

# **Investing in Women South East Asia**

## **Tailoring Finance for Women's SMEs**

**March 2018**

# Foreword

It is with privilege that we publish this first edition detailing our work with Investing in Women (IW), an Australian Government initiative managed by Abt Associates.

Our role is to support IW by encouraging impact investors to:

- ▶ Establish impact funds to invest in women's small medium enterprises (SMEs) in South East Asia
- ▶ Utilise a gender lens approach in their ongoing investment thesis and promote gender equity within their organisation, together with their investee entities

IW is seeking to encourage impact funds that focus on women's SMEs, defined herein as women-owned or women-led SMEs, particularly those in the "missing middle". The term missing middle, generally refers to SMEs that do not have access to capital because of being too large for microfinance institutions, too small or not meeting the requirements of commercial banks. Within the missing middle, gender bias plays a role in limiting capital flows to women's SMEs.

Access to funding will play an important role towards economic empowerment and greater equality outcomes.

This edition is the first in a series that focuses on the progress of IW and provides commentary on related topics, for example:

- ▶ Tailoring finance for women's SMEs
- ▶ Differences in investment models and consideration as to which model may be preferable for women's SMEs

- ▶ Progress of IW partners including Small Enterprise Assistance Funds (SEAF) and Patamar Capital, as they source and invest in women's SMEs in South East Asia to build a case for gender lens investing

IW's activities, together with this and future editions, are designed to build the business case for gender lens investing, and in particular investing in women's SMEs.

As an organisation, EY places gender parity as a key imperative and we are determined to do our part to accelerate women's progress in the workplace. Our commitment to advancing women throughout our ranks and into leadership positions has contributed to our reputation as one of *Fortune* magazine's *100 Best Companies to Work For* in the US. In addition, we are ranked in the top 10 on the *2017 Working Mother 100 Best Companies* list in the US, making it the 11th year in a row and our 20th appearance on the list. Given our commitment to gender, we are proud of our role with IW.

"Building a better working world".



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## Introduction

Women entrepreneurs play an integral role in economic growth, with global GDP estimated to grow by approximately US\$12 trillion should women and men entrepreneurs participate equally in the economy.<sup>1</sup>

Gender equality is both a social and economic issue. Harnessing women's economic potential will have significant impact on fuelling job creation, wealth expansion, entrepreneurship and improving sustainable livelihoods.

According to Thomson Reuters and a study by Babson College, however, women-led companies in the US receive only 3% of venture funding<sup>2</sup>, despite evidence observed by First Round Capital showing its investments in businesses with a female founder performed 63% better than those with all-male founding teams.<sup>3</sup> Given this outperformance, stimulating capital flows toward women's enterprises will not only realise their growth potential, but also substantially improve economic growth as well as financially empower a vast number of women.

This is why, EY, whose core is to build a better working world, is privileged to be working with Abt Associates who manages the Australian Government initiative, IW.

Our role is to advise IW and work closely with global impact investors to encourage the establishment of impact investment funds to for women's SMEs in South East Asia.

Impact investors and impact funds actively invest in businesses seeking not only a financial but also a social or environmental return. To date, many such funds are principally investing in agriculture, healthcare and education. However, we have found that few are focused on women-owned or women-led businesses or invest with a gender lens.



IW provides catalytic capital via a blended finance approach to incentivise impact investors to mobilise necessary capital to invest in women's SMEs. By monitoring progress, IW seeks to demonstrate that such investments are financially rewarding as well as serve as powerful drivers for social and economic change. This aims to build the business case for applying a gender lens and investing in women's SMEs, so as to strengthen the financial ecosystem for women in business, and in turn, act to spearhead the campaign for women's economic empowerment.

This first edition provides a background on IW, gender lens investing and a discussion on how financial instruments may be tailored to better meet the needs of women's SMEs. Further, we provide commentary on IW's partner SEAF, who recently launched the SEAF Women's Opportunity Fund (SWOF).

We note that the themes in this paper are general and refer to emerging economies in South East Asia. Given the generalisation, commentary and issues identified will vary on a country-to-country basis.

