

## Summary SME Impact Investing, January 20, 2012



Double Dividend and Fair Impact organise a series of round table meetings. The number of investors that actively look at Small- and Medium Enterprises (SME) Impact Funds is growing. In this third round table meeting participants learned about the specifics and challenges regarding Responsible Investment strategies in alternative investments.

The positive power of small and medium sized enterprises is evident. Investors have a dominant reason to invest for impact. The first group aims to make a positive social impact with a financial floor. The second group invests for financial returns with a social impact floor. Both groups have existed for ages, but the latter has been re-named to Impactg Investors by the Rockefeller Foundation about only four years ago.

Symbiotics from Switzerland manage and structure micro- and SME finance funds. They also create research. It's current seven funds face a limited percentage of bad loans. They have a low volatility. In cooperation with Oxfam it has created a Small Enterprise Impact Investing Fund. Oxfam will give technical support to Symbiotics to be able to run the fund and approach its donors.

Sarona Asset Management from Canada traces its history back to 1953 where it made its first investment into the Sarona Dairy. In 2009 Sarona changed strategy from direct investments into fund of funds as it is better that local people manage the projects. The Sarona Frontier Markets Fund will be followed by a second fund.

High inflation in emerging markets is still a real issue. Most transactions are in US\$, but the percentage of loans in local currency is increasing sharply as investors want to diversify. The underlying SME projects are mostly financed by a combination of debt or equity. Debt provides a natural liquidity. Investors want a short lock-up period. Financial returns are equal to or higher than emerging markets index returns.