

# ACTIAM-FMO SME Finance Fund

**actiam FMO**

THE RESPONSIBLE INVESTOR

Entrepreneurial  
Development  
Bank

SMEs are of crucial importance for local economic development, job creation and social stability. In most developing economies the SME sector is relatively underdeveloped. Limited access to capital is an important factor that constraints further development of the SME sector. Seventy percent of SMEs in emerging markets are underserved, resulting in a global funding gap of US\$ 700-

850bn. The ACTIAM-FMO SME Finance Fund provides local financial institutions with debt funding to be used explicitly for financing the capital needs of the local SME sector. The Fund offers institutional investors an attractive opportunity to invest in SME finance with a proven financial and social track record.

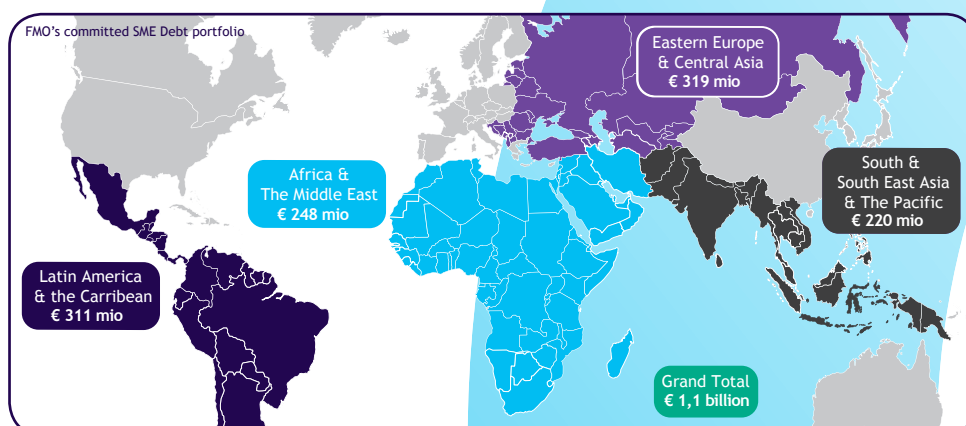
## Fund Characteristics

Structure and governance	Closed-end Fund for joint account, in conformity with AIFMD
Target Net Return	Euribor + 3-6%
Fund term	10 years
Management Style	Active
Management Fee	0.75%
Investments	Debt investments in SME banks to enhance SME Finance
Fund Assets	Senior and subordinated loans
Responsibility & Impact	Risk-based ESG policy with focus on economic development
Target regions	Developing and emerging markets globally
Target number of holdings	30-40
Fund Manager	ACTIAM N.V.
Investment Manager	FMO
Valuation	Monthly
Reporting	Quarterly (including risk and performance report)

## Investment Strategy

By investing in SME portfolios of FIs in emerging and developing countries, the Fund intends to create stable and attractive returns characterised by low credit losses. Furthermore, the Fund wishes to contribute to sustainable

development in developing and emerging markets including job growth. The Fund will invest globally in areas where FMO already has a strong track record as illustrated below.



Note: SME Debt are loans to SME Banks and/or with an SME purpose

FMO track record in SME Debt

Year	New commitments (EUR mio)	Interest income	Writes-offs
2010	272	5.1%	0.5%
2011	281	5.1%	-
2012	225	5.2%	-
2013	289	5.2%	-