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Since early 2016, EY has been providing ongoing advice to IW including undertaking thorough market soundings across the social impact investing and funds management sectors, evaluating and recommending impact investors, structuring funding vehicles and assisting in deal execution. EY's approach is to help maximise leverage so that more women will be economically empowered.

*Building a better working world*

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<sup>1</sup>Jonathan Woetzel, Anu Madgavkar, Kweilin Ellingrud, Eric Labaye, Sandrine Devillard, Eric Kutcher, James Manyika, Richard Dobbs, Mekala Krishnan, "The Power Of Parity: How Advancing Women's Equity Can Add \$12 Trillion To Global Growth," McKinsey & Company, September 2015.

<sup>2</sup>Sebastien Malo, "Women-led U.S. Startups Attract Just Fraction Of Venture Money," Thomson Reuters, July 2017.

<sup>3</sup>"First Round 10 Year Project," *First Round Capital website*, <http://10years.firstround.com>, accessed 9 February 2018.

## Investing In Women

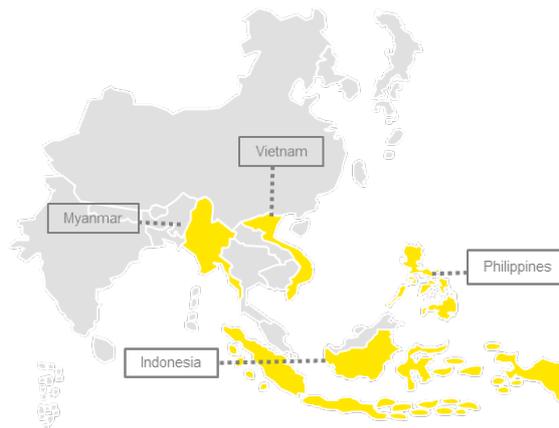
Established through the Department of Foreign Affairs and Trade's Gender Equality Fund in April 2016, IW focuses on efforts toward gender equality in South East Asia. IW aims to address barriers to women's economic participation in leadership positions, access to capital, labour force participation and workplace equity.

Headed by CEO, Dr. Julia Newton-Howes, IW seeks to promote women empowerment in Indonesia, Myanmar, the Philippines and Vietnam, holistically across four components.

- ▶ **Component 1: Business Partnerships**  
Supporting coalitions of larger employers committed to driving gender equality in workplaces
- ▶ **Component 2: Impact Investing**  
Partnering with impact investors to strengthen access to finance women's SMEs and to build a business case for a more inclusive investing environment globally
- ▶ **Component 3: Government Partnership**  
Working with governments to accelerate workplace gender equality through more gender responsive policies and legislations
- ▶ **Component 4: Advocacy and Communications**  
Gather data, evidence and stories to build the business case for investing in women

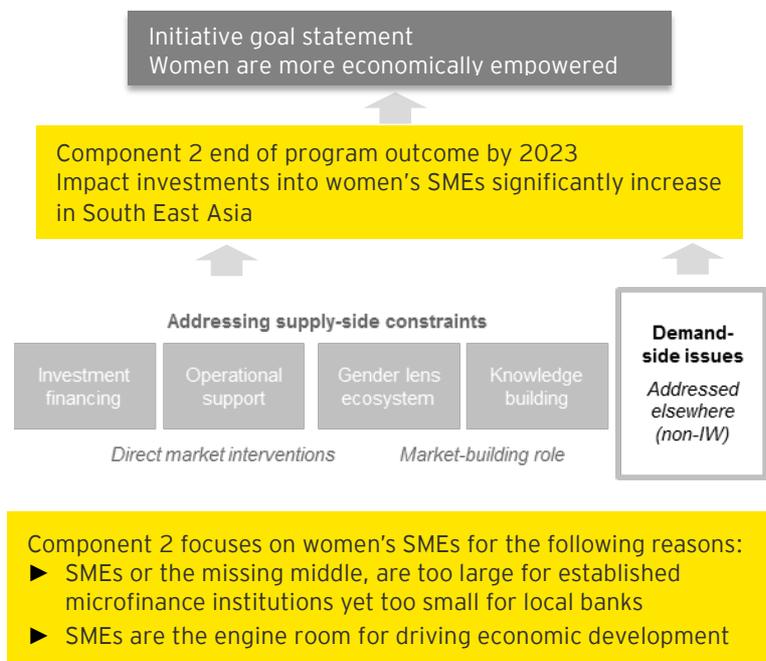
## INVESTING IN WOMEN

Smart Economics



Component 2 focuses on addressing the supply-side constraints of capital with the goal of increasing impact investments into women's SMEs in Indonesia, the Philippines and Vietnam.

