CANDRIAM
A NEW YORK LIFE INVESTMENTS COMPANY

Candriam M – Impact Finance Fund

Impact Report 2022

DECEMBER 2022

Marketing communication

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Introduction.

Over 65 million micro, small and medium enterprises (MSMEs) in developing countries have unmet financing needs, preventing them from growing and creating jobs.[1] Beyond that, almost 30% of adults in developing countries remain unbanked[2], 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.

Candriam-M Impact Finance ("CANIF fund" or the "fund") aims to contribute to economic growth and financial security by expanding access to finance among low- and middle-income households and MSMEs in emerging and frontier markets. 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 entrepreneurs will be able to work, and therefore stabilize their cash flows, create jobs, and increase their standards of living.

> **"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.**

About the fund

The CANIF fund, launched in 2019, has the objective of investing in sustainable, inclusive, and impact finance. Sustainable in the sense that each investment follows ESG investment principles. Inclusive, by setting an investment strategy that serves the base of the pyramid, and impactful by positively addressing a range of global challenges targeted by the Sustainable Development Goals (SDG).

The CANIF fund invests in a wide range of institutions and has a focus on microfinance institutions located in emerging and frontier markets. Through investment in this type of institution, the CANIF fund aims to improve financial inclusion, including for women who are the first to suffer from financial exclusion, and contribute to the development of the local economy through job creation and higher standards of living.

Since 2019, the CANIF fund has granted 90 loans, totaling more than USD 47.7 million, to 75 investees in 37 countries. The fund invests primarily in microfinance and small and medium enterprise (SME) finance.

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 CANIF fund has sustainable investment objectives including a focus on businesses and projects targeting low and middle-income households and MSMEs. Through this, the CANIF fund aims to address part of the global challenges represented by a selected set of targeted SDGs. In the same context, the CANIF 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, a comprehensive ESG assessment, and periodic monitoring at different stages of the investment. Sustainability risks that can affect the value of the investments are integrated partly into this process.

About Symbiotics

Symbiotics Asset Management SA, ("Symbiotics") 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 was entrusted as the investment manager for the CANIF fund since the incorporation date of the fund in 2019.

This report

This report is the third annual impact report for the CANIF fund, 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 related to the CANIF fund, presented in this report, are as of 30 September 2022.

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

1. Sustainable finance
Symbiotics assesses each investee on its practices and ESG norms, using its proprietary rating methodology

2. Impact investing
It identifies how each investment intends to contribute to the SDGs

3. Inclusive finance
It measures the outreach of investments to the financially excluded at country and end client levels

This report demonstrates the impact of the fund along these three key dimensions. In addition, this year we are including an analysis of end client outcomes for microfinance borrowers, using data from over 939 of CANIF's end-beneficiaries in Cambodia, Ecuador, India, and Honduras.

Key figures as of September 2022

USD 35.5 million
Assets under management

33
countries

62
financial institutions

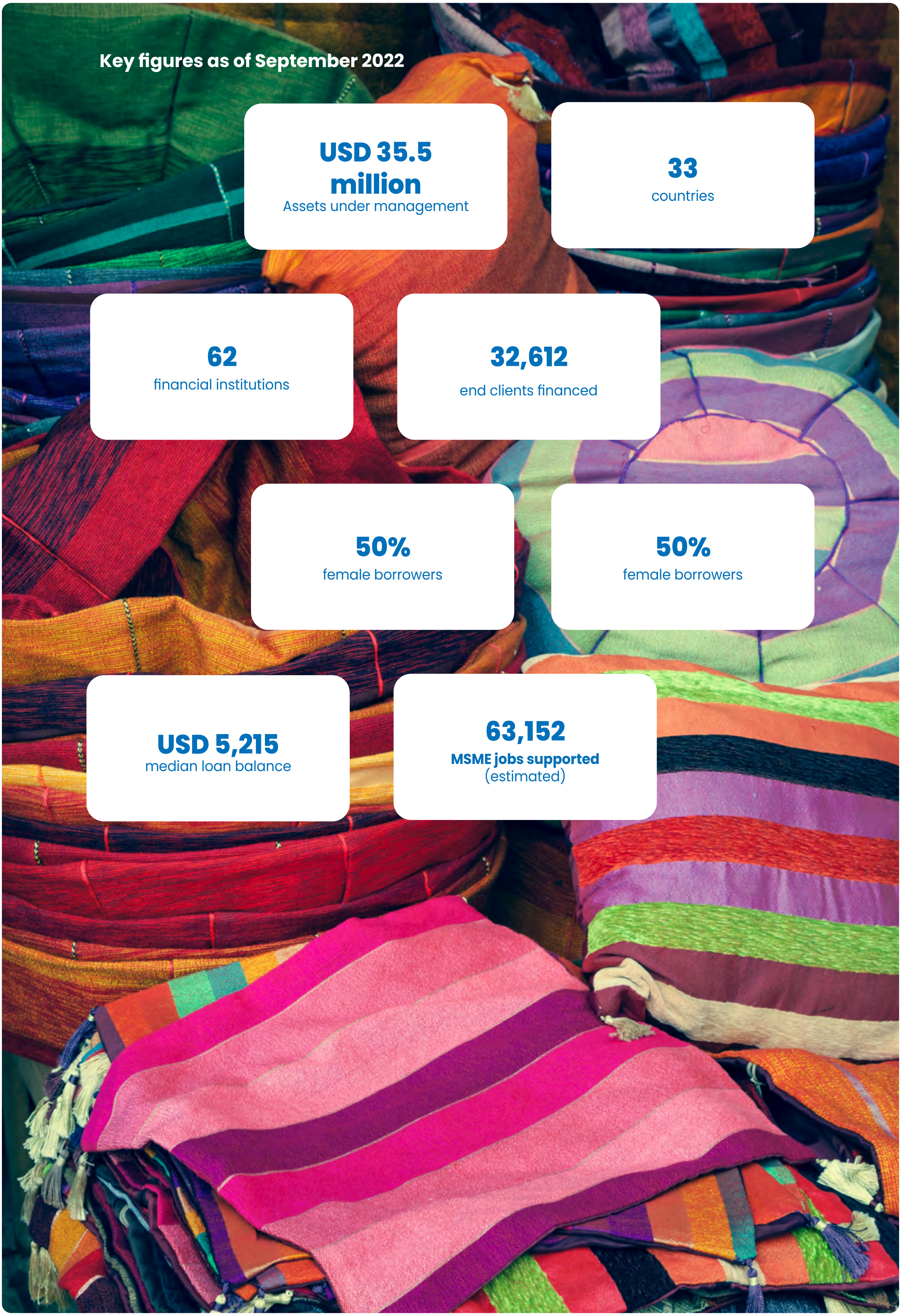
32,612
end clients financed

50%
female borrowers

50%
female borrowers

USD 5,215
median loan balance

63,152
MSME jobs supported
(estimated)



Investment Output.

Since its incorporation in 2019, the CANIF fund has:

- **Originated USD 47.7 million through 90 transactions**
- **Financed 75 investees in 37 countries**

As of September 2022, there was USD 32.7 million in outstanding volumes, invested in 62 financial institutions in 33 countries. The largest volumes were invested in South & East Asia (36% of the outstanding portfolio), followed by Latin America & the Caribbean (35%), Sub-Saharan Africa (10%), and finally Eastern Europe, Central Asia & MENA (6%). Indirect investments (13%) represent investments in emerging and frontier economies through institutions located in high-income countries. Baobab Group, ASAI Group, and Access group are examples of this type of investment [3].

Figure 1: Regional breakdown (% portfolio by year)

Eastern Europe, Central Asia & MENA
Latin America & the Caribbean
South & East Asia
Sub-Saharan Africa
Other (Indirect Investments)

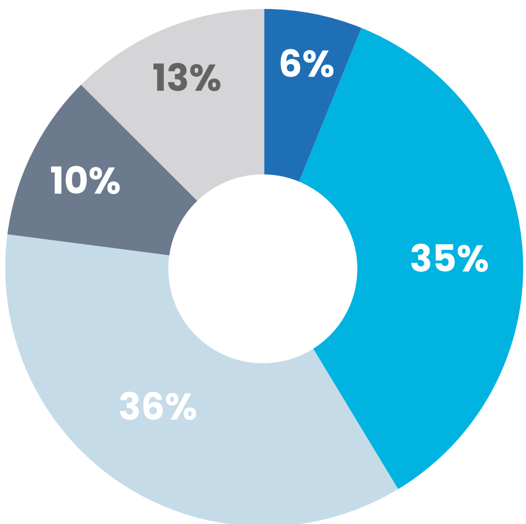
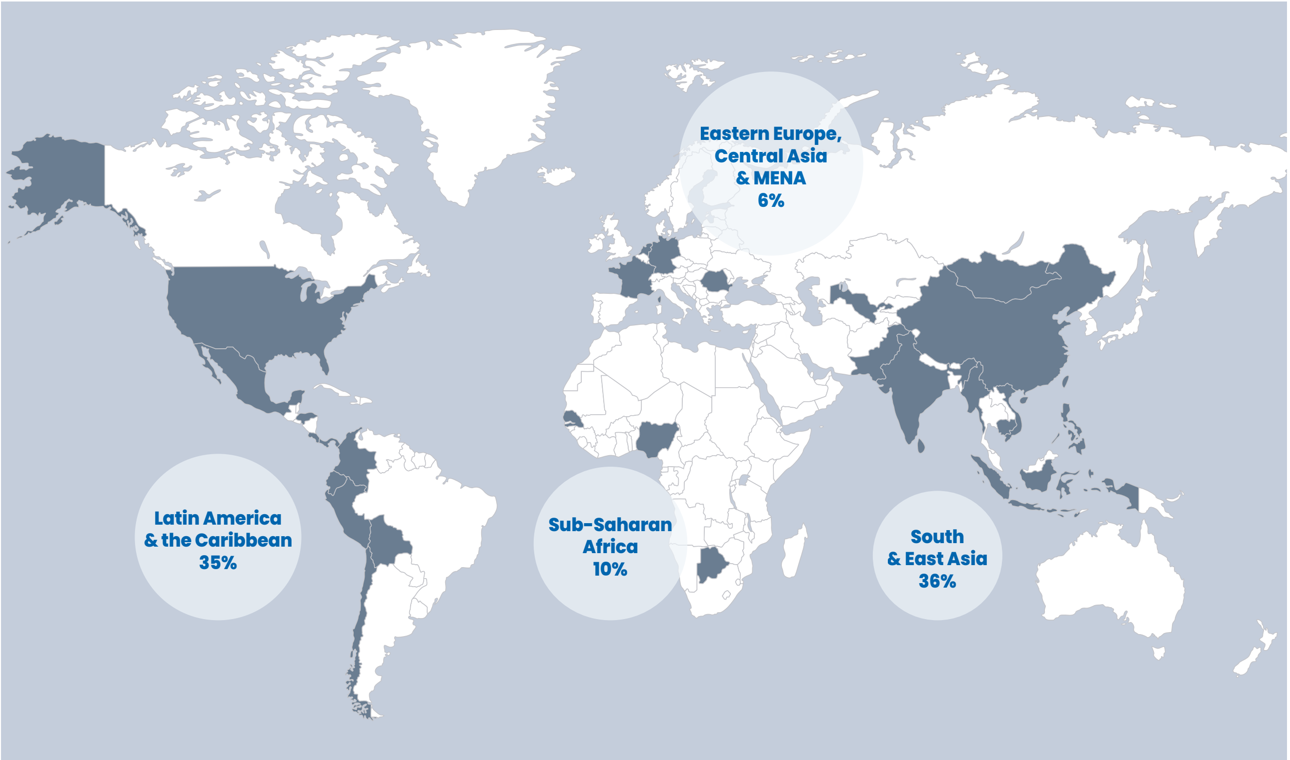
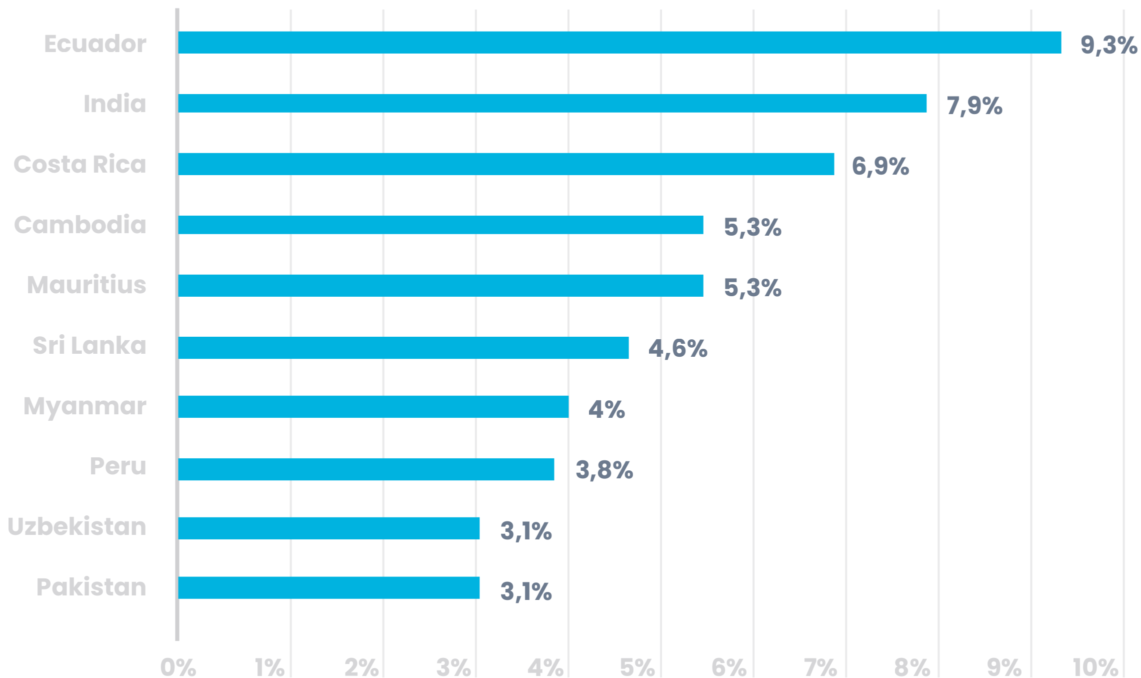


