IMPACT REPORT

May 2021

DEEP DIVE ON PRIVATE DEBT FUNDS

PHENIX CAPITAL

www.phenixcapitalgroup.com

CONTENTS

If you are a fund investor

and would like to have a live demo of the Phenix Capital Impact Database, please visit www.phenixcapitalgroup.com/impact-database and register your interest.

If you are an impact fund manager

and would like to be considered for listing on the Phenix Capital Impact Database please email info@phenixcapitalgroup.com. Listing is free of charge.

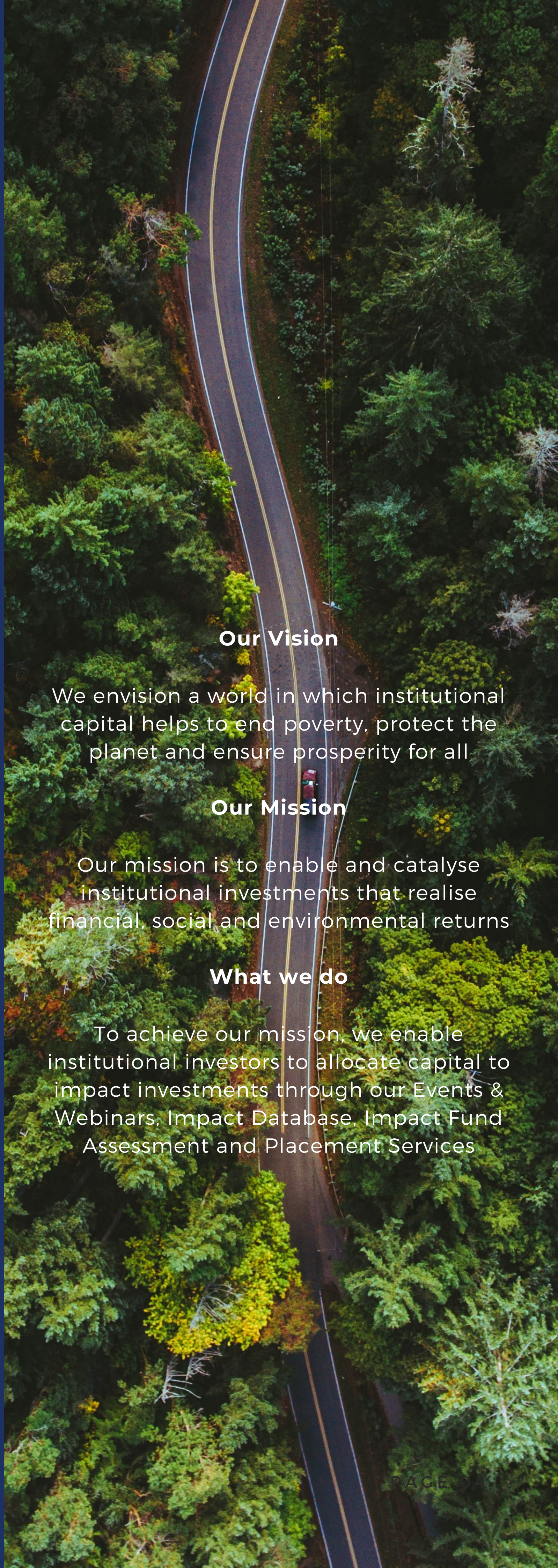
ABOUT PHENIX CAPITAL

CATALYSING INSTITUTIONAL CAPITAL TOWARDS THE SDGS

Phenix Capital Group is an impact investment consultant that enables institutional investors to make impact investments.

We assist asset owners and asset managers in aligning their investments with their values, financial objectives, and the Sustainable Development Goals.

www.phenixcapitalgroup.com



Our Vision

We envision a world in which institutional capital helps to end poverty, protect the planet and ensure prosperity for all

Our Mission

Our mission is to enable and catalyse institutional investments that realise financial, social and environmental returns

What we do

To achieve our mission, we enable institutional investors to allocate capital to impact investments through our Events & Webinars, Impact Database, Impact Fund Assessment and Placement Services

Signatory of:

PRI Principles for Responsible Investment

GIIN MEMBER

Global Compact Network Netherlands

ABOUT IMPACT DATABASE

Phenix Capital's mission is to enable the allocation of capital from institutional investors towards social and environmental solutions while supporting the 2030 Sustainable Development Goals (SDGs). With the Impact Database, Phenix Capital aims to provide investors with access to and intelligence on the impact fund market opportunities available to them.

Three main variables have been central to construct, monitor and update the database: funds considered have an impact proposition, institutional scale, and target market-rate returns.

Impact Investing goes beyond negative screening and using Environmental, Social and Governance (ESG) integration to reduce harm or avoid risks, to generating intentional positive impact. Phenix Capital defines impact investing as **investing with the dual mandate of financial return and positive societal or environmental impacts**, with the notion of measuring the positive and negative impact of investments, ensuring both **intentionality and additionality** among these. Phenix Capital's Impact Database features funds that align with this definition through their creation of solutions for global social and environmental issues, whilst prioritising financial returns. This category of impact investments can be referred to as **financial-first impact investments**.

FUND SOURCING PROCESS

Introductory call with Fund Managers

Our Team analyses, objectifies and peer reviews the data shared

Users get notified and can act on the information published

Our Team sources & screens global impact Fund Managers across all asset classes

Fund Managers share data via a standardized data request form

Fund is published on the Database (no cost for Fund Managers)

INTRODUCTION & KEY TAKEAWAYS

DEEP DIVE ON PRIVATE DEBT FUNDS

Investors building an impact mandate can choose from a wide range of products to construct diversified portfolios. Private debt impact funds are found to be attractive opportunities as they typically offer stable returns, maintain low volatility, and provide positive impact across a range of themes. Moreover, private debt impact funds have shown good resilience during the COVID-19 economic downturn, as mentioned in the industry interviews with ACTIAM and Tikehau Capital.

This deep dive report provides an overview of Private Debt impact fund trends, both from a historical and a forward-looking perspective. In this report, private debt is defined as the investment of debt instruments to companies, that can range in size and scale and be implemented in different forms such as via direct lending, mezzanine, and or microcredit.

Overall, the data shows that the Private Debt asset class represents a small percentage of historical capital commitments tracked on Impact Database since 2015 (€32bn, or 8%). Nevertheless, current fundraising by Private Debt impact funds is on track to surpass historical capital commitments (target of current fundraising: €28bn) indicating that there is increasing interest in this asset class.

- Renewable energy is the most represented impact theme for closed as well as open Private Debt impact funds. Between 2015 and 2020, SDG 7: Affordable and Clean Energy was also the most targeted goal.
- In addition to renewable energy, financial inclusion and agriculture are the main sectors targeted by impact funds currently open for investment. As a result, SDG 8: Decent Work and Economic Growth is now the most widely targeted goal.
- The largest regions in terms of historical exposure are North America, Middle East and Africa, and Asia. Funds currently open for investment predominantly have a global target.

Two in-depth practitioner interviews complement the data analysis.

- Both ACTIAM and Tikehau Capital describe their unique impact investing approaches and specifically shed light on how they incentivise portfolio companies to increase their positive impact.
- ACTIAM outlines how Private Debt can contribute to financial well-being and ensure that the use of financial services results in positive outcomes for people in terms of health, education, and water and sanitation.
- Tikehau Capital shares how it has helped its portfolio companies and worked with investors during the COVID-19 pandemic.

