



DEVELOPING
WORLD
MARKETS

2020 IMPACT REPORT



“2020 has been a year of stress, uncertainty, and economic hardship for our global community, but in adversity seeds of progress can be sown.”

MANAGEMENT NOTE

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1 About Developing World Markets





DEVELOPING WORLD MARKETS

Our Mission:

Developing World Markets (DWM) seeks to provide investors access to return-first impact investments in the emerging and frontier markets. This mission has allowed DWM to pioneer investible solutions that sustainably address the social, environmental, and economic needs of

the developing world. We have done this through our people and partners, who are brought together by our shared purpose and commitment to building inclusive, resilient, economically-strong, and environmentally-sound communities.

Return-First Impact Investment Approach:

DWM is dedicated to making impact investments that seek risk-appropriate returns for our investors while obtaining measurable environmental and social benefits and addressing some of the most pressing challenges in the markets where we invest.

Exclusive Focus on Emerging and Frontier Markets:

For over twenty-five years, DWM has exclusively focused on investing in emerging and frontier markets and to date has made investments in over 50 countries.

A History of Catalyzing Impact:

DWM began impact investing in 1999 and shifted exclusively to impact investments in 2004. By partnering with some of the world's largest institutional investors, DWM has invested or arranged over \$2.0 billion in financing for more than 200 environmentally and socially positive companies.

Multisector Impact Strategies:

Starting in 2016, DWM launched a groundbreaking structured product in the off-grid renewable energy space and has since launched multiple multisector funds that invest in a broad range of impact sectors including financial inclusion, renewable energy, sustainable agriculture, water and sanitation, and healthcare.

Global Presence:

Headquartered in Stamford, CT, with offices in New York, Lima, Delhi, Nairobi, and Singapore. DWM has a presence in 12 global locations including Costa Rica, Ecuador, Nicaragua, Japan, Germany, France, the Netherlands, and Russia.

Partnership for Impact:

DWM has continued to partner to further its impact objectives. DWM became a signatory of the Operating Principles for Impact Management in December 2019 and released its first disclosure in December 2020, committing to transparency

and accountability in impact management across 100% of its AUM and funds under management. DWM has also engaged with several impact partners including BFA Global, 60 decibels and Innovest Advisory to provide rigorous analytical approaches to measuring and managing the impact of its portfolio.

COVID-19 Response:

Acknowledging the critical role of the inclusive finance sector in facilitating a strong economic recovery, DWM has undertaken several initiatives to assess and address the impact of the pandemic on both our portfolio of inclusive financial institutions (IFINs) as well as their underlying micro and SME clients. DWM, alongside eight other leading financial inclusion investors, provided a coordinated response to the COVID-19 crisis through a Memorandum of Understanding (MOU) to provide IFINs with greater flexibility in managing their liquidity needs. DWM also worked with its portfolio to assess the impact on underlying beneficiaries to drive actionable, data-driven insights on how to manage risks and offer prudent and responsible lending to support resumption of business activity more effectively.

Sustainability:

DWM believes that impact investing should be conducted in a sustainable manner and that all impact investing firms should be carbon neutral. To that end, DWM tracks its largest source of emissions from air travel and offsets those emissions through the purchase of certified carbon credits. In 2019, DWM logged approximately one million air miles resulting in CO2 emissions of approximately 945 metric tons (based on World Resources Institute’s GHG protocol calculation tool). Against these emissions, we purchased certified carbon offsets from Native Energy’s, a public benefit corporation and certified B Corp, Project Sky Wind in Maharashtra, India. Additionally, as an organization, we recognize that there are emissions generated by our investment portfolio and we are determining a systematic method to measure and reduce to achieve carbon neutral or carbon-negative portfolios.





2 Management Note



Dear Readers,

2020 has been a year of stress, uncertainty, and economic hardship for our global community, but in adversity seeds of progress can be sown. While the pandemic has widened the significant gaps in income, racial, ethnic and gender equality that DWM's impact work has sought to address in developing countries – indeed, for the first time in over two decades, global extreme poverty has risen due to the compound forces of COVID-19, conflict, and climate change – 2020 has also brought greater focus to these inequities domestically in the US, Europe, and other societies we tend to describe as “developed”.

By spotlighting the inequities in our society, the public at large, who do not regularly engage in the work we do as impact investors, have become significantly more attuned to issues that must be addressed, both at home, and abroad. Our hope is that this understanding creates a sense of common purpose and shared destiny. We, at DWM, are hopeful that we are at the precipice of a transformative moment if we are serious about creating a more just society. This society must necessarily include support for what is often the engine for innovation, entrepreneurialism, and job creation across the markets in which we operate – micro, small and medium size enterprises.

Today that economic engine is starved of fuel because of a lack of access to capital or secure financial services. One cannot build an inclusive economy when over 70% of MSMEs lack access to basic credit. Despite global efforts, inequality of income and wealth has continued to grow, but this need not translate to inequity in access to opportunity for those that have been marginalized by legacy institutional structures. If, as Darren Walker, President of the Ford Foundation, has suggested, “conscious choices have led to conscienceless capitalism”, our conscious choices can also lead us to a more inclusive future. Our belief is that impact investing will be critical in this journey. Our approach requires strong investment partners and sound, evidence-based decision making to help our investees rethink, redesign and rebuild to be stronger and more inclusive. As impact investors, we deploy capital with a goal that goes beyond exercising responsibility towards customers, communities, and staff, to actively nurturing and sustaining those that build back the resilience of individuals and aspire to reinvest in and regenerate communities in order to drive a more equitable and inclusive society.

Despite the many challenges 2020 has brought, DWM has grown and increased its impact. We are particularly grateful to our team, spread across twelve countries for their incredible commitment and immense fortitude in continuing to support our portfolio of impact institutions, while also ensuring the safety and security of their own families, friends, and colleagues. We are humbled to have the continued support and partnership of our investors – including our newest ones this year – clients, peers, technical

partners, and service providers. This ecosystem of like-minded partners understands the urgency of our current moment and allocates time, expertise, and capital at scale to mitigate the economic and societal impact of the pandemic on already marginalized and underserved communities including women, youth, microenterprises, and rural communities.

The challenges we face as a global community are significant, but together we are confident in our ability to strengthen our collective response – aided by each of our employees, clients, investors, and partners towards achieving the shared ambition of more inclusive and resilient societies that provide opportunity and respect for each member and our planet.

On behalf of the DWM Team, thank you for your interest and continued support.