Figure 2: Investee countries



The top three countries of investment by the end of September 2022 were **Ecuador, India, and Costa Rica** together representing **24%** of the total outstanding portfolio. The top 10 countries by volume invested are shown below.

Figure 3: Top 10 countries of investment

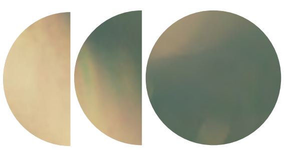


Sustainable Finance.

Sustain-
able
Finance

> **... a financial institution to contribute positively to sustainable development and social impact.**

The first step in the threefold Symbiotics impact management approach is to assess investees' ESG practices through their proprietary rating methodology **(Box 2)** and prevent them from investing in harmful sectors through the application of an exclusion list.



ESG Ratings

Symbiotics social responsibility rating

Symbiotics developed an ESG 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 pre-investment, 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:

1. **Social governance:** looking at the social orientation of shareholders as well as the financial institution's stated and effective commitment to its social mission, its target market and development objectives/ stakeholders' needs.

2. **Labour 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.

3. **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.

4. **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. These indicators are linked to the Client Protection Standards.

5. **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.

6. **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.

7. **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 September 2022, the portfolio weighted average ESG rating at the level of the CANIF fund is 3.7 stars. Below are the average scores by dimension. Overall, the institutions perform well on most dimensions. The highest scoring dimension is client protection (73%).

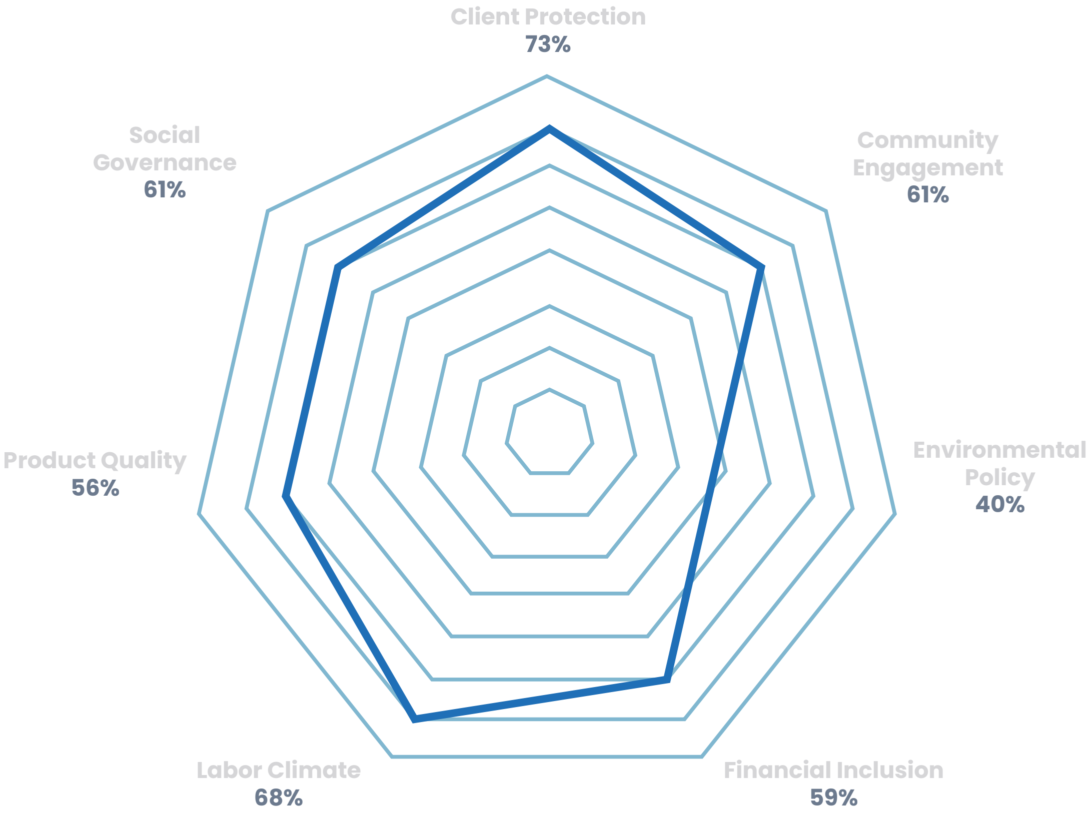
Environmental policy is the lowest scoring dimension, with a score of 40%. This dimension primarily measures whether an investee has an environmental policy in place, be it for its own operations or for its lending activities. CANIF fund mostly invests in financial services providers, which seldom have advanced environmental policies.

However, some institutions in the fund's portfolio have been taking steps to improve their environmental performance. As an example, Golomt Bank in Mongolia has grown its green loan portfolio, and to further the efforts it has partnered with IFC to expand its green strategy and build internal capacity in green finance.

Figure 4: Portfolio-weighted average social responsibility rating

3.7 stars

Figure 5: Social responsibility ratings (average scores by dimension)



Exclusion Lists

A social exclusion list is applied in all the fund's transactions, 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, munition**
- **Wildlife protocols**

The fund also targets investees that focus on specific themes, such as agriculture, education, and housing...

Impact Investing.

The second step in the threefold Symbiotics impact management approach is to positively address a range of global challenges, as currently illustrated by the SDGs. For each transaction, we identify the key SDG contribution based on the main areas of investment **(Table 2)**.

The main SDGs addressed by the fund are SDG 8 (Decent work and economic growth) and SDG 1 (No poverty).

CANIF fund also targets investees that focus on specific themes, such as agriculture, education, and housing, thereby contributing to SDG 2 (Zero hunger), SDG 4 (Quality education), SDG 5 (Gender equality)[4], SDG 7 (Affordable and clean energy), and SDG 11 (Sustainable cities and communities).

For example:

- In Bolivia, CIDRE contributes to SDG 2 by offering financial services and products in rural areas tailored to the needs of its clients. Examples of financial products offered are loans for purchasing inputs, the building of sheds, and machinery acquisition. The institution has as a priority to serve the agricultural sector and micro and small enterprises in the country, with 52% of its gross loan portfolio in loans for the agricultural sector.

- In Sri Lanka, Pan Asia contributes to SDG 7 by providing loans to finance green projects and the acquisition of green products. Most of the green loan portfolio goes to the leasing of hybrid vehicles, drip irrigation projects, and mini-hydro projects. In 2021, the bank was awarded "the most sustainable Green bank" in Sri Lanka by the World Business Outlook awards.

CANIF contribution to SDGs

Theme	Rationale	How does CANIF 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	35%
Microfinance	1 NO POVERTY	• Ensuring that low-income individuals have access to financial services, including microfinance and savings products	33%
Microfinance	5 GENDER EQUALITY	• Providing women with equal access to economic resources and opportunities	15%
Climate and energy	7 AFFORDABLE AND CLEAN ENERGY	• Ensuring universal access to affordable, reliable, and modern energy services	10%
Food and agriculture	2 ZERO HUNGER	• Providing small-scale food producers access to productive resources through financial services and products.	5%
Housing and Infrastructure	11 SUSTAINABLE CITIES AND COMMUNITIES	• Ensuring access to adequate, safe, and affordable housing and basic services	2%
Healthcare and education	4 QUALITY EDUCATION	• Ensuring equal access for all women and men to affordable and quality education	1%

The growing share of Microfinance Institutions (MFIs) in the CANIF fund portfolio supporting the achievement of SDG 7 has grown from 4% in 2021 to 10% the following year. An example of MFI contributing to increasing access to affordable energy services is Greenlight Planet Group.

Institution profile: Greenlight Planet Group, United States

Institution: Greenlight Planet Group

Founded in 2009, Greenlight Planet Group's (GPG) main mission is to facilitate access to affordable energy for off-grid families through products designed to meet their daily energy needs. The company designs, distributes, and finances solar home energy products targeting under-served populations. GPG has provided solar-energy products to more than 60 million consumers located in rural areas in more than 65 countries throughout South Asia and Sub-Saharan Africa. The company operates mainly in India, Myanmar, Kenya, Uganda, Tanzania, and Nigeria.

GPG's products vary from small solar lanterns to solar home systems designed to provide lighting to a whole house and charge phones and a radio. Thanks to its "pay-as-you-go" ("PayGo") business model, GPG can offer solar products to clients who will pay overtime. The PayGo is a lease-like solution with an 18 months payment maximum and with repayment on a daily, weekly, or monthly basis. Clients have the option to pay through mobile money or directly with a local agent.

Since its inception, GPG developed a network of 186 branches selling 90,000 units per month. This extensive presence is supported by 6,000 agents in charge of prospecting, installation, servicing, and collection. In 2020, GPG accounted for 46% of the total off-grid solar industry by number of units sold. The competitive advantages of GPG are its low prices, supply chain control, and diversified delivery channels.

Inclusive Finance.

Financial inclusion key data

	Total outreach of fund's investees	Fund attribution	Fund attribution (per million invested)
End clients reached	14.3 million	32,612	996
Women end clients reached	12.0 million	16,267[5]	497
MSMEs financed	12.6 million	29,773	909
MSME jobs financed	27.8 million	63,152	1,928
Jobs supported at institutions	108,095	76	2

The third and final step in the Symbiotics impact management approach is to assess how our investments contribute to inclusive growth for the benefit of low- and middle-income households and MSMEs. To do so, we measure the social outreach of the fund at the level of the markets, investees, and end-borrowers. We also highlight CANIF fund contribution to the SDGs through the investees' financial services.

Market **Outreach**

CANIF fund invests largely in low- and middle-income countries. 45% of the portfolio is invested in lower-middle-income countries, whereas 36% is in upper-middle-income countries and 19% is in high-income countries. Overall, the GNI per capita in these countries (USD 5,080) is lower than the world average (USD 12,070) and slightly lower than the low- and middle-income economies (USD 5,298).

Furthermore, three out of the 33 investee countries are categorized as Least Developed Countries (LDCs). This categorization considers a country's per capita income, "human assets" and economic vulnerability. Investments in LDCs account for 11% of the total outstanding portfolio as of September 2022.

