



Swiss Investments for Development

Results of the first market study

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Introduction - definition

Investments for development are a sub-category of impact investing.

Definition: Investments for development involve a clear intention to improve the social, environmental and/or economic situation within developing countries while aiming for a market return.

		REGION	
		Industrialised	Developing
FINANCIAL RETURN	Market	Products focused on industrialised economies that generate competitive returns	Investments for Development Products focused on developing economies that generate competitive returns
	Below Market	Products focused on industrialised economies that require a below market return	Products focused on developing economies that require a below market return

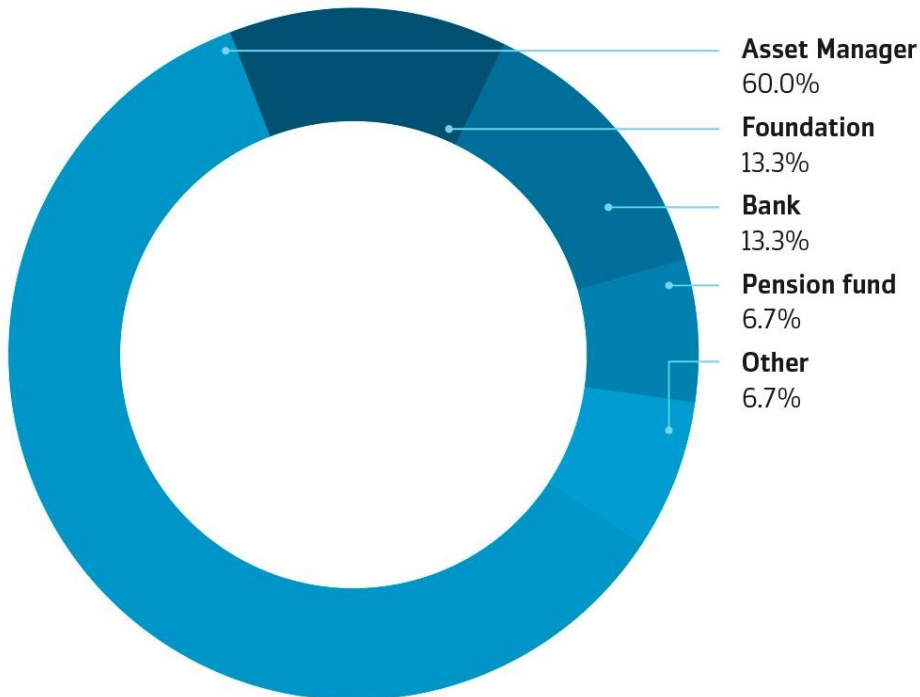
Examples of Swiss innovative products/investments

- Impact Investing Focus SME (Obviam)
- Fair Agriculture Fund (responsAbility)
- Microfinance Bond Platform (Symbiotics)
- Education Finance for Africa (BlueOrchard)