DEEP DIVE ON PRIVATE DEBT FUNDS

ASSET CLASS OVERVIEW

251

Private Debt impact funds listed on Impact Database (total: 1,750+)

133

Private Debt asset managers listed on Impact Database (total: 700+)

148

Private Debt impact funds currently fundraising

99

Private Debt asset managers currently fundraising

€32bn

Total capital committed to Private Debt impact funds on Impact Database (8% of Impact Fund Universe)

€28bn

Target of all Private Debt impact funds currently fundraising (20% of Impact Fund Universe)

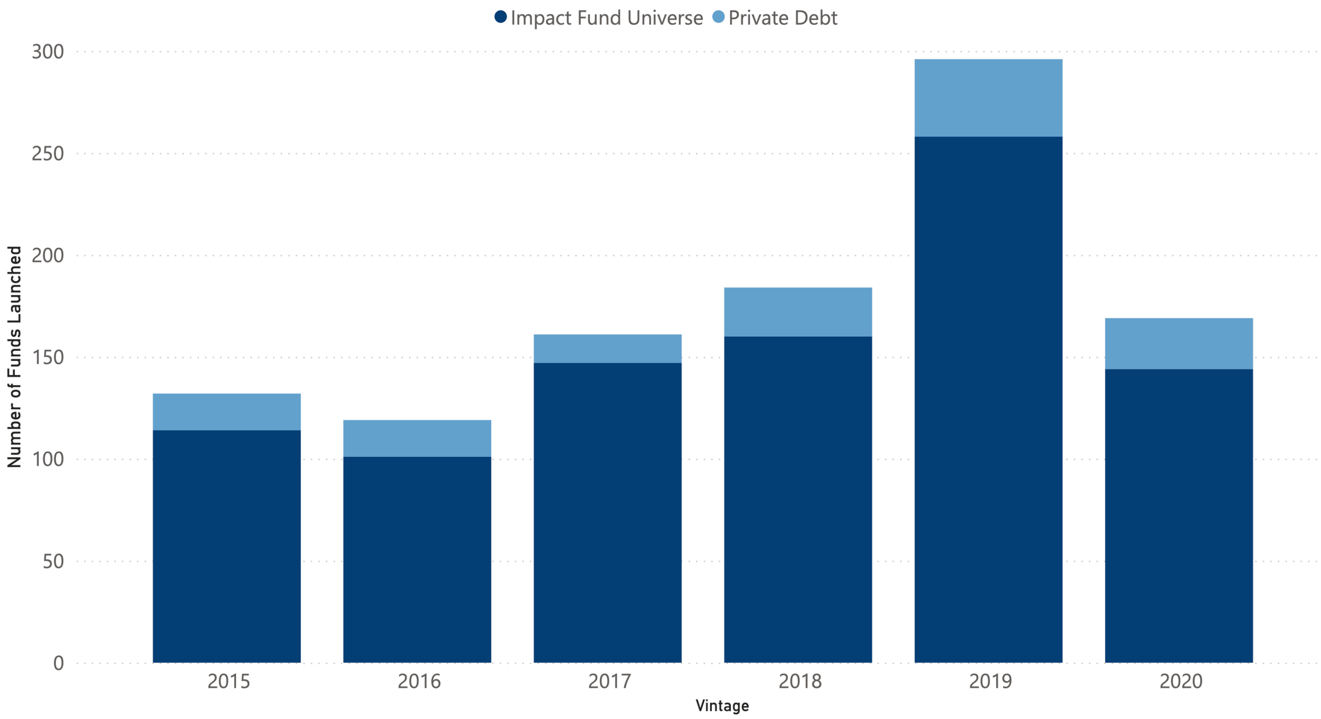
38

Private Debt impact funds launched in 2019

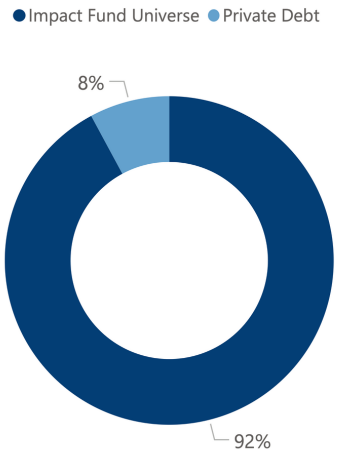
25

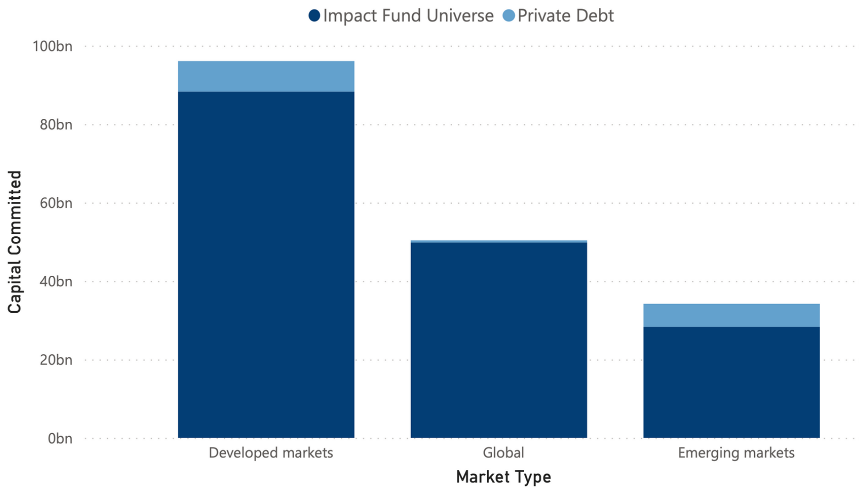
Private Debt impact funds launched in 2020

Private Debt impact funds evolution compared to full Impact Fund Universe, by vintage

