



DEVELOPING
WORLD
MARKETS

DEVELOPING WORLD MARKETS

2018 Impact Report



About Developing World Markets

Our Mission

To provide investors access to return-first impact investments in the emerging and frontier markets.

Exclusive Focus on Emerging and Frontier Markets

Since our founding in 1994, Developing World Markets (DWM) has exclusively focused on investing in emerging and frontier markets. To date, DWM has made investments in over 60 countries.

Return-First Impact Investment Approach

We seek commercial investments that address pressing challenges facing the developing world. We believe seeking risk-appropriate returns for our investors is a more sustainable way to utilize the private sector and capital markets to drive measurable environmental and social benefits for the developing world.

A Long History of Catalyzing Impact

DWM began impact investing in 1999 and shifted its focus exclusively to impact investments in 2007. By partnering with some of the world's largest institutional investors, DWM has invested \$1.5 billion, financing for more than 200 socially or environmentally positive companies.

Expanding Investment Sectors and Geographic footprint

DWM's current portfolio primarily consists of investments in financial inclusion and renewable energy and we are actively exploring investment opportunities and new mandates in the water and sanitation and agriculture sectors. DWM is also expanding its geographic footprint, having recently made first-time investments in Egypt, Myanmar, Pakistan and Zambia.

Global Presence

Headquartered in Stamford, CT, with offices in New York City and Singapore, DWM has representatives across 12 global locations, including Costa Rica, Ecuador, Nicaragua, Peru, Germany, Netherlands, India, Hong Kong, Japan, and Kenya.

Special Thanks

DWM wishes to recognize and give special thanks to ACTIAM and Invest in Visions for helping to make possible investments in 45 of the 62 companies included in this report.

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Management Note

Approximately 1.7 billion people in the world lack financial access and 1.1 billion people lack electricity access, most of whom reside in developing countries. At DWM, we are committed to being part of the solution to these and other developmental needs as articulated by the United Nations Sustainable Development Goals (SDGs).

As an impact investment fund manager, our approach is to identify commercial investment opportunities that meet critical developmental needs. We take this approach because we believe that for impact investing itself to be sustainable it needs to offer risk-appropriate returns comparable with mainstream investments. Taking this approach, we have channeled more than \$1.5 billion in private debt and private equity into over 200 companies in more than 60 emerging and frontier markets since 2006. In this report, we take the opportunity to see what we have achieved on the impact side of the ledger.

What Have We Achieved?

To answer this question, we need an effective measurement tool. While, financial performance is relatively straightforward to measure, social and environmental impact performance is not. We developed our first impact measurement tool in 2011, a proprietary impact questionnaire and scorecard, now called the DWM Impact IQs, in collaboration with ACTIAM N.V. and Oikocredit. The DWM Impact IQs uses 60 indicators to evaluate impact across five dimensions, customized based on the investment/asset type. Going a step further, we leveraged the latest industry research to further understand the imputed outcomes of these impact metrics and their contributions to the SDGs.

What's New?

Starting in Q4 2016, DWM formally expanded its investments to include renewable energy and climate action related investments, and we customized the DWM Impact IQs accordingly. Also in 2016, with technical assistance provided by the Development Bank of Austria, OeEB, DWM implemented an Environmental and Social Management System (ESMS) and integrated it with DWM Impact IQ to better monitor portfolio companies with higher social and environmental risks. And with this report, we align our impact to 9 SDGs.

Where Do We Go from Here?

We present our impact results in this 2018 report and will continue to refine our approach to measuring our impact. Looking forward, we are seeking new investment opportunities across a broader cross-section of the SDGs, with a particular focus on the water and sanitation and agriculture sectors. Impact investing is by its nature ambitious, and we are ambitious about its future.

“Developing World Markets seeks to provide investors access to return-first impact investment in emerging and frontier markets.”

Portfolio Highlights

Snapshot of Portfolio

*As of 12/31/2017



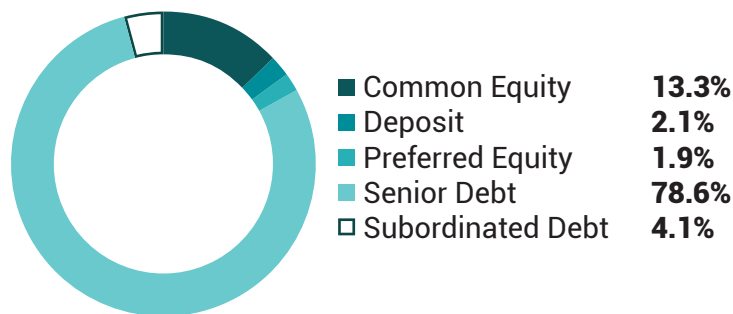
Regional Exposure

South Asia, South East Asia, East Asia	34.8%
South America	20.9%
Central America	18.2%
Caucasus and Central Asia	17.1%
Eastern Europe	4.0%
Africa and Middle East	2.9%
Diversified	2.0%

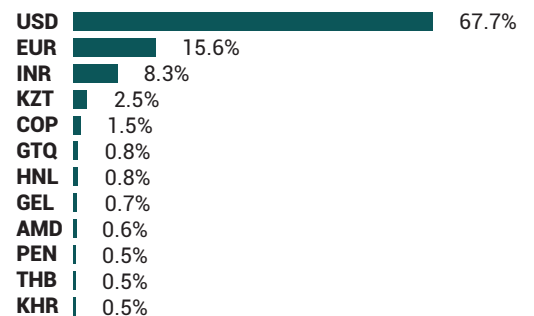


25 Developing Countries in Portfolio

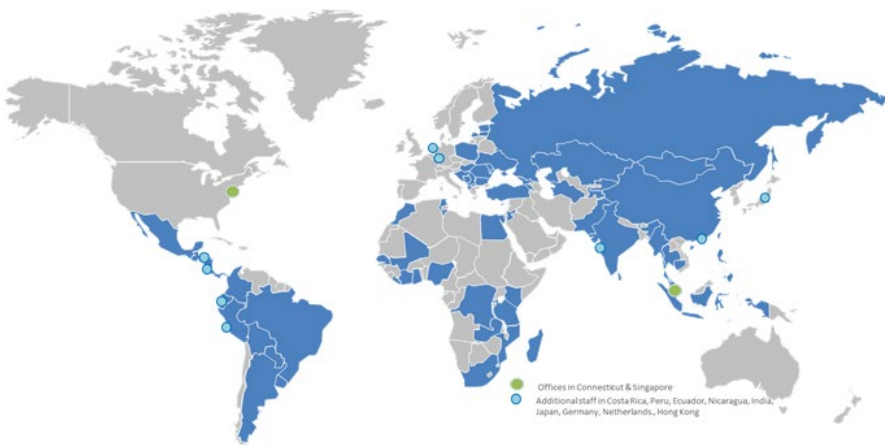
Exposure by Asset Type



Currency Exposure of Debt Investments



Where We Invest



DWM has invested in

200+

impact companies across

60+

developing countries

Impact Performance

Financial Inclusion



54
Microfinance Institutions (MFIs)



4
Small and Medium Enterprise Lenders (SME Lenders)



~8.8m
Active Borrowers Reached



~319k
SMEs reached



79%
Female Clients



62%
Rural Clients



89%
Low-Income or Below Clients



100%
MFIs Implementing CPP



80%
MFIs Provide Financial Literacy Training to Clients



33%
MFIs Provide Women-Tailored Service

*15,377 SMEs were financed by the four SME lenders, and 303,538 SMEs were financed by our MFIs