Aleem Remtula
Chairman of DWM Impact Committee



Aleem Remtula
Partner, Private Equity
and Chairman of DWM
Impact Committee



Peter Johnson
Co-Managing
Partner



Edward Marshall
Co-Managing
Partner



Odette Tolliver
Partner,
CFO



Brad Swanson
Partner,
Private Equity



Courtland Walker
Partner,
Head of Products
& Partnerships



Suryoday Small Finance Bank

Suryoday is an urban and semi-urban focused institution based in Navi Mumbai, India. The DWM Inclusive Finance Equity Fund II made an initial equity investment in 2015 of \$3.7 million in Suryoday. Between 2015 and 2019, to support Suryoday's growth and transformation to a small finance bank, DWM participated in three successive follow-on rounds resulting in a total investment of \$7.8 million.

Suryoday started operations as a microfinance institution in May 2009 with 5 branches and, during DWM's hold period, transformed into a small finance bank in January 2017. Suryoday currently has over 480 branch outlets across 11 Indian states and union territories. Suryoday has expanded its products and services through bank transformation from initially offering joint liability group loans to women in urban and semi-urban areas to now also offering deposits, home loans, commercial vehicle loans and other retail loans. In 2019, DWM commissioned a lean data survey to review impact outcomes of Suryoday's activities and an assessment of bank transformation on clients. Insights provided details on customers' perception of Suryoday, impact of bank transformation and actions for improving customer satisfaction which have been used by the team in enhancing product offerings and outreach strategies.

Suryoday's focus on ensuring customer satisfaction and resiliency was a foundational pillar of its response to the global pandemic in 2020. The state of Maharashtra (Suryoday's base and largest market) was one of the worst affected during the early months of the pandemic. During April and May, when the country was in a strict and prolonged



lockdown, Suryoday's field team conducted regular calls with their customers to offer support and check-ins on physical and mental well-being. The primary objective was to connect with customers during a challenging time and ensure Suryoday's support through transparency and communication, including customer service to address questions or concerns on the central bank's 3-month moratorium that was further extended by three additional months. During these outreach calls, Suryoday was able to connect with over 60% of their client base.

In response to liquidity and economic challenges faced by its clients, Suryoday also adjusted product and customer outreach strategy to better serve its customer base. For instance, savings accounts were enhanced with overdraft protection based on historical repayment behavior to ease clients' liquidity requirements. With a strict lockdown and curtailed movement, Suryoday incorporated digital channels alongside digital upscaling of customers to scale such initiatives. Over this year, Suryoday has embarked on two innovative partnerships to drive digital payments and digital banking. Suryoday partnered with Razorpay, a digital payments gateway, as a platform for collecting payments to offer more flexibility to customers and within 4 months, had already completed over 150,000 transactions. In December 2020, Suryoday also partnered with Paytm, one of India's largest and most popular mobile wallet and digital financial services platform, to offer instant digital loans to MSMEs. For both Paytm and Suryoday, this is the first partnership of its kind and is estimated to reach over 100,000 MSME customers over the next 12 months.



3 Portfolio Highlights

Portfolio

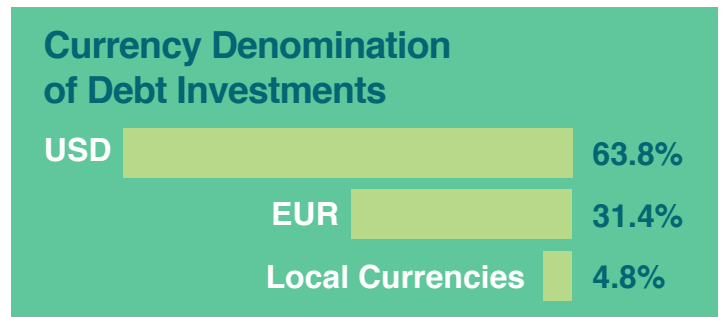
<p>83 Total Companies in Portfolio</p> 	<ul style="list-style-type: none"> • 80 Inclusive Financial Institutions • Including 9 IFINs with Renewable Energy Mandate • 3 Solar Operating Companies 	<p>32 Total Countries in Portfolio</p> 
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Types of Organizations

72 MFIs	8 SMEs
17,038,983 Active Borrowers Reached	668,055 SMEs Reached

Regional Investment Breakdown 2019 Data

South, East, and Southeast Asia	36%
Central American Common Market	21%
South America	14%
Eastern Europe	13%
Caucasus and Central Asia	9%
Africa and Middle East	7%



Where we invest

SOUTH AMERICA

- Bolivia
- Brazil
- Colombia
- Costa Rica
- El Salvador
- Ecuador
- Guatemala
- Honduras
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Uruguay
- Cayman Islands

EASTERN EUROPE

- Albania
- Bosnia
- Bulgaria
- Cyprus
- Estonia
- Hungary

- Kosovo
- Latvia
- Macedonia
- Montenegro
- Poland
- Romania
- Russia
- Serbia
- Moldova
- Ukraine

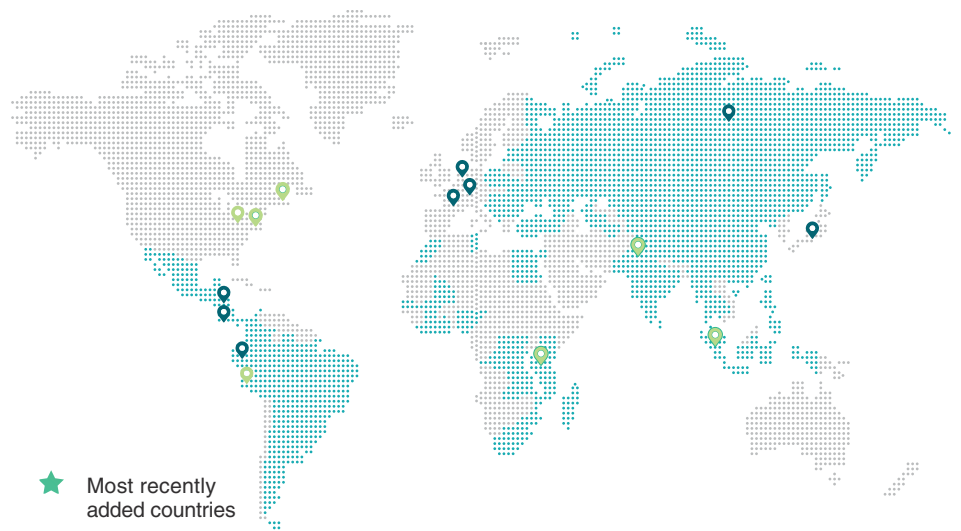
AFRICA & MIDDLE EAST

- Côte d'Ivoire
- D.R. Congo
- Egypt
- Ghana
- Jordan
- Kenya
- Liberia
- Madagascar
- Mali
- Morocco
- Mozambique
- Nigeria
- Pakistan
- Rwanda
- Senegal

- South Africa
- Tanzania
- Tunisia
- Zambia
- ★ Burkina Faso

ASIA

- Armenia
- Azerbaijan
- Cambodia
- China
- Georgia
- India
- Indonesia
- Kazakhstan
- Malaysia
- Mongolia
- Myanmar
- Pakistan
- Sri Lanka
- Philippines
- Tajikistan
- Taiwan
- Turkey
- Thailand
- ★ Uzbekistan
- ★ Kyrgyzstan



- ★ Most recently added countries
- 📍 Offices in Stamford, Connecticut, New York, Lima, Delhi, Nairobi, and Singapore
- 📍 Additional staff in the Netherlands, Costa Rica, Ecuador, Nicaragua, Japan, France, Germany, and Russia

DWM has invested in 200+ impact companies across 60+ developing countries.