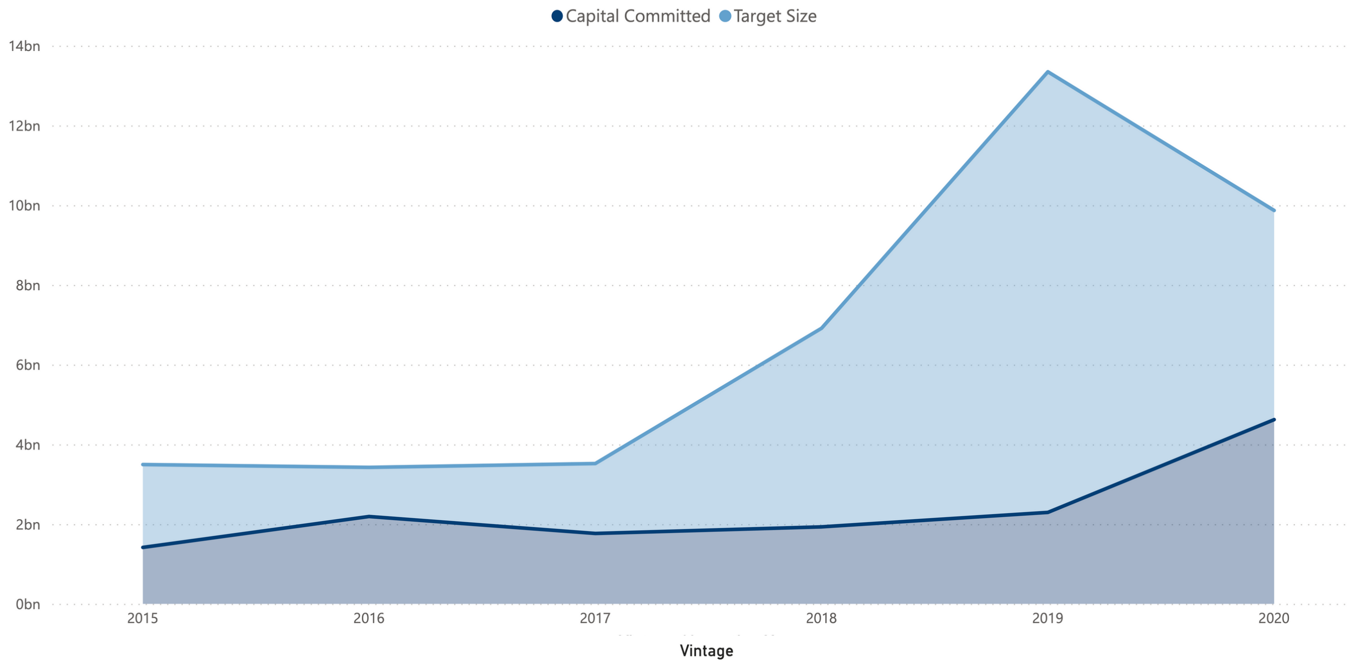


Breakdown of historic capital commitments to Private Debt impact funds compared to the rest of the Impact Fund Universe (left) and across markets (right)

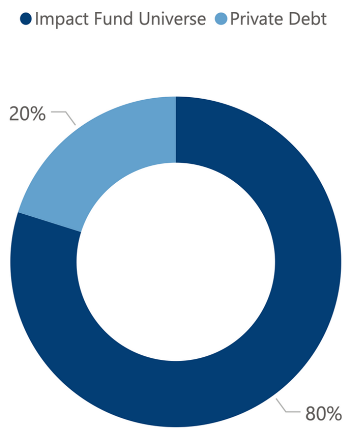


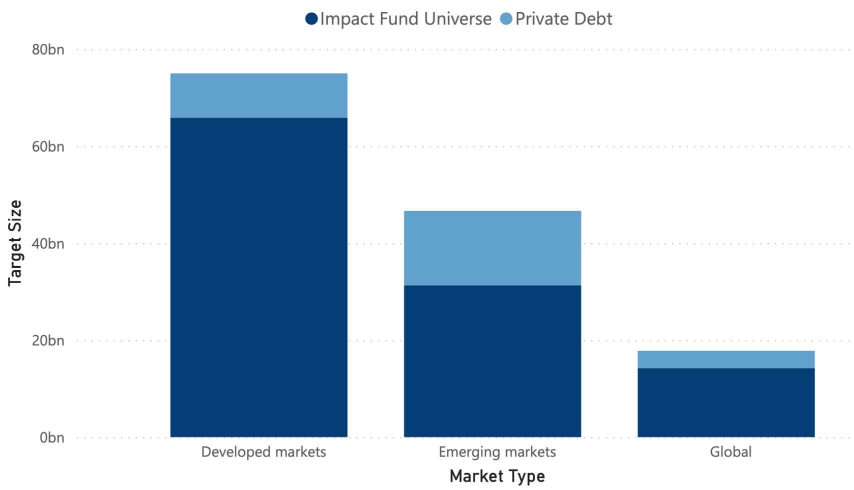


Evolution of historical capital commitments to Private Debt impact funds compared to target size, by vintage

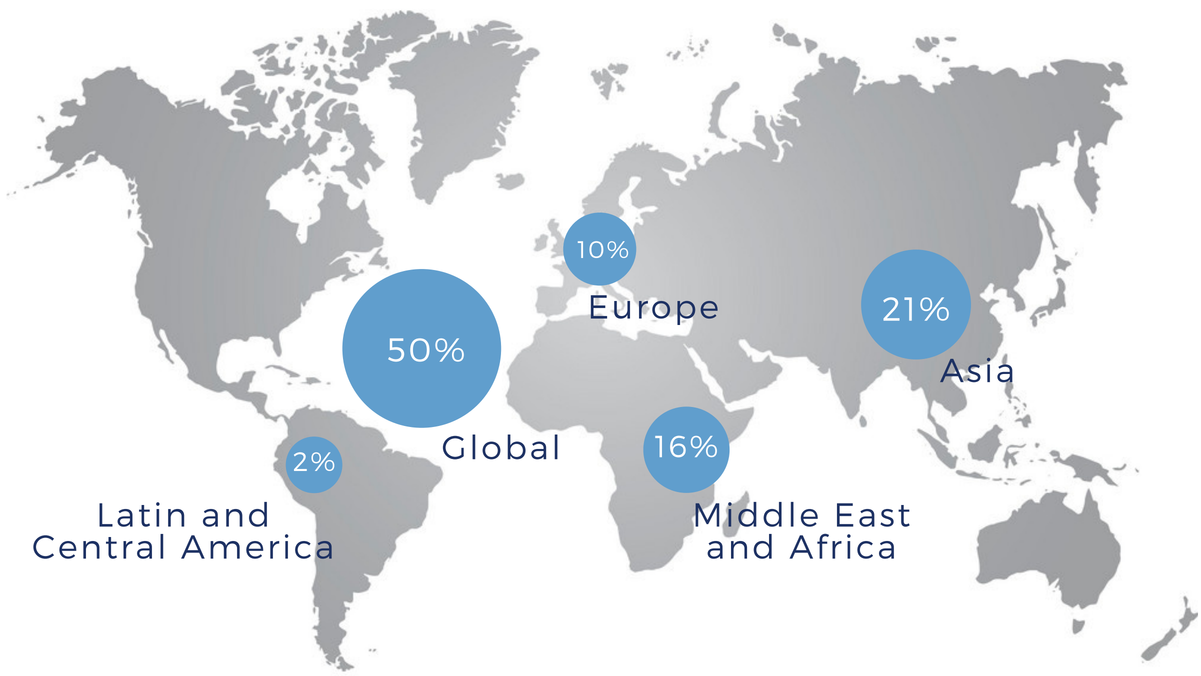


Breakdown of current fundraising: Private Debt impact funds compared the rest of the Impact Fund Universe (left) and across markets (right)