Figure 6: GNI per capita (current USD)

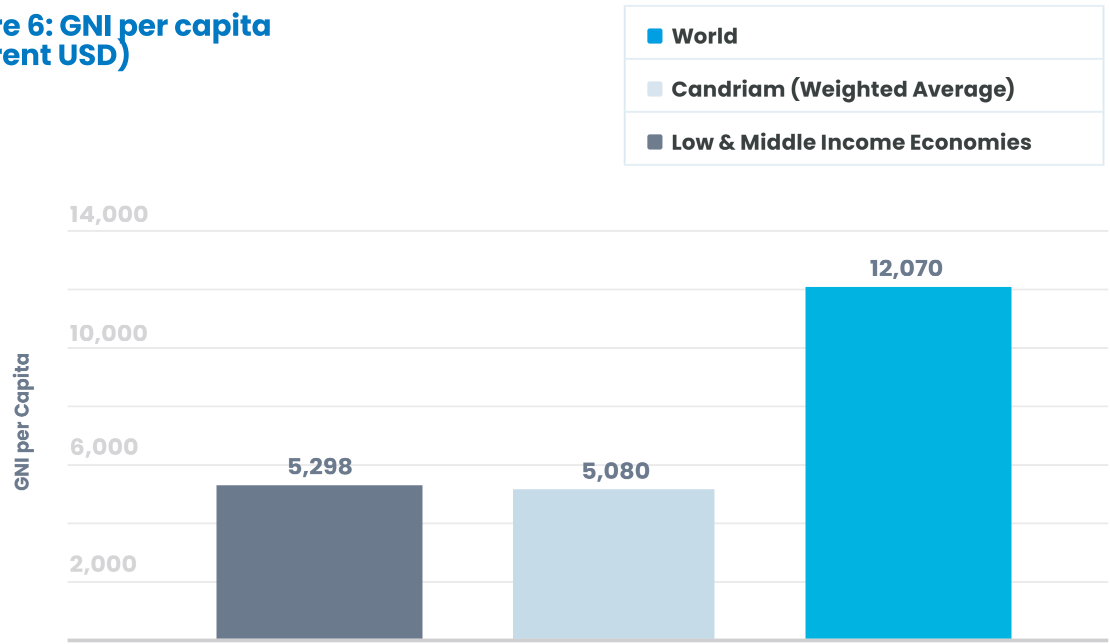
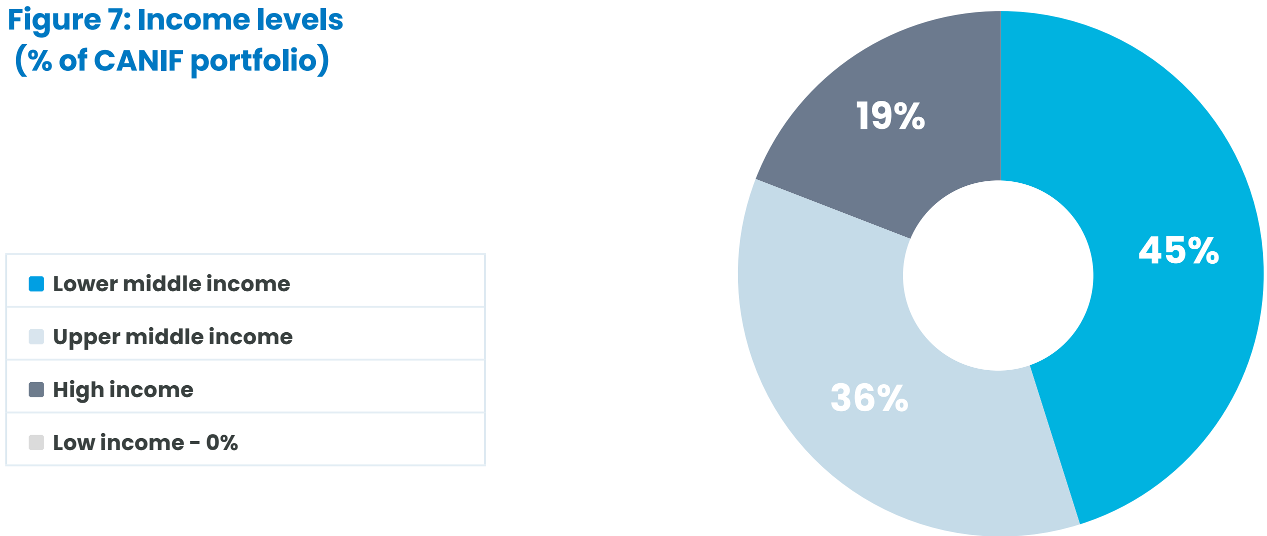


Figure 7: Income levels (% of CANIF portfolio)



An example of a portfolio institution in lower-middle-income countries is MBK. Through this Indonesian MFI, the CANIF fund supports women micro-entrepreneurs like Suilah in the development of their businesses. Suilah also shows the types of measures that were taken by some MFIs during the Covid-19 pandemic to support end-clients having financial difficulties **(Box 3)**.

Client story: Suilah, MBK, Indonesia

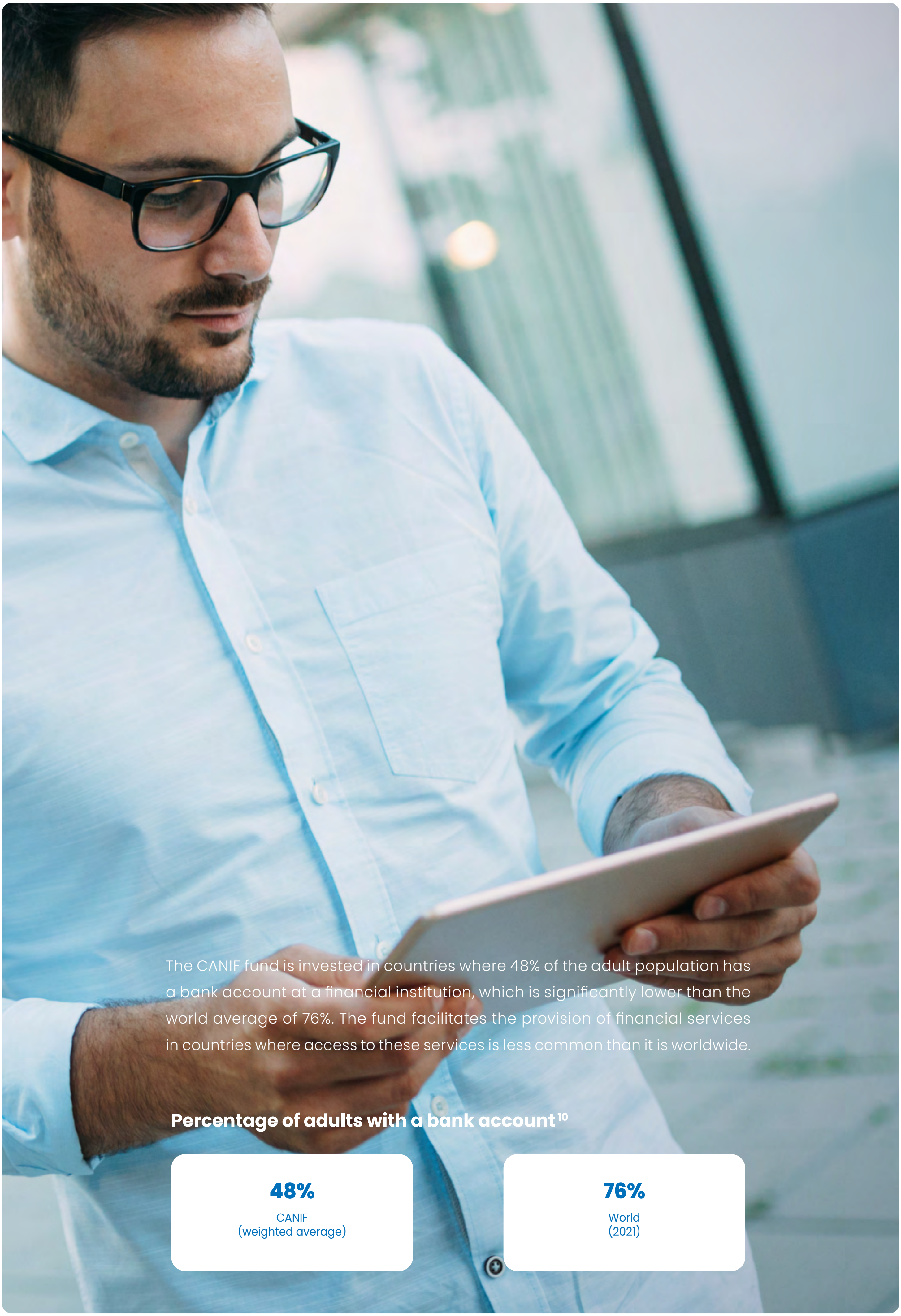
Institution:
Mitra Bisnis Keluarga Ventura (MBK)

Positive, energetic, and hardworking are the first impressions everyone will get when they first meet Suilah, a 52-year-old entrepreneur living in Bekasi, West Java. Mother of three kids, Suilah owns a small business of Indonesian traditional snacks that she prepares every day at dawn and starts selling at 6 AM. She runs the business alone and when there are not many buyers passing by, she walks around her neighborhood with a cart full of food, while socializing with people in the area and selling her goods.

Suilah heard of Mitra Bina Keluarga (MBK) in 2017 and considered a loan to support her business and daily life. She subscribed and benefitted from a loan of 3 million Rupiah (approximately USD 210). Thanks to her hard work, she was eligible to receive higher loans every year, with a current loan of 5 million Rupiah (approximately USD 350).

At the beginning of the pandemic, her neighborhood was classified by the government as a "black zone". It meant that the Covid-19 infection rate in the area was extremely high, forbidding anyone from pursuing outdoor activities, including merchandising. It was a very hard time for her and the family since she had almost no income for several weeks. As a result, MBK reduced her weekly payment by 50 percent. Unfortunately, not long after that, she tested positive for Covid-19 and had to stop working. Thankfully, her loan could be rescheduled for the second time, with another 50 percent reduction of the weekly payment. At week 46, Suilah successfully paid out her loan and was granted a new loan with a normalized payment arrangement at her request.

Today, Suilah's business is running normally. During the month of Ramadan, she is hoping that her loyal clients will place special orders and that she will have a surge in income during that time of the year.



The CANIF fund is invested in countries where 48% of the adult population has a bank account at a financial institution, which is significantly lower than the world average of 76%. The fund facilitates the provision of financial services in countries where access to these services is less common than it is worldwide.

Percentage of adults with a bank account[10]

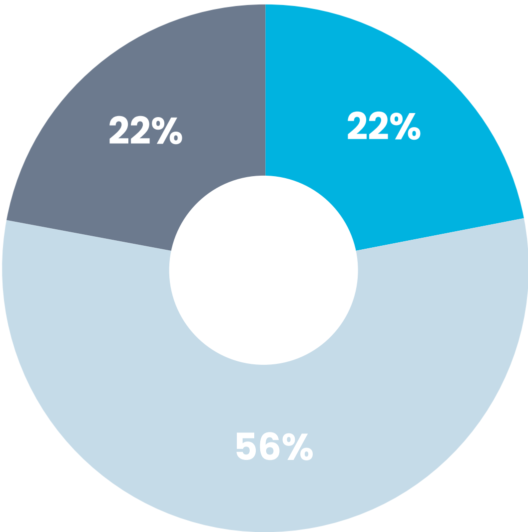
48%	76%
CANIF (weighted average)	World (2021)

Investee **Outreach**

The CANIF fund is invested in a diverse range of financial institutions, thereby reaching different segments of the financially excluded population in emerging and frontier markets. The largest proportion of the portfolio both by number (34 institutions) and volume (56%) is in medium-sized institutions with total assets between USD 100 million and USD 1 billion.

Figure 8: Size of financial institutions (% of CANIF portfolio)

≥ USD 1 billion
USD 100m ≤ total assets < USD 1bn
USD 10m ≤ total assets < USD 100m



End client **Outreach**

Breadth and depth of end client outreach

Breadth	Depth
327,150 active borrowers per MFI (CANIF portfolio-weighted average)	5,215 median loan balance (USD)

During the last 12 months, we estimate that the portfolio financed a total of 32,612 end clients. The CANIF fund primarily served end clients through individual loans (79%) in urban areas (60%). The fund financed a greater proportion of women than men (50% vs. 41%).

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.[11] 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.[12] By financing intermediaries with a strong focus on lending to women clients and enabling women through training and other non-financial services, the CANIF fund is contributing to bridging the gender divide in financial inclusion.

With over 99% of end clients being women, MasKapital is a Mexican MFI with a focus on supporting women entrepreneurs who would otherwise not have access to financial services **(Box 4)**.

