

## COMMUNITY INVESTMENT MANAGEMENT EMERGING MARKETS PRIVATE CREDIT STRATEGY

A Private Debt Strategy Available Through the Venture Impact Program



Photos courtesy of Community Investment Management (CIM)

### SCALING RESPONSIBLE INNOVATION IN LENDING FOR UNDERSERVED COMMUNITIES IN EMERGING MARKETS

Small businesses are the heartbeat that pumps vitality into local economies, particularly in emerging markets. They are the local goods and service providers for communities, and also provide the local jobs that, in the aggregate, employ hundreds of millions. However, despite the economic and social value generated by small businesses, they frequently remain invisible to mainstream financial institutions.

Community Investment Management (CIM) seeks to increase access to capital by providing strategic credit financing to financial technology companies (“fintechs”) to scale and demonstrate responsible innovation in lending for underserved communities. Launched in 2021, CIM’s emerging markets strategy is an extension of CIM’s successful private debt investment track record in the U.S. The strategy seeks to deliver market-rate, risk-adjusted returns and positive social impact by expanding access to capital in traditionally underserved communities. CIM’s investment approach is to provide strategic asset-backed debt facilities to fintechs to fuel the growth and reach of their innovative, responsible credit products. By helping these fintech partners scale, CIM aims to catalyze a more inclusive financial system for micro, small and medium enterprises (“MSMEs”) and low and middle-income households.

### ABOUT COMMUNITY INVESTMENT MANAGEMENT

Community Investment Management (CIM) is a global institutional impact investment manager that provides strategic debt funding to fintechs to scale and demonstrate responsible innovation in lending to small businesses and underserved borrowers in the United States and emerging markets. CIM provides fintech partners with debt facilities that use customized structures to isolate bankruptcy risk and enable substantial downside protection. CIM’s advocacy work in the sector has centered on developing a set of responsible practices and codified behavior within fintech lending. CIM is a member of the Executive Committee of the Responsible Business Lending Coalition, MoreThanFair and Impact Capital Managers.

Since inception, CIM has enabled over \$21 billion in credit to more than 13 million underserved borrowers including small businesses, low-income households and students in the U.S. and emerging markets.

### ABOUT THE VENTURE IMPACT PROGRAM (VIP)

VIP is an innovative way for MCF donors to engage in impact investing through philanthropy. Via a partnership with ImpactAssets — a market leader in impact investing — VIP enables philanthropic dollars to be directed towards both non-profit and for-profit companies that are seeking to make positive social or environmental impact. For further information, contact Safia Kryger-Nelson at MCF, 415.464.2515 or skryger-nelson@marincf.org.

### INVESTMENT SPOTLIGHT: FINKARGO

Without access to finance, many small businesses in Latin America are unable to take advantage of the growth opportunities presented by foreign trade. Finkargo’s market research found that 90% of foreign trade transactions require financing and that 50% of requests for such financing are rejected. Finkargo solves this problem by leveraging client and trade data and integrations with freight forwarders to finance imported products for SMEs, which represent 90% of all firms and 68% of the total workforce in Latin America, according to Finkargo’s research.

By unlocking financing for verified transactions, Finkargo is building resilience and growth for micro and small enterprises, which make up 94% of Finkargo’s user base, and 46% of which are led by women. In the course of three years, Finkargo has facilitated nearly 6,000 transactions and enabled 29% growth in revenue for almost 600 businesses.

CIM’s partnership with Finkargo provides capital to small businesses trying to grow their foreign trade operations. These businesses would otherwise struggle to gain financing since most providers are unsure how to access foreign transactions. In fact, according to 60 Decibels research commissioned by CIM, 77% of their clients report not having access to alternative services to the ones Finkargo provides. Moreover, 70% of clients state that their business outlook has improved thanks to Finkargo.



RISK RETURN MATRIX

The Risk Return Matrix is a risk calculation determined solely by ImpactAssets.