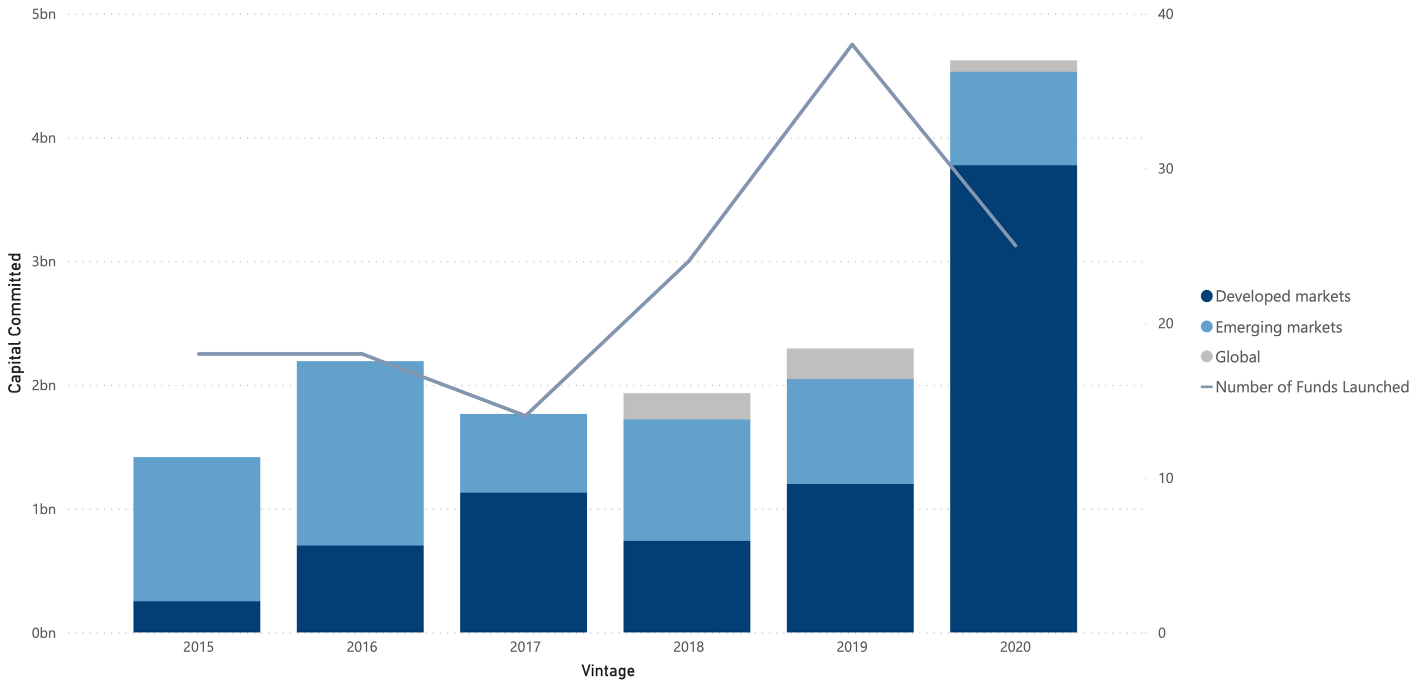




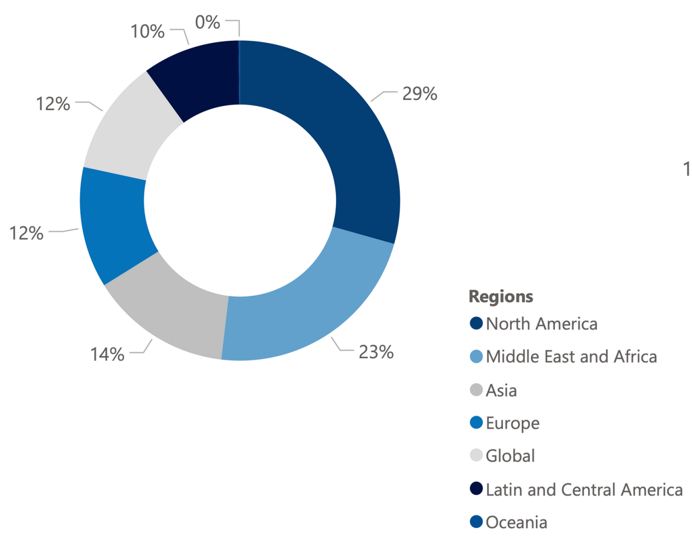
Current fundraising by Private Debt impact funds with a 2021 vintage, by region

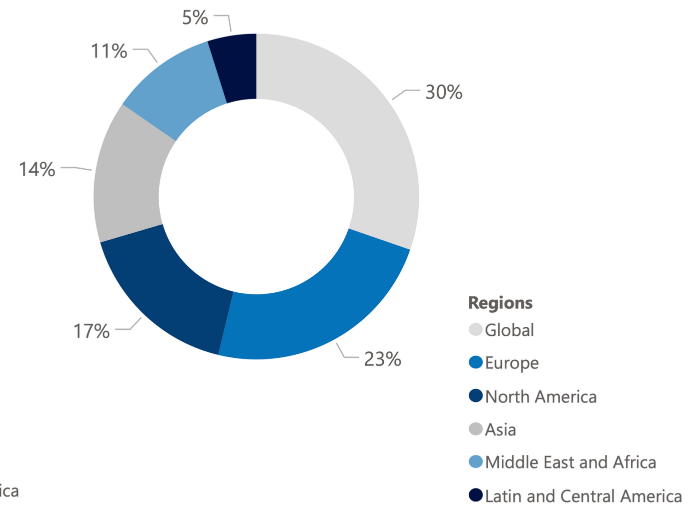


Market breakdown of historical capital commitments towards Private Debt impact funds, by vintage

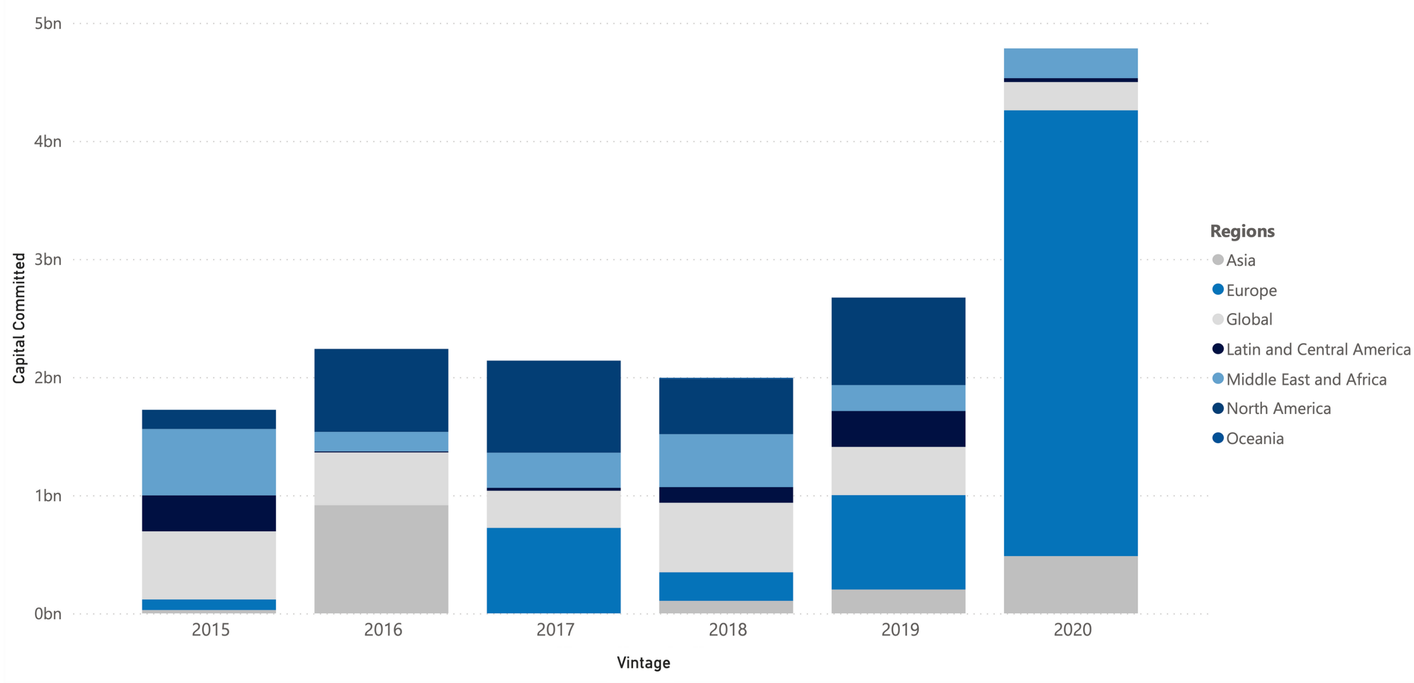


Historical capital commitments towards Private Debt impact funds (left) compared to current fundraising (right), by region