Renewable Energy & Climate Action



4
Solar Operating Companies



8
Financial Institutions (Providing Energy-Related Loans)



260k+
Solar Home Systems Installed



~2M
Solar Lanterns Sold



~2M
People Impacted



660k
Homes Served



210k+
New Home Served



\$15m+
Energy Expenditures Saved



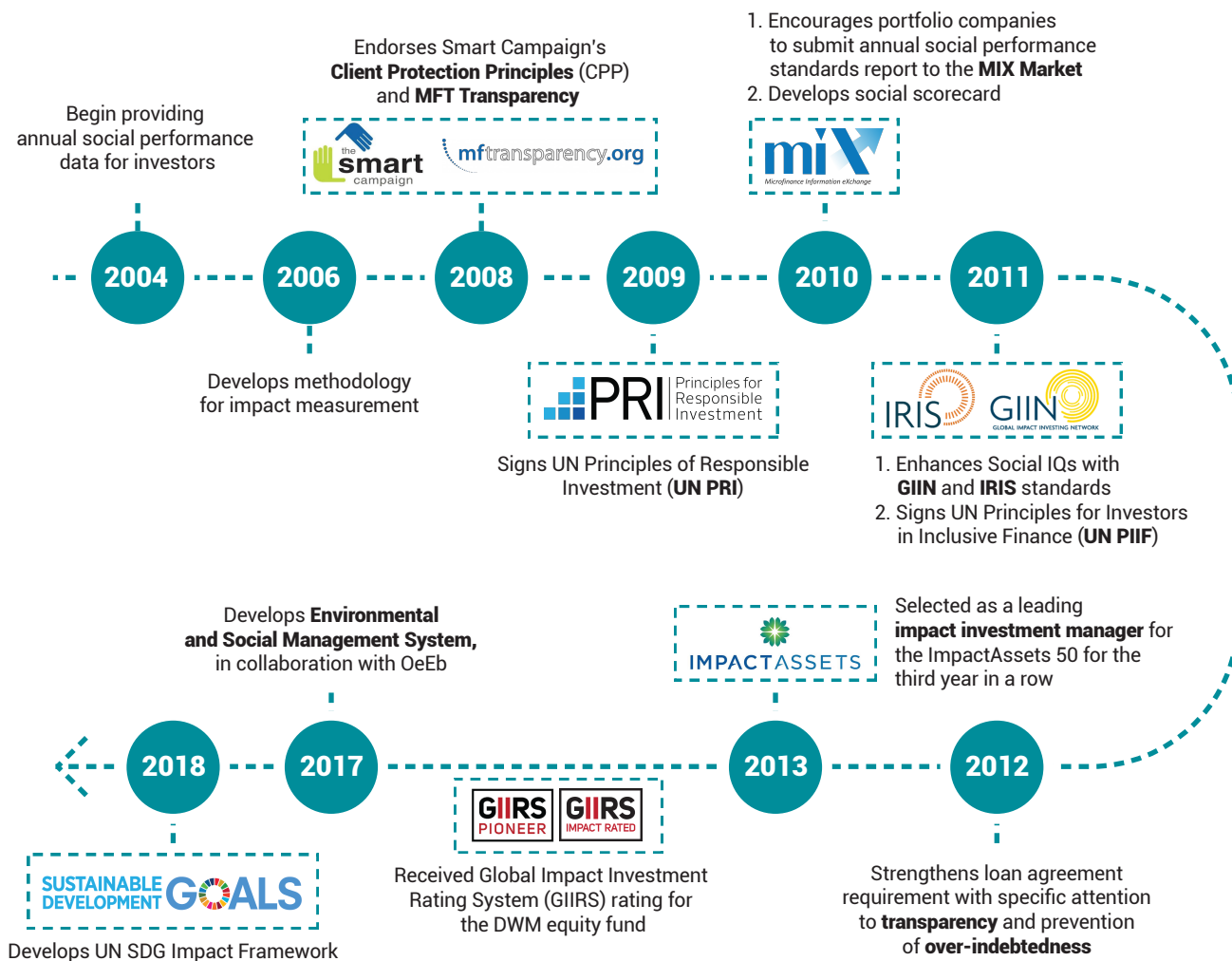
25M+ kWh
Renewable Energy Produced



220k+
Metric Tons of CO₂e Avoided

Impact Measurement Methodology

With a commitment to drive positive social and environmental impact and to contribute to the SDGs, DWM measures and monitors the impact of our portfolio companies in both a qualitative and quantitative manner. Over the years, DWM has adopted and adapted several impact measurement tools and endorsed industry standards for different investment sectors.

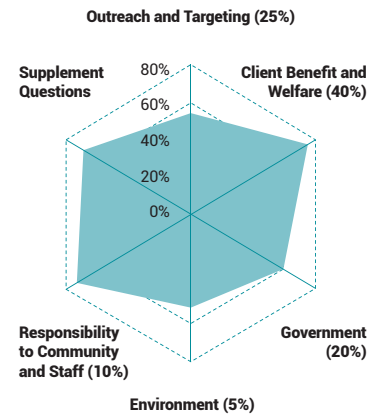


Impact Questionnaire & Scorecard (DWM Impact IQs)

The Impact Questionnaire & Scorecard (DWM Impact IQs), originally co-developed by DWM, ACTIAM and Oikocredit, is a proprietary, data-driven tool used during the due diligence process and on an annual basis post-investment. The DWM Impact IQs use approximately 60 indicators to evaluate impact across five dimensions and is customized based on the portfolio company types, including microfinance institutions, SME lenders, and solar operating companies. Data are cross-checked against DWM's financial database and the Smart Campaign website.

DWM Impact IQs

Evaluation Dimension	Indicator Examples
Client Benefit & Welfare (40%)	Borrower indebtedness prevention Non-financial products and services
Outreach & Targeting (25%)	Average loan size, Client socioeconomic levels, rural vs. urban
Responsibility to Community & Staff (10%)	Staff feedback, grievance mechanisms, Contributions to community
Environment (5%)	Internal environmental policies Environmental education and promotion
Governance (20%)	Mission and vision Salaries, remuneration, and incentives

