Dual Return Fund – Vision Microfinance
Dual Return Fund – Vision Microfinance Local Currency

Social Impact Report 2022

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SOCIAL IMPACT INVESTING

I-AM Impact Asset Management

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KEY HIGHLIGHTS

The Dual Return Vision Microfinance Fund provides investors with access to impact investments and invests primarily in fixed income assets of carefully selected microfinance institutions in developing and emerging markets.

The objective of the Dual Return Vision Microfinance Fund is to enable financial inclusion by investing in the poorest countries, thereby triggering sustainable and long-term development that enables low-income people to improve their quality of life, create access to sustainable agriculture, community development, renewable energy, healthcare and education, and subsequently stimulate entrepreneurship so that the people reached can build a livelihood and a future.
In doing so, the Fund contributes positively to the United Nations Sustainable Development Goals (SDGs), including SDG 1 – No Poverty, SDG 5 – Gender Equality, and SDG 8 – Decent Work and Economic Growth. The mutual fund is also categorized as an Article 9 product under the Sustainable Finance Disclosure Regulation (SFDR).

Since its launch in February 2006 until December 2022, the Dual Return Fund distributed more than 2.3 billion US-Dollars in the form of 1332 loans to 335 different MFIs in 69 low and middle income countries. This report is the sixth annual social impact report for the fund.

Table 1: Working Towards the SDGs

1 NO POVERTY	Ensuring that low-income individuals have access to financial services, including microfinance and savings products, in addition to job opportunities
5 GENDER EQUALITY	Empowering women by providing them with equal access to economic resources and opportunities
8 DECENT WORK AND ECONOMIC GROWTH	Fostering inclusive job creation by financing micro-, small and medium enterprises, and supporting the adoption of fair, equal and safe working practices

1 INTRODUCTION

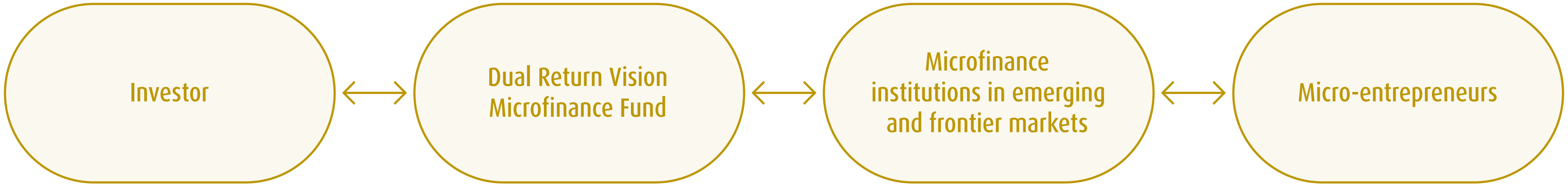
1. INTRODUCTION

Today, over 65 million micro, small and medium enterprises (MSMEs) in developing countries have unmet financing needs, preventing them from growing and creating jobs. Beyond that, 37% of adults in developing countries remain unbanked, lacking access to basic financial services to help them manage their household finances. Expanding access to finance among these underserved populations allows them to improve their financial resilience, capture business opportunities that would otherwise remain out of reach and create new jobs.

The Dual Return Vision Microfinance Sub-Fund (henceforth "Dual Return") aims to contribute to economic growth and financial security by providing microfinance to low- and middle-income individuals in emerging and frontier markets. Microfinance is the provision of basic financial services, such as loans, savings accounts and insurances to underserved or unbanked individuals.

The United Nations (UN) Economic and Social Council proclaimed 2005 as the International Year of Microcredit. Inspired by this, Impact Asset Management Ltd., headquartered in Vienna, Austria, established the Dual Return Fund with the principal objective of enabling investors to become involved in the microfinance industry, directly or indirectly. The Dual Return is an open-ended fund that was incorporated in February 2006, and that pursues a double bottom-line return, being both a socially transformative fund and also offering an attractive financial return to investors. Figure 1 below shows the path of the money invested in the Dual Return Fund from the investor to the end-client (micro-entrepreneur).

Figure 1: Dual Return Path of the Money[2]



Since the inception of the Dual Return in 2006 until today, international development frameworks have evolved significantly, and so has the narrative of microfinance. The International Year of Microcredit followed in the wake of the UN Millennium Development Goals (MDGs). Among the key objectives of this year was to contribute to the first MDG of cutting the proportion of people living on less than one dollar a day by half, through microfinance. This propagated the growth of the microfinance industry worldwide.

1 Direct investments refer to debt securities such as promissory notes, direct loans, term deposits, bonds, commercial paper or syndicated loans issued by microfinance institutions. Indirect investments are made through investments in vehicles such as collaterized debt obligations (CDO) or any other asset backed finance structure, or through the purchase of shares or issuance of debt to regulated or unregulated, open-ended or close-ended undertaking for collective investment (UCI).
2 Impact Asset Management GmbH. (n.d.). Vision Microfinance – Weg des Geldes. Entnommen von: https://www.visionmicrofinance.com/en/about-microfinance/path-of-the-money/
3 The Millennium Development Goals were eight international development goals that all the world's countries and leading development institutions agreed to following the UN Millennium Summit in 2000.
The goals ranged from halving extreme poverty rates to halting the spread of HIV/AIDS and providing universal primary education. The target was to achieve these goals by 2015.
United Nations. (n.d.) United Nations Millennium Development Goals. Retrieved from: http://www.un.org/millenniumgoals/

In 2015, building on the milestone achievement of the MDGs, the UN adopted a new set of 17 international development goals, including a broader range of issues such as economic inequality, sustainable consumption and climate change. These are known as the Sustainable Development Goals (SDGs) and the target is to achieve these by 2030. With the advent of the SDGs, the rhetoric among socially responsible investors shifted from microfinance to financial inclusion, and more broadly to 'impact investing' with the aim of contributing to the SDGs to the greatest extent possible. In light of this evolution, the Dual Return has been committed to expanding financial inclusion, and thereby creating favourable conditions for the achievement of several of the SDGs.

Figure 2: United Nations Sustainable Development Goals

The Sustainable Finance Disclosure Regulation (SFDR) was introduced in 2019 as part of the European Commission's Sustainable Finance agenda to increase transparency in financial markets through harmonized rules addressing sustainability risks integration and disclosure of overall sustainability-related information for financial products. As per Article 9 of the SFDR, the Dual Return Fund has sustainable investment objectives including a focus on businesses and projects targeting low-and middle-income households and MSMEs. Through this, the fund aims to address part of the global challenges represented by a selected set of targeted SDGs. In the same context, the fund integrates principal adverse sustainability impacts in the investment decision-making process through the exclusion of companies active in sectors doing potential significant harm to environmental, social and governance (ESG) factors, as well as conducts a comprehensive ESG assessment and periodic monitoring at different stages of the investment.

Symbiotics SA, headquartered in Geneva, Switzerland, is the leading market access platform for impact investing in emerging and frontier markets, offering market research, investment advisory and asset management services to professional investors. Symbiotics has been entrusted as the research house and advisor for the Dual Return Fund since its incorporation in 2006.

This report is the sixth annual social impact report produced for Dual Return by Tameo Impact Fund Solutions with the goal of assessing the fund's contribution to financial inclusion and, by extension, to the achievement of the SDGs in emerging and frontier markets. The figures presented in this report are the average of quarterly figures of 2022, unless indicated otherwise.

Symbiotics follows a threefold impact management approach along the following dimensions:

i. Sustainable finance:	Assessing each investee on its practices and ESG norms, using a proprietary rating methodology
ii. Impact investing:	Identifying how each investment intends to contribute to the SDGs
iii. Inclusive finance:	Measuring the outreach of investments to the financially excluded at country and end-client levels

4 Tameo Impact Fund Solutions is a Swiss impact investing specialist serving the financial industry with independent expert solutions. Through this report, Tameo assesses the impact performance of Dual Return Fund as an independent third party, verifying the data collected and analysing it at a portfolio level.

