Beyond Investment