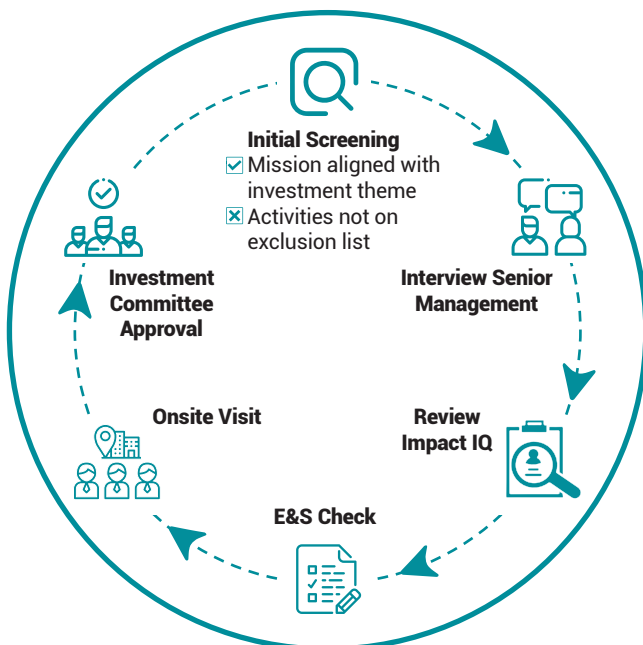


Environmental & Social Management System Integration

In 2016, DWM developed an environmental and social management system in collaboration with OeEB, the Austrian development bank, and integrated it with our existing impact management framework. As a result of the environmental and social management system integration, additional due diligence related to social and environmental performance is conducted on companies, such as SME lenders, to determine if they are low, medium, or high risk.

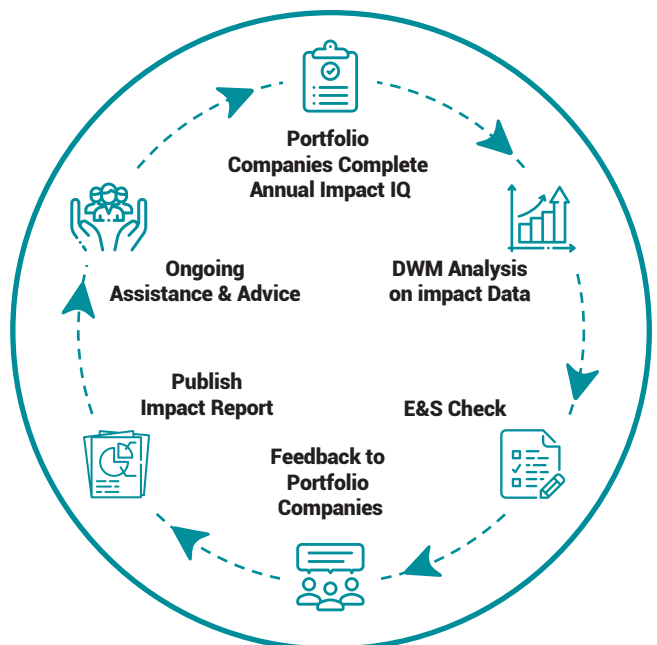
Pre-Investment Process

DWM collects social and environmental data and evaluates the impact of potential investments during due diligence. The analysis is conducted through both desktop due diligence and onsite visits.



Post-Investment Process

On an annual basis, DWM performs an onsite visit. In addition, we collect social and environmental data to track trends and identify areas of strength and improvement for each portfolio company.



SDG Impact Analysis

SDGs Contribution

The United Nations 17 Sustainable Development Goals (SDGs), with 169 associated targets, was adopted on September 25, 2015 by world leaders as a universal call to action to end all forms of poverty, fight inequalities and tackle climate change. DWM has put the SDGs at the center of our impact measurement framework to ensure impact alignment in solving world's pressing problems.

We identified the main impact objectives of our two investment sectors (financial inclusion and renewable energy) and used industry research to link our contribution to the targets of 9 SDGs as shown on the following page.



DWM SDG Impact Framework

<p>1 NO POVERTY</p> 	<p>2 ZERO HUNGER</p> 	<p>3 GOOD HEALTH AND WELL-BEING</p> 
<p>Objective 1: Outreach to Underserved Populations</p> <ol style="list-style-type: none"> 1. Number of Active Borrowers/Voluntary Savers 2. Women vs. Men 3. Income Level 4. Rural vs. Urban 5. Mobile Services 6. Account Ownership of Investee Countries 	<p>Objective 2: Improve Rural Economy</p> <ol style="list-style-type: none"> 1. Rural Clients 2. Agriculture Loans 3. Agriculture Insurance 	<p>Objective 3: Improve Financial Resilience</p> <ol style="list-style-type: none"> 1. CPP Implementation/Certification 2. Financial Products/Services Offering 3. Non-Financial Products/Services Offering <p>Objective 2: Provide Clean & Affordable Lighting</p> <ol style="list-style-type: none"> 1. Number of Solar Systems Installed/Solar Lanterns Sold 2. Renewable Energy Generated 3. [New] Homes Served 4. People Impacted 5. Energy Expenditures Saved
<p>4 QUALITY EDUCATION</p> 	<p>5 GENDER EQUALITY</p> 	<p>7 AFFORDABLE AND CLEAN ENERGY</p> 
<p>Objective 3: Improve Financial Resilience</p> <ol style="list-style-type: none"> 1. CPP Implementation/Certification 2. Financial Products/Services Offering 3. Non-Financial Products/Services Offering 	<p>Objective 4: Improve Gender Equality</p> <ol style="list-style-type: none"> 1. Women Clients 2. Women-Tailored Services 3. Women Senior Leadership Representation 	<p>Objective 2: Provide Clean & Affordable Lighting</p> <ol style="list-style-type: none"> 1. Number of Solar Systems Installed/Solar Lanterns Sold 2. Renewable Energy Generated 3. [New] Homes Served 4. People Impacted 5. Energy Expenditures Saved <p>Objective 1: Improve Access to Renewable Energy</p> <ol style="list-style-type: none"> 1. Number of Solar Systems Installed/Solar Lanterns Sold 2. Renewable Energy Generated 3. [New] Homes Served 4. People Impacted 5. Energy Expenditures Saved
<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>13 CLIMATE ACTION</p> 
<p>Objective 5: Support Job Creation & Economic Development</p> <ol style="list-style-type: none"> 1. SME Lenders 2. SMEs Financed 3. Jobs Supported 3. SMEs Economic Sectors 	<p>Objective 5: Support Job Creation & Economic Development</p> <ol style="list-style-type: none"> 1. SMEs Financed 2. Jobs Supported 3. SMEs Economic Sectors <p>Objective 1: Improve Access to Renewable Energy</p> <ol style="list-style-type: none"> 1. Number of Solar Systems Installed/Solar Lanterns Sold 2. Renewable Energy Generated 3. [New] Homes Served 4. People Impacted 5. Energy Expenditures Saved 	<p>Objective 3: Improve Environmental Sustainability</p> <ol style="list-style-type: none"> 1. CO2 Emissions Avoided

- * Financial Inclusion
- ** Renewable Energy & Climate Action

Financial Inclusion

DWM supports financial inclusion through private debt and private equity investments in (1) microfinance institutions (MFIs) which provide financial access to underserved individuals and micro entrepreneurs, (2) small and medium enterprise (SME) lenders which provide financial access to small to medium sized businesses and (3) specialty lenders which provide financing for health, education, housing and energy. As of end of 2017, DWM has investments totaling over \$350 million in 54 MFIs and 4 SME lenders across 25 developing countries.