This report organizes the social performance of the fund into intentions, social outreach and social outcomes, as well as presenting key figures on the investment output of the fund by region. Another important part of the impact assessment are the due diligence trips which provide a good opportunity to get a feeling for the local markets and directly get in touch with representatives of the microfinance institutions and their end-clients. Two fund managers of the Dual Return Vision Microfinance Funds took part in trips to Bolivia and Costa Rica in 2022. In what follows, the Dual Return's contributions to the SDGs will be highlighted through the activities of the investees in the fund's portfolio. The report also gives insights into the impressions gained during the due diligence trips.

Table 2: Key Figures as of December 2022

Fund Volume Dual Return Fund – Vision Microfinance	**EUR 735 million**
Number of countries	**38**
Number of financial institutions	**122**
Number of end-clients financed	**472,303**
% female borrowers	**86%**[5]
% borrowers in rural areas	**40%**[6]
Median credit per borrower	**EUR 4,827**
Number of MSME jobs supported (estimated)	**952,500**

The portfolio data is based on the most recently available information sources and may therefore deviate from the portfolio data indicated in the fund's accounting (legal/factual inventory).

5 This is the percentage of the number of women borrowers among all borrowers reached by the fund, excluding legal entities. It would be 35% of the fund's portfolio in loans for women by loan amount, and 47% if the portfolio-weighted average is taken of number of women financed by the fund's investees, if including legal entities.
6 Portfolio-weighted average

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2 INTENTIONS

2. INTENTIONS

Dual Return is committed to realizing the fund's goals by having a clear mission in addition to clear norms and practices.

2.1. Mission

The mission of the fund is to provide capital to people who are excluded from the official banking sector, thereby creating a positive self-reinforcing cycle through financial security and savings. By extension, micro and small employers will be able to work, therefore stabilize their cash flows, create jobs and increase their standards of living.

2.2. Norms

Each investment made by the Dual Return Fund needs to comply with the following criteria:

Table 3: Dual Return Fund Norms

Investment universe	Carefully selected microfinance institutions (MFIs): ■ With an acceptable legal status ■ Established in countries with a favourable regulatory environment for foreign investments ■ With a solid financial background ■ That are continuously active
Social incentives	■ Positive self-reinforcing cycle is afforded, i. e., financial security, savings and growth, by providing capital for people who are excluded from the official banking sector and economic development ■ Be as inclusive as possible, both horizontally through large-scale investments and vertically by funding smaller institutions/projects
Eligible instruments	Fixed-income instruments
Restrictions and limitations	General principle of risk diversification
Geography	Predominantly in Latin America, Central and Eastern Europe, Asia and Africa
Investment currencies	USD & EUR predominantly; local currency investments (max 20%)

2.3. Practices

Every financial institution has an internal set of practices, including principles, policies, and procedures that are used to express its social responsibility. Investment analysts assess these practices pre-investment, and on a regular basis thereafter to determine the extent to which an institution is committed to its social mission, and whether it is likely to have a positive social impact.

Three tools are used to assess the practices of the fund's investees:

i. Social Responsibilty Rating

Symbiotics has developed a social responsibility rating to assess the likelihood of a financial institution to contribute positively to sustainable development and social impact. It has been applied systematically to all investment decisions since 2010. The rating is conducted during the due diligence process for a financial institution before an investment is made, and on an annual basis afterwards. The rating methodology includes seven dimensions, consisting of 98 qualitative and quantitative indicators. All the indicators are compiled into a weighted aggregated score that grades the institutions from 0 stars (lowest) to 5 stars (highest).

The seven dimensions of the rating are:

- **Social governance:** Looking at the social orientation of shareholders as well as the financial institutions stated and effective commitment to its social mission, its target market and development objectives/stakeholders' needs.
- **Labor climate:** Assessing policies regarding social responsibility to staff, looking at human resources policy, systems to monitor employee satisfaction and staff turnover rate, as a measure of staff satisfaction.
- **Financial inclusion:** Measuring whether the financial institution has an efficient and proactive strategy and good results in terms of financial inclusion, as well as its ability to serve low-income and excluded clients, especially those located in areas where no other financial services are provided.
- **Client protection:** Looking at whether clients are treated in a fair and transparent way if the negative impacts that affect them (notably over-indebtedness) are avoided as much as possible.
- **Product quality:** Looking at a financial institution's marketing strategy and activities, as well as the diversity and quality of its financial and non-financial products and services.
- **Community engagement:** Assessing the steps that the financial institution takes in implementing policies and actions aimed at supporting community development at large, and the social impacts of such steps on the community.
- **Environmental policy:** Whether the financial institution has any policies and initiatives in place to mitigate environmental impacts, not only of its internal activities but also, and above all, of its financed enterprises.

As of December 2022, the portfolio-weighted average ESG rating at the level of the Dual Return Fund is 3.73 stars. Below are the average scores by dimension. Overall, the institutions perform well on most dimensions. The highest scoring dimension is client protection (76%).

Environmental policy is the lowest scoring dimension, with a score of 39%. This dimension primarily measures whether an investee has an environmental policy in place, be it for its own operations or for its lending activities. Dual Return mostly invests in financial services providers, which seldom have advanced environmental policies as the focus of the institutions lies on fostering financial inclusion.

However, since 2017, the score has been increasing as institutions in the portfolio continue to take steps to improve their environmental performance.

One clear example is Satin, an Indian institution that in 2016 successfully implemented an environmental policy and has now reduced the CO2 emissions from its operations. The institution has also increased the share of green lending and now facilitates access to renewable energy for more than 93,000 households.

Another example is Golomt Bank in Mongolia, which has a strong commitment to sustainable lending practices and is one of 38 banks globally to join the UN Responsible Banking Principles to combat climate change. The institution is also a member of the UN Environment Programme's "Collective Commitment on Climate Management" and to further its commitment, it has increased its green loan portfolio from 1% of its GLP in 2018 to almost 3% in 2021.

In Sri Lanka, Seylan Bank assesses all investments through a risk management system that considers social and environmental impact. Internally, the institution has also implemented a policy to monitor energy usage and paper consumption. Another example is Pan Asia Bank, a Sri Lankan bank awarded the "Best Green Bank in Sri Lanka" recognition. Pan Asia Bank is considered a pioneer of green financing in the country as it has issued its first green bond. The bank aims to encourage sustainable agricultural practices among its clients. Already in 2018, the bank had started is efforts towards green financing by introducing loans to finance the leasing of hybrid vehicles, drip irrigation and mini-hydro projects.

And in Kosovo, KRK implements environmental policies through the loan process and complements its loans with technical assistance to educate its agricultural clients on energy efficiency.

Figure 3: Social Responsibility Ratings

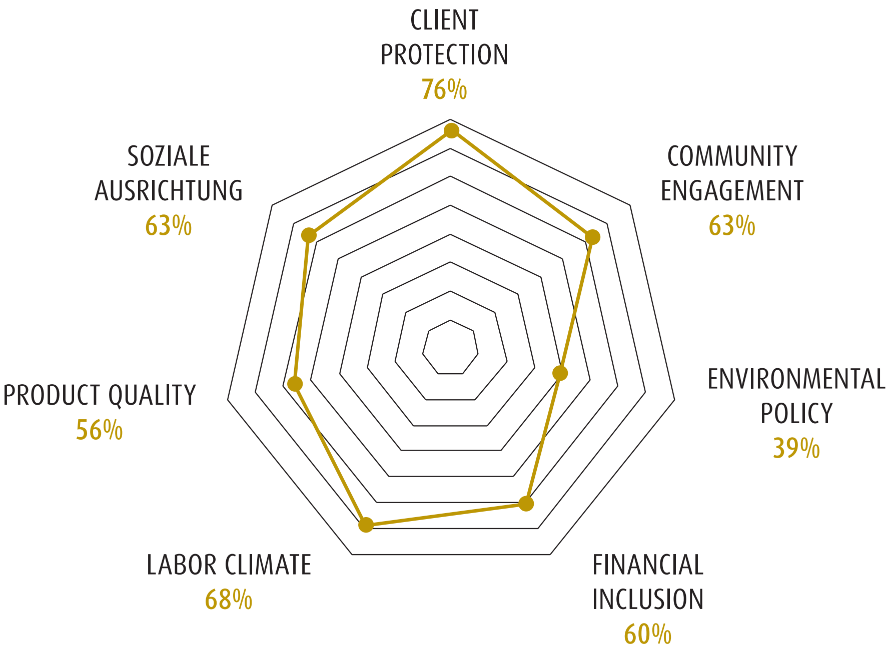

Figure 4: Portfolio-Weighted Average Social Responsibility Ratings

ii. Exclusion Lists

A social exclusion list was applied to all the fund's promissory notes, preventing financial institutions from investing in the following:

- Alcohol, drugs, tobacco
- Asbestos fiber, cement
- Drift net fishing
- Forced and child labor
- Gambling, casinos
- Hazardous chemicals
- Land grab and infringement on indigenous people's rights
- Radioactive material
- Weapons, munitions
- Wildlife protocols

iii. Social Covenants

Social covenants are included in loan or investment agreements in order to ensure that an investment is pursuing its double bottom line objective. In the context of the Dual Return Fund, the following social covenants were used when disbursing loans to the financial institutions:

- Impact-related sector eligibility criteria:
  - Operating in emerging or frontier markets
  - Main investment activity is the granting of cash loans to small or micro-enterprises for their business purposes
- Obligation to provide regular outreach reporting

3 IMPACT INVESTING

3. IMPACT INVESTING

The Dual Return Fund has a mission to contribute to the United Nations Sustainable Development Goals (SDGs) through its investments. As such, we identify the key SDG contribution for each new transaction based on the main area of investment (Table 5).

The main SDGs addressed by the fund are SDG 1 (No poverty), SDG 8 (Decent work and economic growth) and SDG 5 (Gender equality). Through its investees, the fund provides access to financial services to a part of the population that would otherwise be excluded.

In addition, SMEs provide financial services and products to small- and medium entrepreneurs and contribute to SDG 8 (Decent work and economic growth) as it promotes job creation and ultimately economic growth. In terms of its contribution to SDG 5 (Gender equality) investees focus on providing women with access to financial inclusion. About 7% of the investees in the Dual Return portfolio exclusively serve women.

The fund also targets investees that focus on specific themes, such as agriculture, education and housing, thereby contributing to SDGs 2 (Zero hunger), 4 (Quality education), 7 (Affordable and clean energy), 11 (Sustainable cities and communities) and 14 (Life below Water).

For example:

- EVN Finance in Vietnam is committed to the financing of green projects through the issuance of Green Bonds, contributing to SDG 7. As part of the institution's mission to support the development of green energy in the country, the bond's proceeds will exclusively fund renewable energy, hydro power and biomass energy projects.
- In India, Varthana provides financial support to private school owners aiming to improve school's infrastructure, trainings for teachers and overall enhancement of education processes.
- Banco Internacional in Ecuador issued a Blue Bond with the main goal of financing investments in the value chain of the sustainable fisheries and aquaculture sectors, contributing to SDG 14. Through the bond, the institution promotes the implementation of sustainable production practices as well as job creation due to the high importance of the sectors in the country.

Table 4: Dual Return Key SDG Contribution

Theme	SUSTAINABLE DEVELOPMENT GOALS	How does Dual Return contribute?	% total portfolio outstanding
Small business finance	8 DECENT WORK AND ECONOMIC GROWTH	▪ Strengthening the capacity of domestic financial institutions to expand access to banking and financial services for all ▪ Encouraging the growth of SMEs	46%
Microfinance	1 NO POVERTY	▪ Ensuring that low-income individuals have access to financial services, including microfinance and savings products	21%
Microfinance	5 GENDER EQUALITY	▪ Providing women with equal access to economic resources and opportunities	16%
Climate and energy	7 AFFORDABLE AND CLEAN ENERGY	▪ Ensuring universal access to affordable, reliable and modern energy services	2%
Food and agriculture	2 ZERO HUNGER	▪ Providing small-scale food producers access to productive resources through financial services and products.	1%
Housing and Infrastructure	11 SUSTAINABLE CITIES AND COMMUNITIES	▪ Ensuring access to adequate, safe and affordable housing and basic services	0.7%
Healthcare and education	4 QUALITY EDUCATION	▪ Ensuring equal access for all women and men to affordable and quality education	0.3%
Food and agriculture	14 LIFE BELOW WATER	▪ Providing small-scale and/or internationally certified fishing and aquaculture producers' access to productive resources through financial services and products	0.03%

Table 5: Country Profile: Bolivia

Country	Dual Return loan amount	Number of supported institutions	SDGs supported
Bolivia	USD 22 million	6	1, 2, 5

Bolivia, officially the Plurinational State of Bolivia, is a landlocked country located in western-central South America. The country is named after Simón Bolívar, a Venezuelan leader in the Spanish American wars of independence. The western part of the country is called Altiplano which lies at about 4,000 meters.

Bolivia has the largest proportion of indigenous people in South America, who make up around two-thirds of the population. It is also one of the world's largest producers of coca, which is consumed as tea or chewed to prevent symptoms of altitude sickness.

The economy of Bolivia is quite resilient. A lot of the production is done within the country, so prices are more stable and Bolivia in general adapts easily to crises.

People work from day to day in Bolivia which means that there is a large informal sector. The microfinance sector is very important, as micro- and small business activities play an important role in job creation. Only the minority works in large enterprises. A large part of the growing demand, especially in the rural areas, for microfinance services is currently not being met. The regulator has been actively implementing different measures to increase customer protection and ensure healthy market development in the future.

Table 6: Country Profile: Costa Rica

Country	Dual Return loan amount	Number of supported institutions	SDGs supported
Costa Rica	USD 53 million	5	1, 8

Dual Return's investments in the country are focused on SME, which bring a valuable diversification effect into the portfolio by complementing the global microfinance allocation and small businesses are in general an important driver for employment in frontier as well as emerging markets. This is a crucial part of impact investing in order to contribute to the United Nation's Development Goal number eight of fostering decent work and economic growth.

During the on-site due diligence, the management emphasized the positive developments in Costa Rica, be it on the political front, which is expected to foster social stability further and by increasing the tax base for a strong economic environment with regards to the local currency the Costa Rica Colon and macroeconomic indicators relevant for investors. Additionally, the Central American nation profits from its pioneering role in the protection of biodiversity, which attracts research and tourism and the unique location of having the last significant shipping port on the way of freight north to Mexico.

There is also a microfinance sector in Costa Rica, which is in parts catered to by public and development finance organizations. Through the government's sustained social spending, which accumulates to almost 20% of GDP annually, Costa Rica remains politically stable and has made tremendous progress toward achieving its goal of providing universal access to education, healthcare, clean water, sanitation, and electricity.