Results – Survey respondents

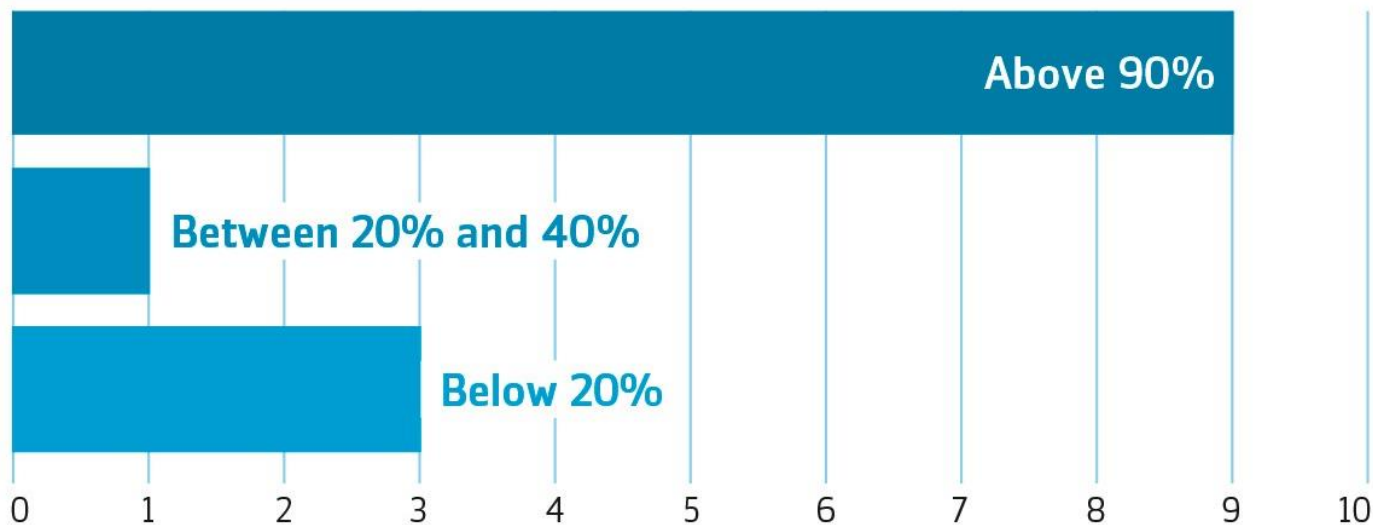
Respondents by type of organisation (n = 15)



- Survey sent out to a total of 57 institutions
 - 15 participants (30% response rate)
 - 6 have no activities in the field
- Information about 33 products (by 10 institutions)

Results – Survey respondents

Share of investments for development vs. firm-wide total assets (n=13)



Results - Market size and growth

Swiss market size of investments for development



Almost one third of the global market for investments for development is managed through Swiss institutions

Results - AUM break down

Assets managed directly by respondents

Managed funds	4.00	46.1%
Managed mandates and accounts	1.14	13.1%
Assets invested directly	0.40	4.6%
Total direct investments	5.54	63.8%

Assets invested through intermediaries

Externally managed funds	2.87	33.0%
Externally managed mandates and accounts	0	0%
Total indirect investments	2.87	33.0%

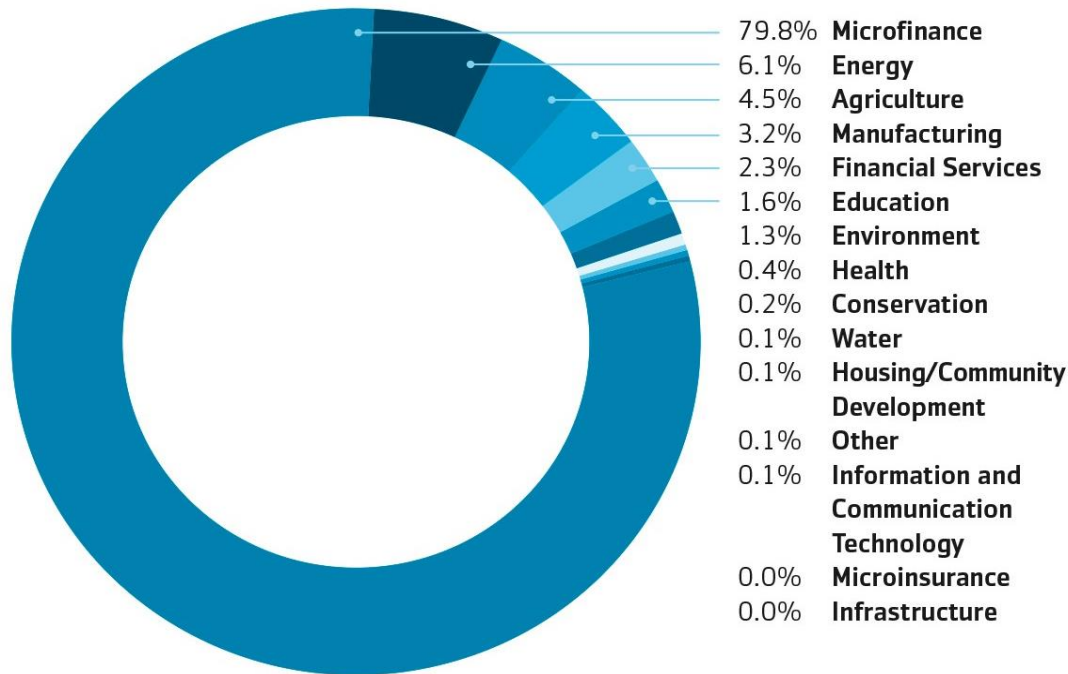
Unspecified	0.27	3.2%
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TOTAL investments for development	8.68	100%
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Additional assets under advice	2.33	n/a
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Results – Asset Allocation