Using our Impact IQs, DWM tracks metrics of our portfolio companies targeting financial inclusion. We use our five key investment objectives related to this space to enable us to measure our ability to generate positive social impact and illustrate the alignment between our impact and seven of the 17 SDGs.



Flower designer Nino Peikrishvili used loans from FINCA Georgia to support business development of her flower shops in Tbilisi, Georgia.



KMF supports Ms. Ultugan Kyzaipekova's sewing business in Almaty, Kazakhstan through loans over the years.



OBJECTIVE 1: Outreach to Underserved Populations

Current Challenges

According to the 2017 Global Findex Reportⁱ, about 1.7 billion adults globally are still lacking an account from a financial institution or a mobile money provider. In developed countries, 94% of adults have accounts at financial institutions or mobile money providers, while in developing countries only 63% of adults have accounts. Within the unbanked population, different genders, income levels, and residences are represented disproportionately. Despite the continuous growth of account ownership, a gender gap of 7 percentage points and a global gap of 13 percentage points between the richest 60 percent of households and poorest 40 percent have remained unchanged since 2011. In addition, account ownership tends to be lower in rural areas than in urban areas of developing countries.

Financial Inclusion's Contribution

Numerous research reports have confirmed that financial inclusion is beneficial for economic and social development. A randomized evaluation study from the Consultative Group to Assist the Poor (CGAP) shows that microfinance helps households reprioritize their expenditures and smooth consumption, which is extremely valuable to poor households. In addition to household consumption, microfinance helps improve other microeconomic indicators, including self-employment business activities and well-beingⁱⁱ. Also, an empirical study from World Bank found a positive relationship between increase in financial access and economic growth indicators, such as the increase in per capita income and decrease in rural poverty rateⁱⁱⁱ.

SDG 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, including microfinance.

Microfinance directly contributes to SDG 1. By outreaching to underserved populations, MFIs can provide financial inclusion, which ultimately helps promote economic and social development and lifts people out of poverty.

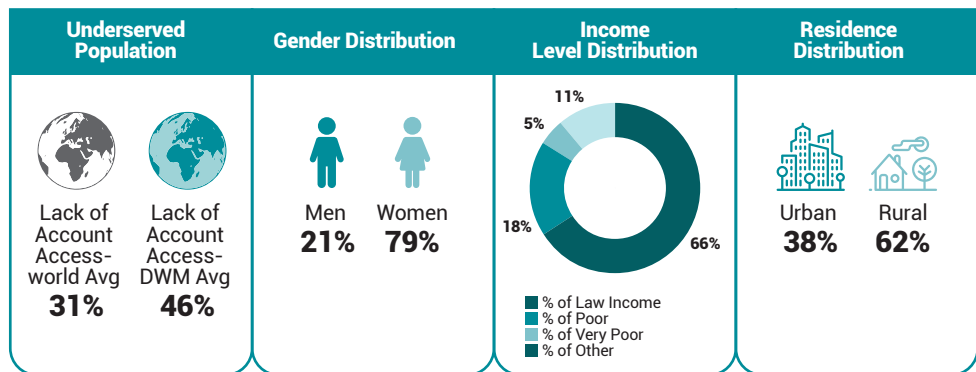
DWM's Impact

DWM aims to improve outreach to the underserved population by monitoring the below metrics. In 2017, DWM's portfolio composition demonstrated a focus on countries with underserved populations, as evidenced by the average account ownership percentage for DWM portfolio companies (54%) compared to world average (69%)¹. Moreover, the client distribution among DWM portfolio companies demonstrates a focus on providing financial access to the traditionally underserved groups: women, rural, and low-income populations. Also, 23%² of DWM's investee MFIs provide mobile banking services. DWM believes that Fintech presents unprecedented opportunities for financial services to reach remote areas through mobile banking and other services.

Total Number of Active Borrowers at DWM MFIs
8,862,901

Total Number of Active Borrowers Funded by DWM
336,476

Total Number of Voluntary Savers at DQM MFIs
8,178,742



¹ Account ownership data are sourced from Global Findex Database, The World Bank, 2017

² Exclude MFIs not able to offer the service due to local regulations.



OBJECTIVE 2: Improve Rural Economy

Current Challenges

Based on IMF research^{iv}, rural poverty accounts for about 63 percent of poverty globally, and one of the factors contributing to poverty is lack of access to affordable credit which leads to slower agricultural development. Access to formal financial services is essential for rural people to equip themselves with the necessary agricultural supplies, equipment, and technology to improve productivity and manage financial risks due to droughts, natural disasters, and global agricultural commodity price changes. Even though the 2017 Global Findex Report doesn't quantify the financial inclusion gap between urban and rural populations, it mentions that in developing economies, there is an account ownership gap between rural and urban populations. In 2017, about 235 million unbanked adults in developing economies receive agricultural payments in cash, which is unsafe and hard to manage.

Financial Inclusion's Contribution

Access to credit between harvests leads to more efficient labor allocation and to greater agriculture productivity.^v Saving products allow farmers to make larger investments resulting in significant positive effects on agricultural yields and household expenditures.^{vi} Insurance products address catastrophic risks enabling farmers to purchase high technology inputs to improve agricultural productivity.^{vii}

SDG 2: ZERO HUNGER

Target 2.3 Increase agricultural productivity and incomes for small scale food producers including through financial services.

By providing financial access and tailored products to small farmers, MFIs help them to improve their agricultural productivity and better manage their financial risks, which helps improve rural economies. Farmers' increased productivity helps meet the needs of growing populations, providing greater food security.

DWM's Impact

DWM aims to improve financial access in rural areas. In 2017, 62% of clients in DWM portfolio MFIs resided in rural areas, 21% of our MFIs' Gross Loan Portfolio (GLP) targeted agriculture, and 13%³ of our MFIs offered agricultural insurance.



³ Exclude MFIs not able to offer the service due to local regulations.



OBJECTIVE 3: Improve Financial Resilience

Current Challenges

In addition to credit access, people in developing economies also need to build up financial resilience to better tackle income shocks, smooth consumption, and manage financial risks. The 2017 Global Findex Report shows that only 43% of adults in developing countries saved/set aside money over the past year, while 71% in high-income countries did. 50% of adults in developing economies reported they would be able to come up with emergency funds equal to 1/20 of local gross national income per capita within one month, compared to 73% in high-income economies. The report indicates that the gap was not correlated to the income levels across different countries, and therefore other factors contributed to these gaps, such as financial education, cultural preferences, and their trust in financial institutions.

Financial Inclusion's Contribution

Research shows that improving financial resilience has profound social impact. Individuals with saving products are less vulnerable to unexpected health emergencies and tend to invest more in preventative health products.^{viii} Women-headed households spend more on nutritious foods and education after establishing saving accounts.^{ix}

SDG 3: GOOD HEALTH & WELL-BEING

Target 3.8 Achieve universal health coverage including financial risk protection, access to essential health-care services, etc.

DWM MFIs provide different financial products and services for clients to manage financial risks, such as financial literacy training, saving products, life insurance, basic medical care, etc. Good financial resilience enables poor individuals to invest more in health coverage.

SDG 4: QUALITY EDUCATION

Target 4.3 Ensure access to education.