INVESTMENT OUTPUT

4

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4. INVESTMENT OUTPUT

Since its incorporation in 2006, the Dual Return Funds have:

- Originated USD 2.3 billion in loans through more than 1,330 transactions
- Financed 335 investees in 69 emerging and frontier markets

Figure 5: Portfolio Outstanding, Deals & Volumes

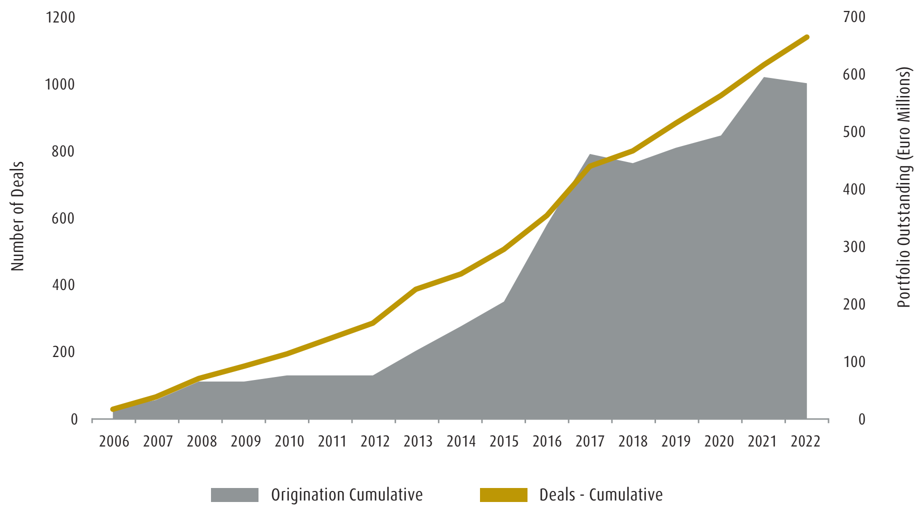
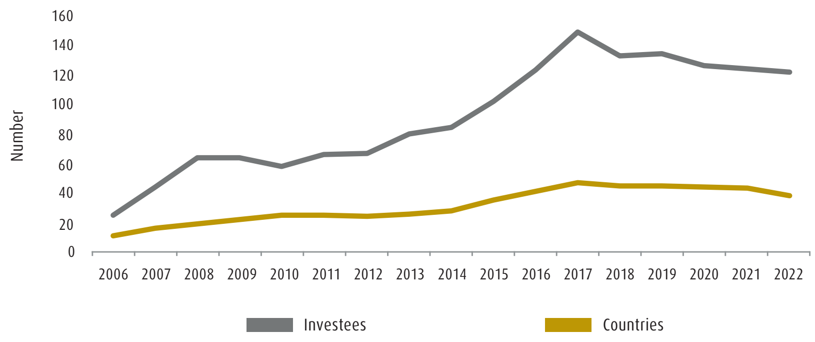


Figure 6: Portfolio Outstanding, Investees & Countries



The portfolio data is based on the most recently available information sources and may therefore deviate from the portfolio data indicated in the fund's accounting (legal/factual inventory).

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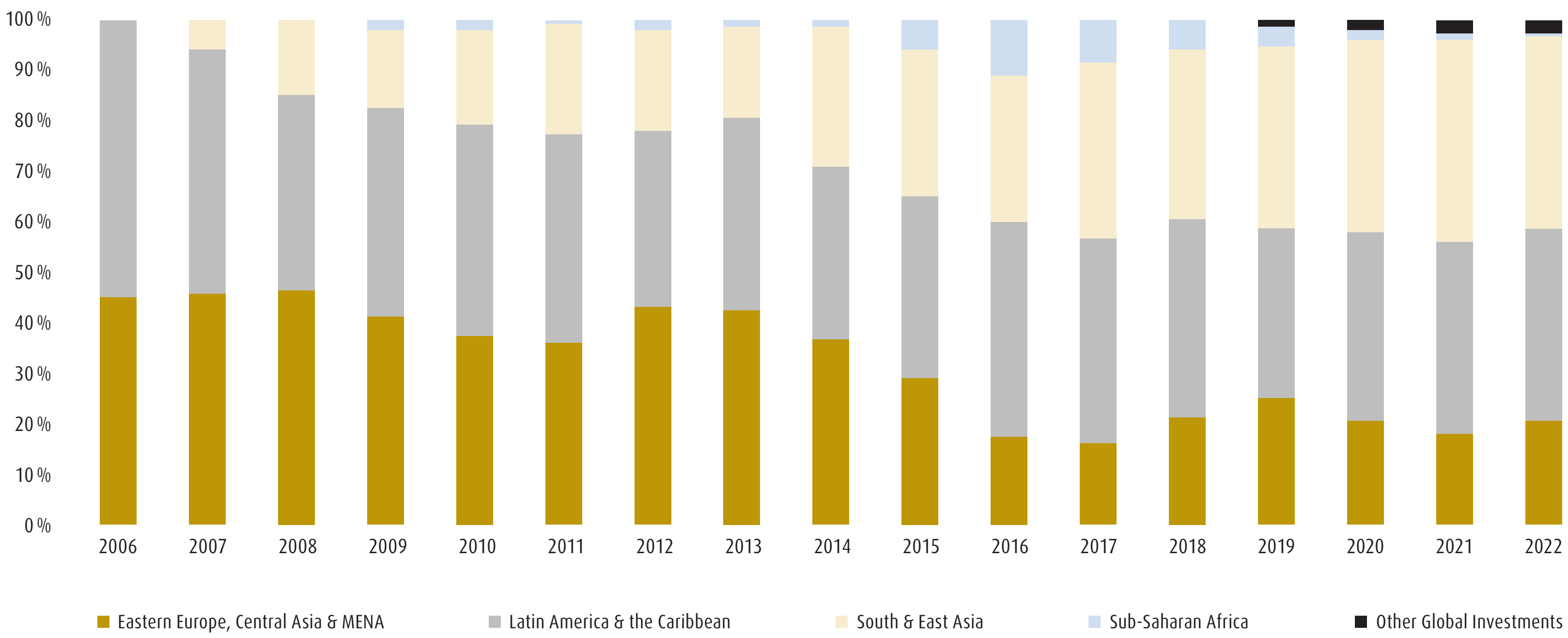
As of December 2022, there was about EUR 600 million in outstanding volumes, invested in 122 financial institutions in 38 countries. On average in 2022, the largest volumes were invested in South & East Asia, followed by Latin America & the Caribbean, Eastern Europe, Central Asia & MENA, and finally Sub-Saharan Africa. The portfolio has progressively diversified its regional exposure over its lifetime.

Figure 7: Regional Breakdown, % Portfolio by Year



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In Latin America, the fund is invested in longstanding institutions like Desyfin. The institution was founded in 1991 in Costa Rica and it provides a wide range of financial products and services to SMEs (Table 7).

Table 7: Institutional Profile: Desyfin, Costa Rica

The non-bank financial institution Desyfin was the second investee for Dual Return in Costa Rica and has been a staple of the portfolio ever since August 2013.

The institution boasts enhanced corporate governance standards with a formalized social and environmental management policy, robust client protection and high staff ratings regarding the labor climate. The risk management at Desyfin is employing an ESG analysis framework, which is part of the loan underwriting process during which potential social and environmental risks are assessed.

With a balance sheet of about three hundred million US-Dollars the institution qualifies as a tier one institution with a strong focus on SME financing, which brings and keeps employment in the country. Small and medium companies in the value chain of these zones are thought after as business by Desyfin, which constantly attracts new customers through its excellent service and customized products in order to contribute to the economic growth with decent work conditions in Costa Rica.

Figure 8: Investee Countries

On average, in 2022, the top three countries of investment were Ecuador, India and Cambodia together representing 30% of the total outstanding portfolio. The top 10 countries by portfolio outstanding are shown below.

Figure 9: Top 10 Countries

Ecuador	11.3%
India	10.8%
Cambodia	9.7%
Costa Rica	9.6%
Armenia	7.4%
Uzbekistan	5.2%
Mongolia	5.0%
Panama	4.2%
Bolivia	4.2%
Sri Lanka	4.0%

There is no allocation in Russia and the portfolio data is based on the most recently available information sources and may therefore deviate from the portfolio data indicated in the fund's accounting (legal/factual inventory).

SOCIAL OUTREACH

5

5. SOCIAL OUTREACH

The social outreach of the Dual Return Fund can be measured at the level of the markets in which the fund is invested, the financial institutions (investees), and the end-clients of those institutions.

5.1. Market Outreach

The Dual Return portfolio is almost fully invested in low and middle-income countries.[7] 51% of the portfolio is invested in low and lower-middle income countries, whereas 43% is in upper-middle income countries. Overall, the GDP per capita in these countries (USD 5,737) is considerably lower than the world average (USD 12,070), and similar to the average of low- and middle-income economies (USD 5,298).