Sector and industry exposures as % of AuM (n=14)

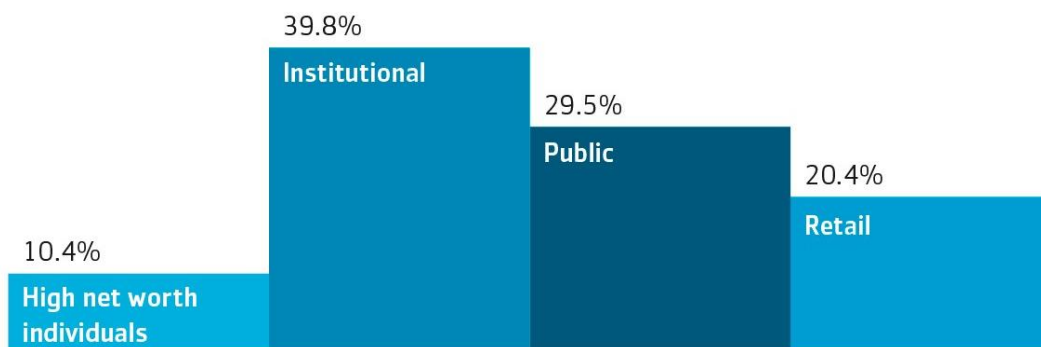


Types of investments

- **78% private debt**
- **11% private equity**

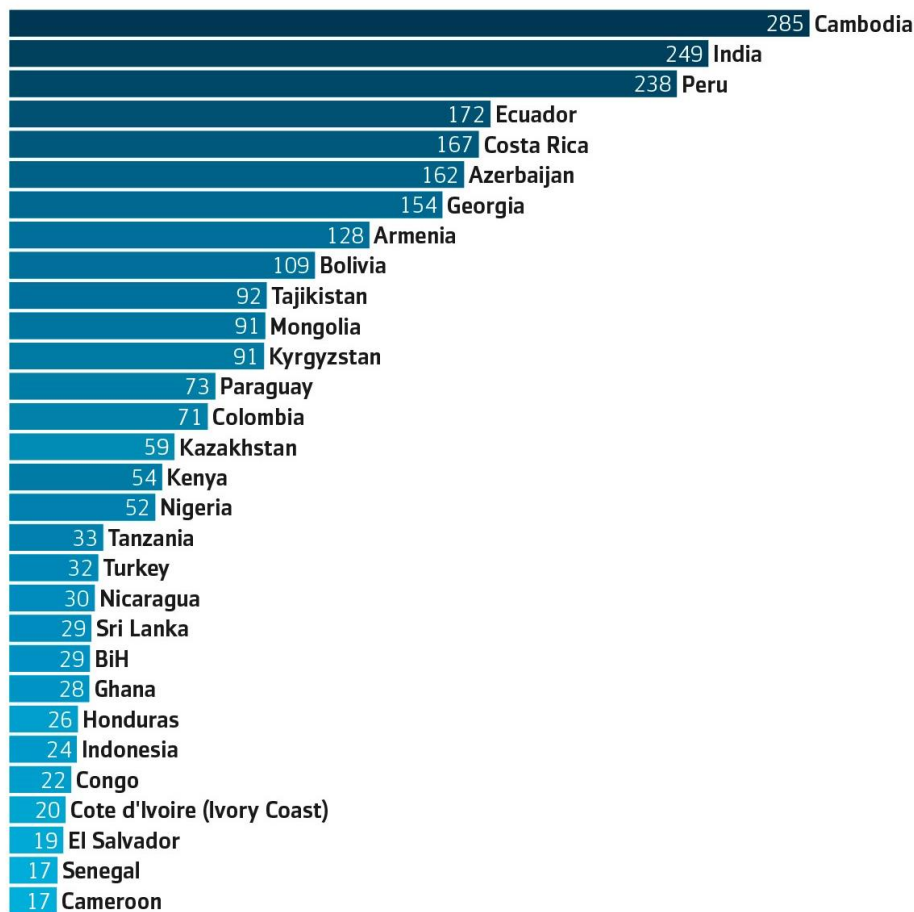
Results – Characteristics of investors

Distribution of investor types according to value of investments (n=12)



- The majority of invested volumes comes from institutional investors
