Annual Impact Report 2023

Trill Impact-DWM SDGs Credit Fund

TRILL IMPACT

DEVELOPING WORLD MARKETS

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Introduction

The Trill Impact-DWM SDGs Credit Fund makes loans to institutions that provide financial services to individuals and micro, small, and medium enterprises (MSMEs) in emerging and frontier markets.

The strategy offers investors an opportunity to achieve market-rate returns and impact by providing financial access to millions of low-income people and MSMEs in the parts of the world where it is needed most. Moreover, these investments are also an effective means to advance gender equality, enable investments in livelihoods and job creation for the poor, and contribute to climate change mitigation and adaptation.

The following report details the portfolio's social and environmental results achieved in 2022 and provides insight into the direct and indirect contributions to the Sustainable Development Goals (SDGs).

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Theory of Change for Financial Inclusion Investments

Problem

- Lack of access to finance for the underserved, especially women and low-income people, prevents investment in livelihoods and resilience to economic shocks

Outputs

- Loans provided for investment in micro, small, and medium enterprises
- Other financial services (e.g., savings) to better manage periods of financial stress

Outcomes

- Increased access to finance for women and rural microentrepreneurs
- Increased ability to invest in income-generating activities
- Reduced reliance on expensive, informal financial services
- Job creation
- Skills development
- Uptake of technology

Impact

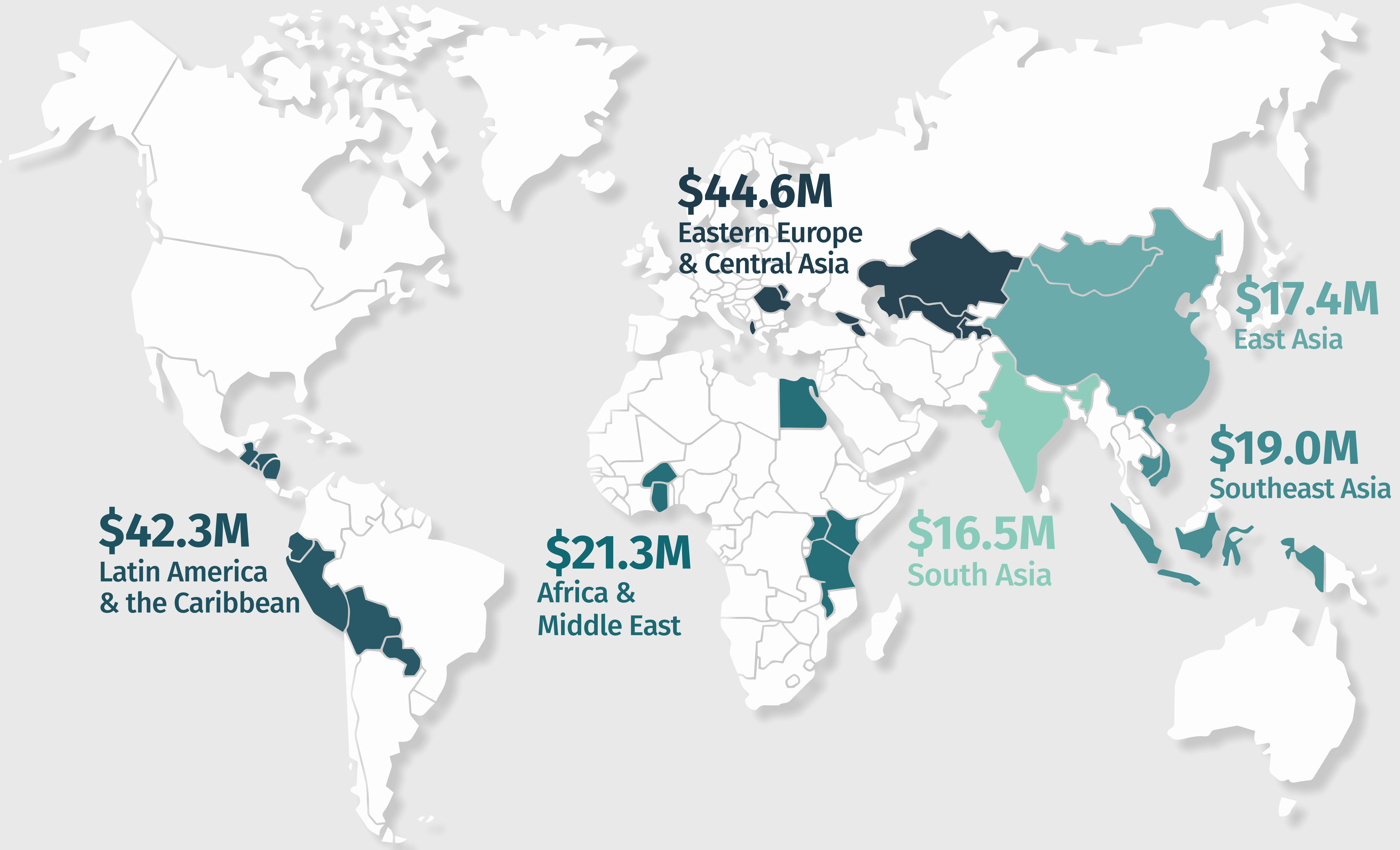
- Increased household income and business revenue
- Reduced unemployment
- Enhanced gender equity
- Improved sustainability outcomes