Furthermore, three out of the 38 investee countries are categorized as Least Developed Countries (LDCs) by the United Nations Conference on Trade and Development (UNCTAD).[8] This categorization not only considers a countries' per capita income, but also their "human assets" and economic vulnerability.[9] Investments in LDCs account for 11% of the total outstanding portfolio as of December 2022.

7 Countries' income levels are defined by the World Bank according to gross national income (GNI) per capita as follows:
- Low-income: USD 1,085 or less
- Lower-middle-income: USD 1,086 to USD 4,255
- Upper-middle-income: USD 4,256 to USD 13,205
- High-income: USD 13,206 or more

8 These countries are Cambodia, Myanmar and Nepal.

9 The following criteria are used by UNCTAD to determine whether a country is an LDC:
- Per capita income: below USD 1,221
- Human Assets Index, based on indicators of nutrition, health, school enrolment, and literacy.
- Economic Vulnerability Index, based on indicators of natural shocks, trade-related shocks, physical and economic exposure to shocks, population size, and remoteness.

Figure 10: GNI per capita, (Current US$)[10]

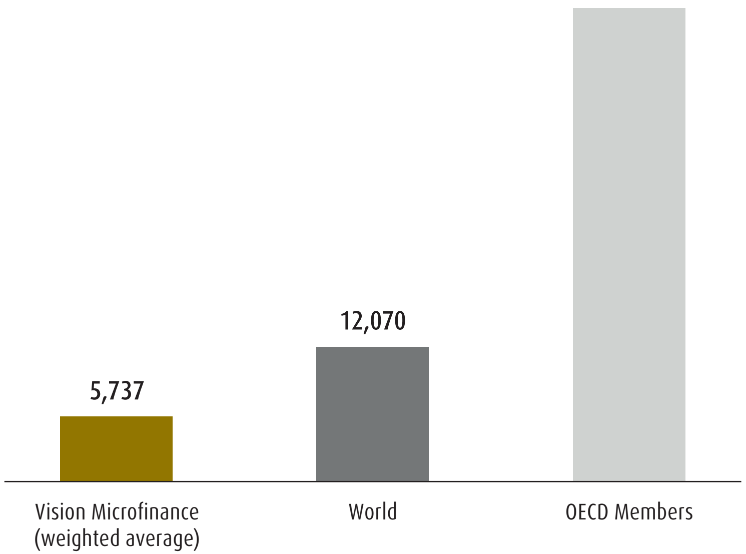
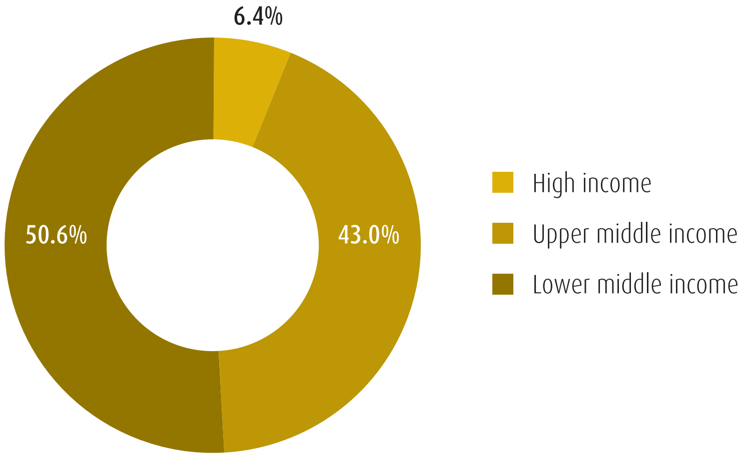


Figure 11: Income Levels, % Dual Return Portfolio



Considering the fund's market outreach in terms of financial inclusion, the Dual Return is invested in countries where 64% of the adult population have a bank account at a financial institution, which is lower than the world average of 76%. This indicates that the fund is facilitating the provision of financial services in countries where access to these services is less common than it is worldwide.

Table 8: Banking Penetration

Percentage of adults with a bank account[11]	2022
Dual Return (weighted average)	64%
World	76%

10 Investments in high-income countries include
1) Panama (2.7% of outstanding volume), which was upgraded by the World Bank in 2017 to a high-income rather than an upper-middle-income country,
2) the Baobab Group, domiciled in France, which invests in microfinance institutions in Africa and China, and
3) despite having higher per capita income, the IMF World Economic Outlook classifies Panama, Romania and Chile as 'emerging and developing economies'.
11 The Global Findex Database 2021, Die Weltbank.

By doing so, the fund contributes to SDG 8 whose tenth target is access to banking for all.

8 DECENT WORK AND ECONOMIC GROWTH

8.10: **Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.**

5.2. Investee Outreach

The Dual Return Fund is invested in a diverse range of financial institutions, in terms of both their legal status and size, thereby reaching different segments of the financially excluded population in emerging and frontier markets.

In terms of investee size, the largest proportion of the portfolio both by number (57 institutions) and volume (51% of the portfolio) is in medium-sized institutions with total assets between USD 100m and USD 1bn (Tier 1). This is a relatively recent trend. From 2006 until 2012, the majority of investments were in smaller institutions, with assets between USD 10M and USD 100M (Tier 2). In 2013, this trend changed and Tier 1 institutions have represented the majority of investees since. Among the reasons for this trend is that many of Dual Return's long-standing investees grew in size over the life of the fund, in terms of both asset size and institutional capacity. Of the institutions in the portfolio in 2022, 34% have experienced an increase in their asset size since the first investment was made. Out of those, 24 institutions are now Tier 1 institutions. The other principal reason is that the fund entered into new markets since 2013, notably in South Asia, where microfinance institutions have the most clients and are the largest, on average. Nevertheless, these institutions often offer among the lowest average credit balances, displaying a strong commitment to serve end-clients at the bottom of the pyramid.

An example is the DFI Crecer in Bolivia, which exists since 1999, and already reached a size of more than USD 450M.

Table 9: Institutional Profile: Crecer, Bolivia

Crecer was created in 1999 as a non-profit association and has a particularly good coverage throughout the whole country being attentive to the clients in more than 70 urban and rural agencies.

It is the leading Bolivian microfinance institution in terms of gross loan portfolio and number of clients. Crecer was repeatedly assigned a 5* social rating given its strong governance, emphasis on financial inclusion, cancer prevention projects and constantly improving labor climate.

Crecer issues credits in the form of village banking. During the pandemic the community members organized themselves via messenger services and held virtual meetings. Not everyone had access in the beginning, but they supported each other. Some members explain to us that they had to do different works as their main profession did not bring in money during the pandemic. They were supported by Crecer as they offered the possibility to stop amortization payments or delay them.

Another important agenda point during the village banking meetings is the preventive medical check-up on cervical cancer. Crecer specialized in this health topic in 2013 as mortality in Bolivia due to cervical cancer is among the highest in the world and the organization wanted to do its part to counteract. This type of cancer is detectable and treatable at an early stage, so regular check-ups have a great impact.

Credit cooperatives and non-governmental organizations (NGOs) represent a smaller proportion of the portfolio in terms of both number of institutions (21 and 10, respectively) and volumes (8% and 1%, respectively). Those actors have historically been pioneer enablers of financial inclusion in regions where banks and NBFIs were not ready or not willing to operate. Cooperatives are still very important in South America and often develop innovative projects for sustainable community development.

In Costa Rica the Fund is invested into the cooperative Coopenae.

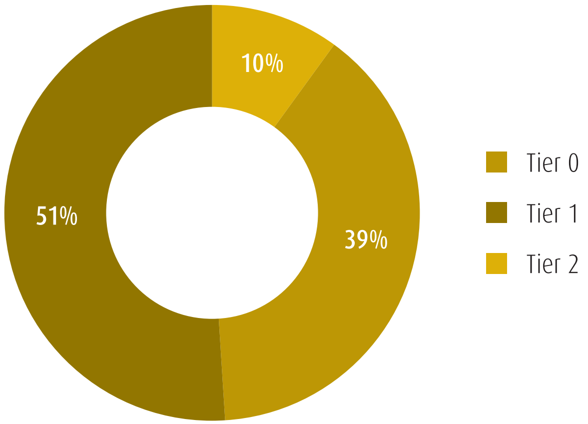
Table 10: Institutional Profile: Coopenae, Costa Rica

Coopenae is one of the investees in the portfolio of the Dual Return Funds with a remarkably long track record as the cooperative was founded already in the year 1966 by the national association of teachers in San José.