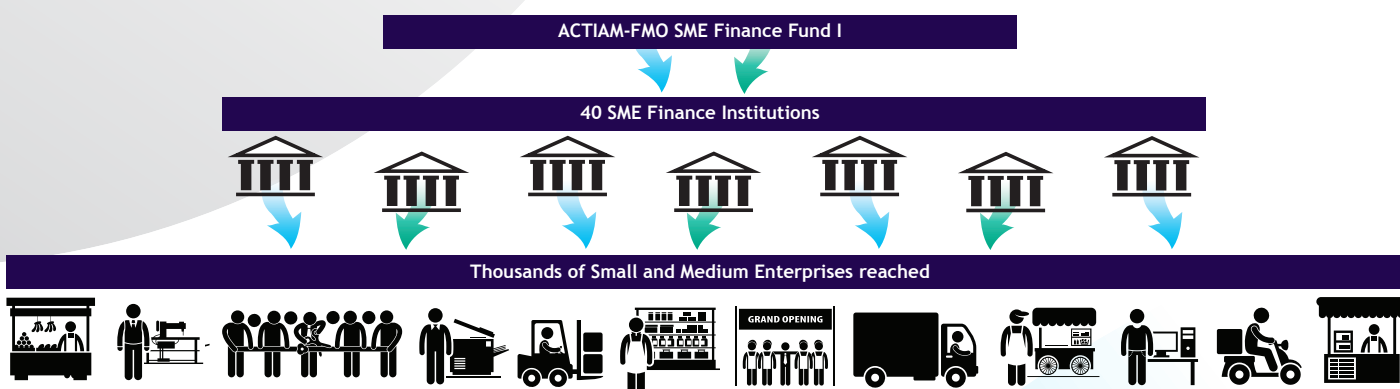
# Responsibility and Impact Strategy

Screening of environmental and social performance is an integral part of the Fund’s investment selection process. Compliance with applicable national laws and excluded activities is a primary condition. This is followed by a classification of investee banks according to the Environmental and Social (‘E&S’) risk profile of the loan portfolio. In case the E&S risks are high, the fund requires the bank to have a management approach and adequate systems in place. If E&S improvement is required, an Environmental and Social Action Plan will be agreed with the bank to achieve this. An FMO E&S Specialist supports implementation of the plan. The Fund has identified

a number of key criteria and indicators regarding the economic and social impact of the Fund Investment:

- Facilitating and contributing to improved access to finance for SMEs;
- Private sector development and employment creation;
- Improvement of the investee’s management of environmental and social risks and performance;
- Capacity building and quality improvement regarding responsible business development.

An impact report will be provided on an annual basis. In addition, the Fund plans to conduct case studies to examine the impact at the level of the SME Bank and its clients.



## About ACTIAM and FMO

**ACTIAM Impact Investing** is the manager of the Fund. With AuM exceeding € 900mio, ACTIAM Impact Investing is the development arm of ACTIAM. Its mission is to offer attractive investment opportunities to institutional investors, both financially and non-financially. The ACTIAM Investment Committee decides on each investment in a Financial Institution in compliance with the Fund Investment Police. It is responsible for the Fund’s performance, including the responsibility and impact performance.

**FMO** is the Dutch development bank and offers its capital and knowledge as partner to ambitious entrepreneurs, banks

and companies in emerging markets. With over 40 years of experience, FMO has built a strong track record reflected in solid profitability and a EUR 6bn high-quality portfolio. FMO believes that incorporating environmental, social and good governance (ESG) opportunities into business models is essential for both mitigating risk and optimising value. We work closely with our borrowers and investee companies to help them reach mutually agreed ESG goals. FMO will function as the Fund’s Investment Manager, responsible for the selection and monitoring of the Financial Institutions. FMO will co-invest for at least 50% in each loan that will be provided out of the Fund.

Activities	Role Fund Manager ACTIAM Impact Investing	Role Investment Manager FMO
Fund Structuring & Marketing	- ACTIAM Impact Investing responsible	- Assistance to ACTIAM Impact Investing
Investments	- Independent ACTIAM Investment Committee, ultimate decision body	- Identification of investment opportunities, due diligence (financial, non-financial and legal) - Monitoring of investments - Co-investment for own account in each loan
Fund Management	- ACTIAM Impact Investing responsible (governance, treasury, currency hedging, risk management and impact measurement)	- Assistance to ACTIAM Impact Investing
Administration & Reporting	- ACTIAM Impact Investing responsible	- Assistance to ACTIAM Impact Investing
Relationship Management	- ACTIAM Impact Investing responsible	- Assistance to ACTIAM Impact Investing