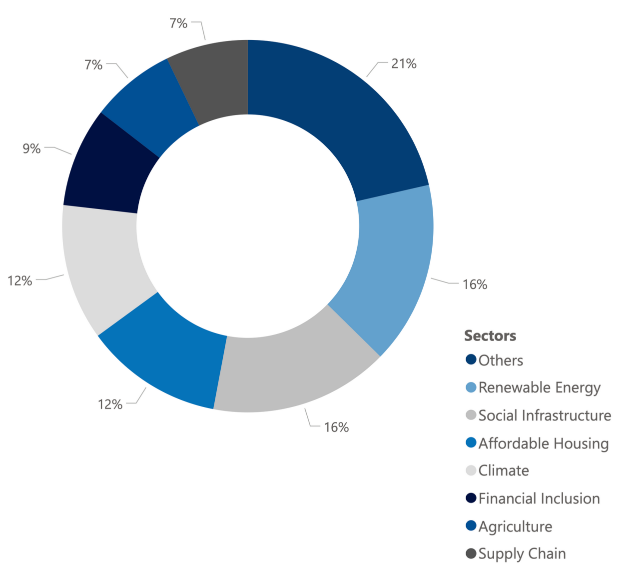


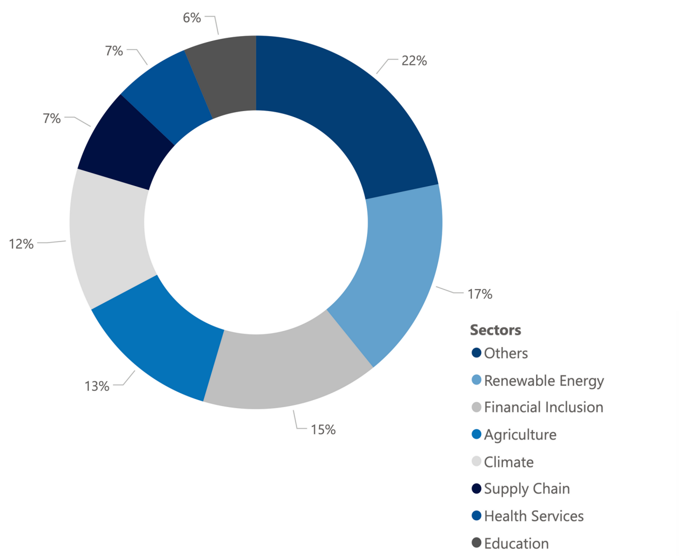


Regional breakdown of historical capital commitments towards Private Debt impact funds, by vintage



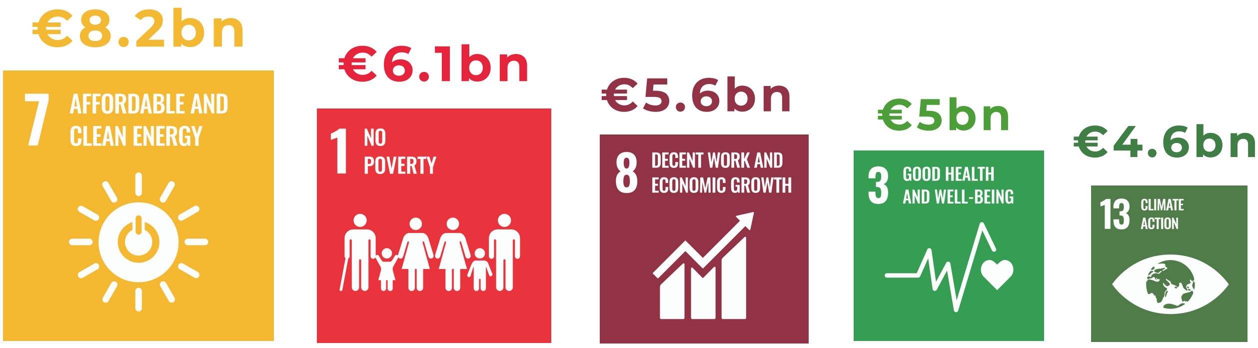
Sector breakdown: historical capital commitments towards Private Debt impact funds (left) compared to current fundraising (right)





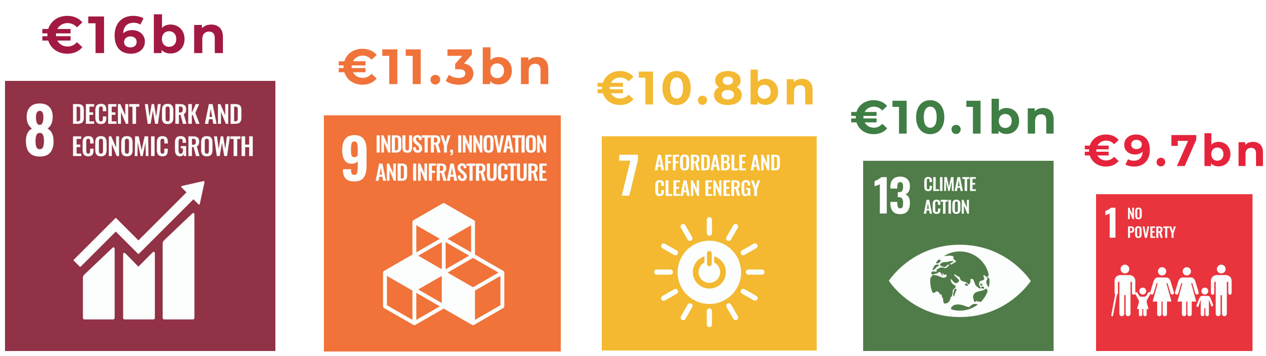
HISTORICAL TOP 5

Historical capital commitments: top five SDGs targeted by Private Debt impact funds



CURRENT TOP 5

Current fundraising: top five SDGs targeted by Private Debt impact funds



INDUSTRY INTERVIEW

ACTIAM is a globally operating asset manager based in The Netherlands. ACTIAM offers sustainable investment strategies and solutions to insurance companies, pension funds, banks and distribution partners through a broad range of active and passive strategies, impact strategies and tailored mandates. ACTIAM launched its first impact investment fund in 2007, with a strong focus on microfinance and SME financing in emerging markets as well as energy transition in Europe.

THEO BROUWERS
Managing Director
ACTIAM Impact Investing

Institutional investors have recently started to allocate more capital towards alternative investments, specifically towards private debt, in the search for yield. Why should they combine an allocation to private debt with an impact proposition?