Financial Inclusion



78%

Providing Financial Literacy



87%

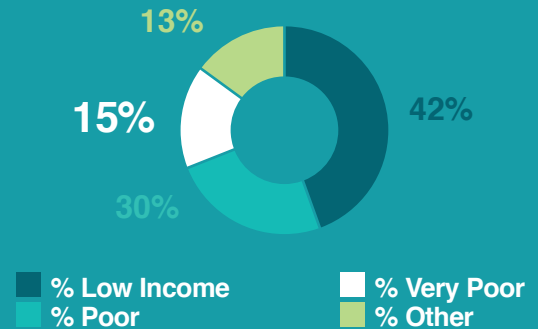
Low-Income Clients



92%

IFINs Implementing CPP

Income Level Distribution



Financial Products Offered



22%

Remittance Services



23%

Debit/Credit Cards



32%

Saving Products



52%

Loan Insurance



51%

Life Insurance

Non-Financial Services Offered



14%

Basic Health Nutrition Education



20%

Basic Medical Care



23%

Enterprise Skills Development



28%

Business Development Assistance



78%

Financial Literacy Training

Gender



25%

IFINs Serving 70% female client base



77% Women



23% Men

Gender Distribution

Greater balance in Gender Representation among management teams and growth in female board membership across portfolio:



12%

Growth in female directors

137%

Growth in female management team members

Community Type



75% Rural



25% Urban

Growth in rural/agri related activities:

~90% growth in Agricultural lending with 10% of MFI portfolio comprised of lenders with a majority of loans in Agriculture

~10% growth in Rural lending

Environmental Trends

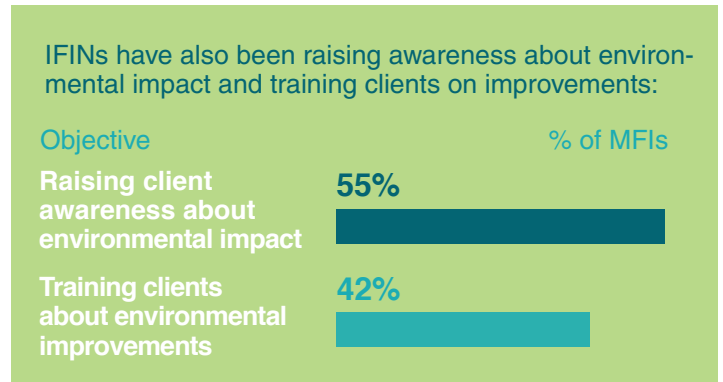
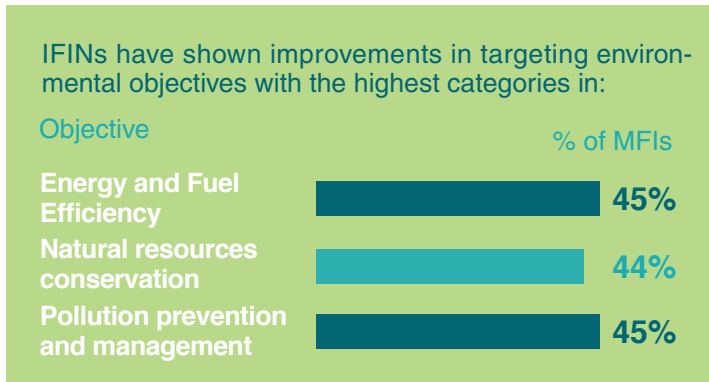
The tracked environmental metrics showed overall category improvement with 11 of 18 metrics showing year over year growth

Strong growth in Environmental trends



10% Growth in raising client awareness on environmental impact

22% Growth in training clients on environmental improvements



Digital Access Year over year growth in: IFINs have been showing strong growth trends year over year in providing access to mobile banking

37% Access to Mobile Banking Services	37% Ability to Receive loan disbursements via mobile banking	27% Ability to Make loan repayments via mobile banking	37% Access to Savings account via mobile banking
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Financial Inclusion as part of the Off-Grid and Renewable Climate Action (ORCA) Note

9 Inclusive Financial Institutions **>>** **\$121,000,000** ORCA Loans Extended

Renewable Energy & Climate Action

3 Solar Operating Companies **>>** **350,000** Solar Home Systems Installed

180,000,000 Solar Lanterns Sold

350K+ New Homes Served **415K+** Metric Tons of CO₂e Avoided **1.3M** Homes Served

4 Financial Inclusion & Contribution to SDGs



Credit Gap

In the last 30 years, people living below the international poverty line of \$1.90 a day or less has have been cut from nearly 36% to under 10%.¹ However, due to the COVID-19 pandemic, many of those who were previously able to progress out of poverty are at risk of being pushed back below that level. According to the 2017 Global Findex Report, about 1.7 billion adults globally do not have an account at a financial institution or a mobile money provider. While in developed countries 94% of adults have accounts at either financial institutions or mobile money providers, in developing countries, that number drops to just 63% of adults. While in certain countries account ownership has surged, progress for much of the developing world has been slower, especially among marginalized populations. Women and rural communities continue to be over-represented among the world's unbanked and poor.²

In addition, recent studies show that small and medium enterprises (SMEs), some of the hardest hit during the pandemic, account for a majority of private sector business and economic activity in both developed and developing countries.³ Formal SMEs contribute up to 45% of total employment⁴ and 33% of Gross Domestic Product (GDP)⁵ in many developing economies, and in some estimates account for as much as 90% of total employment when considering the underserved informal sector. According to a 2017 World Bank report, there are 21 million SMEs in developing countries and 44% of them are considered financially constrained. An estimated \$4.5 trillion in additional investment is needed if we are to close the SME finance gap and provide better economic opportunities for people all over the world.⁶

Financial Inclusion as a Solution

Financial inclusion offers a solution to the credit gap by providing lower-income populations access to financial services that are provided in a responsible manner, such as microfinance, SME finance and other specialized financial services. To varying degrees, financial inclusion enables access to credit, provides support for entrepreneurs, and assists in income smoothing to create opportunities for borrowers. Financial access alone is not sufficient, however, and for financial inclusion to be an effective solution, it must be conducted in a transparent and responsible manner.