- Retail investors contribute a considerable volume compared to international averages

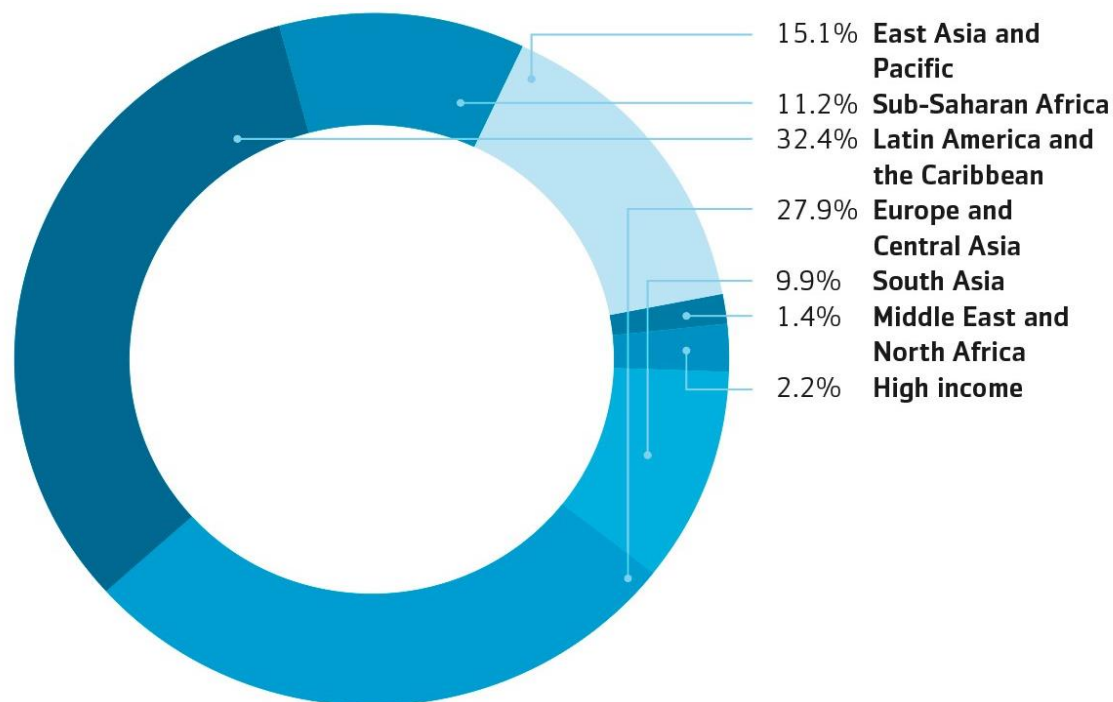
Results – Largest country exposures



- Investments are very well diversified regionally and flow into 96 different countries
- Top 3 countries (Cambodia, India and Peru) offer sound regulatory environments conducive to foreign investments