Private debt is complimentary to listed debt. One of the reasons a company wants to have debt publicly listed is access to capital. However, for those organisations that cannot access capital markets, private debt can have a large impact. What is missing is the link between private debt providers and these organisations. This is one of the reasons we have been exploring the possibilities within the private debt market since 2006. We believe that we can demonstrate additionality by filling the gap between those who are looking for capital and those who can provide it and by doing so in a way that is suited to the requirements of institutional investors.

From an investor perspective, private debt is attractive given that in a lot of situations there are no alternatives for a project to be financed. For them, this is an opportunity to look beyond the usual suspects and therefore realise extra returns as well as create additional impact. It is important to note that asset managers do need specific capabilities to translate projects into institutional-grade opportunities.

ACTIAM's funds are highly geographically diversified. What factors do you take into account when making the country selection? To what extent do you need to adjust your investment processes?

Private markets are less transparent than public markets and the lack of benchmarks can make them less accessible. This creates downside risk, especially when looking at emerging markets. Diversification is required to mitigate these risks, not only through country selection but also by looking at different investees within a sector. Striking the right balance is key because at a certain point adding additional countries or entities will not further mitigate these risks.

We also look at macroeconomic fundamentals and whether a country is attractive for institutional investors. We take different factors into consideration such as financial infrastructure, whether adequate governance is in place, and whether the central bank has the necessary tools to monitor financial infrastructure. Most importantly, we also consider how to exit the country if necessary. For example, exposure to Myanmar has been a burden given the political developments in the last few months. It is now quite difficult to exit the country despite all the contracts entered in the past. Overall, macroeconomic fundamentals in combination with legal risk and foreign investor protection are extremely important.

Finally, currency must also be considered when analysing the risk-reward possibilities. We ask ourselves what the outlook for the currency is and if there are possibilities to hedge or cross-hedge. If hedging is not possible, then you need to ensure that there is a sufficient cushion in case of currency depreciation. This is another reason for limiting single country exposure as much as possible. In the mandate of our ACTIAM Financial Inclusion Fund, there are country-specific limits, region-specific limits and investee limits, in order to make sure that the portfolio risk is not too high. This can result in a very prudent approach when entering or when tilting towards a certain country.

The risk-return profile of private debt investments might not always be attractive for institutional investors. To what extent do you see the need to include mezzanine or equity-like features in order to make the returns more attractive?

It is very difficult for institutional investors to make a trade-off between impact and financial return given that their fiduciary duty is key.

Furthermore, we see growing ambitions in the area of ESG and impact investing (especially among Dutch institutional investors). With an absolute return of 3.7% since inception in the financial inclusion sector we show that financial and social impact go hand in hand.

Instead of including equity-like features to boost the return expectations, I believe rather in mitigating risk instruments like partnering with organisations with an impact mission willing to either take the first loss or guarantee like features in exchange for proven and verified impact. This results in a blended product where there are different tranches of investors with sound risk-return profiles with proven impact.

How did the allocations of institutional investors towards private debt change in the recent past? What worries persist?

I must admit that I am not fully satisfied with the way the sector has evolved in the last couple of years, despite various initiatives and developments such as the EU Taxonomy. If you look at the capital invested by institutional investors, as published by the Global Impact Investing Network, PRI or Phenix Capital, there is still a lot more that can be done. Unfortunately, hesitation often stops asset owners from investing into more atypical sectors.

In general, opportunities need to be scalable, and as said they must have a risk-return profile which fits with the asset owner's fiduciary duty. However, the framework that the investments are based upon is old-fashioned, and many institutional investors are still very risk-averse. This leads to a concentration of capital in a few popular sectors. Finally, even if projects are attractive, scalable, and have a good financial return, investors can be concerned if the investment is in a first-time sector, in a first-time fund, or with a first-time team.

For example, ACTIAM also has a private debt energy transition fund. Energy transition is a hotspot with large amounts of capital flowing into solar panels, wind parks, and big energy platforms. However, this has been driving down returns. Despite the different initiatives and pressure coming from the EU, central banks and pension holders, we are seeing players waiting for others to take the first step towards funding more innovative solutions like LED, batteries, etc (rather than solar panels and wind parks) to the energy transition.

I am extremely happy that private debt is rising as an asset class and I think that is a very good development. However, the sectors where the lack of capital is the biggest does not always match what the investors need. This is a mismatch that needs to be addressed. There is a lot to gain, and I think this will come but it takes much longer than I initially thought.

What are the different types of impact risks that you identify? How do you manage and mitigate these?

Firstly, we do an initial screening which looks at whether countries, investees, or activities are on an exclusion list, and whether they fit our investment strategy guidelines. Secondly, we do interviews with senior management in which we discuss ESG and impact policies, compliance with local consumer financial protection standards, and client protection principles. It is not only about being a signatory of such principles, but more about how these are implemented.

We ask potential investees to complete our impact questionnaire which contains about 175 indicators. These cover indicators from client benefits and welfare, outreach and targeting, and the responsibility towards the community and staff. We also examine the environmental policy and governance structures and how these relate to the Sustainable Development Goals (SDGs).

We have recently reviewed our impact questionnaire to align with IRIS+ and the Joint Impact Model and to take into account the latest sector developments. Moreover, we do on-site visits and due diligence during which we have in depth discussions with the loan officers as well as with the end borrowers.

Each year we also organise a field trip for our investors where we do similar on-site visits but in smaller groups. We have organised trips to Peru, India, Bangladesh, Kenya, Tanzania, Azerbaijan to name but a few. The educational element is important because there are sectors, financial inclusion being one example, that are less well known to the investor base despite having existed for several decades. These trips are valuable not only for the portfolio managers but also for the decision makers that sit on the boards of institutions such as pension funds. Showing our investors how their money is spent in a responsible manner has become an integral part of our impact framework.

What kind of tools are you using for impact management? Do you integrate covenants to steer companies towards greater impact?

This is one of my favourite topics as I am a board member of the FINISH Society (Financial Inclusion Improves Sanitation and Health). It is a program that was started in 2008 after a visit of a Dutch trade mission to India. This visit highlighted how microfinance, financial inclusion and access to clean water and sanitation can be combined. We then decided to explore ways to leverage our network and client base of financial institutions in order to generate more impact in this space.

When looking at SDG 6: Clean Water and Sanitation, there are more than 4 billion people who still do not have proper access to sanitation systems worldwide. Almost 1 million people die each year as a consequence of improper sanitation and hygiene. To make progress against this goal, FINISH group has become responsible for creating awareness on both the supply- and demand-side, developing products and engaging with local governments. From ACTIAM’s side, we encourage financial institutions in our portfolio to provide sanitation loans combined with technical assistance to their clients. Convincing financial institutions to develop sanitation loans was challenging because they were used to focusing on microfinance as an income-generating activity. To incentivise them, we offered a one percent discount on the interest rate charged, contingent on the number and size of the sanitation loans that they offered. We have now built more than 1.5 million safe sanitation systems in India which showcases how funding power can be used to steer investees towards greater contribution to a specific SDG.

This is only looking at one SDG (#6) but for the broader impact management we have developed an in house Impact Framework based on an evidence-based theory of change. Making use of IRIS+ we have translated the strategic impact objectives into concrete results achieving the relevant SDGs.