### Strategy of Component 2: Impact Investing



## Australian Government Sponsored Women Initiatives

Through the leadership of Julie Bishop, Minister for Foreign Affairs, the Australian Government has set an ambitious target requiring that at least 80% of the nation's aid promotes and addresses gender issues.

As such, there are a number of other Australian Government initiatives that target women empowerment:

- ▶ Pacific Women Shaping Pacific Development program which focuses on improving the political, social and economic opportunities for women across 14 Pacific nations
- ▶ Increase aid for trade investments to 20% by 2020 focusing on women's participation in and access to trade
- ▶ Australian National Action Plan on Women, Peace and Security, which aims to promote women's participation in Australia's peace and security efforts
- ▶ Increase access to support services to prevent and respond to violence against women

## First Year progress

IW plays a crucial role in expanding access and mobilising capital to women's SMEs in South East Asia by promoting women and gender lens in the impact investing space.

In late 2016, IW's Component 2 formed strategic collaborations with two reputable global impact investors, via provision of performance-based grants to incentivise these two partners to deliver catalytic capital to women's SMEs. The two initial partners are:

- ▶ **Patamar Capital:** Venture capital firm with approximately US\$50 million in assets under management who seeks to invest in scalable businesses that improve the livelihood of the working poor in high-growth areas in South East Asia. IW has provided seed funding to Patamar Capital to invest in high-growth women's SMEs together with supporting a new women's SME Acceleration Program aimed at early-stage businesses.

- ▶ **SEAF:** This is a global impact investing fund manager, investing in early and growth-stage SMEs in frontier and emerging markets in Africa, Europe, Asia and South America. SEAF has managed 35 investment funds and invested over US\$400 million in SME investments. IW supports SEAF with seed funding and operational support for the inaugural SWOF.

IW will continue to expand support to new partners in the coming years so to strengthen the financial ecosystem in assisting women's SMEs.

EY plays a critical role as the advisor for IW by undertaking market studies, advising on the tender process, recommending the partners, and general provision of strategic and legal advice. EY is also assisting IW in its role as a regional market builder for gender lens investing in South East Asia.

## EY Advisory Role for IW

Undertook an impact investing market study, identifying the roles and investment appetite across key market participants, including development banks, investment banks, fund managers, super funds, social impact investors and philanthropists

Provided ongoing strategic advice to IW and actively promoted gender lens investing by meeting global market players and participating in impact investing conferences and networks

Advised on partnership structures, funding allocation and legal negotiations

Provided strategic advice and support to IW to effectively enter the market and promote capital flows to women's SMEs in order to build a business case for gender lens investing, and rendering ongoing advice regarding future strategic direction and opportunities



Conducted roadshows for a range of impact investors based in Australia, Europe, Southeast Asia and US to form strategic partnerships with IW

Designed and drafted tender process and documentation, and undertook the evaluation of each candidate on the basis of willingness and capacity to achieve IW's theory of change

Perform the desktop analysis of financial capacity, investor and stakeholder references, negative media, and prohibited persons

Identified the evaluation criteria on the basis of targeted impact philosophy and the theory of change, in order to rank and recommend those likely to optimise IW funding and meet the strategic focus of leveraging and maximising funding for women's SMEs

## Mobilising further capital to women's SMEs

EY is currently advising IW through the second investment round with financial close due in early 2018

## Gender Lens Investing

Gender lens investing integrates gender analysis into financial analysis to achieve better decisions and promote gender equality.<sup>4</sup>

In general, gender lens investing refers to the following:

- ▶ Access to capital for female entrepreneurs, including women-owned and women-led businesses
- ▶ Companies that promote workplace equity
- ▶ Businesses that provide products and services that improve the lives of women and girls

Utilising a gender lens within the broader investment analysis may assist to uncover both risks and opportunities, and in turn may result in better investment selection by recognising the value of gender patterns and embedding gender analysis in financial analysis.