Institution profile: MasKapital, Mexico

Institution: MasKapital

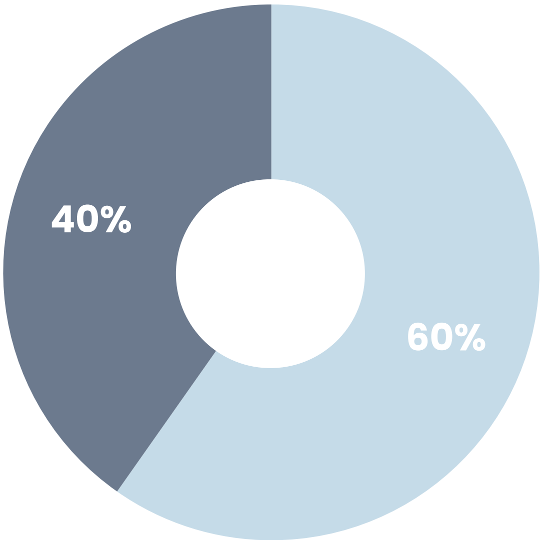
MasKapital was founded in 1993 by local agronomists in the state of Oaxaca, Mexico. It was initially a consultancy and technical assistance company, which was transformed into a microfinance institution in 2005. Since then, it focuses on providing microloans among groups of women to support development in the South of Mexico. More specifically, the MFI strongly supports women involved in micro-enterprises who have limited access to mainstream financial services due to the lack of collateral to offer as loan security.

MasKapital has a loan system where clients borrow and repay individually but are organized in groups that meet weekly for loan application and repayment. Moreover, the MFI obtained a client protection certification and created a team to ensure that good practices continue to be applied.

Despite low employee satisfaction and a high employee turnover, the MFI depicts a good gender balance with 62% of women employees and 52% of managers being women. MasKapital hence has a strong impact on gender equality, both through its client base almost exclusively consisting of women, and the important share of women employees.

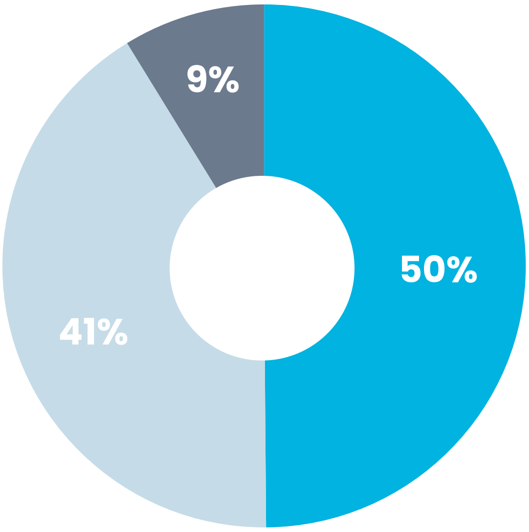
The rural-urban gap in financial inclusion is also well-documented in emerging markets, with urban residents being more likely to have an account at a financial institution. Even though the size of the gap globally is difficult to estimate, the CANIF fund has clearly contributed to providing equal access to financial services for rural and urban clients alike, with almost half of end clients being based in rural areas.

Figure 9: Client location (% of headcount)



- Urban
- Rural

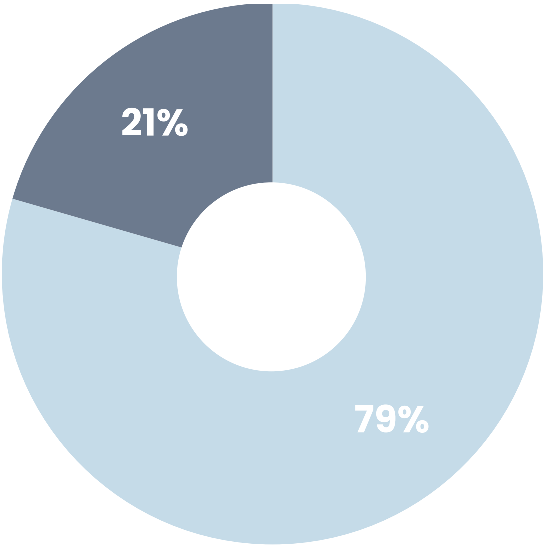
Figure 10: Client gender (% of headcount)



- Women
- Men
- Legal Entities

Figure 11: Credit methodology (% of headcount)

- Individual Loans
- Group Loans & Village Banking

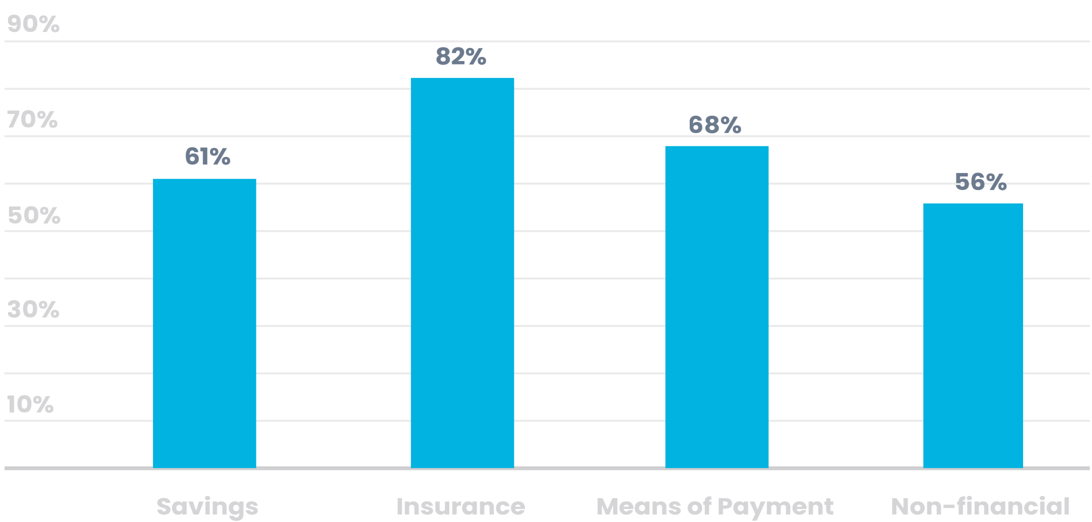


Financial **Security**

The availability of non-credit products such as savings, insurance, payment, and non-financial products (such as education and training) helps clients better manage their cash flows and deal with external shocks. Information on investees' non-credit product offerings, therefore, demonstrates how the fund contributes to financial security for its target clientele.

Of the investees in the CANIF fund portfolio, 61% offer savings services, 82% offer insurance products, 68% offer payment services, and 56% offer other non-financial services. Overall, 96% of investees offer one or more of these non-credit products to their clients.

Figure 12: Financial security – non-credit product offering



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>
> **Information on investees' non-credit product offerings, therefore, demonstrates how the fund contributes to financial security for its target clientele.**

In Ecuador, INSOTEC supports end clients with a variety of non-financial services, which improves client protection and helps prevent over-indebtedness **(Box 5)**.

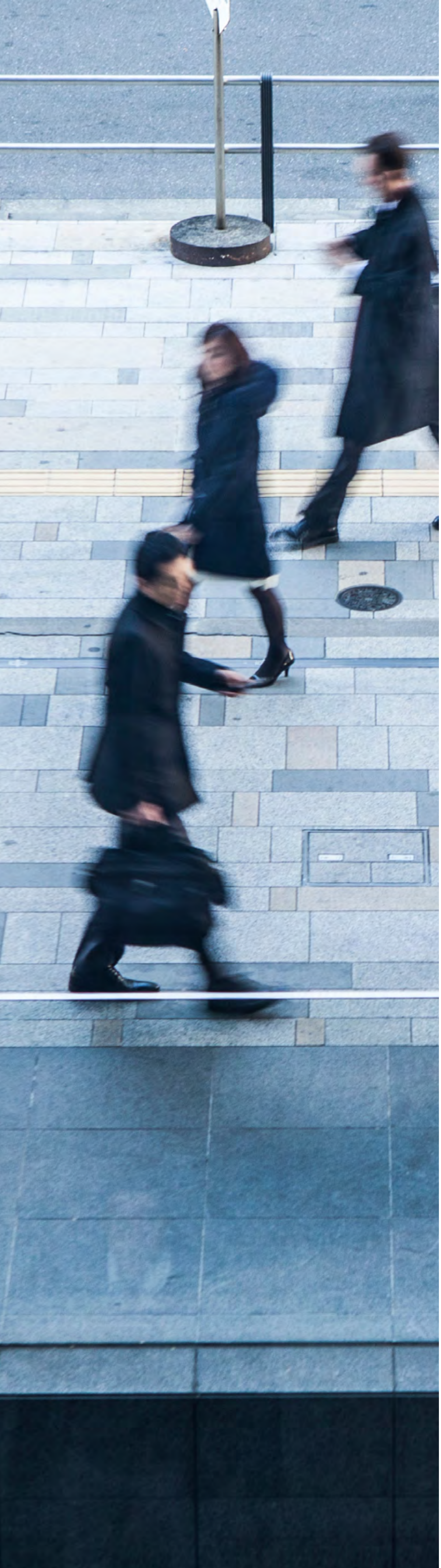
Institution profile: INSOTEC, Ecuador

Institution: INSOTEC

INSOTEC was created in 1980 to support small industries in the Ecuadorian economy. While as of today it is an unregulated NGO, it has the intention to transform into a regulated entity in the future.

The MFI has the mission to contribute to microenterprise development in Ecuador, with an emphasis on rural areas. It promotes financial inclusion among the bottom of the pyramid populations, with a strong presence in remote areas (71% of clients in rural areas). Despite its limited financial product range, the institution manages to serve well the needs of clients. INSOTEC also has a strong offer of non-financial services such as financial literacy, health care workshops, and business training.

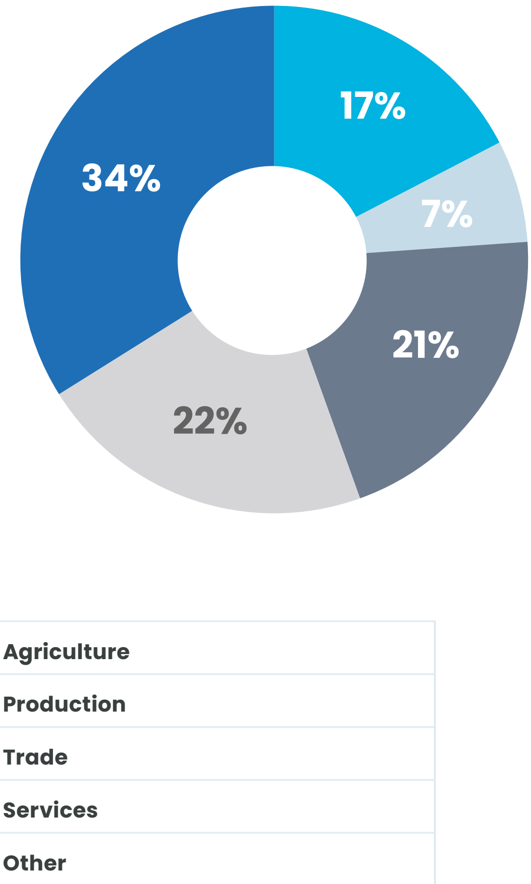
The MFI has a good client protection policy in place. The strict credit analysis processes allow it to assess client repayment capacity and prevent over-indebtedness. The clear disclosure of loan conditions and offering of financial literacy training to clients further supports such efforts.



Sectors **of activity**

The loans provided through the CANIF fund target borrowers who are actively involved in service activities (22% of borrowers), agriculture (17%), small trading businesses (21%), production (7%), and other types of activities (34%), including transportation, construction, housing, renewable energy, and consumption.

Figure 13: Client activity (% of headcount)



Mrs. Mendoza started trading used clothes as a side business to increase her income. She was able to do so thanks to a loan provided by One Puhunan, a Philippine MFI in CANIF's portfolio **(Box 6)**.

Client story: Mrs. Mendoza, 1P, Philippines

Institution: One Puhunan

Mrs. Mendoza is a 62-year-old entrepreneur from Manila, Philippines. She earns a living by sewing and selling bags to a chain of shopping malls, earning about USD 0.59 per bag. She learned this skill while she was employed at a local factory and now has over 30 years of experience in sewing bags.

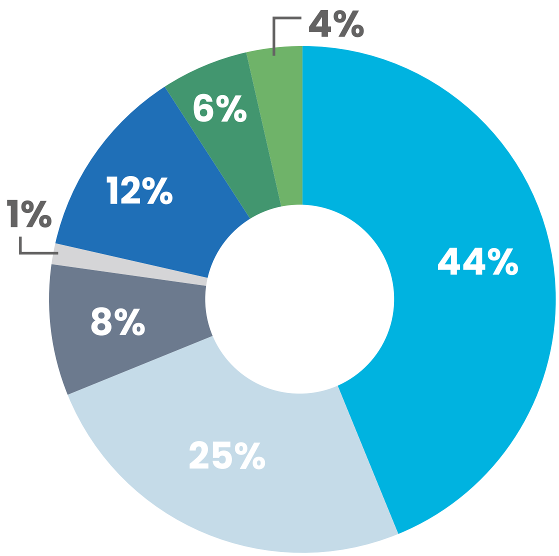
Mrs. Mendoza obtained a loan from One Puhunan in 2016 with the aim of diversifying her household income. She purchased used clothes and shoes online to sell in her neighborhood. She operated this new business on her own, earning approximately USD 200 per month. It represented a substantial increase in income. Today, Mrs. Mendoza continues to run her shop while sewing bags for the shopping mall chain. She is on her eighth loan cycle with One Puhunan, representing USD 354, which helps her to continuously buy more used clothes for her shop.