In the selection of investees we use a non-financial scorecard based on this framework and encourage our investees to strive for impact as much as possible by using certain Impact-based targets in loan agreements like signing and implementing Client Protection Principles (CPP) as a pre-condition.

You mentioned water and sanitation as sectors that are linked to financial well-being. What other sectors do you see as a potential area of focus for ACTIAM within the financial well-being framework?

I believe it is important to engage as much as possible with the financial sector itself in order to pilot new initiatives. Health in general is a topic that sits high on the agenda, especially for clients in the financial inclusion sector. The same can be said about education as it can be combined with financial inclusion. One example is financing schooling fees for women. Another topic of relevance is microinsurance for individuals, small companies or smallholder farmers and last but not least is the energy transition, a logical and important area. I expect all of these topics to continue developing strongly in the coming years.

What is your view on the outlook for private debt for 2021 and beyond?

I expect and I hope that there will be bigger inflows into the private debt space given that in the past couple of years it has evolved in a more professional manner. We have the right governance structures and the right instruments to mitigate all the risks involved despite the lack of transparency, the lack of benchmarking, and other challenges.

I am optimistic about the future when it comes to private debt products which combine a sound financial return and proven, verified impact, regardless of whether that is in the financial inclusion space or in another space such as energy transition. There are sectors where the lack of capital is the first hurdle that investees need to overcome and so we hope to continue connecting projects which are interesting from a social or environmental perspective with investors who are looking for profitable opportunities. If investors, investees as well as asset managers unit, the added value both from a financial as a social perspective is clear and this will definitely grow the sector more in the coming years.

INDUSTRY INTERVIEW

TIKEHAU CAPITAL

Tikehau Capital is a global alternative asset management group with €28.5 billion of assets under management (at 31 December 2020). The firm has developed a wide range of expertise across four asset classes (private debt, real assets, private equity and capital markets strategies), as well as multi-asset and special opportunities strategies. Controlled by its managers alongside leading institutional partners, Tikehau Capital is guided by a strong entrepreneurial spirit and DNA, shared by its 600 employees across its 12 offices in Europe, Asia and North America

NATHALIE BLEUNVEN
Head of Corporate Lending

LAURE VILLEPELET
Head of ESG/CSR

How do you see the current European private debt space and the institutional demand, given the low yields of traditional fixed income securities?

Nathalie Bleunven (N): In recent years there has indeed been pressure on fixed income yields but as far as private debt is concerned, the asset class has shown very good resilience, despite some short-term variation in valuation. After a sharp drop in the number of transactions following the first wave of lockdowns in early 2020, we saw a rebound by the end of the year thanks to the return of M&A activity. Now our pipeline is quite full, showing good future prospects for the asset class.

Could you tell us more about Tikehau's Impact Lending strategy and how you are bringing impact to private debt?

N: Tikehau has launched an Impact Lending strategy, so we definitely think that combining private debt with an impact approach is a strong proposition. This new fund will focus primarily on corporate lending transactions because that is where we can add the most value. We aim to build strong relationships with the management teams and work closely with them to implement our impact approach. We may also undertake some leveraged buy-out transactions (LBOs) with moderate leverage, but this will be less of a focus at the start.

We are convinced that the impact approach will help improve the risk-return profile of portfolio companies, enabling us to offer our investors market rate returns alongside impact. We are excited to demonstrate that this combination of impact and corporate lending can be very effective.

What makes corporate lending attractive for companies from the perspective of their shareholders and management teams?

N: Tikehau has been involved in corporate lending since 2013 and from our experience, we have seen private debt become a very good complement to bank financing. Indeed, direct lending offers diversification from banks and also offers maturity. Moreover, our strategy is to be a long-term financing partner to corporates and to support them through their growth journey through capex financing, acquisition financing, refinancing as well as general corporate financings with a very flexible and reactive approach. An increasing proportion of our transactions are repeat transactions with existing portfolio companies.

In the past few years, companies have become much more open to this kind of approach, which has led to a big increase in demand. Across Europe, direct lending has become a clear part of the capital structure of mid-cap companies.

What are your preferences for executing the strategy in terms of maturity and debt seniority?

N: Corporate lending is the subset of private debt that I focus on, and within this universe, we offer tailor-made financing solutions for corporates or low leveraged LBO transactions. Our corporate lending strategy will mainly target senior financing, with a maturity of seven years, but we can also offer junior financing. In general, we offer bullet financing with average duration of four years because these loans are often refinanced before maturity. As far as LBO financings are concerned, we can provide a mix of equity and debt, by including an equity kicker in our transactions, through warrants, or by taking a small ticket directly in the equity.

We do tailor-made transactions, most of the time in an arranging position, although we can also be in a participating role. From time to time, we are part of club deal transactions whereby there are a few investors participating in a private placement.

Tikehau's Impact Lending strategy aims to contribute to a sustainable economic transition in Europe. How do you make sure that potential portfolio companies are aligned with this objective during the selection process?

Laure Villepelet (L): Our fund's approach is based on a theory of change with the end objective to contribute to a transition towards a more sustainable and inclusive economic system. So the first thing we must consider when looking at a portfolio company is its potential to contribute to this transition. There are some pure players that clearly have a positive impact and we are happy to work with these companies since it is easier to justify our investments.

However, we believe that we can have a greater impact by working with less mature companies to accelerate their potential. We can do this by helping them create and expand their sustainable offerings or by improving their operations and resources management. So the maturity of the management and their readiness to partner with us is also a determining factor in our selection process.

N: We have spent a lot of time defining our approach and were helped by an external advisor specialised in impact. We have reviewed our current portfolio companies and explored ways to incorporate impact into our deals in a very operational way. We have also found that there was a lot that could be done in terms of improving the management of resources, especially human capital, as well as optimising production and supply chains. This angle gives us more range to implement our theory of change.

L: We mainly target small and medium-sized companies (SMEs) which are often aware their activities have a positive contribution but do not know how these can create value for the firm. For example, we work with a residential property developer that is building energy-efficient projects but that does not actively monitor the share of labelled buildings out of their total revenues. This is where we can come in as an investor and bring the sustainability topic to a more strategic level. We really enjoy having these types of engaging conversations with our portfolio companies.

How are impact and sustainability objectives incorporated in the financing conditions? How do you maintain engagement throughout the investment cycle?

N: Before any decision is made, Laure and the investment team work on assessing whether a portfolio company fits our approach. We conduct due diligence that evaluates the traditional financial components as well as the impact aspects. During the investment process, we co-develop the company's impact roadmap and identify the appropriate KPIs together with the management team. We rely on what the company already has available but also make recommendations for setting additional KPIs based on best practices. We set yearly objectives for at least three KPIs. Should the company achieve two of the three yearly objectives, they become eligible for a reduction of margin, which could be between 5 and 25 basis points. We focus on a progressive and positive approach, so there is no punishment for companies that do not meet their objectives. All these elements are fully integrated into the legal documentation similar to our financial covenants.

L: One last point to add is in terms of certification. We will require some certificates of ESG performance which to show that these indicators should be treated in the same way as financial indicators.

Which frameworks or resources are you using for setting impact metrics?

L: Our ESG due diligence tool has been developed with the help of an ESG expert and gives us guidance on sector-specific material items. The tool is based on the SASB materiality map, the EU Taxonomy and our own knowledge of sectors. When it comes to target setting, we look at each individual case and do a deep dive into the company's business model in terms of products, services, but also operations, location, and size.