IW applies gender lens investing via the first two points above, with Component 2 focusing directly on mobilising capital to women-owned or women-led businesses. This aims to use the power of financial markets and strategic investments to support business growth and encourage women leadership, to in turn, influence other women and girls to pursue leadership and entrepreneurial roles in the future.

Similar initiatives have been observed to have the potential to create social and economic benefits for women and the global community, including the following:

- ▶ **Economic growth:** Improving women entrepreneurs' access to capital funding equips them with the necessary finance to grow and expand their businesses. Global GDP could climb up to a staggering US\$12 trillion when women and men entrepreneurs participate equally in the economy.<sup>5</sup>
- ▶ **Income growth:** Encouraging women to be more active in formal employment could increase labour participation rates and women's income.
- ▶ **Reduce financial dependency:** Providing women with greater access to financial services, including ability to save and borrow money, increases their overall wealth and reduce dependency burdens on their spouses and families.
- ▶ **Enhance leadership:** Promoting women leadership enhances women's voice in decision-making. Women have been found to be instrumental in resolving conflict situations and peacekeeping operations.



<sup>4</sup> "Defining A Gender Lens," *Criterion Institute website*, <https://criterioninstitute.org/gender-work/a-gender-lens/>, accessed 9 February 2018.

<sup>5</sup> Jonathan Woetzel, Anu Madgavkar, Kweilin Ellingrud, Eric Labaye, Sandrine Devillard, Eric Kutcher, James Manyika, Richard Dobbs, Mekala Krishnan, "The Power Of Parity: How Advancing Women's Equity Can Add \$12 Trillion To Global Growth," McKinsey & Company, September 2015.

## The Credit Gap

Despite their importance in contributing to economic growth and job creation, SMEs worldwide are largely underserved by capital markets, particularly by the banking sector. For capital providers, the SME segment can be challenging due to high transaction costs coupled with high risks attributable to lack of financial transparency, less sophisticated management skills, limited collateral, small scale and relatively higher failure rates. The current credit gap for formal SMEs is estimated by IFC to be US\$1.2 trillion.<sup>6</sup>

Women entrepreneurs in particular are more likely to cite access to finance as a major constraint to developing their businesses than men. Indeed, the IFC estimates that 70% of women-owned SMEs in the formal sector of developing countries are underserved by financial institutions, creating a financing gap as large as US\$285 billion, of which US\$63 billion exists in the East Asia and Pacific region (“EAP”).<sup>7</sup>

More than half of the nine million women-owned SMEs in developing countries are located in EAP, where only 27% of bank loans flow to these businesses, despite their demonstrated ability to service debt as well as their male counterparts.<sup>8</sup>

Provision of capital is fundamentally based on the perceived investment risk of the company which can be mitigated through evidence of sustainable revenue and cash flows, availability of assets that can be used as debt collateral, and improving market conditions. However, banks and investors may struggle to service women’s SMEs because of the inherent challenges faced by women, including social norms, which may increase their investment risk. For example, investors have been found to prefer male entrepreneurial pitches to females by over 60%.<sup>9</sup>

### Challenges faced by women’s SMEs in raising capital

#### Unconscious investor bias

1

Investment strategies and screening criteria exhibit unconscious bias against women’s SMEs.

Traditional social norms in Vietnam have a stigma against women working in construction, science and technology as these are viewed as more appropriate for men, which discourages women to participate.<sup>10</sup> Given such perceptions, investors may inadvertently exclude investing in women’s SMEs in these sectors.

#### Reduced available collateral

2

Only 18% of women in the Philippines own land which not only limits their access to productive resources but also to fixed assets that could be presented as collateral against debt borrowed.<sup>11</sup> Even when women own property, they are often reluctant to use it as collateral due to the potential impact on the family if they were to lose it.

