

J.P. MORGAN SOCIAL FINANCE

November 15, 2011

# What defines and differentiates impact investments?

## Impact investments: Our definition

### Investments intended to create positive social impact beyond financial return

#### Provide capital

- Transactions currently tend to be private debt or equity investments
- We expect more publicly traded investment opportunities will emerge as the market matures

#### Expect financial returns

- The investment should be expected to return at least nominal principal
  - Donations are excluded
  - Market-rate or market-beating returns are within scope

#### Business designed with intent...

- The business (fund manager or company) into which the investment is made should be designed with intent to make a positive impact
- This differentiates impact investments from investments that have unintentional positive social or environmental consequences

#### ... to generate positive social and/or environmental impact

- Positive social and/or environmental impact should be part of the stated business strategy and should be measured as part of the success of the investment

## Two-dimensional framework

### Business sectors for impact investing

#### Basic needs

- Agriculture
- Water
- Housing

#### Basic services

- Education
- Health
- Energy
- Financial services

### Means of impact

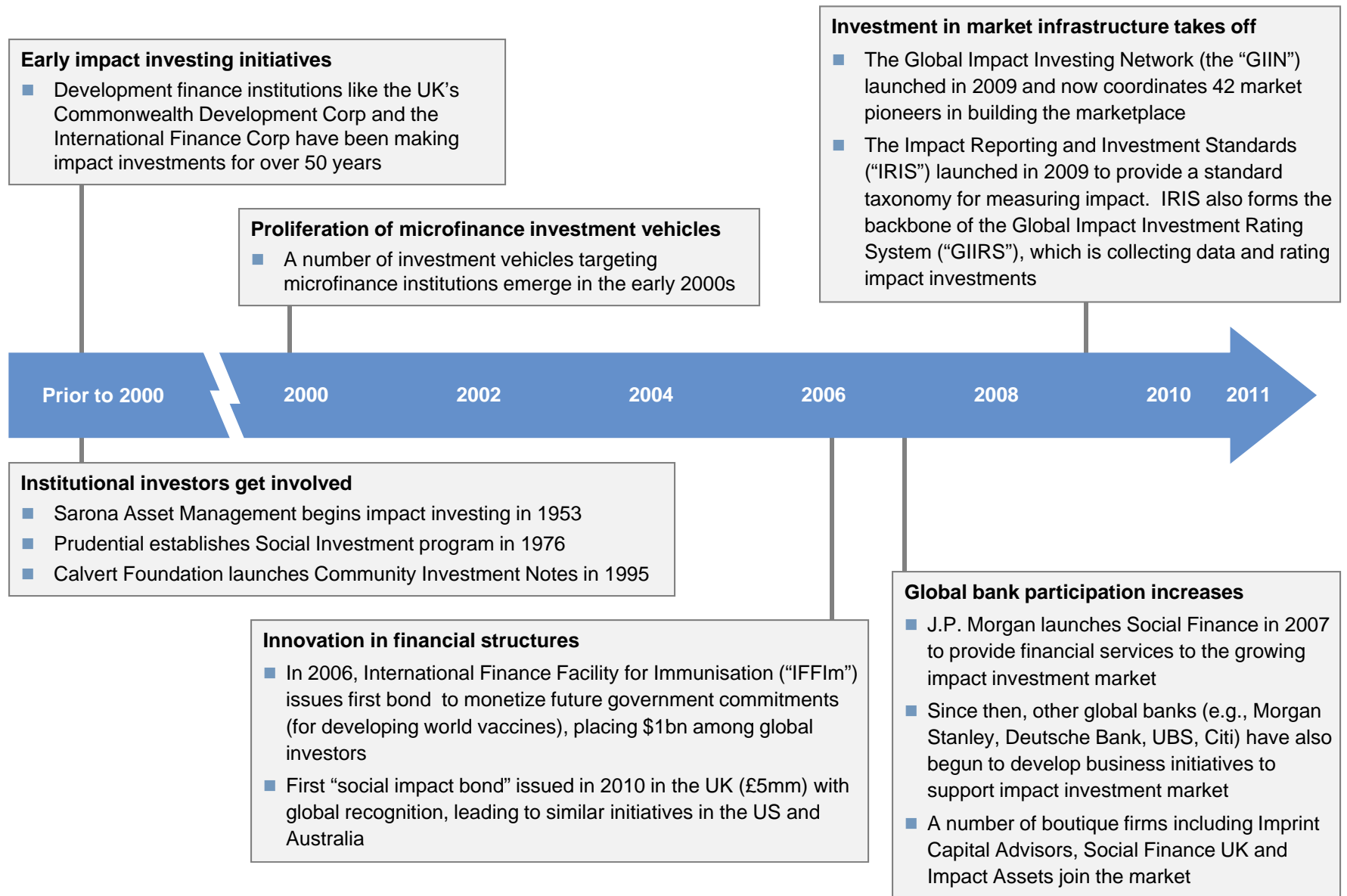
#### Process

- Job creation
- Energy efficiency
- Facilitating asset accumulation
- Utilizing low-income population as suppliers

#### Products for low-income populations

- Agriculture
- Water
- Housing
- Education
- Health
- Energy
- Financial services

# Arriving at the tipping point: Evolution of the impact investment market



## Why does the opportunity exist?

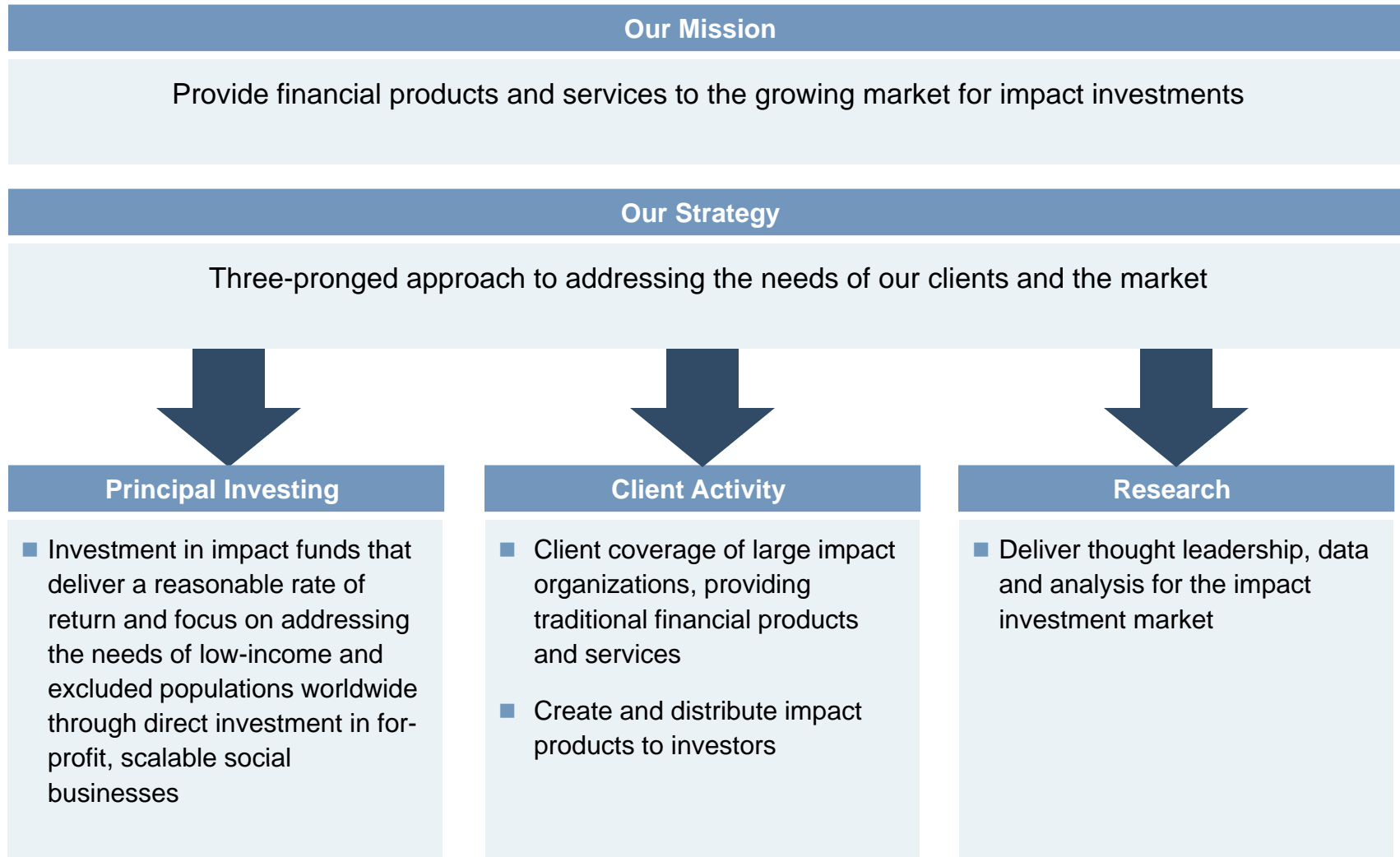
### The opportunity for impact investments