Product offering

MSME finance makes up the largest proportion of the product offering (69% of gross loan portfolio, weighted), and a significant share also goes towards household consumption in the form of loans for immediate household needs (12%), housing (6%), and education (1%). These products collectively contribute to raising end clients' living standards. Small loans to microentrepreneurs also often contribute to increasing household consumption indirectly when they are able to maintain a successful business.

Figure 14: Product offering (% of CANIF portfolio weighted)

Micro-enterprise	Immediate Household Needs
SME	Housing
Large enterprise	Other
Education	



Access Bank Nigeria finances entrepreneurs like Ayomide Akindiya to build and develop micro-enterprises. This is the most common product offering that CANIF provides through its investments **(Box 7)**.

Client story: Ayomide Akindiya, AB Nigeria, Nigeria

Institution: Access Bank Nigeria

Ayomide Akindiya was born in 1973 and started working as an independent businesswoman in 1990 to gain financial independence. She went through difficult times in the last decades but is now the proud owner of a beverage store, a catering outfit, two inns, and a boutique.

In Abeokuta, Nigeria, where she currently resides, Ayomide started as a caterer at one of Nigeria's biggest fast-food outlets in the eighties. She later received offers from customers to provide catering services for public and official events.

Her ambition for business expansion led her to AB Bank Nigeria where she was granted a first loan of 1,500,000 Naira (USD 36,500) in 2019. Thanks to the funds, Ayomide was able to open a second inn and establish a women's clothing boutique in the suburbs of Abeokuta. This has led to a significant improvement in her financial situation. She was even able to support two of her daughters and a few other relatives with the launch of their micro-business ventures. She now makes an average of 800,000 Naira (USD 1,900) monthly, after all her expenses are deducted.

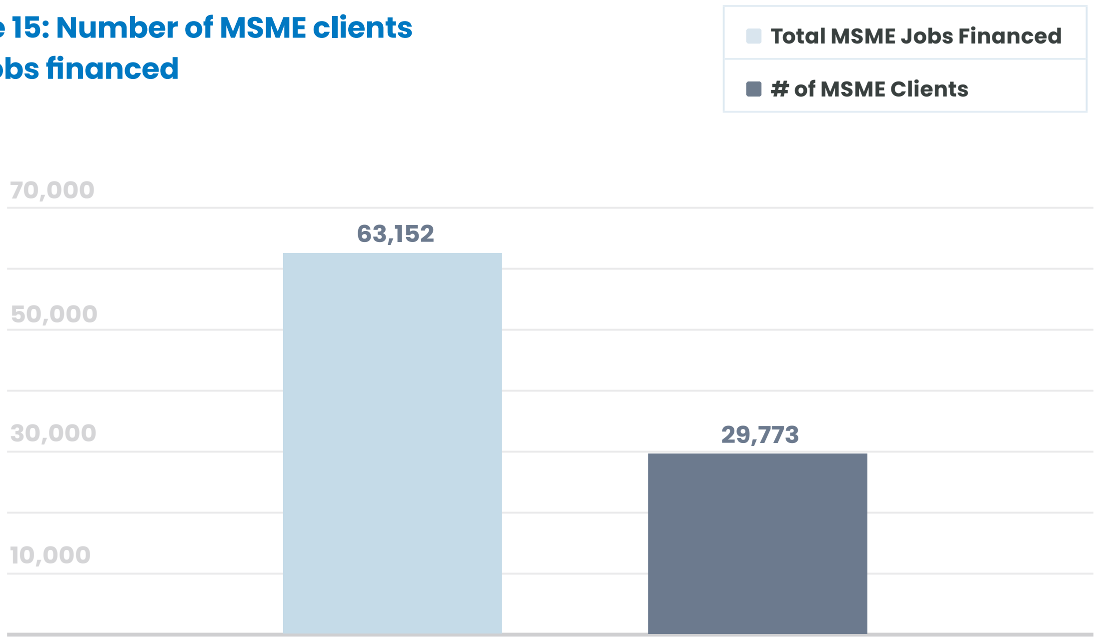
The COVID-19 pandemic did not affect her businesses in any significant way. On the contrary, she was able to continue meeting her financial needs as well as provide palliatives for people close to her. Ayomide hopes to leverage her existing relationship with AB Bank to open more business ventures in the future.

Employment and Entrepreneurship

MSME finance, offered through the CANIF 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 micro-enterprise employs two workers and that each SME employs nine workers, we estimate that the CANIF fund is supporting 63,152 jobs through 29,773 MSMEs as of September 2022 **(Figure 15)**.

Figure 15: Number of MSME clients and jobs financed



End client Outcomes: 60 Decibels Microfinance Index.

The 60 Decibels Microfinance Index (MFI index) is an industry-wide initiative launched by 60 Decibels to obtain comparable client-level impact performance data in microfinance. The initiative is supported by over 20 stakeholders in the microfinance industry, including Symbiotics, together with several impact fund managers, microfinance networks, development finance institutions, and non-profit organizations. This initiative represents the first large-scale effort to gather comparable data directly from microfinance borrowers around the world to increase transparency for investors as well as inform decision-making at the MFI level.

The MFI index gathers data from about 18,000 microfinance borrowers in 41 countries, who are clients of over 70 microfinance institutions. On average, 250 clients from each financial institution were randomly selected and interviewed by phone in local languages. The survey consists of 37 questions including both quantitative and qualitative indicators developed through a collaborative process. The results of the index are available in a public report and an online dashboard.[15]

The MFI index provides insights along five main dimensions:

- **Access:** measures whether institutions are serving people who are underserved
- **Business impact:** measures how microfinance loans affect borrowers' ability to earn an income from their business and create jobs
- **Household impact:** measures the impact of loans on borrowers' quality of life, and ability to meet their household needs and achieve their financial goals.
- **Financial management:** measures whether borrowers understand the institution's loan conditions and the impact the loan has on their ability to manage their finances
- **Resilience:** measures the degree to which borrowers are financially prepared to overcome an economic shock and whether they have to make sacrifices to repay the loans.

This section is based on data from four CANIF fund investees and 939 of their end clients were interviewed between December 2021 and May 2022. In this section, we summarize the responses of these end clients, analyzing how they were impacted by the microloans in terms of the five dimensions described above.

It is worth noting that the selection and participation of institutions in the index did not follow a specific process and might not be fully representative of all the MFIs globally. Also, it is highly likely that those institutions in the index perform above average in terms of social performance as they are generally backed by social investors that strive to promote good social performance management.

The benchmarks mentioned throughout this section are calculated by using data from the customer's responses of 72 institutions. These benchmarks allow for performance comparability between CANIF fund investees and similar MFIs around the world.[16]

"

It is worth noting that the selection and participation of institutions in the index did not follow a specific process and might not be fully representative of all the MFIs globally.

Sample **Description**

The following results present aggregated data from the end clients of four institutions in which CANIF fund is invested, with the following characteristics:

Sample composition

Country	No. respondents
Cambodia	250
Ecuador	256
Honduras	180
India	253
Total	**939**
60dB Microfinance Index	**17,956**
Average age	41 years
% women	64%
% living in rural areas	72%

Conclusion was reached that most of the end clients interviewed use their loans for business purposes, either to finance an existing business (54% of respondents interviewed) or to start a new business (19%). Among these clients, the main loan purposes are to buy inputs for their business including inventory (33%), farming supplies (23%), machinery for their enterprises (16%), and livestock (12%). However, 35% of respondents are using their loan for non-business purposes including home improvements (14%), emergency spending (10%), household expenses (10%), and education (6%).

Key results

4
Countries

939
end-borrowers interviewed

58%
accessing finance for the first time

69%
increased their business income

81%
improved their quality of life

61%
improved their ability to achieve their financial goals

67%
strongly agreed that they understand all the loan's terms and conditions

69%
do not perceive loan repayments as a burden

54%
decreased their stress levels relating to finances

52%
increased their savings

Results by dimension

Access

Comparison to the Index benchmark (Access)

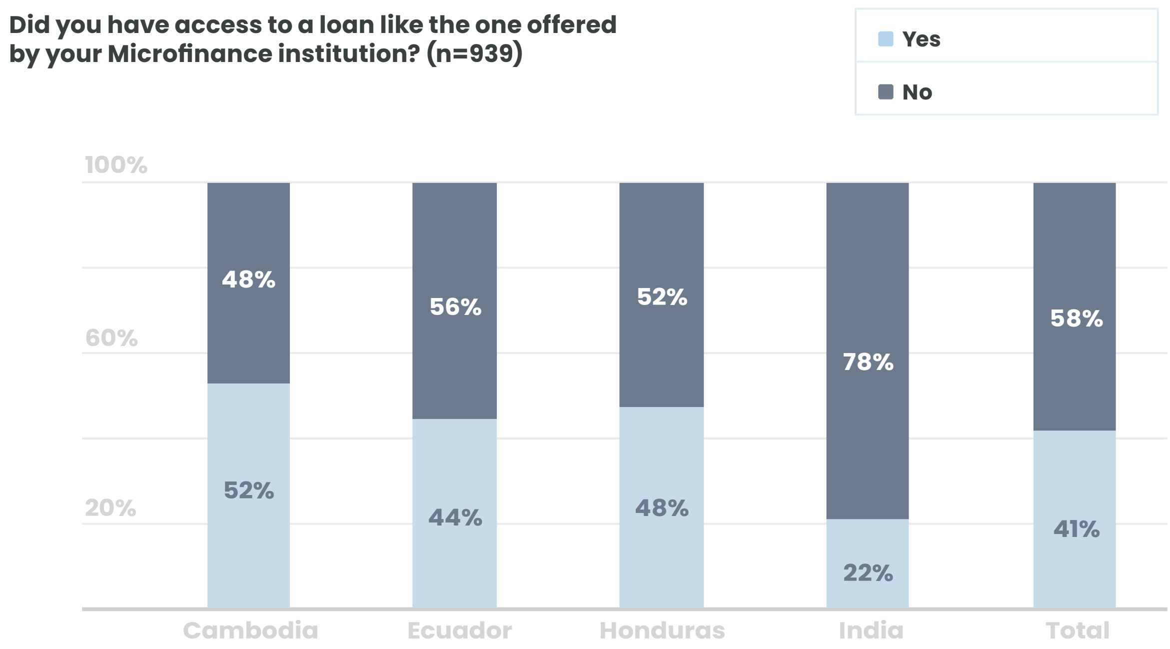
Indicator	Microfinance Index Benchmark results	CANIF fund investees average results
% accessing for the first time	58%	58%
% without access to good alternative	58%	55%