SDG Linkages

- 1: Increasing access to basic services
- 5: Inclusion of women in the economic sphere
- 8: Supporting job creation through MSME growth
- 9: Increasing access to affordable credit for small-scale enterprises
- 13: Financing greenhouse gas reductions

2022 Portfolio Overview

Figure 1 - Loan exposures by region as of December 31, 2022



Impact data is gathered annually. The report reflects the impact of the portfolio as of the end of 2022, which included:

- 45 inclusive finance institutions (microfinance institutions, banks, SME lenders, cooperatives, and specialized financial institutions)
- 28 countries
- 13.6 million total end clients

Invested Countries as of Year End 2022:

Albania	Egypt	Indonesia	Peru
Armenia	El Salvador	Kazakhstan	Romania
Bolivia	Georgia	Kenya	Tajikistan
Burkina Faso	Ghana	Moldova	Tanzania
Cambodia	Guatemala	Mongolia	Uganda
China	Honduras	Nicaragua	Uzbekistan
Ecuador	India	Paraguay	Vietnam

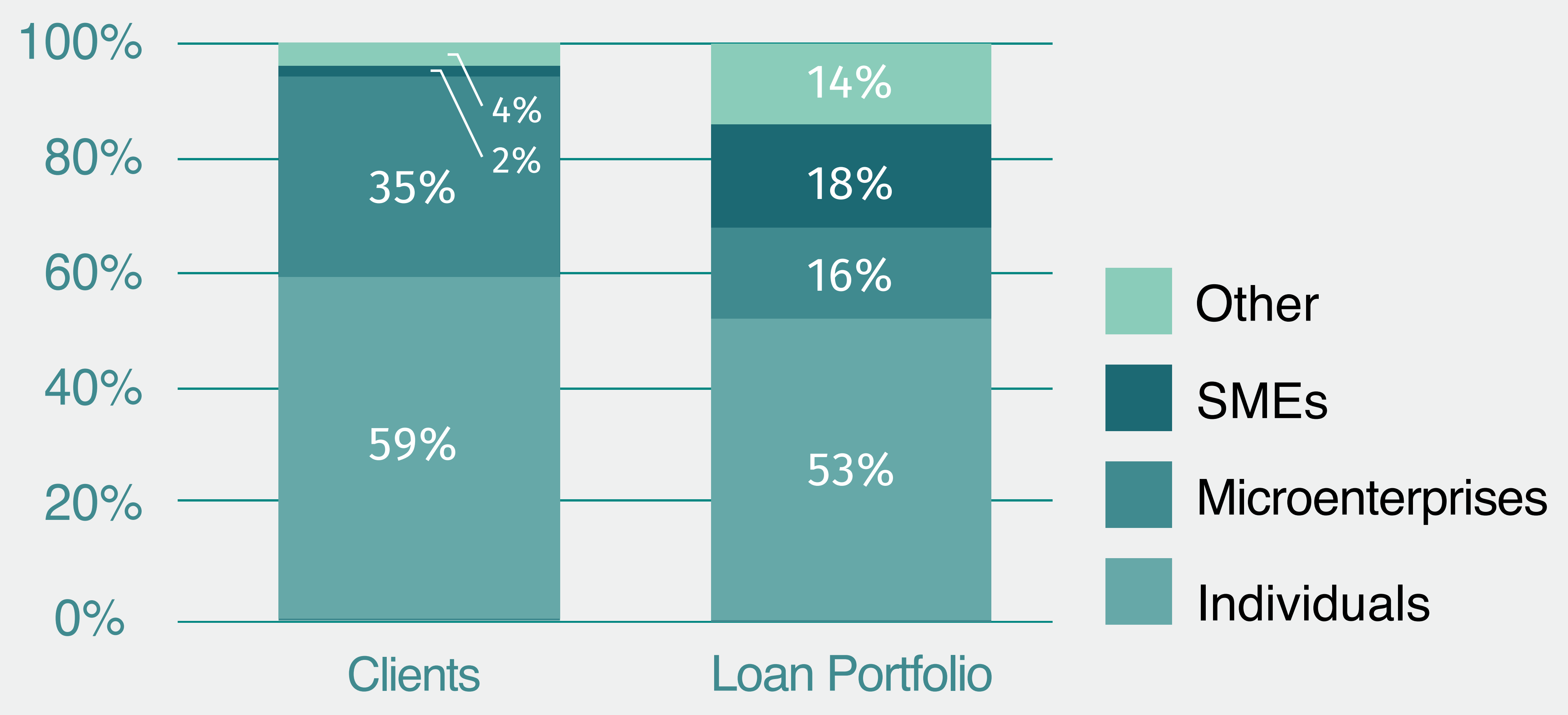
Key Impact Metrics for 2022

Inclusive financial institutions provide beneficial services for people and businesses, enabling poor and low-income people (especially women) to earn incomes and access employment opportunities.

Figure 2 - Portfolio Reach Metrics

	MFIs	SME Lenders	Banks	Others	Total
Number of institutions financed	27	7	8	3	45
Outstanding AUM (USD)	$102.9M	$24.1M	$45.6M	$13.9M	$186.5M
Number of end clients - gross[1]	6.2M	0.2M	5.2M	2.0M	13.6M
Number of end clients – investment weighted[2]	143,516	4,921	24,457	6,284	179,177
Average loan size (pooled)[3]	$1,621	$6,794	$3,415	$3, 795	$2,375

Figure 3 - Enabling Financial Inclusion for Individuals and MSMEs



1 Includes 7.3M borrowers and 6.3M clients of other services, such as savings and remittances.

2 The "investment-weighted number of clients" estimates the number of end clients associated with the Fund's investments. It is calculated using the ratio of the Fund's loan to each portfolio company's total assets. This ratio is multiplied by the company's total clients, and the result is then summed for all portfolio companies.

3 The pooled average loan size is calculated as the sum of gross loan portfolios of all portfolio companies divided by the sum of all clients.