It has hence weathered successfully an innumerable number of crises including the turbulent last three years. Today the financial institution has almost sixty thousand clients all across Costa Rica and employs more than 700 persons.

Guided by strong cooperative principles Coopenae has developed a solid corporate and social responsibility framework and is committed to the social, environmental and economic well-being of its members, staff and society. A dedicated social performance unit leads projects across the company and monitors MSME client's social and environmental risk as well as the carbon footprint. The management is constantly working on keeping the cooperative up to date with the latest developments and is currently gearing the business model towards further innovation and digitalization.

Figure 12: Size of Financial Institutions



5.3. End-Client Outreach

The final level of assessment of the fund's social outreach is the end-client level. This entails reviewing the end-client headcount and average loans, as well as the segmentation of clients by gender, location, activity and credit methodology.

In 2022, the portfolio is estimated to have financed a total of 472,303 end-clients.

Dual Return primarily served end-clients through individual loans (84%) in urban areas (60%). The rural-urban gap in financial inclusion is also well-documented in emerging markets, with urban residents being more likely to have an account at a financial institution. Even though the size of the gap globally is difficult to estimate, Dual Return has clearly contributed to providing equal access to financial services for rural and urban clients alike.

According to the 2021 Global Findex database, 74% of men but only 68% of women in developing countries have an account at a financial institution, indicating a gender gap of 6 percentage points. Given this gap, the World Bank has clearly stated that any efforts to increase account ownership in a given country must prioritize financial inclusion for women. By financing intermediaries with a strong focus on lending to women clients and enabling women through training and other non-financial services, the Dual Return Fund is contributing to bridging the gender divide in financial inclusion. The fund's commitment to its contribution to SDG 5 (Gender equality) is evident considering that close to 40% of the fund investees report at least half of their end-borrowers are women. Through its investments, the fund reached 404,073 women.

As well as contributing to gender equality (SDG 5), increasing women's financial inclusion is associated with the achievement of poverty alleviation (SDG 1) and decent work and economic growth (SDG 8). Poverty disproportionally affects women; for every 100 men living in poverty, there will be 122 women. Similarly, the global labor force participation rate is 49% for women compared to 75% for men. These disparities result partly from social, economic, legal and regulatory barriers that constantly limit women's opportunities. Restricted mobility due to social norms, lack of assets for collateral, time constraints due to childcare and lack of identifying documents are among some of the constricting factors. Designing financial products and services with those barriers and their determinants in mind is one crucial way to contribute to women's empowerment. Access to finance can potentially allow women to have greater control over their financial resources, enhance their bargaining power within their household and ultimately increase women's autonomy. Similarly, targeted financial literacy trainings are fundamental for women to acquire the necessary skills and tools to take full advantage of financial products.

5 GENDER EQUALITY

5.1: End all forms of discrimination against all women and girls everywhere.

By financing institutions that reach out to women with a majority of the loan portfolio, thereby providing equal access to economic resources, the Fund contributes to the Sustainable Development Goal 5.

Table 11: Women end-clients financed by Dual Return

	Reached by investees	Reached with 1M USD investment	Reached by fund
Number of women borrowers reached	15M	555	404,073

Proportion of women (quarterly average)

86%	35%	47%
% of number of women financed by the fund's portfolio investees (excluding legal persons)	% of fund's portfolio in loans for women (by volume)	% of number of women financed by the fund's investees (portfolio weighted average, including legal persons)

The following client report covers one of the female business leaders supported by Banco Promerica.

Table 12: Institutional Profile: Banco Promerica, Costa Rica

The mission and vision for the present and future of Banco Promerica Costa Rica is to promote a bank that develops relationships and offers products and services to our communities, helping them overcome cultural, economic, personal and geographic limits.

Promerica believes that all people and companies in our communities should exceed their limits to achieve the success they deserve. In the year 2022, the bank is celebrating its 30-year anniversary and as can be seen in the picture, a number of prices and certificates in the social and environmental finance realm were achieved over these three decades, among others the following:

- Sustainability Awards
- SUNEP Principles for Responsible Banking
- SFemale Leadership Initiative

5 GENDER EQUALITY

8 DECENT WORK AND ECONOMIC GROWTH

Especially, in Promerica's female leadership initiative the bank could make impressive strides over the last decade. The bank is cooperating with academia like the Texas Tech University to foster female leaders in politics, technology or finance and sees this as a valuable tool to positively impact the UN Sustainable Development Goal number 5: Gender Equality. In 2022 about 25% of the companies catered to by Banco Promerica are led by female entrepreneurs.

Table 13: Client story: Aero Jet, Banco Promerica, Costa Rica

"A Female Business Leader in the Aviation & Transport Business"

Next to the Aeropuerto Internacional Juan Santamaría of Costa Rica's capital San José the logistics for each traveller comfortably arriving and leaving the country via airplane (and with their luggage) are carefully co-planned by the company Aero Jet and its knowledgeable team – all lead by a female business leader.

What started out in the year 1988 with a few cargo vehicles is now a sophisticated logistics enterprise servicing the airport with passenger steps, belt loaders, transporters towing aircraft etc. and employing more than 150 personnel, who are often hired from the local vocational college with which Aero Jet keeps a close relationship. The team at Aero Jet has been working with Banco Promerica Costa Rica for twenty years.

Due to the business savvy leadership the company started to finance the transition from combustion engine vehicles to electric ones over the last years together with Dual Return's investee Promerica. Besides the positive impact on the environment this decision also helped the company save on fuel costs, which are in general tremendous for the short "go-stop-go" drives on the airfield and even more so in the year 2022, which also marked a high in energy inflation in Costa Rica. The forward-looking adaptation and climate change mitigation strategy set the tone for a successful continuation of the business and for all travellers going through Costa Rica's main airport to increase the probability of a safe and comfortable journey.

Figure 13: Client Activity, % of Headcount

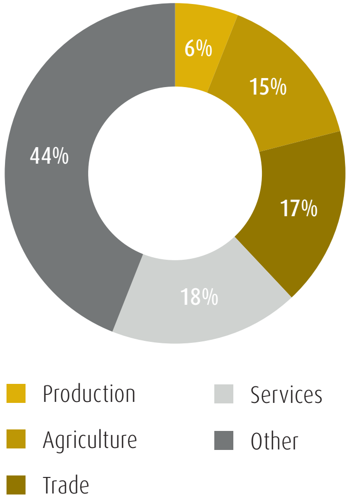


Figure 14: Client Gender, % of Headcount

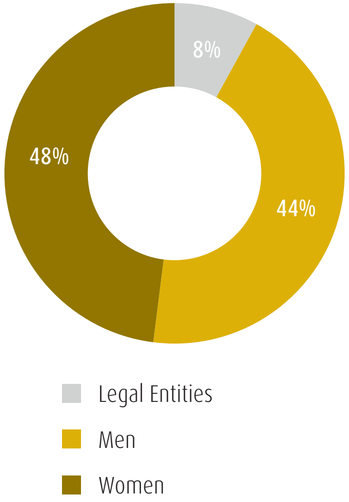


Figure 15: Client Location, % of Headcount

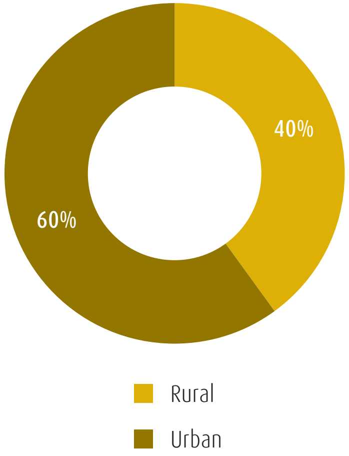
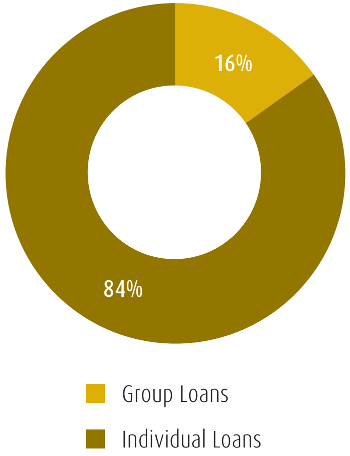


Figure 16: Credit Methodology, % of Headcount



The portfolio data is based on the most recently available information sources and may therefore deviate from the portfolio data indicated in the fund's accounting (legal/factual inventory).