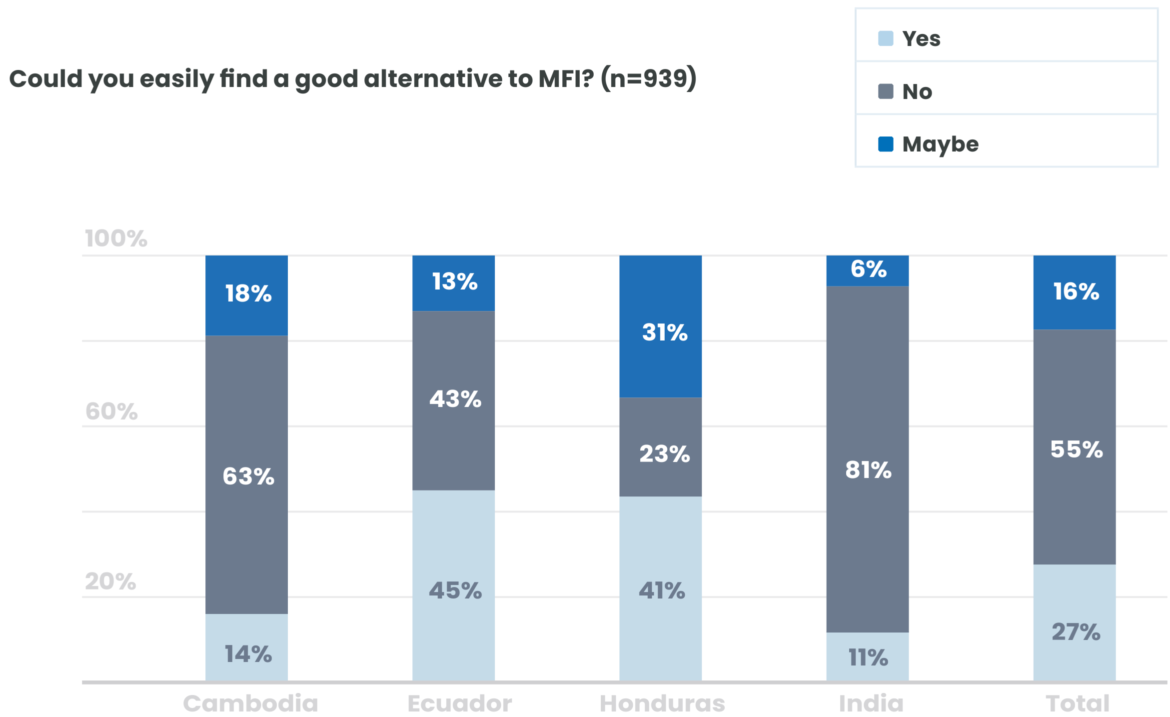
One of the main objectives of microfinance is to provide underserved populations with access to financial services, so assessing this dimension is a key part of assessing the impact performance of microfinance products. It was found that on average MFIs in this sample are serving end clients who do not already have access to finance. On the whole, 58% of respondents indicated this is the first time they were able to access the type of loans offered by their MFI. The institution in India performed the best on this indicator compared to the other three in the sample with almost 78% of the customers indicating to have access for the first time. For the institution in Cambodia and Honduras, it is an opportunity to further their efforts in terms of outreach, especially as account ownership does not exceed 33% in the two countries, according to data from the 2021 Global Findex.

In terms of access to good alternatives, the sample is in line with the benchmark with 55% of end-borrowers not having access to a good alternative.

> **"The loan from [the institution] help me a lot, I bought rice seeds, water pump, and fertilizers for my crop**

Figure 16: Access to loans and alternatives to finance (Country level)





Business impact

Comparison to the Index benchmark (Business impact)

Indicator	Microfinance Index benchmark	CANIF fund investees average results
% seeing 'very much increased' improvement in income	24%	15%
% increasing no. of paid employees	13%	6%

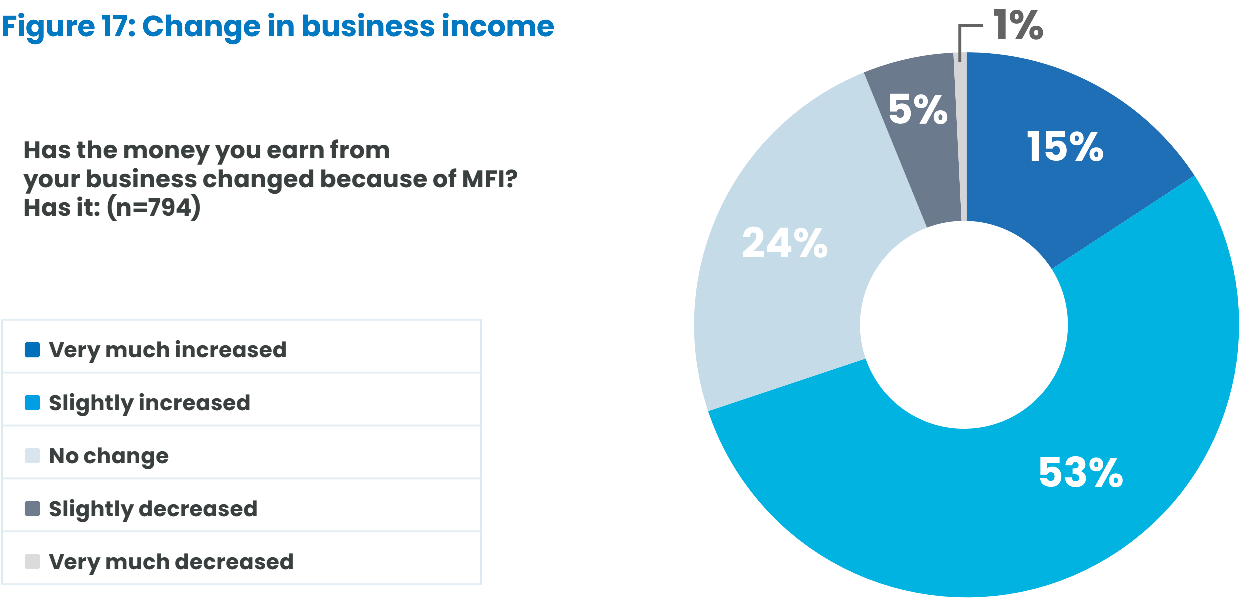
Given that over 70% of respondents are using loans for business purposes, it is worth understanding how their businesses are affected by the loans both in terms of income and ability to create jobs. Of those who have a business, more than 69% of respondents indicated that their business income increased because of the loan they took from the MFI. It may not be a very significant increase since 53% report that it 'slightly' increased whereas only 15% reported that their income 'very much' increased **(Fig. 17)**. It's worth noting that on average 15% of the respondents indicated not having a business.

Overall, these results suggest that access to finance is supporting microenterprises to increase their business income, primarily by allowing them to invest in their business. Compared to the MFI index benchmark, institutions from the CANIF fund portfolio performed slightly lower in both indicators measuring income change and employee increase, suggesting there is room to improve business loans by these MFIs.

> **"**
>
> **My business is about growing rice. I can make more money thanks to this loan.**

Figure 17: Change in business income

Has the money you earn from your business changed because of MFI? Has it: (n=794)



In terms of employment, 65% of respondents reported that they do not have any paid employees (this does not include family members). 28% reported that their number of employees has not changed because of the loan while 6% of respondents indicated that their number of employees increased because of the loan, whereas 1% reported a decrease in their number of employees. End-borrowers in the sample from India had the highest proportion of customers indicating an increase in employees (13%). Among those who do have employees, the number of employees ranges from 1 to 15, with a majority of borrowers having only one to four employees.

Household impact

Comparison to the Index benchmark (Household impact)

Indicator	Microfinance Index benchmark	CANIF fund investees average score
% 'very much improved' quality of life	35%	29%
% 'very much increased' household spending on home improvement	16%	12%
% 'very much increased' household spending on healthcare	9%	6%
% 'very much increased' number of quality meals	14%	9%
% 'very much increased' household spending on education	13%	8%
% 'very much improved' ability to achieve financial goal	27%	18%

The household impact dimension assessed the impact of loans on several aspects of household well-being, including overall quality of life, spending on food, education, household improvements, ability to go for medical check-ups, as well as ability to achieve financial goals. Altogether, these aspects give us an idea of how a borrower's household is affected by access to microfinance. On average,

> "
> **I could renovate my house and give my family a warm house."**

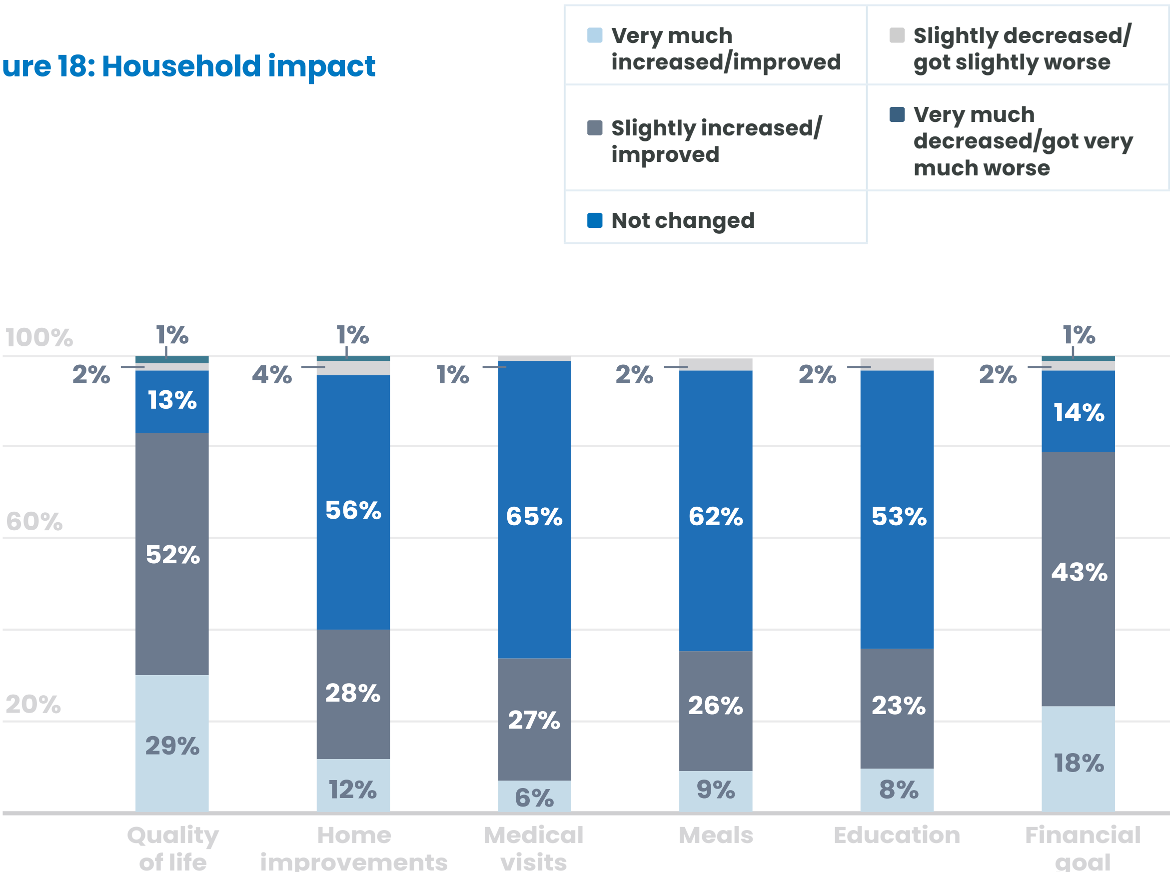
the institutions from the sample scored slightly lower when compared to the benchmark for each of the indicators **(Table 10)**.

The most significant improvements are in overall quality of life as 81% of respondents reported an improvement because of the services they receive from the MFI.

61% of borrowers also mentioned that their ability to achieve their financial goals (e.g., increasing their savings or income, investing in their business) improved because of the MFI. In terms of spending on various household needs, between 31% to 40% of borrowers said they could spend more on food, education, home improvements, or medical visits, though in most cases, a majority said that their spending on these items had not changed **(Fig. 18)**.

The respondent's perception of overall improvement does not vary significantly depending on their gender. However, women were more likely than men to indicate an increase in household spending for home improvement (45% vs 34% for men) because of the loan. Overall, end borrowers from the sample in India and Cambodia experienced the most substantial improvements in almost all categories, in contrast with those in Ecuador.