Key Impact Metrics for 2022

Figure 4 - Providing Access to Services for Women

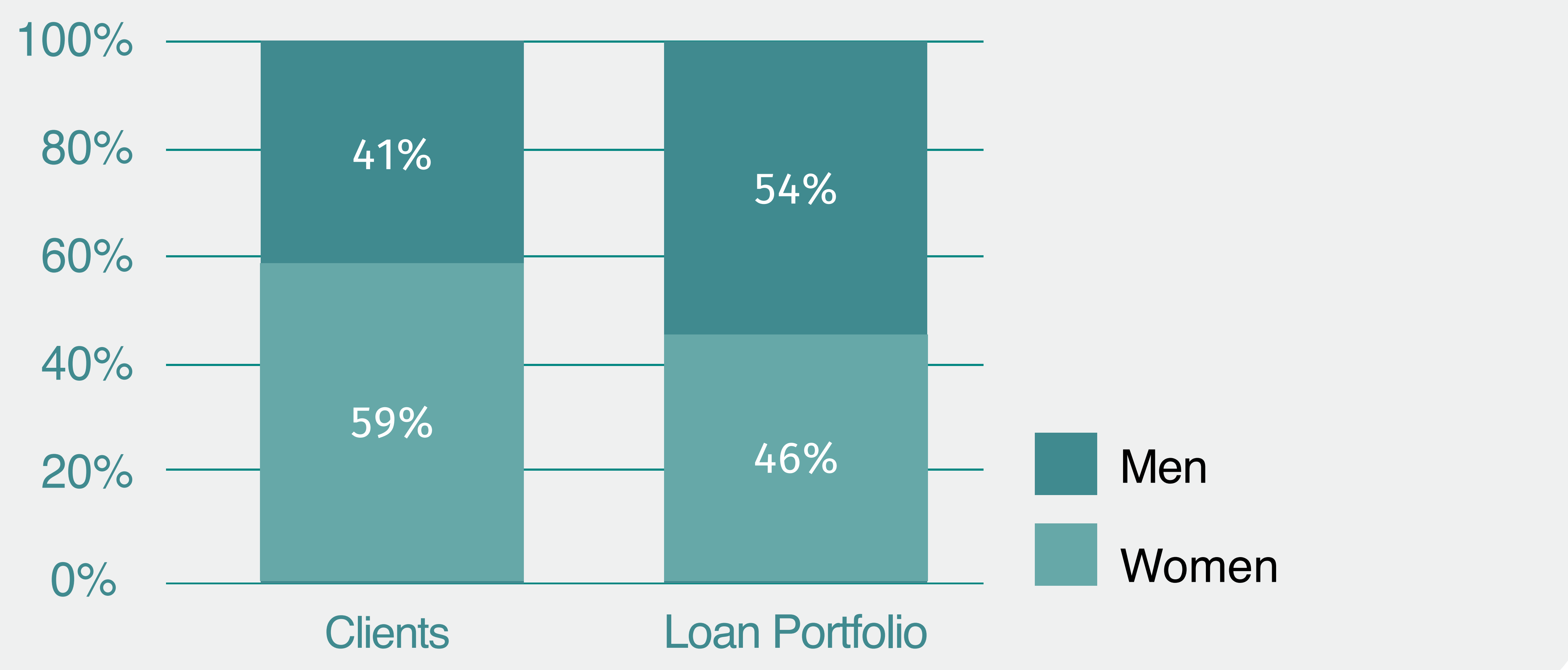
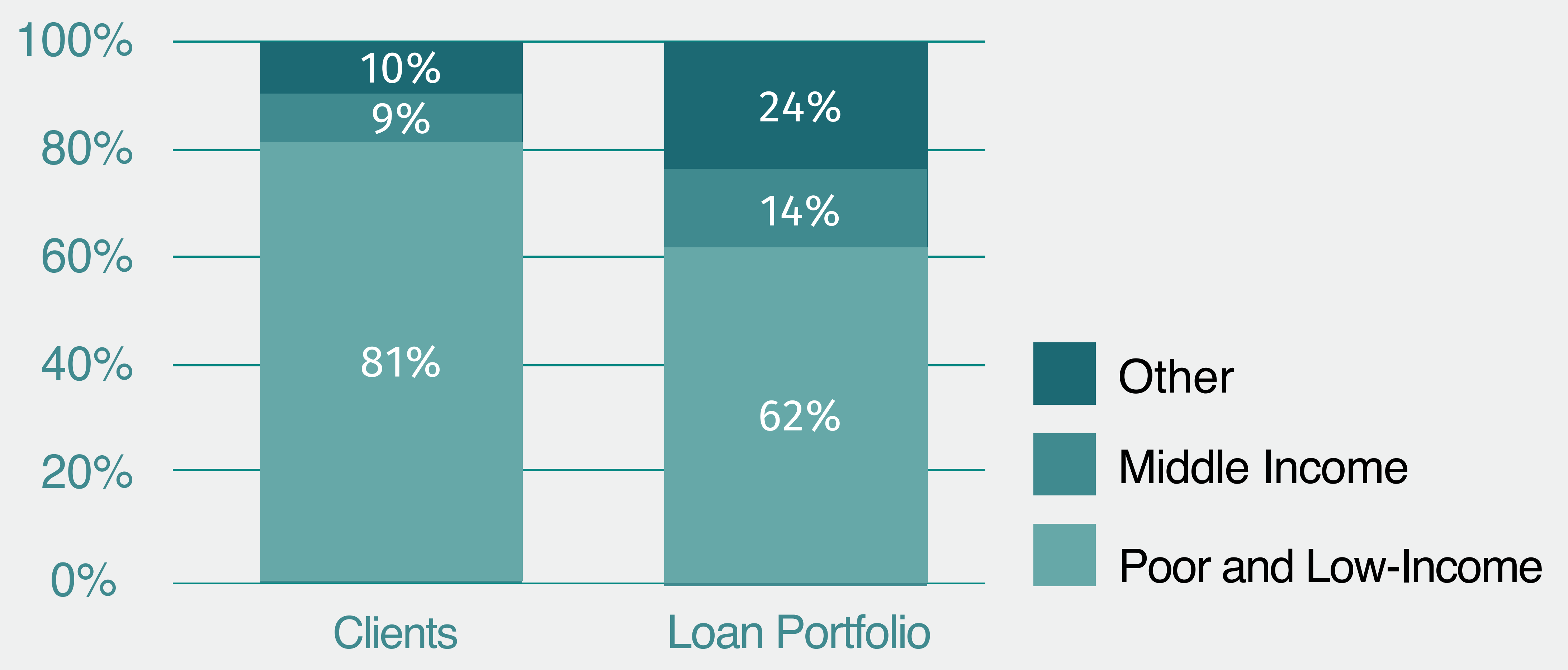