#### Limited access to financial services

3

Women in Indonesia are restricted by financial dependence on their spouses whereby banks often require spousal consent to process transactions by women including to obtain bank loans or even to open bank accounts.<sup>12</sup>

<sup>6</sup> Eelco Benink, Rob Winters, “New Perspectives On Financing Small Cap SME’s In Emerging Markets - The Case For Mezzanine Finance,” Dutch Good Growth Fund, May 2016.

<sup>7</sup> Marieme Dassanou, Montserrat Ganuza, Anushe Khan, Alla Khodakivska, Heather Kipnis, Akiko Kudo, “Women-Owned SMEs: A Business Opportunity For Financial Institutions - A Market And Credit Gap Assessment And IFC’s Portfolio Gender Baseline,” International Finance Corporation, 2014.

<sup>8</sup> Ibid.

<sup>9</sup> Kristin Lang, Joshua Humphreys, Christi Electris, “Investing For Positive Impact On Women- Integrating Gender Into Total Portfolio Activation,” Croatan Institute, Global Fund for Women, Root Capital, The Thirty Percent Coalition, Trillium Asset Management, November 2015.

<sup>10</sup> Rosie-Marie Avin, Linda Kinney, “Trends In Female Entrepreneurship In Vietnam,” June 2014.

<sup>11</sup> “Philippine Country Context Paper,” Investing in Women, 2017.

<sup>12</sup> Ibid.

These challenges reflect the market potential overlooked by capital providers. With 43% of all SMEs within EAP being women-owned, stimulating capital flows toward these businesses will significantly improve economic growth as well as substantially increase the number of women who are economically empowered.<sup>13</sup>

Gender lens investing not only narrows the gender financing gap, but also makes economic sense. By 2028, women are expected to control roughly three quarters of worldwide discretionary spending valued at approximately US\$20 trillion. Therefore women will play an incredibly influential role on future market demand.<sup>14</sup>

With the majority of women-owned enterprises within developing countries positioned in retail, manufacturing and services sectors, these businesses are well placed for investors to make strategic investments that can positively impact women and generate comparable financial return.

## How IW Mobilises Capital towards Women's SMEs

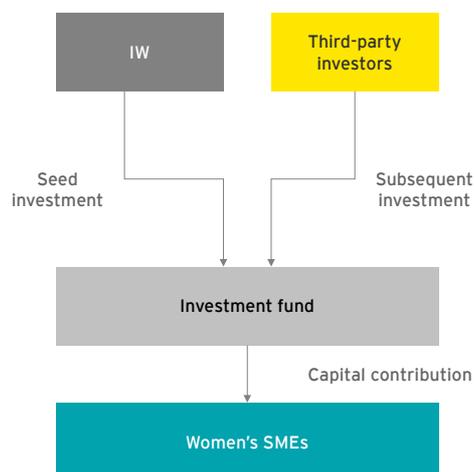
IW seeks to influence the supply-side constraints of capital by utilising a blended finance approach to mobilise private capital toward women's SMEs.

Blended finance in this context refers to the use of development finance, aid agency, foundation or philanthropic funding to incentivise private funders to invest by improving the risk and reward profile of the investment. Market participants have utilised numerous structures including grant funding (with no coupon and attractive free carry terms), first loss guarantees (capital and return) together with covering the costs of administration of the funds or provision of technical assistance provided to the investee entities.



IW is providing the following to potential partners:

- ▶ Grant funding to seed the creation of a new fund to support investment into women's SMEs. Such funding seeks to:
  - ▶ Funding initial investments to establish the fund.
  - ▶ De-risk the fund by offering first-loss capital at below market rates, in turn improving the risk and return profile. This improved risk profile is designed to encourage third-party investors to participate and, therefore, leverage the initial seed funding to further increase capital toward women's SMEs.
- ▶ Operational support, which may assist new funds to enter the market, including completing market studies and covering fund costs (e.g. rent and staff)



<sup>13</sup> Marieme Dassanou, Montserrat Ganuza, Anushe Khan, Alla Khodakivska, Heather Kipnis, Akiko Kudo, "Women-Owned SMEs: A Business Opportunity For Financial Institutions - A Market And Credit Gap Assessment And IFC's Portfolio Gender Baseline," International Finance Corporation, 2014.