Results – Characteristics of country exposures

Regional distribution of survey respondents' % AuM



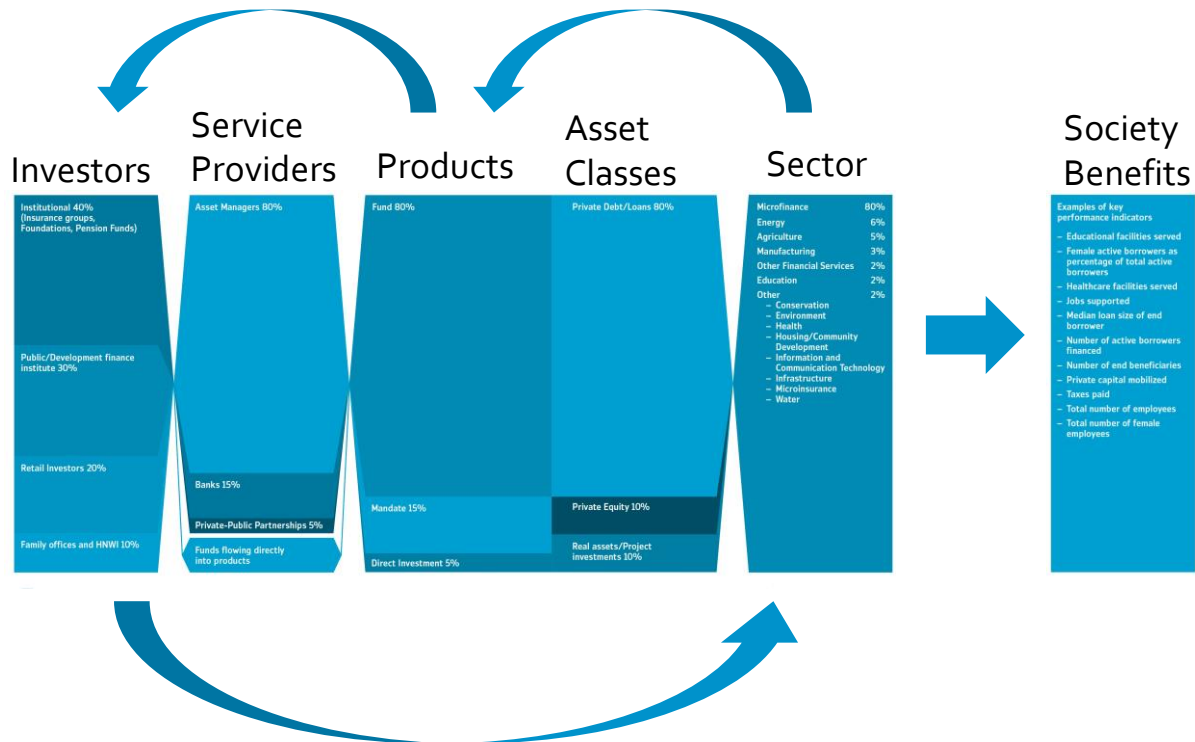
- Biggest regions are Latin America and Central Asia, followed by East Asia and the Pacific
- More than 50% of investments flow into countries of lower/middle income levels

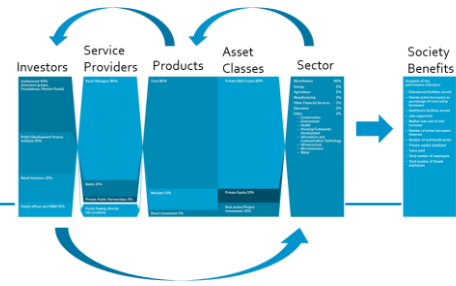
Results – Product/Fund -specific information