DWM's Impact

DWM supports financial inclusion through private debt and private equity investments into Inclusive Finance Institutions (IFINs), such as microfinance institutions (MFIs), Micro, Small and Medium Enterprise (MSME) lenders, banks and specialty lenders (e.g. affordable housing, education, renewable energy, equipment/vehicle leasing) providing financial services to unbanked and underbanked individuals, micro entrepreneurs, and SMEs. As of December 31st, 2019, DWM has investments totaling over \$580 million including investments in 72 MFIs and 8 SME lenders in 32 emerging markets, and 92% of DWM's portfolio companies have implemented the Client Protection Principles.

DWM's Contribution to the SDGs

Given DWM's role in driving private, institutional capital towards achieving key impact objectives in financial inclusion, the firm's strategy and that of its funds contribute to and directly align with targets identified under five of the UN Sustainable Development Goals.

DWM makes direct contributions to:



SDG 1: No Poverty

DWM funds microfinance and SME lenders in the developing world that in turn promote financial inclusion access. Research has demonstrated that financial inclusion, providing banking services for the estimated 1.7 billion adults without⁷, is beneficial to economic and social development. In a random evaluation study conducted by CGAP, microfinance helps households reprioritize expenses and smooth consumption, tools that are valuable to poor households when dealing with financial shocks. An additional study by the World Bank found financial inclusion positively impacts economic growth indicators such as per capita income and rural poverty rates.⁸



SDG 5: Gender Equality

Financial inclusion helps support gender equality as a means to improve overall household financial health. Increasing financial access gives women greater control over household consumption decisions and increases bargaining power within households. Additionally, by increasing credit availability to women-owned SMEs, data has shown increases in real income per capita growth rates by an average of 85bp⁹. Finally, a number of microfinance institutions provide tailored services to women in the forms of business and leadership trainings.





SDG 8: Decent Work & Economic Growth

Through DWM’s support of both microfinance institutions and SME lenders, DWM is able to support vocational skill development and promotes employment opportunities. Additionally, some of the microfinance institutions directly provide business development assistance and enterprise skills development.



SDG 10: Reduced Inequalities

Similar to the support of financial inclusion for gender equality, increasing financial access to poor and typically underrepresented groups helps alleviate income inequality and therefore living standards. Additionally, empowering individuals and companies through responsibly provided financial access can lead to increases in living standards, which over time reduce inequalities.



SDG 17: Partnerships for the Goals

DWM is responsible for helping mobilize financial resources toward developing countries. It does this through the help of partners, who are brought together by our shared purpose and commitment to building inclusive, resilient, economically-strong, and environmentally-sound communities.

DWM makes indirect contributions to:



DWM’s work toward reducing poverty has the follow-on effects of supporting reduction in hunger, increasing health, and increasing access to education. Studies show that access to credit, savings products and micro-insurance can improve agricultural productivity and increases yields while protecting against catastrophic risks. These same savings and insurance products make individuals

less vulnerable to health emergencies and allow them to invest more in preventative health products and more nutritious foods. Savings products also enable increased spending on education.

Additionally, in some instances DWM provides direct investment in companies focused on environmental and energy initiatives. DWM also promotes environmentally friendly approaches of its MFI and SME borrowers. Microfinance, SME lending and micro leasing can also provide credit to finance the purchase of water and sanitation products and affordable clean energy products.

To varying degrees, financial inclusion also promotes employment, vocational skill development, innovation, and the development of small-scale industries and economic growth.



DWMs Direct Contributions to SDGs through Financial Inclusion

SDG	DWM Contribution	
SDG 1: No Poverty	42%	% of end clients are low income
	45%	“% of end clients poor or very poor
	69%	% of end clients are micro-enterprises
	59%	% of IFIN provide business, ag or life insurance
	\$1,557	Median Loan Size
SDG 5: Gender Equality	37	IFINs with Client Base Majority Female
	21	IFINs with Portfolio Majority Female
	11	IFINs with Client Base 80% Female
	8	IFINs with Portfolio 80% Female
	21%	% of Female Board Members
	39%	% of Female Management
SDG 8: Decent Work & Economic Growth	74%	Loans for income-generating purposes
	100%	IFINs with “Fair Recruitment Practices”
	97%	IFINs with “Fair Career Advancement Practices”
SDG 8 & 9	8	IFINs specializing in SME Lending
SDG 10: Reduced Inequalities	77%	% of Client Female
	75%	% of Clients Rural
	82%	% IFINs operate as non-banks/serve smaller sized target market
	42%	% of end clients low income
	45%	% of end clients poor

DWM's Indirect Contribution to the SDGs through Financial Inclusion

SDG	DWM Contribution	
SDG 2: Zero Hunger	38%	% lending in Ag Sector by Loans
	7	# with majority in Ag Sector by Loans
SDG 3: Good Health and Well-Being	20%	% provide Basic Medical Service
	14%	% provide Basic Health or Nutrition Education
SDG 3 & 4	41%	% provide of IFINs offering voluntary deposit savings
SDG 4: Quality Education	78%	% provide Financial Literacy Training
	28%	% provide Business Development Assistance
SDG 6: Clean Water & Sanitation	12	# of Companies provide Credit in Water and Sanitation
SDG 7: Affordable and Clean Energy	30%	% of Companies provide Credit in Clean Energy / Energy Efficiency
SDG 9: Industry Innovation and Infrastructure	8%	% of Companies Utilize Tech Product in Field
SDG 13: Climate Action	47%	% of Companies that Provide either Water / Sanitation or Clean Energy / Energy Efficiency

% of DWM IFINs who Identify their Mission Objectives with SDGs





Génesis Empresarial

Génesis is a non-profit financial institution providing microfinance in Guatemala. Génesis operates throughout Guatemala, focusing on female entrepreneurs and the lower end of the market. Génesis has been an impact leader regionally and the only Latin American company to receive a “5-star rating” from the microfinance rating agency MicroRate for 2 consecutive years.

DWM has had a longstanding lending relationship with Génesis, dating to 2008. During this time, DWM has made debt investments totaling over \$22 million, typically in local currency to best meet Génesis’ financing needs. Below we highlight how DWM’s investment supported Génesis’ expansion into mobile access to extend their product services to deeper rural areas.

In order to effectively integrate rural clients, Génesis has made significant investments in both its IT systems and its ATM network to get more rural borrowers banked. Additionally, to minimize costs and difficulty of having an expansive branch network, Génesis has been incorporating mobile applications into its outreach program as a way for clients to both make and receive payments. While Génesis had the app in place prior to the global pandemic, the shutdowns and physical interaction restrictions have seen the use of that app jump significantly from close to 50% of clients pre-COVID to now more than 85% of clients using it. This acceleration in mobile use continues the trend DWM is seeing across the portfolio.



5 Renewable Energy & Climate Action



Renewable Energy & Climate Action: Identifying the Need

Clean Energy Gap

According to the International Energy Agency’s 2017 Outlook Report¹⁰, 1.1 billion people (14% of global population), did not have access to traditional electricity sources, with the majority of these individuals living in rural areas.