Savings can help poor individuals to better manage their expenditures and allocate more to education. DWM MFIs offer loans and saving products to help clients manage education expenses.

DWM's Impact

DWM supports MFIs in broadening products offerings and providing financial education. The various financial products and non-financial services our MFIs provide include, but are not limited to education-targeted loans, saving products, insurance, financial literacy training, and medical care. These products and services are designed to build up clients' financial planning awareness and financial ability to tackle income shocks. Moreover, we encourage our MFIs to adopt responsible lending practices. In 2017, 100% of DWM MFIs have Client Protection Principles (CPP) implemented, and 41% received CPP certification. We believe by having a client-centric approach which helps ensure transparency and prevention of over-indebtedness, the MFIs can best serve their clients' interests and play a more effective role in building their financial resilience.

Financial Products Offering



Debit/Credit Card
28%



Remittance Services
31%



Saving Products
40%



Loan Insurance
61%



Life Insurance
52%

Non-Financial Service Offering



Financial Literacy Training
80%



Business Development Assistance
37%



Enterprise Skill Development
33%



Basic Health/Nutrition Education
10%



Basic Medical Care
16%



OBJECTIVE 4: Improve Gender Equality

Current Challenges

Historically women have been in a disadvantaged position as compared to men for a broad range of opportunities, including financial services access. The 2017 Global Findex Report shows that in developing economies, there is a persistent 9% gender gap regarding account ownership leaving 41% of women unbanked. Moreover, among the unbanked, women are less likely than men to participate in the labor force. The same gap has been seen on the SME lending side as well. According to IFC's MSME Finance Gap report^x, women-owned businesses account for an outsized finance gap as compared to men. In addition, women's voices are less represented at higher management level. Women only account for 15% of board seats globally.^{xi}

Financial Inclusion's Contribution

Studies have shown that greater gender equality can improve household financial health, boost businesses' performance, and drive social development. Research shows that financial access to women enables them to get more control over household consumption decisions on durable goods.^{xii} Closing the credit gap for women-owned SMEs in developing economies can boost real income per capita growth rates by around 85bp on average.^{xiii} At a corporate governance level, women leadership helps to build up management competencies and drives long-term sustainable growth for a company towards global goals.^{xiv}

SDG 5: GENDER EQUALITY

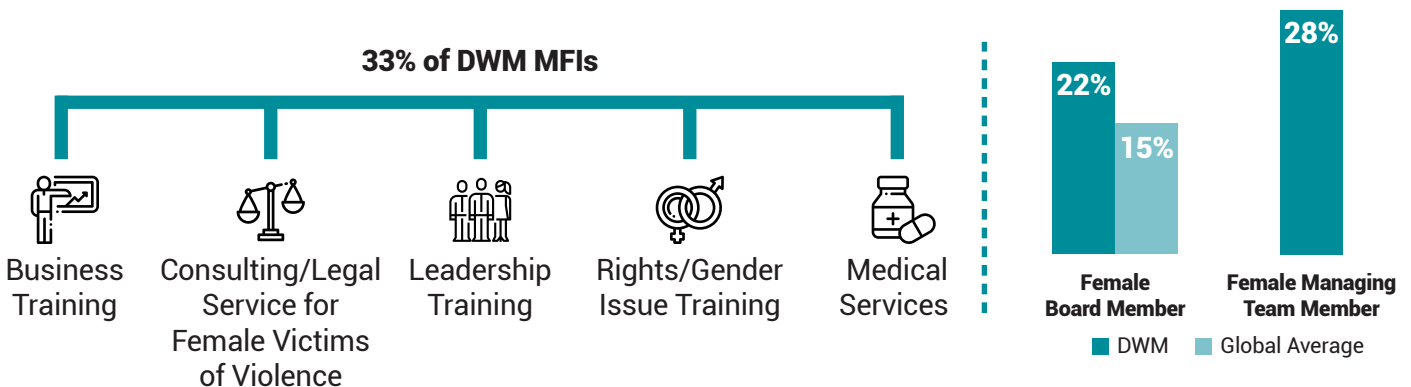
Target 5.5 Ensure women's full participation and equal opportunities for leadership

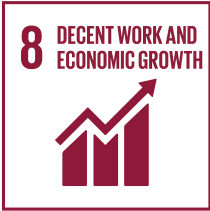
Target 5.a Give women equal rights to economic resources, as well as access to financial services

DWM actively promotes women representation in leadership positions across portfolio companies and supports MFIs which provide financial access to female clients.

DWM's Impact

DWM aims to contribute to gender equality from both financial inclusion and corporate governance perspectives. In 2017, 79% of clients in DWM portfolio MFIs are women, and 33% of DWM portfolio MFIs provide various women-tailored services listed in Figure 5. The average percentages of female representation in senior leadership are 22% of DWM portfolio MFIs' board members, compared with the global average of 15%. Moreover, 28% for management team members at DWM portfolio MFIs are women.





OBJECTIVE 5: Support Job Creation & Economic Development

Current Challenges

SMEs are the backbone of economic development as they create decent jobs and increasingly contribute to GDP as economies develop. However, lack of credit access is one of the biggest challenges SMEs are facing. According to a 2017 World Bank report^{xv}, there are 21 million SMEs in developing countries and 44% of them are financially constrained. The SME finance gap is estimated to be \$4.5 trillion.

Financial Inclusion's Contribution

At the same time, SMEs contribute more than 35% of GDP in many emerging markets countries.^{xvi} Moreover, SMEs account for more than 50% of jobs in developing countries.^{xvii} Empirical evidence shows that firms with access to credit have larger employment growth.^{xviii}

SDG 8: DECENT WORK & ECONOMIC GROWTH

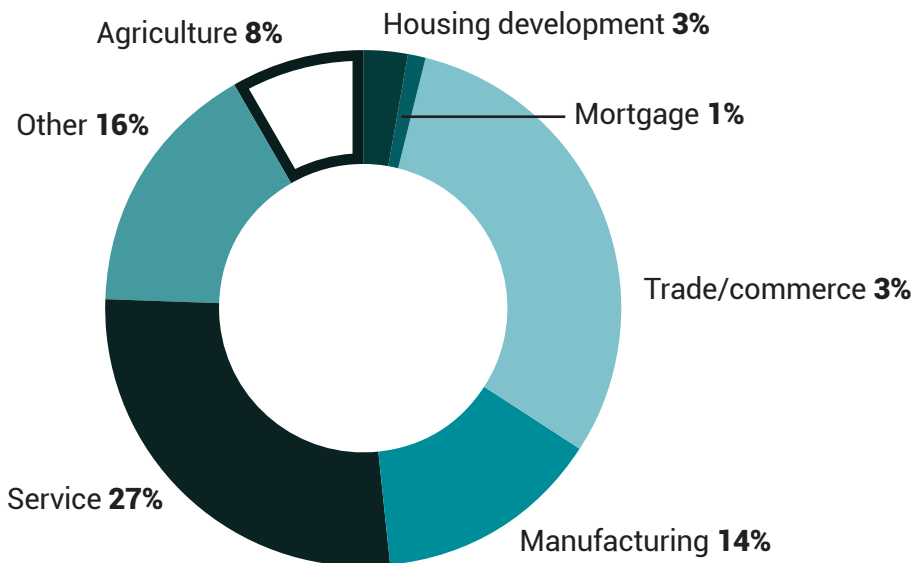
Target 8.3 Promote decent job creation and entrepreneurship including through access to financial services
Target 8.10 Strengthen the capacity of domestic financial institutions to expand access to banking insurance, and other financial services
 By providing financial access to SMEs, SME lenders help support decent job creation and economic development.