	NUMBER OF FUNDS	PERCENT OF FUNDS
Investment instrument (29 PRODUCTS)	Private debt:	15 51.7%
	Private equity:	7 24.1%
	Direct investments:	6 20.7%
	Unspecified	1 3.5%
Total expense ratio (10 PRODUCTS)	Average:	2.4%
	MIN:	1.4%
	MAX:	3.5%
Liquidity (23/24 PRODUCTS)	Subscription	
	Monthly:	14 58.3%
	Biannual:	1 4.3%
	Closed-end:	9 37.5%
	Redemption	
	Daily:	3 13.0%
	Monthly:	8 34.8%
	Quarterly:	4 17.4%
	Biannual:	1 4.3%
	Closed-end:	7 30.4%

Investments for development cycle

A sustainable cycle with double benefits



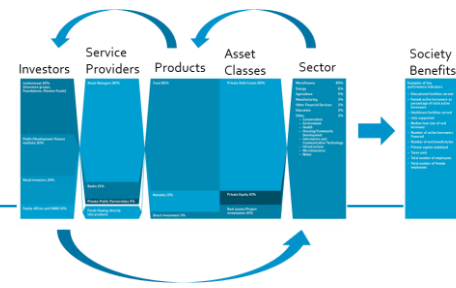


Results – Investment returns information

Target return²⁹
(22 PRODUCTS)

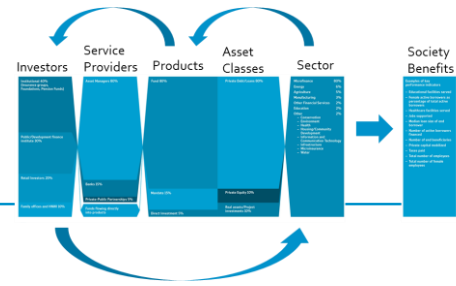
Direct investment/private debt (21 products):	
Average:	4.5%
MIN:	3.0%
MAX:	7.0%
Private equity (1 Product):	20%

- Attractive target returns ranging between 3% and 7%
- Mixed currency classes



Results - Social and environmental indicators performance

- Most respondents have a tool or methodology in place to assess social and/or environmental performance.
- 71% of those also have a specific team in charge of social performance measurement.
- The majority of those respondents measuring social performance use **proprietary metrics** (40%), 20% state to use metrics in line with IRIS and 33% use other methodologies.
- Environmental issues are closely monitored by respondents, with 78.6% of the respondents, (n=14) having defined an **environmental exclusion list** and almost all respondents (92.3% or 12 of the 13 institutions replying to this question) state to **review environmental issues**.



Results - Impact indicators

SECTOR	INDICATORS
Microfinance	<ul style="list-style-type: none"> Female active borrowers as percentage of total active borrowers Number of active borrowers financed Median loan size of end-borrower
Education	<ul style="list-style-type: none"> Educational facilities served
Health	<ul style="list-style-type: none"> Healthcare facilities served
Different sectors	<ul style="list-style-type: none"> Total number of female employees Total number of employees Private capital mobilised Number of end-beneficiaries pro rata Jobs supported Taxes paid

Conclusions and Outlook

Market share

- Switzerland is a leading player, holding around **30% of the global market**
- Switzerland has a comparably high share of retail investors
 - For further market development barriers have to be identified, and where possible reduced.

Concentrated market

- Around 80% of investments for development flow into Microfinance
 - Overcome challenges for accessing other sectors (i.e. innovative direct investments)
- High concentrations of investments in a few countries
 - As regulatory environments develop additional markets will become more conducive to foreign investments for development

Conclusions and Outlook

Measure of impact

- Challenge of finding adequate indicators to measure non-financial information

Continuous Growth

- Expected growth of 15% per annum (ca. USD 15 billion in three years)
 - Potentially higher growth if access to SME markets becomes scalable
 - Development of public-private-partnership (PPP) structures

Attractive returns

- Average 4.5% target returns are attractive in current low interest environment

Available at:
www.sustainablefinance.ch





University of Zurich
UZH
 Department of Banking and Finance
 Center for Microfinance



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