SOCIAL OUTCOME

6

6. SOCIAL OUTCOME

The final and most challenging dimension of social performance measurement is outcome measurement. The social outcomes of an investment are changes occurring to a client which are plausibly linked to the investment (e.g., client savings, jobs created). Therefore, measures of social outcomes are used to assess whether the intentions of the fund are realized. Due to the heterogeneity of the clients reached by the fund, and the occurrence of many exogenous factors affecting them, it is difficult to accurately measure social outcomes or attribute changes to the investments made by that fund. However, a set of carefully selected proxies are used as metrics to form an opinion on social outcome results.[12] Within the scope of microfinance investments made by the Dual Return Fund, three elements of the social outcome are considered: financial security, household consumption and employment and entrepreneurship.

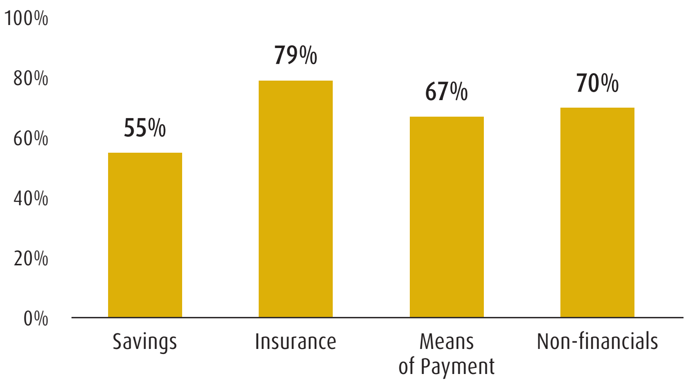
6.1. Financial Security

Part of the mission of the fund is to enable MSMEs to stabilize their cash flows, thereby making them more financially secure. Among the ways that individuals can cope with managing their cash flows is through financial (and non-financial) services such as:

- **Savings** (e.g., deposits, checking accounts)
- **Insurance** (e.g., credit insurance, life insurance)
- **Payment services** (e.g., cash transfers, electronic payments, remittances)
- **Other non-financial services** (e.g., business development services, education)

Of the investees in the Dual Return portfolio, 55% offer savings services, 78% offer insurance products, 67% offer payment services, and 70% offer other non-financial services. Overall, 98% of investees offer one or more of these non-credit products to their clients.

Figure 17: Financial Security – Non-credit Product Offering, % FIs in Dual Return Portfolio



The portfolio data is based on the most recently available information sources and may therefore deviate from the portfolio data indicated in the fund's accounting (legal/factual inventory).

12 Symbiotics SA. (2017). Managing & Measuring Social Performance: Insights on Definitions, Practices and Solutions.

1 NO POVERTY

1.4: By 2030, ensure that all men and women, in particular the poor and the vulnerable, have equal rights to economic resources, as well as access to basic services, ownership and control over land and other forms of property, inheritance, natural resources, appropriate new technology and financial services, including microfinance.

Access to non-credit services also indicates the fund's contribution to the fourth target of SDG 1 by expanding access to financial services, including insurance. The availability of non-credit products such as savings, insurance, payment, and non-financial products (e.g., education and trainings) help clients better manage their cash-flows and deal with external shocks.
As such, information on the investees' non-credit product offer demonstrates how the fund contributes to financial security for its target clientele.

An example for offering non-financial products is Sembrar Sartawi in Bolivia, which is is mainly known for its veterinary assistance programs.
The program runs under the name "asistencia tecnica", which is offered free of charge to clients of the institution.

Table 14: Institutional Profile: Sembrar Sartawi, Bolivia

sembrar sartawi
INSTITUCION FINANCIERA DE DESARROLLO

Sembrar Sartawi has been in the portfolio of the Dual Return Vision Microfinance Funds since 2014. The small Bolivian institution follows its mission of providing financial services with a holistic and gender equality focus, especially to economically active rural and peri urban populations and wants to help improve its clients' quality of life and be recognized for its contribution to agricultural development.

With a track record since 1989, the institution has demonstrated its capacity to overcome several challenges and has also achieved stable earnings even during the COVID-19 crisis. Sembrar Sartawi was created as a result of successive mergers of various microfinance foundations. The MFI has a very strong social background and was upgraded to a 5* social rating (out of 5 possible). The institution is focusing on small rural producers and urban group loans, has a strong social commitment and is highly responsible. **Sembrar Sartawi is the only institution in Bolivia that provides veterinary assistance at the national level.**

During the due diligence trip we also visit the region Patacamaya and are accompanied by the Asesor Tecnico named Victor.
He is an engineer and veterinarian and has been working at Sembrar Sartawi here in the region for 6 years.
The area is also called Zona Lechera (milk zone) and cows and sheep are the main livestock.

Table 15: Client story: client name, Sembrar Sartawi, Bolivia

"Everything works very well."

Victor takes us to a lady who sells cheese. She currently has four cows that give milk and every Wednesday and Saturday she travels to La Paz to sell her cheese, as there is not much demand in Patacamaya.

She does this by bus, which costs her about 15bs (2 EUR). Each trip she takes about 6–10 loaves of cheese, selling a small one for 5bs and a large one for 10bs.

The cooperation between Sembrar Sartawi and the farmers is friendly and when asked what could be improved, the only answer is: "Everything works very well."

6.2. Sector of Activity

Of the loans provided through Dual Return, borrowers were actively involved in small trading activities (17%), agriculture (15%), services (18%), production (6%) and other types of activities (44%), including transportation, construction, housing, renewable energy, and consumption.

During the due diligence trip in July 2022 we take the opportunity to meet with CIDRE who is headquartered in Cochabamba. CIDRE is a leading institution focused on rural agricultural producers present throughout the whole country.

Table 16: Institutional Profile: CIDRE, Bolivia

CIDRE IFD
INSTITUCION FINANCIERA DE DESARROLLO
Créditos para la producción

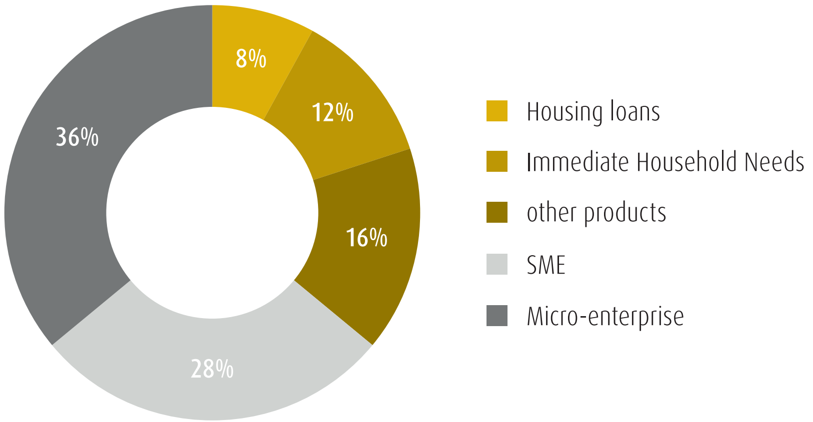
CIDRE was founded in 1981 as a non-profit association. In 1990, it began to provide specialized credit products in rural areas. The institution has a strong social commitment by contributing to the development of micro and small entrepreneurs in the agricultural and manufacturing sectors.