Figure 18: Household impact



Financial management

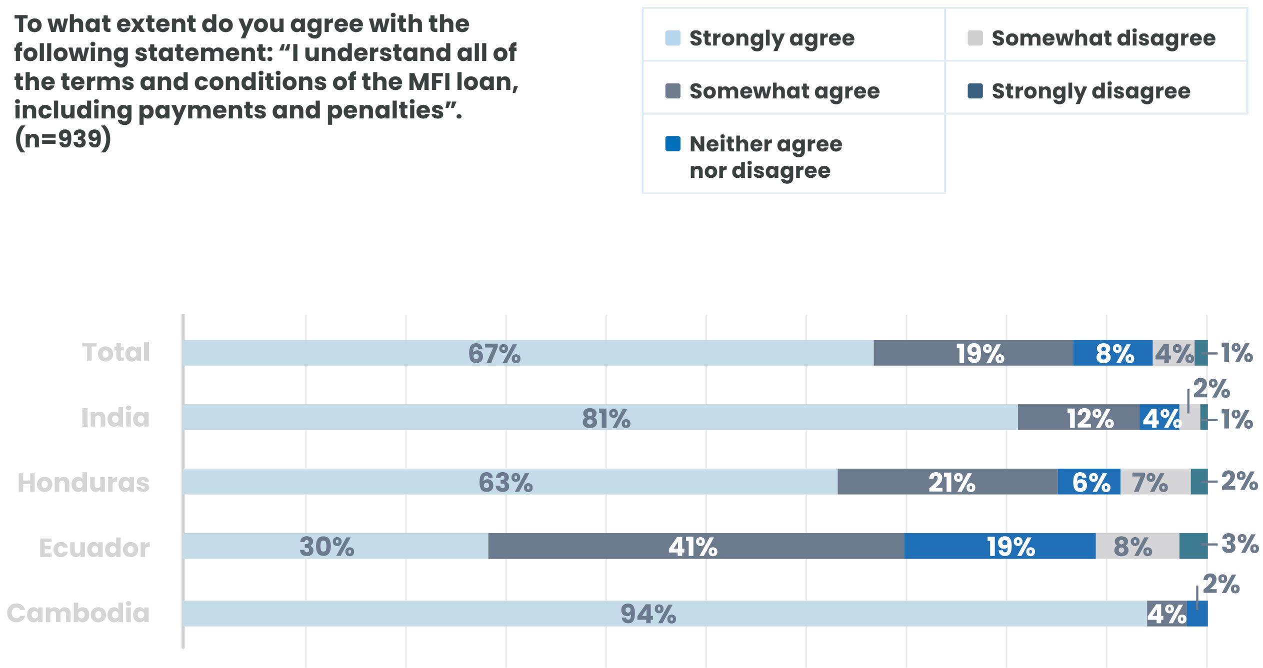
Comparison to the Index Benchmark (Financial management)

Indicator	Microfinance Index benchmark	CANIF fund investees average score
% 'strongly agree' to understanding terms	66%	67%
% 'very much improved / deceased' financial stress	18%	22%
% 'very much improved' ability to manage finances	22%	13%
% indicating payments 'not a problem'	70%	69%

Despite the potential benefits linked to microfinance, credit offered to low-income borrowers comes with a risk of over-indebtedness. The microfinance industry has been collaborating for decades to minimize this risk and protect end clients from aggressive or exploitative lending practices. The Social Responsibility Rating that all CANIF fund investees go through emphasizes the importance of client protection and systematically assesses the lending practices of all current and prospective investees. Through the financial management dimension of the MFI index, we listen directly to the end-borrowers to learn whether they understand their loan conditions and the extent to which loan repayments are a burden to their household.

In this indicator, the institutions from the sample on average performed in line with the benchmark as 67% of end-borrowers strongly agreed that they understand all the terms and conditions of the MFI loan **(Fig. 19)**, while 5% disagreed. While this indicates that the four institutions are overall providing clear and relevant information to their end-borrowers, 19% of end-borrowers indicated somewhat understanding the terms of conditions, which means institutions can further their efforts in this aspect. Efforts could also be put to understand why 5% of end-borrowers did not understand the terms and conditions of the MFI loan, which is more common in Ecuador and Honduras according to the sample.

Figure 19: Extent of loan understanding



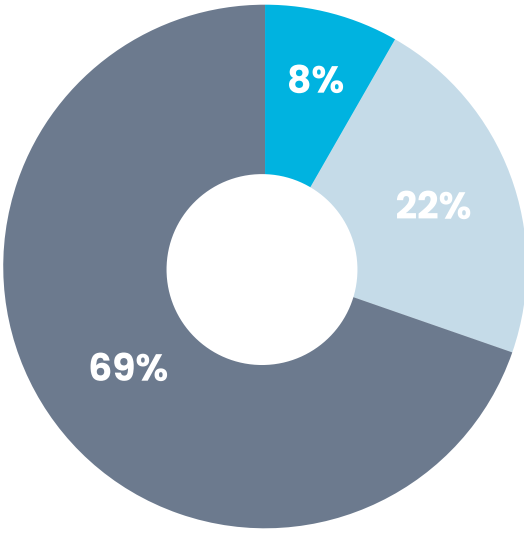
Women in the sample are more likely to strongly agree to understanding loan terms and conditions (89% vs 84% for men), more likely to report improvement in stress levels (55% vs 50% for men), more likely to report an increased ability to manage their finances (71% vs 62% for men), and more likely to report that loan's repayment is not a burden (69% vs 66% for men).

Furthermore, 69% of end borrowers do not perceive their loan repayments as a burden **(Fig. 20)**, whereas about a third do perceive them as a burden with 8% finding them a heavy burden. While this is not a very high proportion, this suggests that there is room for improvement in assessing borrowers' repayment capacity, adjusting the loan terms accordingly, and potentially re-scheduling payments. Borrowers who perceive loan repayments as a heavy burden are less likely to report improvements in quality of life or an increase in income. Similarly, they are more likely to report an increase in stress levels related to their finances. Reducing a borrower's loan repayment burden is therefore likely to allow them to benefit more from having access to finance.

Figure 20: Loan repayment burden

Thinking about loan's borrowing repayment, are they a heavy burden, somewhat of a burden, or not a problem? (n=939)

- A heavy burden
- Somewhat of a burden
- Not a problem



65% of all respondents report an enhanced ability to manage their finances and 54% of end-borrowers indicate a decrease in stress levels relating to their finances because of the services they receive from the MFI, suggesting an overall improvement in financial management.

Resilience

Comparison to the Index benchmark (Resilience)

Indicator	Microfinance Index benchmark	CANIF fund investees average score
% 'very much increased' savings balance	18%	9%
% 'very much improved' resilience thanks to company	20%	16%
% who 'never' cut food consumption to make payments	72%	64%

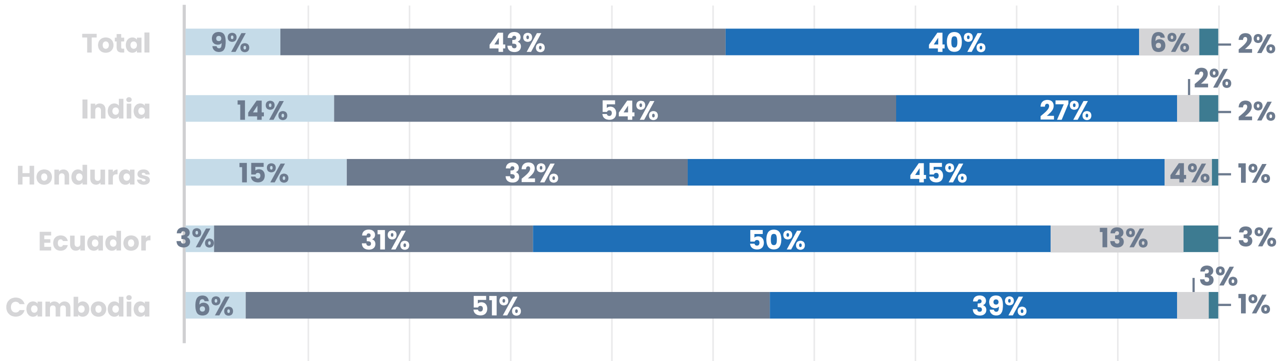
As we saw during the Covid-19 pandemic, millions of households fell into poverty due to the financial consequences of the pandemic because they did not have savings to fall back on, or access to emergency loans. One of the most important outcomes that microfinance aims to achieve is financial resilience so that low-income households can cope with shocks and smooth their consumption. Therefore, in the final dimension of the MFI index, we analyze whether borrowers are prepared to deal with a shock, how their savings have been affected by microfinance, and if they need to make any sacrifices to repay their loans.

Over half of end-borrowers indicate an increase in savings because of the services they receive from the MFI **(Fig. 21)**, although most of them indicate only a slight increase. Three of the four MFIs in this sample offer savings products to their clients, and we find that end-borrowers from Cambodia were the least likely to report increases in savings.

Figure 21: Savings balance

Because of MFI, has your savings balance changed? (n=939)

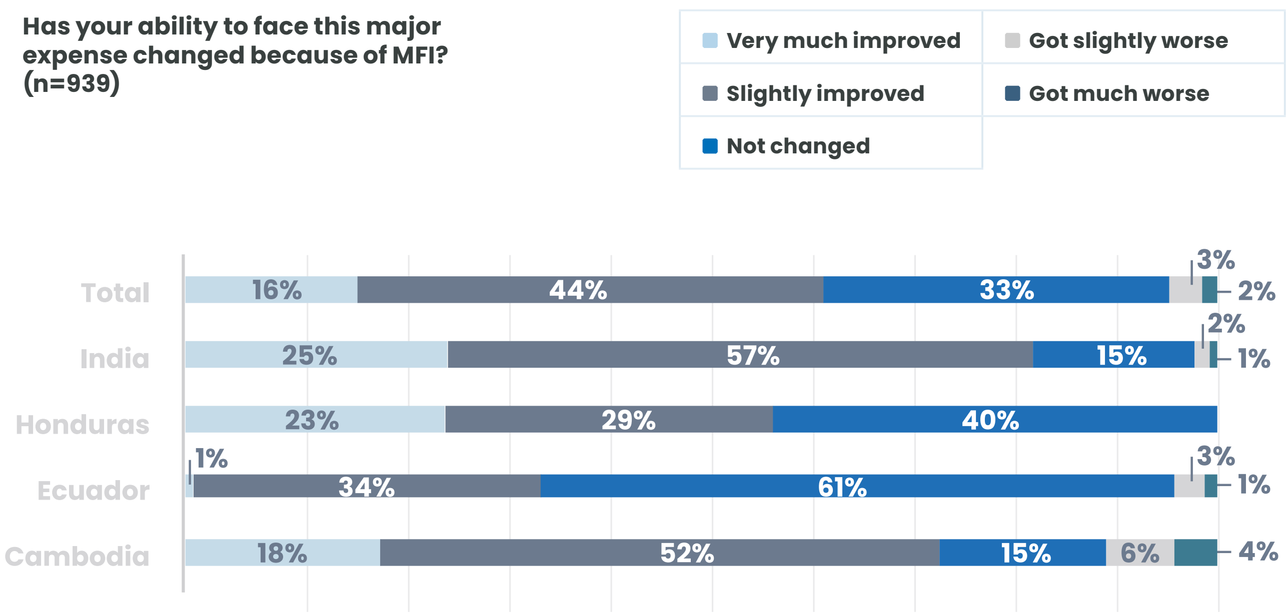
Very much increased
Slightly increased
Not changed
Slightly decreased
Very much decreased



> **Before I had to pay lot of interest and all my saving went into paying the loan amount and interest. Since I am using [the institution's] services I am able to save some money.**

Despite increasing their savings, when borrowers are asked about how easy or difficult it would be for them to come up with enough money to face an emergency within the next month, only 37% said that it would be easy to come up with this money (about 1/20 of the GNI per capita in each country, as suggested by the Global Findex), suggesting that they are still relatively vulnerable. However, almost 60% of respondents indicated that their ability to face this major expense has improved thanks to the financial services provided by the MFI, demonstrating that the MFIs have been able to act as a source of emergency loans for clients when they need it **(Fig. 22)**. End-borrowers from institutions in India and Cambodia represented the highest proportion indicating an improvement in their ability to face an emergency.