<sup>14</sup> "SheforShield - Insure Women To Better Protect All," AXA, Accenture, International Finance Corporation, 2015.

## Investing in Women's SMEs

A range of financial instruments across the capital spectrum are used by social impact investors. The capital spectrum or stack describes the various capital instruments invested in a business, from equity to mezzanine through to debt. The higher the instrument sits in the stack, the higher the return commensurate to its risk position.

The financing gap identified previously for women's SMEs exists across the entire capital stack.

Certain instruments are more desirable for women's SMEs whilst the perceived risk or bias of the women's SMEs may result in investors delivering a particular financing instrument. Exploring such factors across the capital structure could unfold considerations involved in gender lens investing, including how instruments may be adapted toward better addressing gender issues.

The following provides a description of each of the instruments together with gender considerations:

Risk or Return	Description	Gender Lens Investing Considerations
 <p>Equity</p>	<p>Ownership stake in a business provides the shareholder a level of control, the ability to generate income and realise potential profit through the sale of the investment. Equity is considered to hold the highest risk in the capital stack as it sits behind other instruments in the cash flow waterfall, i.e. it is the last instrument to be repaid.</p>	<p>In a recent market study conducted by EY for IW, equity was generally identified by investors as the appropriate instrument for SMEs, given the perceived risk associated with the SMEs' life stage and the higher-return profile an equity investment provides. Further, investors cited that given equity generally does not require committed ongoing cash flow servicing (such as interest payments). Such instruments are more applicable to early and growth-stage businesses. With equity's higher return profile, investors are incentivised to provide technical advice to scale the invested business rapidly in order to realise the investment upside potential.</p> <p>However, the same market study together with market feedback found that women's SMEs are generally less likely to prefer equity because of equity and venture capital channels tending to be dominated by men, from decision makers through to distribution. For example, the traditional venture capital model requires entrepreneurs to pitch to investors, which maybe more favourable to men,<sup>15</sup> verses a peer selection process, such as the Village Capital model, which tends to be more favourable to women. As such, venture capital flows are generally invested toward men by a large percentage.</p> <p>Another downside of equity is the continued dilution of all parties in the event of continued equity raise to fund expansion or working capital. Further, to exit, SMEs will generally need to sell the business to repay external equity investors, leaving little opportunity to continue to retain ownership.</p> <p>Some investors have noted that many SMEs may not have the commercial experience nor the financial capacity to use advisors to negotiate a "fair" multiple, in turn, impacting their ongoing ownership level.</p>
	<p>General terms and conditions</p>	<p>Many investors would:</p> <ul style="list-style-type: none"> <li>▶ Provide capital to the business in return for a percentage of ownership</li> <li>▶ Assist to scale via taking on a board seat and providing other technical assistance services</li> <li>▶ Agree upfront the timeframe by which the investment is to be "exited" (i.e. business sold or shareholder repaid)</li> <li>▶ Base returns on dividend income and capital gains from sale</li> </ul> <p><b>Equity generally requires returns of greater than low to mid-20%.</b></p>

<sup>15</sup> Cheryl Conner, "Harvard Research: VCs Still Prefer Investing In Men (And Attractive Males Fare Best)," Forbes, March 2014.