Grid utilities are often too expensive for developing countries to effectively expand and maintain. As a result, people living off the electric grid typically rely on carbon-based products to fuel primary

lighting, which can be expensive, additionally pollutive and increase potential health risks. A practical alternative to this problem comes in the form of off-grid renewable energy. However, this still does not address the challenge of people in developing countries gaining financial access to improve their quality of life which includes purchasing off-grid energy products.

DWM has been contributing toward this challenge through its Off-Grid and Renewable Climate Action Note (ORCA) and multisector funds.

Financial Inclusion as part of ORCA Note 2019 Data

 **9** Inclusive Financial Institutions  **\$121,000,000** ORCA Loans Extended

Renewable Energy & Climate Action



3 Solar Operating Companies



350,000 Solar Home Systems Installed



1,800,000 Solar Lanterns Sold



350,000

New Homes Served



415,000

Metric Tons of CO2E Avoided



1,300,000

Homes Served

DWM has invested in three off-grid solar companies that in 2019 provided more than 350,00 solar home system installations as well as sold approximately 1.8 million solar lanterns. Purchases of these products are expected to serve 1.3 million households and this activity is expected to help avoid 415k metric tons of CO2 emissions.

Renewable Energy's Contribution to the SDGs



Off-Grid, Renewable Energy and Energy Efficiency's Contribution to the SDGs

Research shows that replacing carbon-based products can help to reduce greenhouse gas emissions and help to create a sustainable environment at the global level while addressing SDG's 7,9, & 13.

Based on data reported to DWM from the three solar operating companies in which it has invested, customers who purchase solar systems benefit from savings of \$167 (on average) in energy and mobile charging expenditures and the electricity access, contributing to SDG 1. The foregoing calculation is based on DWM-collected metrics over an expected minimum unit lifetime of 5-years.

Off-grid renewable energy lighting products can also reduce fire and health risks and positively contribute to SDG 3. A study shows that households purchasing solar kits from DWM investee, d. Light, experienced 88% fewer burns from lighting sources and 93% fewer fires than those who didn't use d. Light solar products but were often using kerosene-based products.





PADECOMSM Credito

PADECOMSM is a fund in El Salvador created to assist with the reconstruction of municipality of Morazan following the country's civil war. Initially, PADECOMSM focused on health and increasing agricultural yields. In 2007, PADECOMSM created the subsidiary PADECOMSM Credito to focus solely on the microfinance business which a focus of small loans to women, rural areas, and marginalized communities.

In 2018, a DWM-advised fund made a \$1.5 debt investment in PADECOMSM Credito. Below we highlight how PADECOMSM Credito has used this debt financing to provide support for women and the community in El Salvador.

PADECOMSM Credito has been systematically addressing the gaps that hinder female entrepreneurship. One of the challenges for female entrepreneurs was that if they had children, they would often be forced to choose between work, caring for the children, or having the children accompany them while working. PADECOMSM Credito established a program where children could be left for the day and were provided with education and food that allowed female entrepreneurs an alternative. PADECOMSM Credito has also been working in communities both by partnering with a local public school to make investments in infrastructure, and by establishing programming in the school focused on educating communities on proper utilization of water and on a campaign related to reforestation in the Morazan province.

6 Partnership Recognition



Investment Partnership

DWM's work takes place in collaborative ecosystem where investors and investment partners are not just financial partners but intellectual partners as we deploy funds into impact investments, targeting financial and impact goals. The results reflected in this report would not be possible without the support of the following institutions:

Nordea



Daiwa
Securities Group Inc.



TRILL IMPACT

KFW

actiam



INVEST
IN VISIONS

m O N E G A ■



TOKIO MARINE



Industry Collaboration



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 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.



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 receive a GIIRS Impact Rating.



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.



Operating Principles for Impact Management (Impact Principles), launched in April 2019, provide a framework for investors to ensure that impact considerations are purposefully integrated throughout the investment life cycle.

The Impact Principles bring greater discipline and transparency to the impact investing market, requiring annual disclosure statements and independent verification of impact management systems and processes. DWM became a signatory of the Impact Principles in December 2019 and published its first annual disclosure statement in December 2020.



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.



DWM & BFA Partnership

DWM’s private equity team partnered with BFA Global to support its portfolio of financial institutions in assessing the evolving impact of the pandemic on micro- and SME customers. Key insights were derived from machine learning models applied to over 3,500 client surveys. Company specific raw data and insights were provided to each financial institution to support data driven decision making and next steps.

8 PE portfolio companies participated in the survey from 6 different countries: Armenia, China, Colombia, Georgia, India, Panama. 60% of respondents were micro-enterprises, while the remaining 40% were small- and medium- enterprises. 40% of the respondents were women.



The initiative’s objectives were to support portfolio companies with:



Economic impact assessment of shock and recovery outlook for MSME clients



Product development and relending action plan



Digital adoption assessment among MSME clients

Analysis of company level data highlighted a few trends:



>50% clients reported declines in revenues



Unsurprisingly, working capital is the top need for SMEs (>85% in some markets)



On average, >60% respondents were willing to borrow digitally

The complete data set of responses from all portfolio companies was put through machine learning algorithms which automatically checked correlations across variables and identified the

strongest relationships to uncover insights from the survey exercise. These insights were mapped to the three main objectives and some of the key findings are summarized in the next two pages.

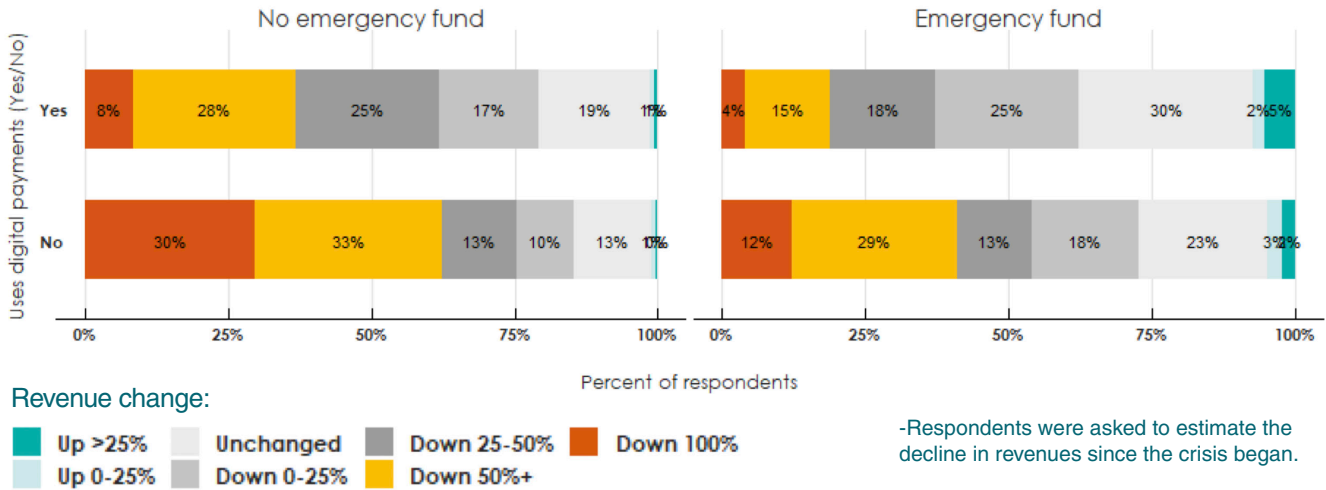
Economic Impact

- Machine learning analysis correlates less severe declines in revenues for micro-enterprises that had emergency funds and used digital payments.