SDG 9: INDUSTRY, INNOVATION & INFRASTRUCTURE

Target 9.3 Increase access of small-scale enterprises to financial services, including affordable credit
 SME lenders provide financial access to SMEs, enabling them to strengthen their access to markets

DWM's Impact

DWM invested in companies providing financial access to SMEs in developing countries. In 2017, DWM had investments in 4 SME lenders which in total had 2,725 employees. The 4 SME lenders served 15,377 SMEs in 2017. Figure 5 is a breakdown of economic sectors for the SMEs our portfolio companies provide credit access to. In addition, our MFIs serve 303,538 SMEs in 2017.



Renewable Energy & Climate Action

In addition to financial inclusion, DWM has made investments in the renewable energy sector. As of end 2017, DWM had investments in 4 solar operating companies and 8 financial institutions⁴ providing energy-related loans. One of our investment vehicles, DWM Off-Grid Renewable & Climate Action (“ORCA”) Impact Note, solely focuses on financing companies within this area and the solutions that its portfolio companies provide include, but are not limited to the below areas:

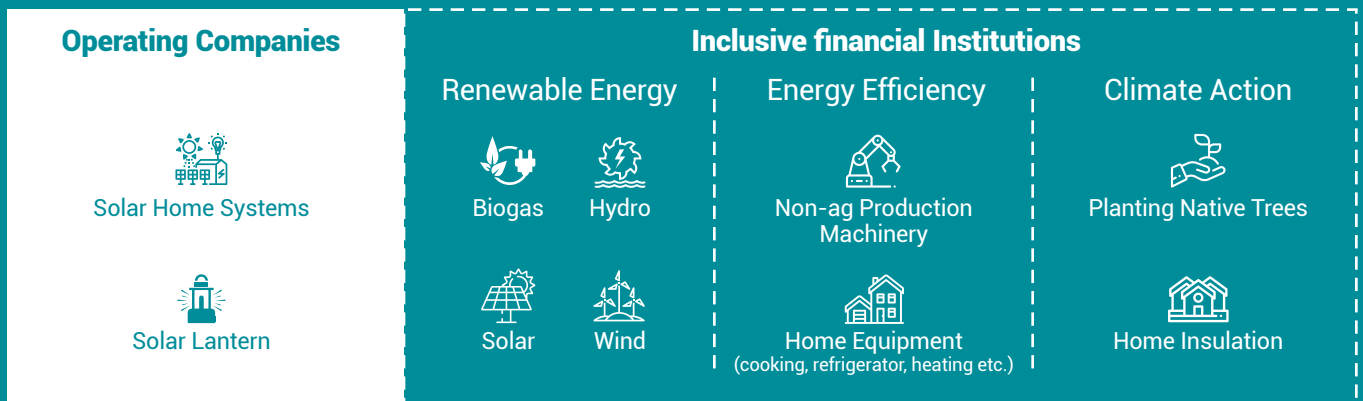
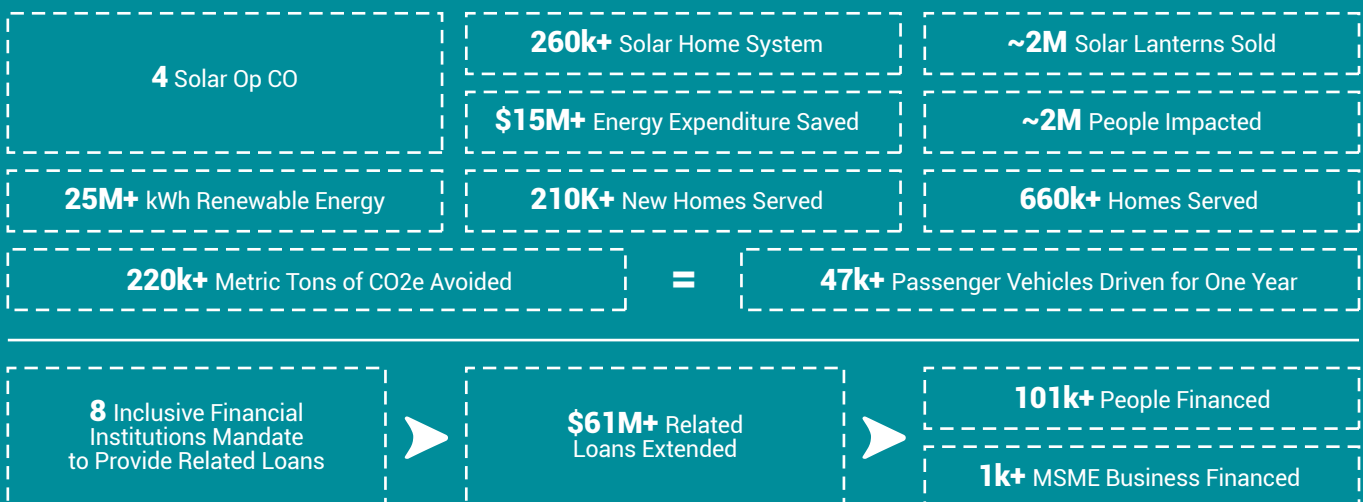


Figure 6 DWM's Portfolio Related to Renewable Energy & Climate Action

As of 2017, the four solar companies that DWM invests in installed 262,476 solar home systems and sold 1,942,879 solar lanterns. As a result, 25,633,984 kWh renewable energy was produced, 661,560 homes were served (including 216,497 new homes in 2017), 1,914,220 people were impacted, \$15,731,641 annual energy expenditure was saved, and 220,602 metric tons of CO2 emission were avoided.⁵ The eight inclusive financial institutions extended over \$61 million renewable energy and climate action related loans to 1,242 businesses and over 101,000 individuals.



Using our Impact IQs, DWM evaluates the above metrics of our portfolio companies in renewable energy and climate action space. We use our three key investment objectives related to this space to measure our ability to generate positive environmental and social impact and illustrate the alignment between our impact and six of 17 SDGs.

⁴ The 8 financial institutions providing energy-related loans are also included in metrics analysis for Financial Inclusion.

⁵ Conversion calculation is based on data from U.S. Environmental Protection Agency.



OBJECTIVE 1: Improve Access to Renewable Energy

Current Challenges

Based on the International Energy Agency's 2017 Outlook Report^{xix}, there were 1.1 billion people (14% of the world's population) who didn't have access to traditional electricity. Grid utilities are often too expensive for poor countries to expand and maintain. Therefore, off-grid renewable energy becomes a great alternative to address energy poverty problem. However, as shown in the financial inclusion section, many people in developing countries are still facing challenges to gain financial access for life improvement, including the purchase off-grid energy products.