Figure 5 - Majority Poor and Low-Income Clients



*Individual clients only; excludes clients whose income levels are not known.

Expanding Access to Finance and Other Basic Services for the Poor

- Accessing responsible and affordable financial services remains a challenge in the developing world, especially for underserved populations such as women and people who live in rural areas.
- Inclusive financial institutions help to fill this gap by providing loans and other critical services that help people and businesses invest in opportunities, manage their finances and recover from shocks.
- Financial services also play a critical role in enabling access to other vital services such as education, energy, and water and sanitation.
- The fund's investments in these financial institutions directly contributes to SDG 1, No Poverty and facilitates contributions to SDGs 2, 4, 6, and 7 by expanding access to basic services.

SDG Targets and Indicators

1 NO POVERTY

Target 1.4: Ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

Indicator 1.4.1: Proportion of population living in households with access to basic services

How the Fund Supports the Goal

Global gap: 1.4 billion unbanked adults
Gap in portfolio countries: 660 million unbanked adults

Portfolio contribution:

- 13.6 million end clients
- 1.5 million previously unbanked
- 2.1 million poor and low-income clients

Other basic services facilitated:

- 2.0 million agricultural loans
- 14.8 thousand education loans
- 215.8 thousand housing loans
- 48 thousand water and sanitation loans
- 8.3 thousand clean energy and energy efficiency loans

2 ZERO HUNGER
4 QUALITY EDUCATION
6 CLEAN WATER AND SANITATION
7 AFFORDABLE AND CLEAN ENERGY

*Portfolio contributions are not investment-weighted.