REVENUES ARE DOWN FOR THE UNPREPARED AND UNPLUGGED

BFA Global survey of DWM portfolio companies, microenterprise customers



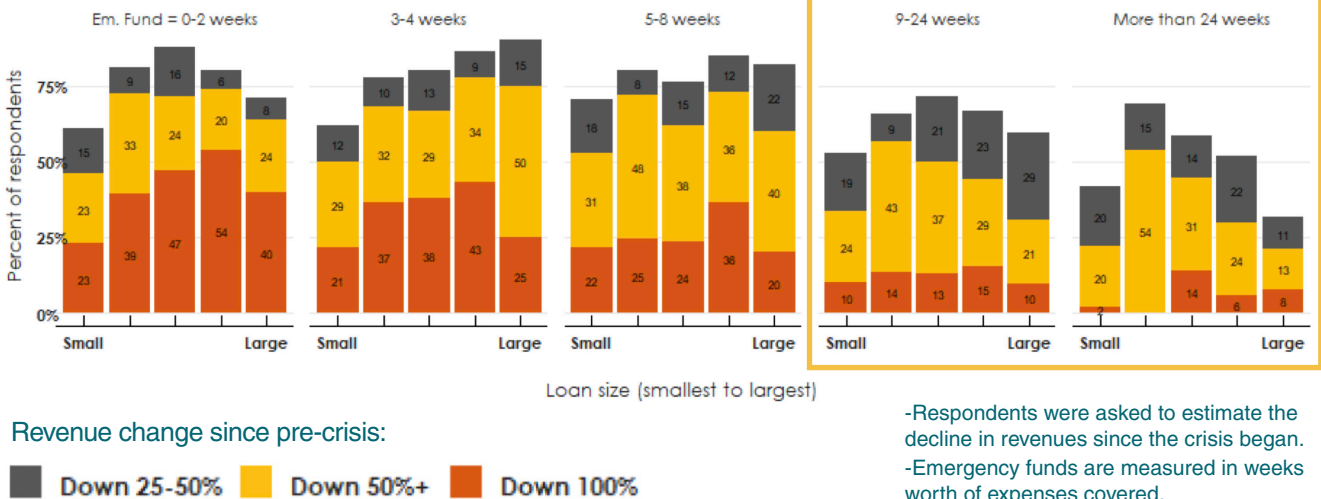
Product Development

- SMEs with emergency funds that cover >2 months in expenses experienced less severe revenue declines.



REVENUES DROP WITH LARGER LOANS, SMALLER EMERGENCY FUNDS

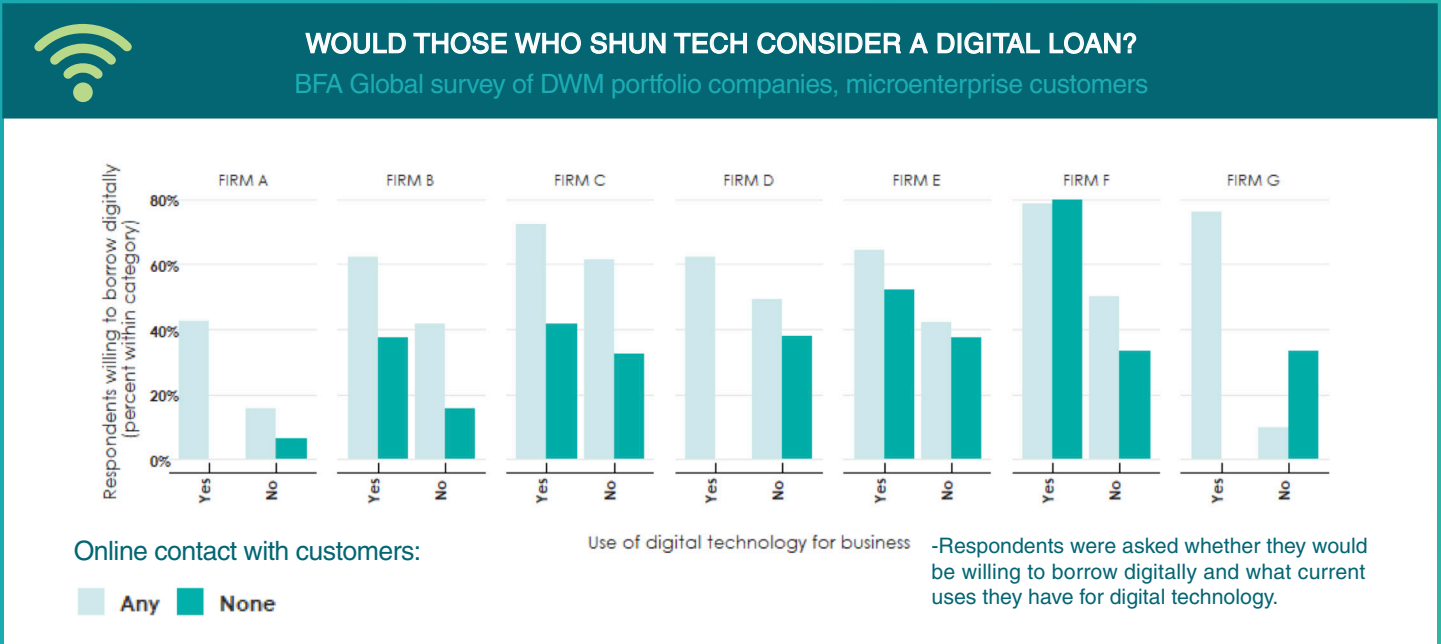
BFA Global survey of DWM portfolio companies, small business customers