Renewable Energy's Contribution

Research on home solar systems provided by d.light, a DWM portfolio company, shows that off-grid renewable energy offers cost-effective access to electricity and brings economic benefits to households. Over the expected minimum unit lifetime of 5-years, households would save \$138 in total energy and mobile phone charging expenditures relative to what their expenditures would have been without such a home solar system, while benefitting from more hours of lighting than they previously had.^{xx}

SDG 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, including microfinance.
DWM investee companies provide financial solutions for people in developing countries to purchase renewable energy.

SDG 7: AFFORDABLE & CLEAN ENERGY

Target 7.2 Increase share of renewable energy.
DWM invested in renewable energy operating companies and helped to promote renewable energy usage in developing countries.

SDG 8: INDUSTRY, INNOVATION & INFRASTRUCTURE

Target 9.3 Increase access of small-scale enterprises to financial services
Target 9.4 Upgrade sustainable infrastructure, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies
DWM investee companies provide loans to SMEs within renewable energy and climate action sectors

DWM's Impact

As shown by the impact metrics on the previous page, DWM invested into solar operating companies and inclusive financial institutions providing related loans.

With access to solar products and related financial solutions, the households in developing countries reap the benefits of renewable energy, including energy expenditure savings.





OBJECTIVE 2: Provide Clean & Affordable Lighting

Current Challenges

People living off the electric grid in developing countries typically use carbon-based products to fuel primary lighting, which is expensive, polluting, low quality, and risky. For example kerosene lamps can increase risk of fire and personal health damage due to harmful emissions. Moreover, without cost-effective and high-quality lighting, children only have very limited hours to study every day.

Renewable Energy's Contribution

Off-grid renewable energy lighting products can (1) reduce fire risk, (2) reduce health risks, and (3) improve learning conditions. A study shows that d.light households experienced 88% fewer burns from lighting sources and 93% fewer fires than those who didn't use d.light solar products. The reported incidence of coughing also reduced among d.light households by 12%.^{xxi} In addition, research shows that solar products increased study hours for children^{xxii} and improved students' performance in some areas^{xxiii}.

SDG 3:
GOOD
HEALTH &
WELL-BEING

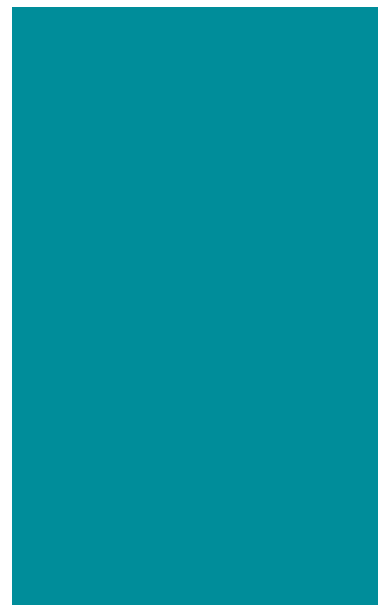
Target 3.9 Reduce the number of deaths and illness from hazardous chemicals and pollution
By replacing kerosene-based lighting, renewable energy products can help to reduce harmful emissions in the air.

SDG 4:
QUALITY
EDUCATION

Target 4.a Upgrade education facilities and effective learning environments for all
Off-grid renewable energy products, especially solar lanterns, increase study hours for students in developing countries and improve learning environments.

DWM's Impact

DWM's investee companies offer solar systems and solar lanterns. Both products are lighting alternatives improving clients' well-being and learning conditions. In addition, solar systems can be leveraged more broadly to provide high quality clean energy, such as mobile charging, fans for cooling and mosquito control, etc.





OBJECTIVE 3: Improve Environmental Sustainability

Current Challenges

In addition to harmful emissions, carbon-based products emit the main source of greenhouse gas – carbon dioxide (CO₂). Greenhouse gas emissions have been long argued as a factor of climate change. 65% of global greenhouse gas emissions are carbon dioxide, and fossil fuel use is the primary source of carbon dioxide. Since 1970, global CO₂ emissions have increased by about 90% due to increased economic activities^{xxiv}.

Renewable Energy's Contribution

Renewable energy and energy efficiency are two effective ways to reduce CO₂ emissions. Research also shows that replacing carbon-based products can help to reduce greenhouse gas emission and help to create a sustainable environment at the global level.^{xxv}

SDG 13: CLIMATE ACTION

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

By replacing carbon-based products, renewable energy products can help to reduce greenhouse gas emissions and create a sustainable environment globally.

DWM's Impact

In 2017, the four solar operating companies DWM invested in helped to offset 220,602 metric tons of CO₂ emission. The inclusive financial institutions in DWM's portfolio also supported energy efficiency and other renewable energy projects.



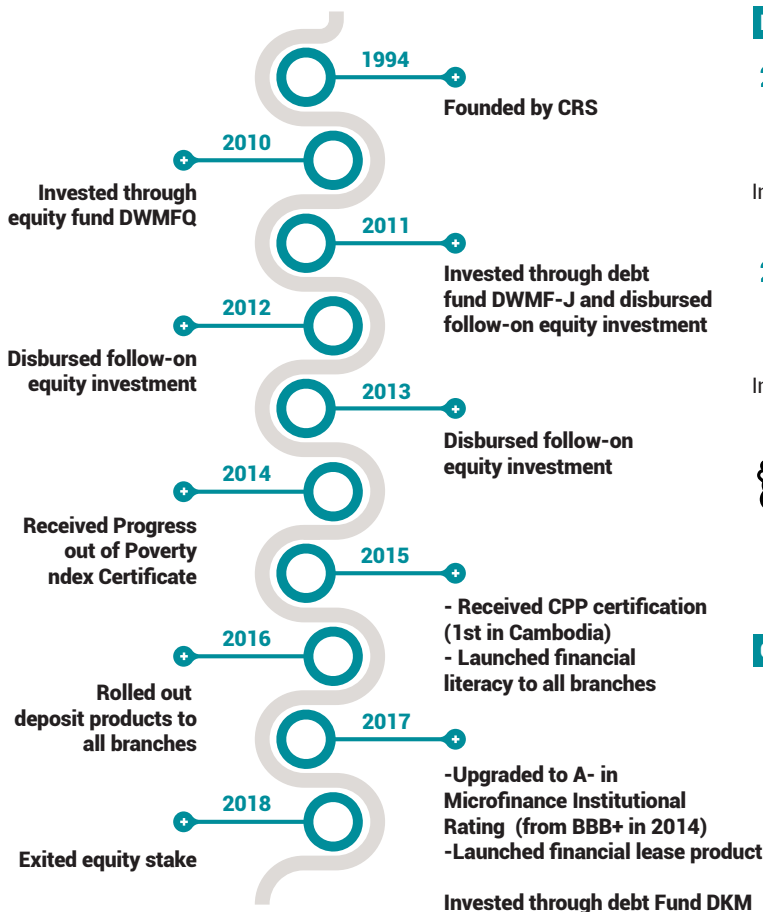
Client in Spotlight

LOLC (Cambodia) Plc.