Risk or Return	Description	Gender Lens Investing Considerations
<p>↑</p> <p>Mezzanine and Quasi-Equity</p>	<p>These types of instruments exhibit characteristics of both debt and equity, for example, may pay a fixed coupon (debt), but has upside profit potential (equity). Examples include subordinated debt, convertible debt and preference equity.</p>	<p>Bridges the gap between equity and debt and may be attractive to women's SMEs because of:</p> <ul style="list-style-type: none"> <li>▶ Lower collateral requirements compared to debt</li> <li>▶ Lower equity dilution compared to equity (if no conversion occurs)</li> <li>▶ Set repayment date</li> <li>▶ Potential flexibility of coupon payments (in slow cash flow times, coupons or interest may capitalise)</li> <li>▶ Development of strategic partnerships, with lenders, providing assistance to scale (as they may still participate in the upside)</li> </ul> <p>Likewise, mezzanine instruments can be attractive for investors for the following reasons:</p> <ul style="list-style-type: none"> <li>▶ It is a strategic instrument for new participants investing in women SMEs, as debt-like features, enabling de-risking of investment (e.g. fixed coupons), alongside equity-like features capable of capturing upside potential.</li> <li>▶ Market feedback suggests that this instrument is preferred by women's SMEs, because it enhances the investors' abilities to build investment pipelines and execute transactions.</li> <li>▶ Mezzanine is less risky compared to equity. However, it may have similar return parameters.</li> <li>▶ At the recent Social Capital (SOCAP) conference in San Francisco, Village Capital noted they have utilised "revenue" mezzanine products, whereby the SME has a grace period for the first 12 months and subsequently pays Village Capital a percentage of the turnover until the return and principal are repaid. Such a mechanism may appear expensive, however this is simple to negotiate and results in minimal dilution upon full repayment.</li> </ul>
	<p>General terms and conditions</p>	<p>Terms and conditions will vary depending on instrument type. However, many instruments will have both debt and equity-like characteristics, for example:</p> <ul style="list-style-type: none"> <li>▶ There shall be a fixed tenor by which the debt may be repaid or converted into equity.</li> <li>▶ Interest coupons can be flexible, capitalising during low cash flow periods and conversely increasing when cash flow is strong.</li> <li>▶ Investors may seek board representation and take an active role in supporting the enterprise to benefit from scale growth.</li> </ul>
	<p>Debt</p> <p>Lines of credit, term loans and fixed income securities with the promise for future repayment of principal and accumulated interest</p>	<ul style="list-style-type: none"> <li>▶ Debt has the lowest cost of capital available to support the growth of women's SMEs.</li> <li>▶ In most emerging markets, debt facilities are difficult for SMEs to access, because of lack of financial track record, reporting transparency and adequate collateral to meet local bank requirements, while SMEs capital requirements are too large for established micro-finance institutions.</li> <li>▶ This may be particularly relevant for women's SMEs that face additional restrictions because of lack of asset ownership and legislations, requiring women to seek spousal consent to obtain loans (country-specific).</li> <li>▶ Gender bias in assessment for loans has been cited as a key inhibitor.</li> </ul> <p><b>As such, bank funding is generally unavailable in emerging markets for SMEs.</b></p>

## Case Study: SEAF



As part of a series on IW and the application of blended finance in gender lens investing, this paper explores the IW-SEAF partnership in effectively using mezzanine finance to invest in women's SMEs.

In May 2017, IW partnered with SEAF to bring its impact investing expertise and passion for women entrepreneurs to South East Asia. IW is providing catalytic capital to establish SWOF, which applies a gender lens approach to impact investing.

SWOF uses a unique investment model of deploying mezzanine financing and quasi-equity, unlike its peers who commonly invest equity. Investments target early growth stage women's SMEs in Indonesia, the Philippines and Vietnam, targeting strong financial returns as well as measurable social and environmental impact.

SWOF is managed by Bob Webster, Managing Director of SEAF, who has over 20 years of social impact investing experience.

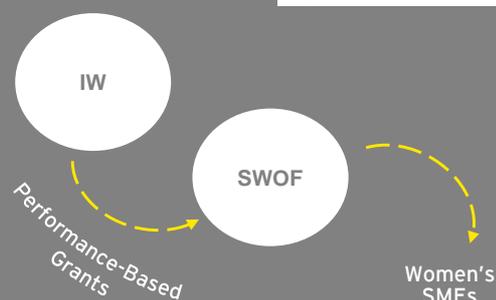
### Investment Strategy

The IW performance-based grants are structured to incentivise SEAF to develop a scalable investment model that can successfully grow women's SMEs. This not only builds a stronger business case for investing in women as an influential investment opportunity, but also creates the potential to have a transformative effect on women's empowerment.

This in fact aligns with the investment thesis that underpins SEAF's strategy where stronger financial performance equips enterprises with capacity to further increase its social impact. For example, a women's SME with higher financial performance and robust product quality has greater ability to hire more women employees.