We have an interview with the management team, often the CEO or the CFO, and then conduct complementary desk research to understand common practices. All this information is collected in our database which can be used by the investment team for future deals.

When it comes to impact measurement, we are aligned with the most relevant industry frameworks. We have linked our approach to the Sustainable Development Goals and are part of several working groups on impact measurement such as the GIIN or France Invest. We engage with our peers to learn about best practices and aim to adopt the highest standards, especially as this field is progressing very quickly. Although our impact measurement framework might not be perfect, we prefer learning by doing rather than waiting for the perfect metrics.

What does Tikehau do on reporting impact outcomes to LPs?

L: We report on different levels. At the portfolio company level, we communicate to our LPs as soon as a deal has closed. We then report on the progress of each portfolio company on their roadmap on an annual basis. We are also committed to providing an impact report at fund level. Some figures, such as job creation, can be easily measured across the portfolio. For other KPIs such as avoided emissions or gender pay gap, we will decide once we make the first investments and then aim to improve the reporting year-on-year. We see it as our role to engage with portfolio companies and help them collect this data as it is also material for their board.

Moreover, we are committed to having external verification of our approach. This is crucial because the independent review will include the whole impact approach, the data collected and the progress on companies' objectives. This verification will also contribute to the alignment of interests, which is the backbone of Tikehau Capital Group's approach. We are aligned with the portfolio companies because they are rewarded for reaching their impact targets. To ensure alignment with our LPs, we have decided to make an initial commitment to the fund. We also created a special fee that is only given to investors if the external verification confirms that enough portfolio companies have reached their impact targets.

How have you dealt with the needs of your portfolio companies due to the COVID pandemic? Taking an investor perspective, how did you manage their worries?

N: Some of our customers approached us to defer interest payments, and we were able to help them in a very flexible manner. As of now, we no longer have any deferred interests and all portfolio companies are back on track, showing great portfolio resilience. To be more specific, this affected a small percentage of our portfolio, and these waivers were mainly for short periods. Overall, we can say that the pandemic did not have a big impact on our cash distributions.

With regards to investor worries, we dealt with them proactively. Across Tikehau's private debt platform, we put in in place COVID ratings with two levels for all portfolio companies.

The first level was systemic risk: is the company exposed to a sector that will be affected by the pandemic? The second level of analysis was on liquidity: is the company going to face liquidity issues? We reviewed these ratings on a quarterly basis and could tell the extent to which companies were affected by the pandemic. We then updated our investors on these ratings during regular calls. In addition, our updates also included statistics on the number of waivers offered, the number of interest payment deferrals, and the number of state-backed loans received by our portfolio companies.

L: Our teams also act as sparring partners with our portfolio companies. This really helped with finding the right solutions for portfolio companies that were facing difficulties.

What is your outlook for European private debt for 2021 and beyond? How will companies react when the state-backed measures come to an end?

N: Overall our portfolio companies showed good resilience even in these turbulent times mainly because we have limited exposure to the most affected sectors such as hospitality, leisure, and tourism.

More broadly, the whole asset class has been consistently delivering good returns and therefore attracting more investor interest. As a manager with a positive track record, we think that we will continue to benefit from the growth of this space.

With regards to the state-backed loans, more than 90% of our portfolio companies have still not used them. The companies that have suffered due to the pandemic may need some restructuring but most of them have good fundamentals. We will continue to support them with a long-term mindset. Moreover, we see in France some new government/institutional investor initiatives to support the end of state-backed measures such as “Prêts Participatifs Relance”, which are subordinated loans benefiting from a 30% state guaranty.

Closing remarks

N: We think that an impact approach is key and that private debt provides a great way to support SMEs along their impact journey. Impact transition will enable corporates to strengthen their credit profile and will ultimately help them become more profitable and sustainable, keep their employees engaged, and attract new talent and customers. We are convinced that an impact approach will become mainstream across all asset classes in the very near term.

L: We are excited to contribute to a more sustainable economic system through private debt and very proud that our approach is being led by our investment teams and not just our ESG colleagues.

IMPACT FUND ASSESSMENT

Phenix Impact Fund Assessment is a proprietary framework developed in close consultation with institutional asset owners and industry leaders, for the purpose of assessing the robustness of a fund's impact proposition.

On 6 themes and 33 criteria, it examines to what extent the policies, procedures and human resources are in place to deliver the impact that a fund aims to create.

- ✓ **Uncover strengths and weaknesses**
- ✓ **Adopt industry best practices**
- ✓ **Prepare for institutional impact due diligence**

Learn more about Impact Fund Assessment

INTENTIONALITY

IMPACT STRATEGY

MEASURING & REPORTING

TRANSPARENCY

IMPACT GOVERNANCE

INDUSTRY COLLABORATION

PHENIX CAPITAL

GLOSSARY & SYMBOLS

Committed capital: Amount committed in a fund vehicle by its limited partners / investors.

Developed markets: We include Europe (excl. Eastern Europe), North America, Asia Pacific (Singapore, Japan, and South Korea only), Oceania (New Zealand, Australia) Middle East and Africa (Israel only).

Direct lending: A specialised form of private debt, in which loans are made to middle-market companies. It is the private debt strategy with lower risk, achieved by using collateral.

Emerging markets: We include Latin and Central America, Asia Pacific (excl. Singapore, Japan, South Korea), Middle East and Africa (excl. Israel) Europe (Eastern Europe only).

Fund managers: Organisation managing commingled, pooled and customised vehicles invested by institutional asset owners. Also called General Partner or GP.

Global: Funds that have an investment geographic scope encompassing both developed and emerging markets.

Impact investing: Investments with the dual mandate of financial return and positive societal or environmental impacts, with the notion of measuring the positive and negative impact of investments, ensuring both intentionality and additionality among these.

Institutional asset owners: Outsourced CIOs, pension funds, insurance companies, family offices, sovereign wealth funds, endowments, foundations, banks, fiduciary managers, discretionary investment consultants. Also called Limited Partner or LP.

Market targeted: Markets fund managers target for their investments: We include Global, Developed markets, Emerging markets.

Mezzanine: A specialised form of financing in which loans are subordinated to banks, with no collateral. It is the most equity-like form of private debt.

Microcredit: A common form of microfinance, characterised by small loans to individuals or small companies.

Private debt: Debt instruments to companies: direct lending, mezzanine, microfinance strategies.

Public debt: Publicly traded fixed income securities: investment grade or high yield, focused on green bonds and municipal and community infrastructure and affordable housing issuers.

Regions targeted: Regions fund managers target for their investments: We include Asia Pacific (East Asia, Central Asia, South Asia, South East Asia), Europe (Western Europe, Eastern Europe), Global, Latin and Central America, Middle East and Africa (East Africa, Middle East, Northern Africa, West Africa, Southern Africa), North America, Oceania.

Target fund size: Amount the fund manager is targeting when raising capital.

Vintage: Year where the fund manager first calls capital from investors.

Full glossary: www.phenixcapitalgroup.com/impact-investing-glossary

DISCLAIMER

CONTACT US TO LEARN MORE ABOUT IMPACT INVESTING

E: info@phenixcapitalgroup.com

T: +31 20 240 27 31

www.phenixcapitalgroup.com