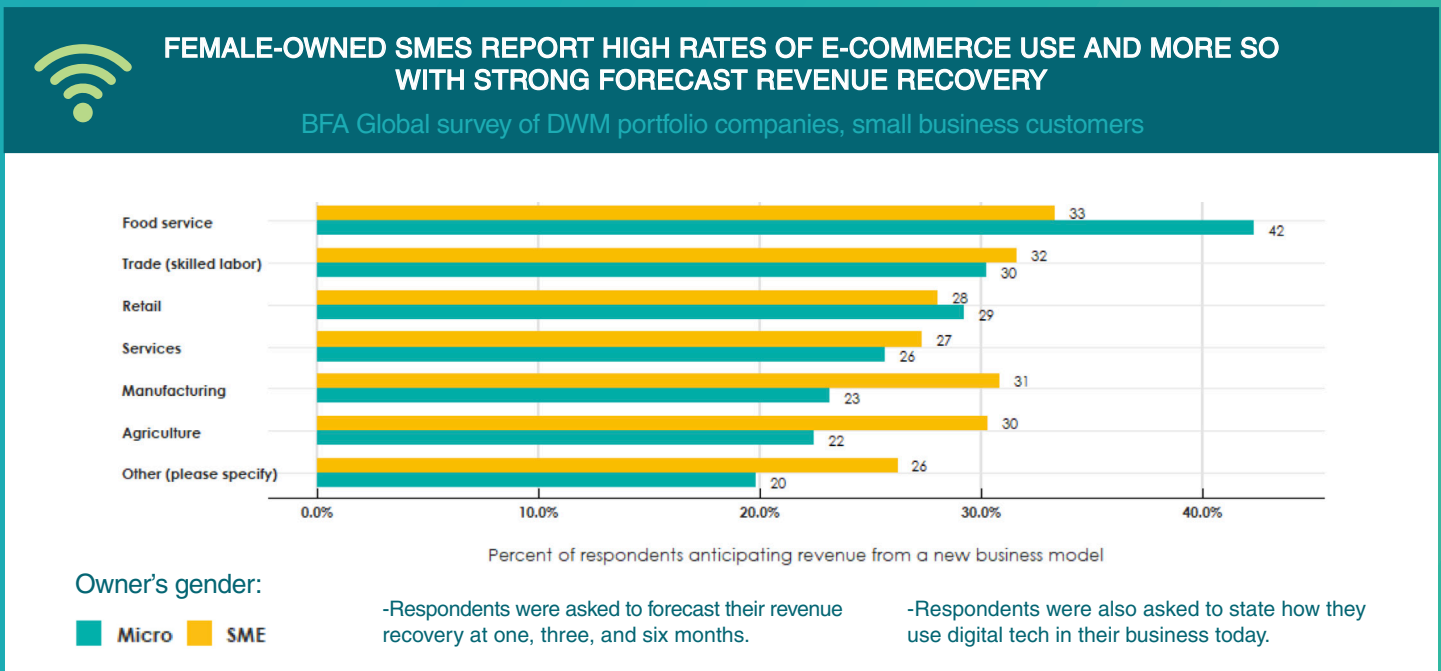
- Loan size emerged as an indicator of revenue decline: SMEs with larger loans outstanding had more severe declines.

Digital Adoption

- Even MSMEs who do not engage online with customers or use technology for digital business have a significant proportion (40%) willing to take a digital loan.



- While SMEs are more likely to be male owned (76%) compared with micro-enterprises (56% male), female-owned SMEs are more likely to use e-commerce across the board).



These insights supported DWM’s PE portfolio companies with planning for product enhancement and outreach strategies as re-lending picks back up. For instance, a portfolio company accelerated plans to deploy 100% digital loans based on their clients’

overwhelming positive response to taking a digital loan. As a next step, the DWM PE team, in partnership with BFA Global, is in the process of deploying a second wave of surveys across the portfolio to capture latest insights in a fast-evolving crisis.

7 Impact Management



Impact Measurement

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 Measurement

DWM became a signatory of the Operating Principles of Impact Management:

The Operating Principles for Impact Management (“the Principles”) were officially launched at the World Bank Group – IMF Spring Meetings in April 2019.

The 9 principles are intended to be a framework for investors for the design and implementation of their impact management systems, ensuring that impact considerations are integrated throughout the investment lifecycle.



Signatory & Disclosure:

- In December 2019, DWM became a signatory of these principles and by doing so, publicly demonstrated its commitment to implementation of a global standard for managing investments for impact. As part of the signatory process, DWM agreed to publish an annual disclosure statement describing how each principle is incorporated into the investment process and DWM’s alignment.
- In December 2020, DWM reaffirmed its status as a signatory by publishing its 1st annual disclosure statement. This document is publicly available, both on DWM’s site ([dwmarkets.com](https://www.dwmarkets.com)), as well as the reporting page for the impact principles (<https://www.impactprinciples.org/signatories-reporting>).
- As part of its commitment, DWM is also seeking an independent 3rd-party verification of the alignment to the principles and will be published in 2021.



Strategic Intent	Organization & Structuring	Portfolio Management	Impact at Exit
<p>1. Define strategic impact objective(s) consistent with the investment strategy.</p> <p>2. Manage strategic impact on a portfolio basis.</p>	<p>3. Establish the Manager's contribution to the achievement of impact.</p> <p>4. Assess the expected impact of each investment, based on a systematic approach.</p> <p>5. Assess, address, monitor, and manage potential negative impacts of each investment.</p>	<p>6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately.</p>	<p>7. Conduct exits considering the effect on sustained impact.</p> <p>8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.</p>