Enabling Economic Development and Job Creation by Growing MSMEs

- Micro, small and medium-sized enterprises (MSMEs) are major engines of economic growth and broad-based job creation in developing countries, but they face high barriers to accessing the capital they need to thrive, leading to a multi-trillion-dollar gap in financing for this segment.
- These businesses also provide needed goods and services in their local communities.
- The Fund's investments help meet the unmet financing need by providing loans and other services to MSMEs at appropriate terms and prices.
- This activity contributes to SDGs 8 and 9 by expanding access to financial services for MSMEs.

SDG Targets and Indicators

8 DECENT WORK AND ECONOMIC GROWTH

Target 8.3: Support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Target 9.3: Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets

Indicator 9.3.2: Proportion of small-scale industries with a loan or line of credit

How the Fund Supports the Goal

Global gap:

- 130.7 million credit-constrained MSMEs with $4.8 trillion in unmet financing needs

Gap in portfolio countries:

- 93 million credit-constrained MSMEs with $2.6 trillion financing gap

Portfolio contribution:

- 5.0 million MSMEs financed
- $5.8 billion gross loan portfolio to MSMEs

*Portfolio contributions are not investment-weighted.

Advancing Gender Equity

- Women around the world face higher structural and norm-related barriers than men in accessing various services through mainstream institutions, along with barriers to formal employment and economic opportunity more broadly.
- The Fund's investments advance gender equity by serving majority women clients, tailoring products and services for women entrepreneurs, and by employing more women staff and managers than average for their countries.
- In doing so, these investments contribute to SDG 5, Gender Equality.

SDG Targets and Indicators

5 GENDER EQUALITY

Target 5.5: Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life

Target 1.4: All men and women have access to financial services

Indicator 5.5.2: Proportion of women in managerial positions

How the Fund Supports the Goal

Global gap: 525.4 million unbanked women
Gap in portfolio countries: 426.3 million unbanked women

Portfolio contribution:

- 5.1 million women clients and 1.8 million women-owned/led businesses
- 63% of total clients are women
- 38% of investees offered tailored products and services for women

Global gap: 29% of senior management roles are held by women
Gap in portfolio countries: 20% population-weighted average

Portfolio contribution:

- On average, 29% of portfolio company senior managers are women

*Portfolio contributions are not investment-weighted.

Advancing Gender Equity

The 2X Challenge was launched in 2018 by a group of development finance institutions to encourage investors to deploy capital toward women's economic empowerment. The initiative provides a set of minimum criteria to determine whether an investment contributes to gender equality goals in any one of four areas: women's entrepreneurship, leadership, employment, and products and services that benefit women and girls.

Per the 2X Challenge, funds in which at least 30% of the portfolio companies meet one criterion are 2X eligible. The Fund meets three out of four criteria, and data is not available for the fourth.

Alignment with 2X Challenge Financing for Women Criteria

		Criteria for each Investment/Portfolio Company	Threshold per Company	Share of 2022 Portfolio Companies Aligned
1	Entrepreneurship	1A. Share of women ownership	51%	Data not available
		OR		
		1B. Business founded by a woman	Y/N	
2	Leadership	2A. Share of women in senior management	30%	55%
		OR		
		2B. Share of women on the Board or Investment Committee	30%	22%
3	Employment	3A. Share of women in the workforce	40%	54%
		AND		
		3B. One "quality" indicator beyond compliance	Y/N	
4	Consumption	4. Product or service specifically or disproportionately benefits women	Y/N	52%

2X Challenge Criteria: https://www.2xchallenge.org/criteria

Mitigating Climate Change and Building Resilience to its Effects

- The primary end clients of the Fund's portfolio companies are among the least responsible for climate change and the most vulnerable to its effects. The predominantly poor and low-income people served by the portfolio companies live in places that have frequent climate-related natural disasters paired with inadequate infrastructure and limited safety nets.
- Inclusive financial institutions can play an important role in aiding the transition to a low-carbon carbon economy while also supporting their clients' ability to adapt and build resilience to climate change through financing and other services.