LOLC (Cambodia) Plc. ("LOLC") is a microfinance institution with a social vision and a business orientation that provides entrepreneurs and families at the base of the socio-economic pyramid with the economic opportunities to transform the quality of their lives and their communities through the provision of effective and sustainable client empowering financial services.

History of LOLC with DWM

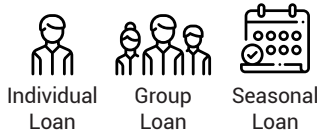
LOLC, known initially as Thaneakea Phum (Cambodia), Ltd., was established by Catholic Relief Services ("CRS") in 1994 to provide financial access to rural women in Cambodia. In 2010, DWM acquired a majority equity stake in LOLC and provided oversight and technical assistance to LOLC to help the company turn around and comply with high standards, improve profitability, and introduce new products. DWM sold its equity stake in LOLC to LOLC Private Limited in 2018 and continues to lend to LOLC.



Geographic Expansion	2010	2017
Number of Branches	11	76
Number of Operating Provinces	25 out of 25	16 out of 25

Product Mix Expansion

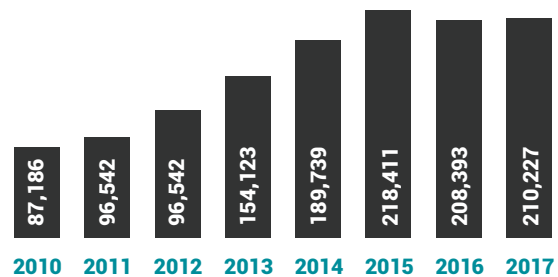
2010



2017



Client Outreach Expansion



Impact Performance Highlights

- Progress Out of Poverty (PPI) is used to measure and track clients' life quality improvement
- Received Client Protection Principles (CPP) certification from Smart Campaign
- Social and Environmental Assessment is fully integrated into loan lending process
- Provide financial literacy education to community by holding in-class training sessions and broadcasting through radio weekly



94%

Rural Clients



87%

Female Clients

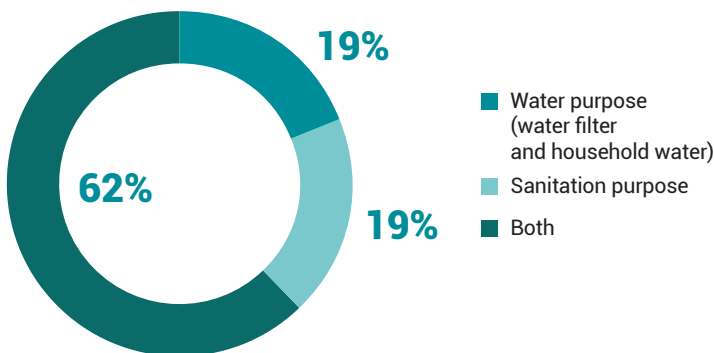


85%

Below Low-income Clients

Client Story

In 2016, LOLC introduced the Water, Sanitation and Hygiene Loan (WASH Loan) to village residents without WASH facilities, such as latrine, water connection, pump machine or water storage. The product is designed to improve clients' well being. In 2017, there are 7,795 borrowers for WASH loan with the below detailed breakdown of services:



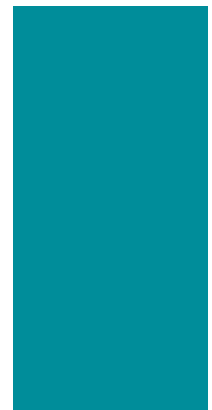
Keo Davin, from Kampot, Cambodia, received WASH loan from LOLC in 2017. Lack of water and sanitation is a major issue affecting the health of her village – Ou Mkak village. With the WASH loan, she gained access to clean sanitation facilities for the first time by hiring a construction firm to build a latrine for her family.



1. Water sanitation project in construction from LOLC WASH loan



2. Latrine built by LOLC WASH loan



Partnership and Recognition

DWM collaborates with a range of clients and partners to contribute to the development of the impact investing industry.

Industry Collaboration



The Smart Campaign advocates a common code of conduct in the microfinance industry, governing and establishing client protection safeguards. The Client Protection Principles (CPP) are the Campaign's outlined minimum standards that clients should expect to receive when doing business with a microfinance institution.



The United Nations Principles for Responsible Investment (PRI), created in 2005, provides a network of international investors with a framework of six principles for incorporating environmental, social and governance issues into their decision-making and ownership practices. In 2011, the Principles for Investors in Inclusive Finance (PIIF) were created as a distinct subset within the PRI Initiative, providing investors with a framework for responsible investment focused on access to finance for poor and vulnerable populations. DWM is signatory to both the PRI and the PIIF and submits annual progress reports.



Microfinance Information Exchange provides objective and qualified financial and social performance information on microfinance institutions, covering some 2,000 institutions globally. DWM encourages microfinance clients to submit annual Social Performance Standards Report to MIX and to acquire social ratings.



The Global Impact Investing Network (GIIN) is a nonprofit organization dedicated to increasing the effectiveness of impact investing through collaboration, research and advocacy. GIIN has developed the Impact Reporting & Investment Standards (IRIS), an independent set of common metrics for impact reporting.



Global Impact Investing Rating System (GIIRS), a project of the independent non-profit B Lab, is a comprehensive and transparent system for assessing the social and environmental impact of companies and funds with an approach to ratings analogous to Morningstar's and an analytic approach similar to Capital IQ's. Ratings are subject to the GIIRS verification process, which is executed with the support of a third-party documentation review. DWM was named a pioneer by GIIRS and has one of the first funds to commit to receiving a GIIRS Impact Rating.

Looking Ahead

We are proud of what DWM has achieved through the last decade, but there is more to be done. We view our impact measurement approach as an evolving framework. We will continue to be ambitious in seeking return-first investment opportunities that driving positive social and environmental impact in the developing world. A few initiatives in our pipeline are summarized below:

Sector Expansion

In addition to financial inclusion and renewable energy, we aim to invest in new sectors that contribute to the United Nations Sustainable Development Goals.

Geographic Expansion

DWM seeks to bring our positive impact to more developing countries in need of international capital access. We have been actively expanding our investments geographically, especially in Africa.



DWM SDGs Emerging Market Equities Fund

We launched our model portfolio for the DWM SDGs EM Equities fund on May 23, 2017 and the fund is expected to go live in Q4 2018. For this fund, we use Bloomberg as our investment platform from which we source investment candidates aligning with SDGs. As of Q2 2018, we have 49 companies in our model portfolio of which 40 have core products and services that are aligned with the SDGs and four more companies have operations aligned with the SDGs.



Thank you

Endnotes

- ⁱ Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank
- ⁱⁱ <https://www.cgap.org/sites/default/files/CGAP-Forum-Latest-Findings-from-Randomized-Evaluations-of-Microfinance-Dec-2011.pdf>
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- ^{iv} <http://www.imf.org/external/pubs/ft/issues/issues26/index.htm>
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- ^{ix} Demirgüç-Kunt, Asli, Leora Klapper, Dorothe Singer, Saniya Ansar, and Jake Hess. 2018. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: World Bank
- ^x <https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/MSME%20Report.pdf>
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