- Operational challenges to transferring developed business models
    - Access to finance
    - Logistics and infrastructure
    - Variable and unpredictable cash flows
  - Government and philanthropic solutions are limited
    - Lack of government provision forces low-income populations to inefficient private providers
    - Impact investment complements rather than replaces grants and aid
- Innovative business solutions are required to accommodate unique cash flow dynamics and distribution challenges

### The opportunity for J.P. Morgan

- Clients demand impact investment products and services
  - Potential market for impact investments of \$400 billion to \$1 trillion over the next 10 years
- Governments supplement increasingly limited fiscal resources by sponsoring impact investment sector
  - Recent public sector initiatives:
    - US government's \$1 billion commitment to growth businesses in underserved communities in the US
    - UK government's launch of Big Society Capital, with £600 million in capital to invest and grow the marketplace
  - Key stakeholders and partners in the public sector view J.P. Morgan as a critical participant

# J.P. Morgan Social Finance mission and strategy



# Social Finance impact investment portfolio

Current portfolio as of November 2011

## MicroVest

- **SFPI investment**
  - Date: January 2009
  - Amount: US\$10mm
- **Overview:** MicroVest II-A, LP closed with US\$60 million in capital. MicroVest manages a family of funds that make debt and equity investments in microfinance and other low income financial institutions across broad geographic areas
- **Social impact:** To provide capital to low-income finance institutions, including MFIs, and to help build capital markets serving individuals at the base of the economic pyramid
- **Sector focus:** Microfinance
- **Geographic focus:** Emerging markets

## LeapFrog Financial Inclusion Fund

- **SFPI investment**
  - Date: May 2010
  - Amount: US\$10mm
- **Overview:** LeapFrog Financial Inclusion Fund closed with \$137 million in capital. LeapFrog is the world's first microinsurance fund, investing in businesses providing insurance and related services to low-income and financially excluded people
- **Social impact:** Portfolio of microinsurance companies such as a profitable South African life insurer that exclusively serves people living with HIV/AIDS
- **Sector focus:** Microinsurance
- **Geographic focus:** Emerging markets, with initial focus on India, the Philippines, Kenya, Ghana, and South Africa

## IGNIA

- **SFPI investment**
  - Date: June 2010
  - Amount: US\$5mm
- **Overview:** IGNIA Fund I closed on \$77 million in June 2010. IGNIA is a venture capital investment firm based in Mexico supporting the founding and expansion of high growth social enterprises serving the BoP in Latin America
- **Social impact:** To identify entrepreneurs with scalable businesses that deliver high value propositions to the BoP
- **Sector focus:** Prioritizes sectors that have a disproportionate impact on improving the welfare of the poor (e.g., healthcare, nutrition, housing, basic utilities and education)
- **Geographic focus:** Mexico, Brazil

## Bridges Ventures

- **SFPI investment**
  - Date: January 2011
  - Amount: £2.75mm
- **Overview:** Bridges Social Entrepreneurs Fund, Bridges Ventures' fourth fund closed with £11.75 million in January 2011. Bridges Ventures was founded in 2002 and is a leader in the impact investing space, targeting investment in social businesses based in the United Kingdom
- **Social impact:** To support scalable, high-impact social enterprises with a focus on serving the most deprived 25% of the population in the United Kingdom
- **Sector focus:** SME financing
- **Geographic focus:** United Kingdom

## African Agricultural Capital Fund

- **SFPI investment**
  - Date: Sept. 2011
  - Amount: \$8mm
- **Overview:** African Agricultural Capital ("AAC") is a \$25 million private equity fund, which invests in agribusiness to support the development of small holder farmers and rural economies, thereby encouraging greater investment in the agriculture sector. AAC represents Social Finance's first debt investment
- **Social impact:** To invest in small and medium-sized agriculture-related businesses in East Africa
- **Sector focus:** Agriculture
- **Geographic focus:** East Africa (Uganda, Kenya, Tanzania, and Rwanda)