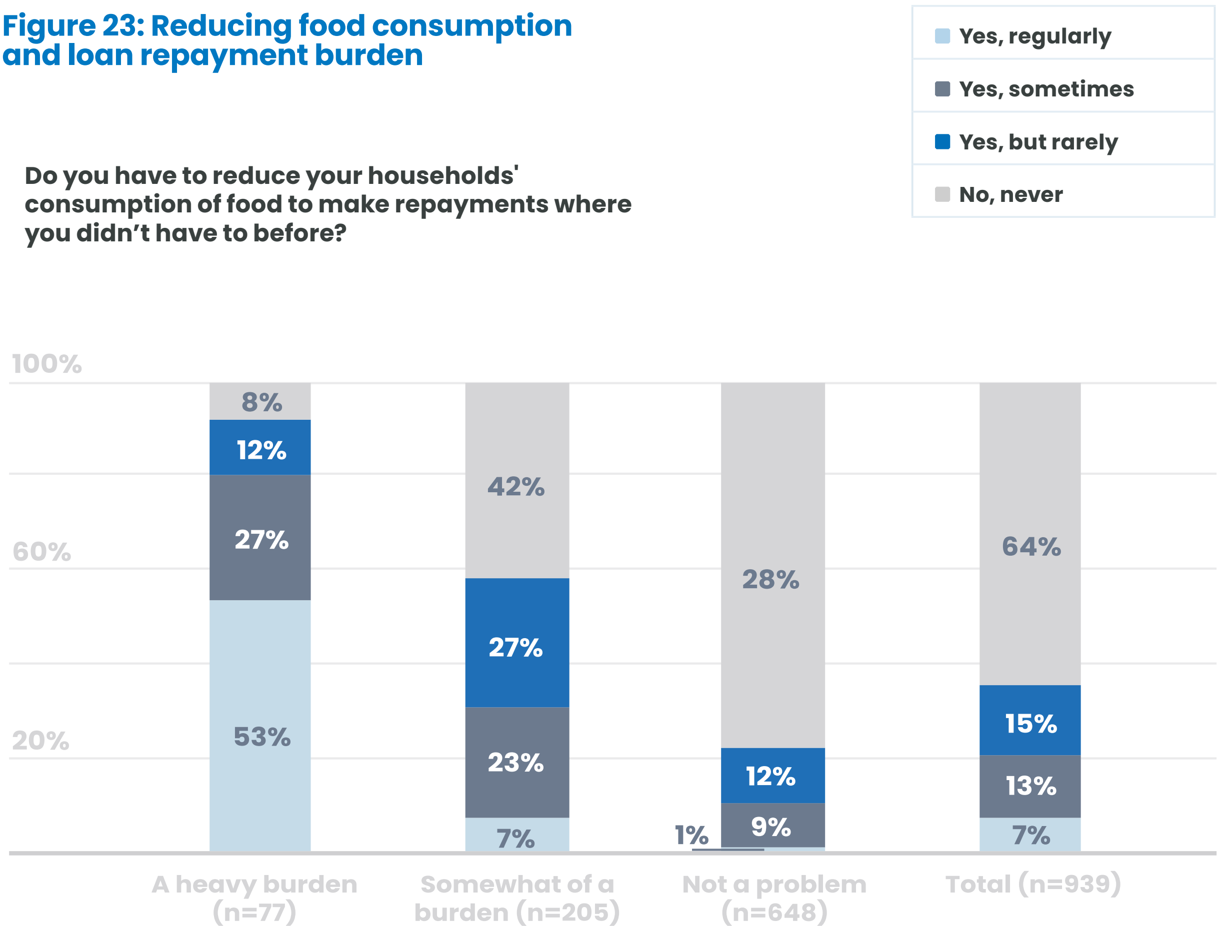
Figure 22: Change in ability to face major expense



Finally, when asked if they had to reduce their household's food consumption to make loan repayments, 64% of borrowers mentioned that they never had to do so and 15% rarely did this, whereas the remaining 20% resorted to reducing their consumption. Unsurprisingly, borrowers who find loan repayments to be a heavy burden and have indicated an important decrease in income are significantly more likely to reduce their food consumption to make repayments **(Fig. 23)**. Reducing food consumption for loan repayments demonstrates the risks of over-indebtedness and the importance of appropriate lending terms to support microfinance borrowers.

Figure 23: Reducing food consumption and loan repayment burden

Do you have to reduce your households' consumption of food to make repayments where you didn't have to before?



These findings suggest that microfinance can support borrowers to increase their resilience, but that borrowers remain vulnerable and need further support to face shocks.

Main take-aways.

With USD 35.5 million assets under management, CANIF fund has succeeded in reaching over 32,612 end-borrowers in 33 countries through its investments. The CANIF fund investees have demonstrated very good ESG norms and practices, performing exceptionally well in terms of client protection practices.

The CANIF fund has primarily addressed SDG 1 (No poverty), SDG 8 (Decent work and economic growth), and SDG 5 (Gender equality). 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 CANIF fund has targeted a diverse range of low- and middle-income countries worldwide, with a focus on countries with low levels of banking penetration (48%). A regional focus has been placed on South & East Asia, and Latin America & the Caribbean (36% and 35% of portfolio outstanding, respectively). CANIF fund is invested in 62 financial institutions, supporting them to grow and build their institutional capacity, to provide 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 (69% of the portfolio financed microenterprise and SME loans as of September 2022), as well as their household needs. With most of the loans financing MSMEs, CANIF fund has a significant impact on employment in its target markets: we estimate that the fund is supporting over 63,000 jobs as of September 2022. These loans also allow MSMEs to capture business opportunities, such as investing in new equipment, growing their inventory, or expanding their business.

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.

The end client outcome data collected through the 60 Decibels MFI index in Cambodia, India, Honduras, and Ecuador allows to identify the main aspects that the CANIF fund is positively impacting through its microfinance investments, as well as areas for improvement. Notably, the sample performs very well in terms of outreach to underserved clients and supporting clients to invest in their businesses and increase business income. Institutions in the sample also perform very well in terms of providing access to finance and providing information on loans transparently and coherently. However, in terms of business impact, a lower proportion of clients has been observed indicating an increase in income or an increase in employees than the Index benchmark. Overall, borrowers generally do not find their loans to be a burden. However, there is still a small percentage of clients who may have to make sacrifices to repay their loans. In the future, this proportion can be reduced by considering ways to support these clients in the affected countries.

Overall, the CANIF fund is aligned with its investment philosophy to serve low-income people and MSMEs in developing and emerging countries and supports its end-beneficiaries to improve their overall well-being and quality of life.

Fund Characteristics.

Name	Candriam M Impact Finance
Legal form	AIF - SICAV
Fund's domicile	Luxembourg
Management Company	CANDRIAM
Depositary bank	CACEIS Bank, Luxembourg Branch
Supervision authority	CSSF (Commission de Surveillance du Secteur Financier)
SFDR classification	Article 9
Benchmark	-
Registered for sale in	AT, BE, CH, DE, FR, IT, LU, NL
ISIN Code	I - Cap LU2016896438
Frequency of valuation	Monthly*
Fund currency	USD
Management fees (max.)**	1,75%
Subscription fees (max.)**	0,00%
Redemption fees (max.)**	0,00%
Performance fees (max.)**	-
Fund AUM	35 million
Recommended investment horizon	5 years

* Monthly subscriptions with 2 working days notice. Quarterly redemptions with 3 months notice
** Real fees indicated in the KIID or annual report

Risk Profile.

Investors should be aware of the significant risks below, which may not necessarily be adequately considered by the indicator:

Risks linked to transactions with FI: The Sub-Fund may take part in loan or capital issuances which will be neither listed on a stock exchange, nor dealt in on a regulated market. The issuers might not be subject to any regulatory control by a supervisory authority and typically lack internationally recognized public rating. The liquidity of these instruments might be very limited. These instruments may not have readily available prices and may be difficult to value.

Credit risk: The issuer of any debt security may default on its financial obligations. Also, the price of any debt security normally reflects the perceived risk of default of the issuer at the time of acquisition. If after acquisition the perceived risk of default increases, the value of the security held by the Sub-Fund is likely to fall.

High yield risk: Some of the high yield securities held in the portfolio may involve increased credit and market risk; such securities are subject to the risk of an issuer's inability to meet principal and interest payments on its obligations (credit risk) and may also be subject to price volatility due to such factors as interest rate duration, market perception of the creditworthiness of the issuer and general market liquidity.

Derivative risk: Funds may enter into listed and unlisted derivative instruments in order to have an exposure to underlying assets or to protect their direct assets. These instruments are volatile and may be subject to various types of risks, including but not limited to market risk, liquidity risk, credit risk, counterparty risk, legal and operations risks. These derivative instruments may cause the Funds to have higher market exposure than they would have otherwise, which may in some case increase losses.

Counterparty risk: In the event any counterparty with which the Sub-Fund engages in exchange-traded or OTC transactions becomes insolvent or fails to perform any of its obligations, the Sub-Fund will incur a loss which might negatively impact its returns

Emerging and Frontier economies risk: Investments in emerging and frontier economies securities involve certain risks, such as illiquidity and volatility, which are greater than those generally associated with investing in developed markets.

Liquidity risk: the fund invests in financial instruments and/or market segments that are considered as having little liquidity. Sometimes these instruments take a long time to sell or may have restrictions on their sale. This risk is accentuated in certain market circumstances and/or in case of largescale redemptions and this can affect the fund's performance.

Leverage Risk: Leverage presents the potential for a higher rate of total return but also increases the volatility of the relevant Sub-Fund, including the risk of a total loss of the amount invested.

Changing interest rates risk: The market value of fixed income securities may rise or fall inversely with changes in interest rates.

Foreign exchange/currency risks: Changes in foreign currency exchange rates will affect the value of some securities and bring additional volatility.

ESG investment risk: Applying ESG and sustainability criteria to the investment process is, to a degree, subjective and there is no guarantee that all investment decisions made by the Sub-Fund by application of such criteria at a certain time will objectively reflect the beliefs or values of any particular investor. Moreover, such investment process may exclude securities of certain issuers for non-investment reasons and therefore some market opportunities available to funds that do not use ESG or sustainability criteria may be unavailable for the Sub-Fund, and the Sub-Fund's performance may at times be better or worse than the performance of relatable funds that do not use ESG or sustainability criteria. The selection of assets may in part rely on a proprietary ESG scoring process or ban lists that rely partially on third party data. The lack of common or harmonised definitions and labels integrating ESG and sustainability criteria at EU level may result in different approaches by managers when setting ESG objectives and determining that these objectives have been met by the funds they manage. This also means that it may be difficult to compare strategies integrating ESG and sustainability criteria to the extent that the selection and weightings applied to select investments may to a certain extent be subjective or based on metrics that may share the same name but have different underlying meanings. Investors should note that the subjective value that they may or may not assign to certain types of ESG criteria may differ substantially from the portfolio manager's methodology.

Risk factors specific to the sub-fund

- **Risks linked to transactions with FI**
- **Credit risk**
- **High yield risk**
- **Derivative risk**
- **Counterparty risk**
- **Emerging and Frontier economies risk**
- **Liquidity risk**
- **Leverage Risk**
- **Changing interest rates risk**
- **Foreign exchange/currency risks**
- **ESG investment risk**

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2 Demirgüç-Kunt, A., Kalpper, L., Singer, D., Ansar, S. (2021). The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19 Retrieved from: https://globalfindex.worldbank.org/.

3 Access Group domiciled in Germany, focuses on six African markets: Madagascar, Tanzania, Liberia, Rwanda, Nigeria and Zambia. The institution also invests in Georgia and more recently in Brazil. ASAI Group domiciled in The Netherlands, has affiliates in India, Pakistan, Nigeria, Myanmar, Tanzania, Rwanda, Sierra Leone and Zambia. Baobab Group, domiciled in France, is present in Burkina Faso, Congo, Ivory Coast, Madagascar, Mali, Nigeria, Senegal, Tunisia, Zimbabwe and China.

4 Institutions that have 70% or more women as borrowers.

5 Women end clients outreach of the fund is calculated as a weighted average of CANIF fund portfolio.

6 Countries' income levels are defined by the World Bank according to gross national income (GNI) per capita as follows:

- Low-income: USD 1,045 or less
- Lower-middle-income: USD 1,046 to USD 4,095
- Upper-middle-income: USD 4,096 to USD 12,695
- High-income: USD 12,695 or more

https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups

7 Investment in high-income countries include 1) Germany (2.2%), The Netherlands (3.1%), France (5.3%), and the united States (2%). All four institutions located in these high-income countries invest in emerging and frontier economies (see note 3). 2) Chile (1.5%), Panama (2.9%), and Romania (2.2%) are classified as 'emerging and developing economies' by the IMF World Economic Outlook, despite having higher per capita income.

8 These countries are: Cambodia, Senegal and Myanmar

9 The following criteria are used by UNCTAD to determine whether a country is an LDC:

- Per capita income: below USD 1,230
- 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.

https://unctad.org/system/files/official-document/ldcr2018_en.pdf

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11 Account ownership is commonly used as a proxy for financial inclusion. Source: Demirgüç-Kunt, A., Kalpper, L., Singer, D., Ansar, S., & Hess, J. (2022). The Global Findex Database 2021: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: The World Bank. Retrieved from: https://globalfindex.worldbank.org/

12 Demirgüç-Kunt, A., Kalpper, L., Singer, D., Ansar, S., & Hess, J. (2022). The Global Findex Database 2021: Measuring Financial Inclusion and the Fintech Revolution. Washington, DC: The World Bank. Retrieved from: https://globalfindex.worldbank.org/.Ibid.

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14 60 Decibels is an impact measurement company mainly known for their Lean Data approach. With a network of more than 750 researchers in 50 countries, 60 Decibels provides impact performance benchmarks. https://60decibels.com/

15 https://app.60decibels.com/mfi-index

16 60 Decibels calculates the average performance of the participating microfinance institutions for each indicator included in the index and it weighs each MFI's performance equally. For more information, see the methodology section of the Microfinance Index Report via https://app.60decibels.com/mfi-index

17 Account ownership in Cambodia is 33%, 58% in Ecuador, and 29% in Honduras.

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