SDG Targets and Indicators

13 CLIMATE ACTION

Target 13.1: Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Target 13.2: Integrate climate change measures into national policies, strategies, and planning

Indicator 13.1.3: Adoption and implementation of local disaster risk reduction strategies

Indicator 13.2.2: Total GHG emissions per year

How the Fund Supports the Goal

Portfolio contribution:

- 66% of portfolio companies provide green financing products, such as financing for renewable energy, sustainable agricultural practices, or disaster risk insurance
- $171.8 million gross loan portfolio to environmental/sustainable activities
- 64% of investees have environmental policies for their clients
- Portfolio companies financed 35.8 thousand MW of renewable energy in 2022
- 12.8 thousand MT of GHG emissions avoided/reduced by portfolio companies

*Portfolio contributions are not investment-weighted.

Duraisamy and Mariammal

Case Study: Samunnati Enables New Agricultural Enterprises

Duraisamy and Mariammal are nursery farmers outside of Chennai in the Indian state of Tamil Nadu. Their main crops are coconut, mango, and Indian gooseberry (known locally as amla). The couple, 50 and 43, did not own land to start a nursery business and were employed in other farms until they became clients of Samunnati, an agricultural trade and finance provider focused on smallholder farmers. The Fund made a loan to Samunnati worth approximately $2.4 million in Indian rupees in March 2021.

Samunnati leased a plot of land to Duraisamy and Mariammal for the equivalent of $610 per month for 22 months so that they could grow plants to sell. The couple's other financing options included local moneylenders and gold loans with high interest rates. Samunnati's financing was more convenient and better-priced, and the land enabled the couple to start their own business to support themselves and their two school-age children.

Tamil Nadu, India

Impact Measurement and Management Approach

DWM's impact measurement and management is integrated throughout its entire investment process, as described in detail in our statement of alignment with the Operating Principles for Impact Management. The graphic on the next page illustrates how we target, assess, and track social and environmental results across the investment cycle. Company-level impact and ESG analysis is conducted through desktop research, site visits, and discussions with company management. This robust impact measurement and management system enables DWM to select investments with high potential for impact, manage social and environmental results, and learn from experience to inform future investments.

IMPACT MEASUREMENT AND MANAGEMENT APPROACH

Initial screening and eligibility analysis

- Impact framework completed to document theory of change, five dimensions, and quantify expected impact on key metrics (aligned with IRIS+)
- Invesment must fit with our theory of change and avoid ex-cluded activities

Full due diligence

- DWM Impact IQ completed by potential investee and quality checked by DWM
- Impact score assigned
- Site visit to verify responses and clarify questions

Investment/credit committee review

- Confirm that investment fits with DWM's impact goals
- Flag potential ESG risks
- Identify needed covenants or provisions to strengthen impact or ESG management

Ongoing investment management

- Track impact performance compared to expectations through annual data collection
- Provide feedback and support to portfolio companies to improve impact
- Seek exits that ensure continuity of impact

Portfolio-level analysis

- Aggregate and analyze yearly data
- Benchmark results internally
- Publish annual impact report

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Microfinance

in partnership with

DEVELOPING WORLD MARKETS

The SDGs Credit Fund is a partnership between Developing World Markets and Trill Impact, two leading impact investment institutions.

Trill Impact was founded in early 2019 with the ambition to be a thought leader and force for positive change through impact private investments, in large and small scale. The firm's mission is to create 'Real Returns and Lasting Impact' for the benefit of investors, businesses and society at large. Trill Impact Microfinance is the Advisor to the investment strategy, focusing on portfolio construction, and chairs the Fund Credit Committee, which decides on which microfinance and other institutions the Fund should lend to. Trill Impact has more than EUR 1.2 billion in assets under management across its investment strategies.

Developing World Markets ("DWM") has been exclusively focused on investments in frontier and emerging markets since its founding in 1994, and exclusively on impact investments since 1999. DWM has invested approximately $2.5 billion in private debt and $150 million in private equity, across more than 60 developing countries. As the Fund Manager, DWM sources, structures, underwrites and documents all Fund assets. In addition, DWM manages ongoing monitoring, and reporting at the investee and Fund level, and manages the underlying relationships with the inclusive financial institutions.

Developing World Markets

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