Independent Verification

9. Publicly disclose alignment with the Principles and provide regular independent verification of the alignment.

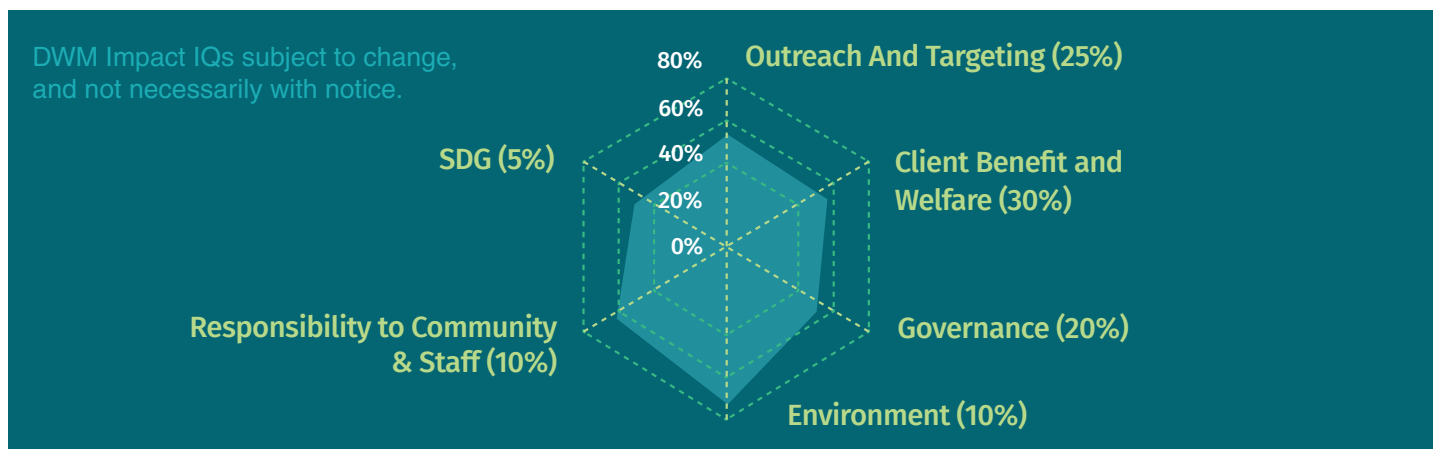
Impact Measurement

DWM Impact IQs

Evaluation Dimension

Indicator Examples

Client Benefit & Welfare (30%)	- Borrower Indebtedness Prevention - Non-financial products and services
Outreach & Targeting (25%)	- Average Loan Size; Client poverty levels - Rural vs. Urban
Responsibility to Community & Staff (10%)	- Staff feedback, grievance mechanism - Contributions to community
Environment (10%)	- Internal environmental policies and products - Environmental education and promotion
Governance (20%)	- Mission and vision - Salaries, remuneration, and incentives
SDG (5%)	- Women in Management - MFIs offering basic medical care



Impact analysis

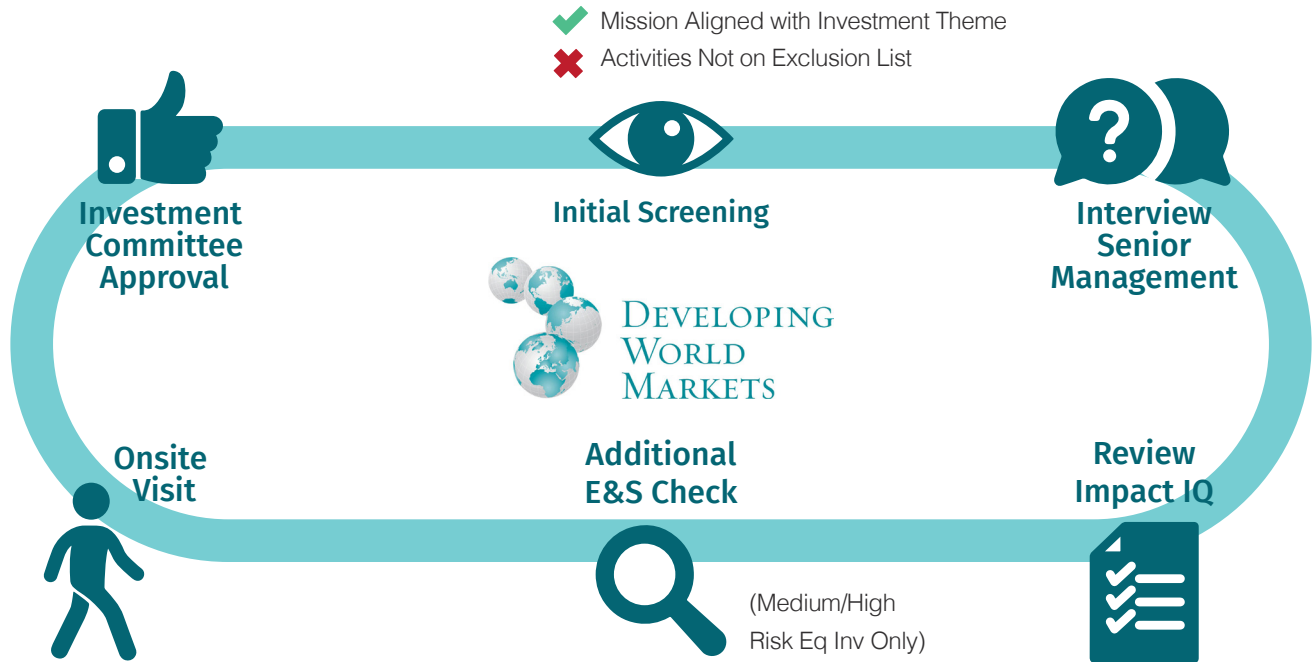
DWM's Impact Questionnaire & Scorecard (DWM Impact IQs) is a proprietary data-driven tool used to evaluate potential investments during the due-diligence process and to track ongoing impact performance on an annual basis, thereafter. The DWM Impact IQs are aligned with and include metrics from IRIS+, HIPS0 and SPTF. The DWM Impact IQs use nearly 150 indicators to evaluate alignment with the SDGs and impact across five additional vectors: i) Outreach & Targeting, ii) Client Benefit & Welfare, iii) Responsibility to Community and Staff; iv) Governance; v) Environment. The DWM Impact IQs are

customized based on the portfolio company types, including microfinance institutions, SME lenders, and solar operating companies. Data is cross-checked for accuracy against DWM's financial database.

In addition to the Impact IQs, broader ESG performance at investees is also assessed through use of international best practices, toolkits, and frameworks such as an E&S Risk Management System (designed with technical assistance of OeEB, the Austrian Development Bank), SMART Client Protection Principles, and the UN PRI, among others.

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, when COVID restrictions allow, onsite visits.



Post-Investment Process

On an annual basis, DWM collects social and environmental data to track trends and identify areas of strength, improvement, and future growth opportunities for each portfolio company. Additionally, when COVID restrictions allow, DWM performs annual on-site follow-on visits.



- 1 <https://www.worldvision.org/sponsors-hip-news-stories/global-poverty-facts>
- 2 https://globalindex.worldbank.org/sites/globalindex/files/2018-04/2017%20Index%20full%20report_0.pdf
- 3 <https://oecd-development-matters.org/2017/04/03/unlocking-the-potential-of-smes-for-the-sdgs/>
- 4 http://www.ilo.org/wcmsp5/groups/public/-ddgreports/---dcomm/---publ/documents/publication/wcms_615594.pdf
- 5 <https://www.worldbank.org/en/topic/financialsector/publication/whats-happening-in-the-missing-middle-lessons-from-financing-smes>
- 6 <https://www.smefinanceforum.org/sites/default/files/Data%20Sites%20downloads/MSME%20Report.pdf>
- 7 https://www.worldbank.org/en/news/immersive-story/2018/05/18/gains-in-financial-inclusion-gains-for-a-sustainable-world?cid=ECR_TT_worldbank_EN_EXT
- 8 <http://documents1.worldbank.org/curated/en/730041468152101741/pdf/WPS6655.pdf>
- 9 <https://www.goldmansachs.com/insights/public-policy/gmi-folder/gmi-report-pdf.pdf>
- 10 <https://www.iea.org/topics/energy-access>

“The challenges we face as a global community are significant, but together we are confident in our ability to strengthen our collective response”

MANAGEMENT NOTE



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