RISK LEVEL	HIGH			
	MODERATE			✓
	LOW			
		NON-MARKET RATE	NEAR-MARKET RATE	MARKET RATE
RELATIVE RETURN				

SUMMARY OF TERMS<sup>1</sup>

ASSET CLASS	Private Debt
STRATEGY SIZE	\$223M AUM (as of January 2025)
TERM	Evergreen
TARGET RETURN	7-9% net IRR (see summary of Manager Fees below)
REDEMPTION	Monthly with 30 days notice and 2.5% fund-level gate
GEOGRAPHY	Emerging markets (Latin America and the Caribbean, Asia, Eastern Europe, the Middle East and Africa)
SECTOR	Financial Inclusion
MANAGER FEES	<ul style="list-style-type: none"><li>1.5% management fee annually, paid monthly</li><li>5% Preferred Return to investors, 20% of fund profits above annual preferred return with a shared catch-up</li><li>Expenses limited to .50% annually</li></ul>
INVESTMENT FEES	This investment recommendation will incur an additional fee of 0.40%.
INVESTMENT THESIS	<ul style="list-style-type: none"><li>Provides strategic debt funding to fintech companies offering credit products that address the financing gap between banks and high-cost alternative lenders in emerging markets.</li><li>Lending partners work with MSMEs and low-income borrowers underserved by the traditional banking sector.</li></ul>
IMPACT THESIS	<ul style="list-style-type: none"><li>With the emergence of digitalization, innovative lenders can access and analyze data sets to efficiently acquire, underwrite, and service traditionally underserved borrowers with smaller amounts of capital.</li><li>The strategy aims to achieve financial inclusion for MSMEs and individuals (underserved communities) by scaling responsible fintech leaders and helping to develop fintech markets in local economies.</li><li>CIM seeks to establish itself as a leading voice for responsible lending practices through advocacy work in the fintech sector.</li></ul>
STRENGTHS	<ul style="list-style-type: none"><li>Extension of a performing and proven U.S.-based lending strategy.</li><li>Investment strategy provides strong risk management via highly structured asset-backed credit facilities that include risk-sharing mechanisms, downside protection, and bankruptcy remoteness.</li><li>Robust process in place to deal with and effectively hedge currency risk, given volatility and cycles in currencies are a permanent fixture in many of CIM emerging markets strategy's target markets.</li></ul>
RISKS	Governance structures are still under development, requiring improvements to the Investment Committee and the establishment of a Limited Partner Advisory Committee for the emerging markets strategy. This is mitigated by the CIM emerging market's strategy team's willingness to engage with investors in constructive dialogue around governance, and these changes are currently in progress.

<sup>1</sup> The Summary of Terms is a summary and not exhaustive. The Strategy's Offering Circular contains additional details on strategy terms, disclosures, and risks. All investing involves risk of loss. Actual returns could differ materially and adversely from those expressed or implied in any forward-looking statements as a result of various factors. Any estimated future returns set forth herein are hypothetical and do not constitute a forecast. They have been prepared based on CIM's view in relation to future events and various estimations and assumptions made by CIM, including estimations and assumptions about events that have not yet occurred. Such estimations and assumptions may require modification as additional information becomes available and as economic and market developments warrant. Any such modification could be either favorable or adverse. Targeted performance is not necessarily indicative of future results, and there can be no assurance that the applicable investment will achieve comparable results to those presented. CIM prepared this portfolio information document and the calculations herein. None of the information in this document has been reviewed or audited by an independent accountant or other independent testing firm. CIM believes the data is correct, but does not assume any liability or obligation to update the data if such data is incorrect. The data in this document may not be inclusive of the entire portfolio. CIM uses data inputs and reporting from its portfolio companies and conducts additional research to supplement the data where available, and therefore such reporting may be incomplete.

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

**IMPACTASSETS LEGAL AND PROGRAM DISCLAIMER:** This is not a solicitation to buy or sell securities, nor a private placement offering pursuant to any private placement memorandum that must be issued to qualified investors. It is an informational description of charitably oriented, social purpose investment options that have been approved by ImpactAssets only for use in its donor advised fund asset base. It is only for use by its donors. This does not constitute tax advice. Please note there are a number of factors to consider when assessing the tax implication of gifts to charity. Individuals should consult with a tax specialist before making any charitable donations. Any allocation to private debt and equity investment options may result in losses and illiquidity that will be borne solely by each donor advised fund account with investment in these options, as will associated program fees. Investment minimums apply. Grant making from the principal value will not be possible until distributions are returned to the ImpactAssets Donor Advised Fund. There is no guarantee of any recovery of capital. No assurance can be given that investment objectives or targets/projected returns will be achieved. Actual target may vary and should not be considered or relied on as a performance guarantee. As applicable, Fund Managers have not approved the information contained in the respective Fund profiles, including the assignment of risk ratings contained therein. The Units may be offered solely to, and subscriptions will be accepted only from "Accredited Investors," as defined in Rule 501(a) of Regulation D promulgated under the authority of the Act, who are also "Qualified Clients," as defined in Rule 205-3 of the United States Investment Advisers Act of 1940, as amended.