As such, SEAF is targeting commercial returns of 11-20% p.a. or greater, in line with traditional venture capital/early stage investment returns for mezzanine/quasi-equity financing. To achieve this SEAF's investment model involves the following:

- ▶ Selecting viable women's SMEs with strong growth potential
- ▶ Providing technical assistance to address any deficiencies, including financial management and strategic planning to accelerate business growth



### SEAF Women's Opportunity Fund

Size	\$6 million
Leverage target	Seeks to arrange co-financing at a minimum ratio of 1:1 where possible
Instrument	Mezzanine financing and quasi-equity
Investee companies	Early growth stage, women-led or women-owned SMEs in Indonesia, the Philippines and Vietnam
Fund team	10 years including 2 year investment period
Ticket size	\$650,000-\$1.4 million
Target return (p.a.)	<ul style="list-style-type: none"> <li>▶ Mezzanine: 11-14% (6-7% (fixed) plus percentage of revenues)</li> <li>▶ Quasi-equity: greater than 20% (targeting ownership of 40-49%)</li> </ul>
Social impact focus	Gender, job creation, healthcare, education, environmental and agricultural sustainability
Post-investment services	Various including financial and cash flow management, and strategic planning
Website	<a href="http://seaf.com">http://seaf.com</a>

### About SEAF

Since 1989, SEAF has received nearly US\$880 million in total committed capital from such investors as donors, financial institutions, foundations, pension funds, insurance, family offices and high net worth individuals.

Leveraging the extensive funds management and development experience (e.g. Bain & Company, Franklin Templeton and USAID) and drawing on insights from local staff, SEAF has accomplished significant social and environmental impact in communities across Africa, Asia, Europe and Latin America.

SEAF has been actively investing in women entrepreneurs with over 120 women's SMEs investments since inception, across agribusiness, healthcare, technology and manufacturing.

Within the target countries, SEAF has actively invested in businesses through the US\$18 million SEAF Blue Waters Growth Fund, including healthcare clinics, agricultural machinery manufacture, education chain and transportation.

## Mobilising Tailored Investments Through A Gender Lens

For quasi-equity investments, SWOF will take up to 49% ownership stake in women's SMEs, enabling the impact investor to play an instrumental role on the board and in the management team to accelerate business growth, workplace equity and social impact on women.

Building on the potential success of this fund, SEAF seeks to grow the fund to a larger regional and eventually a global fund, focusing on women's SMEs to have a greater transformative effect on women.

### SEAF Genders Lens Investments

- ▶ Integrating gender-equity measures into **deal negotiations** and developing **gender-specific impact measures**, including improved workplace and income equity, gender diversity in company functions, and developing employment contracts supporting women's dual-role e.g. flexible maternity arrangements and childcare benefits
- ▶ **Internal organisational changes**, including targeting more women hires in investment teams, board of directors and the global investment committee within the next 12 months
- ▶ Collaborating with the Philippines Chamber of Business to provide industry insight into the opportunities in women's SMEs and assisting **to break barriers faced by women** entrepreneurs and leaders
- ▶ Actively **building women entrepreneur communities** and accommodating network events toward women such as selecting venues that meet women's preferences, e.g. network lunches instead of evening network drinks
- ▶ Applying IW operational support toward expanding local teams and leveraging IW gender advisors to assist in identifying and utilising gender patterns in the investment process to focus investments for improving **women's economic empowerment**

### Progress

SEAF expects to close its first transaction in early 2018, with a second transaction to be completed closely thereafter.

Challenges identified to date relate not to identifying pipeline, but rather a longer than expected time in finding co-investors aligned to the strategy to invest alongside SEAF.

SEAF is currently raising investment funding for the Women's Opportunity Fund. For details, please refer to <http://seaf.com/seaf-launches-womens-opportunity-fund>.

EY will continue to follow progress and provide regular updates.

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EY encourages social impact investors to see women as a viable investment opportunity, creating a new focus within portfolios to address gender inequality and actively participate in initiatives that economically empower women. Gender lens approaches can be integrated within investment strategies, screening and capital raising processes to better target women's SMEs



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