The institution also takes into account environmental risks via reinforcing eco-efficiency measures. Labor conditions are positive and still constantly improving. CIDRE is working to secure the "Great Place to Work" certification by 2022.

6.3. Product Offering

MSME finance makes up the largest proportion of the product offering (63%), a significant share also goes towards household consumption in the form of loans for immediate household needs (12%), housing (8%) and the rest to other types of loans that include education loans and loans to larger enterprises (1%). These products collectively contribute to raising end-clients' living standards. It is also the case that small loans to microentrepreneurs often contribute to increasing household consumption indirectly when they are able to maintain a successful business.

Figure 18: Product Offer – % of Dual Return Portfolio Weighted



The portfolio data is based on the most recently available information sources and may therefore deviate from the portfolio data indicated in the fund's accounting (legal/factual inventory).

Loan products financing household consumption through Dual Return also contribute to SDG 1.4 by expanding access to economic resources for low and middle-income households.

Finally, education finance, while it constitutes a small proportion of the product offering for most investees, has a significant social impact.

Through its investees in emerging markets, Dual Return facilitates financial access to address the needs of MSMEs as well as to provide products and services with a special focus on improving living conditions and education.

The fund contributes to SDGs 1, 5 and 8.

vision microfinance
SOCIAL IMPACT INVESTING

6.4. Employment and Entrepreneurship

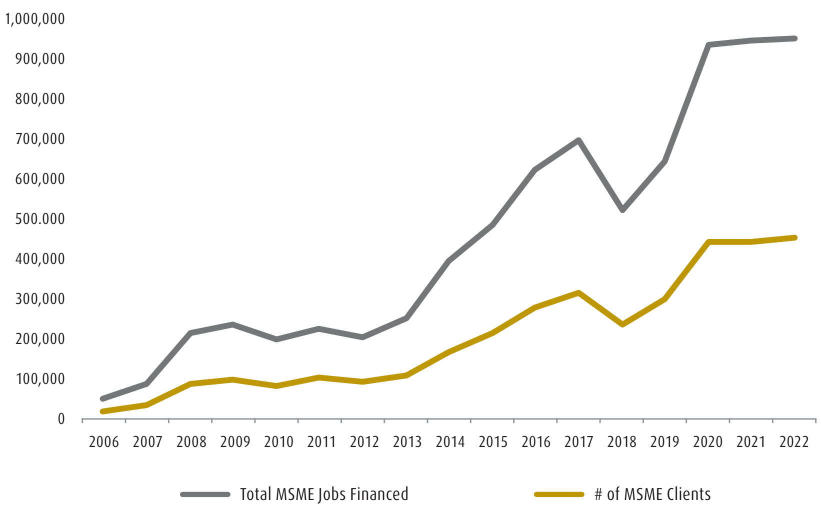
The final element of social outcomes measurement to be considered is employment and entrepreneurship. MSME finance, offered through the Dual Return Fund, contributes to bridging the large financing gap that MSMEs face in emerging and frontier markets. By doing so, the fund contributes to job creation and economic growth in these markets.

Assuming, that each microenterprise employs two workers, and that each SME employs nine workers, we estimate that Dual Return is supporting about 952,499 jobs through 452,006 MSMEs (as of December 2022). This number has been growing since the inception of the fund as the volumes invested, and therefore the number of clients financed, increased (see Figure 19). Supporting jobs through MSMEs shows the fund's contribution to SDG 8, which focuses on entrepreneurship and job creation.

8 DECENT WORK AND ECONOMIC GROWTH

8.3: Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

Figure 19: Entrepreneurs and Jobs Financed



Improsa in Costa Rica, a bank that has been in the Dual Return Fund portfolio for almost a decade also aims to contribute to this target. Since the bank focuses on serving small and medium-sized enterprises while adhering to the principles of customer protection, disbursements to the institution are assigned to SDG 8.

Table 17: Institutional Profile: Banco Improsa, Costa Rica

BANCO IMPROSA

Already in the year 1986 the first customers enjoyed the services of the financial institution Improsa.

8 DECENT WORK AND ECONOMIC GROWTH

During the founding years the main strategy was to provide support and working capital to small- and medium enterprises. After a decade of successful work in Costa Rica Improsa applied for a banking licence and transformed into a fully regulated lender in 1995. Today the product range of Banco Improsa includes credit products for micro-enterprises, SMEs, large-enterprises, education and housing among others. Naturally also savings and insurance are part of the product diversification, which are offered via ten service points in central, northern and eastern Costa Rica.

Additionally, Improsa is fully aligned with the IFC performance standards and UN Global Reporting Initiative social responsibility criteria. As part of its principal adverse impact analysis the financial institution systematically assesses potential social and environmental risks. Although there's no dedicated carbon credit program yet, the bank has taken action to minimize its impact by designing a green loan policy framework. With its products the bank reaches customers like Malavasi Helados.

Table 18: Client story: Malavasi Helados, Banco Improsa, Costa Rica

"The story of one of Banco Improsa's SME family clients in Costa Rica"

The history of Malavasi Helados starts in 1985 when the company's founder sold his first cones of ice cream at village gatherings or sport events in the area of Costa Rica's capital San José. Back then the maximum quantity for sale was about 40 ice creams in the classical flavors.

Today the business is still family run, but employs 88 persons with ice cream flavors ranging from „unicorno" over plain strawberry to chocolate chip. Dual Return visited the SME Malavasi Helados, talked with the owners about daily as well as future planned business and toured the highly hygienic production site. Even with almost 40 years of the company's history under its belt, Malavasi Helados was uncertain about how they would weather the pandemic during its onset in 2020. To the management's and the family's relieve or surprise Costa Ricans began to buy more Malavasi ice cream and also in larger quantities to share within their community.

The ice cream factory is a client of Banco Improsa, which has been an investee and staple of Dual's portfolio for almost a decade. The family sees Banco Improsa as a valueable partner for their business, especially during turbulent times like the last years and wants to realize different projects in the future like additional efficient cooling houses to save energy and machinery so that Costa Ricans can continue to relax with tasty ice cream in the sunshine or wherever some sweet comfort is needed.

MAIN TAKEAWAYS

7. MAIN TAKEAWAYS

With a portfolio of EUR 735 million as of December 2022, Dual Return has succeeded in reaching over 472,000 end-borrowers in 38 emerging markets through its investments. The fund's investees have demonstrated very good ESG norms and practices, performing exceptionally well in terms of client protection practices.

Dual Return has primarily addressed SDG 1 (No poverty), SDG 5 (Gender equality) and SDG 8 (Decent work and economic growth). It has done so by providing low-income households and MSMEs with access to financial services, while ensuring that women borrowers have equal access to services to manage their finances.

The fund has targeted a diverse range of low- and middle-income countries worldwide, with a focus on countries with low levels of banking penetration (64%). It has placed a regional focus on South and East Asia, and Latin American and the Caribbean (38% and 39% of portfolio outstanding, respectively). Overall, Dual Return is investing in 122 financial institutions, supporting them to grow and build their institutional capacity, with the goal of providing services to those that the financial system underserves or excludes.

The investees offer various services to the fund's end-borrowers, mainly to finance their businesses (63% of the portfolio financed microenterprise and SME loans in 2022), as well as their household needs. With the majority of loans financing MSMEs, Dual Return has a significant impact on employment in its target markets: we estimate that the fund is supporting over 952,000 jobs. These loans also allow MSMEs to capture business opportunities, such as investing in new equipment, growing their inventory or expanding their business.

Finally, investees have also helped end-borrowers to improve their financial resilience, both through microloans and non-credit products, such as savings and insurance. These services typically allow end-borrowers to control their household consumption and recover faster from economic shocks.

Overall, Dual Return is aligned with its objectives to serve low- and middle-income households in emerging markets, and support its end-beneficiaries to improve their overall well-being and quality of life.

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For better readability, this report does not use gender. Unless otherwise indicated, all references to persons in this report refer to all genders.