



AlphaMundi

Gender Lens Investing

AlphaMundi is a Swiss impact investment fund manager that seeks financial return by investing in companies that create social and/or environmental impact in Latin America and Africa. One of its objectives is to promote gender equality throughout the impact investment ecosystem and, to achieve this goal, AlphaMundi works with companies that offer products and services for women; disseminates and promotes good practices in the sector through events, research, and publications; and works also at the internal organizational level.

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LOCATION:

Regional office in Colombia with operations across



YEAR OF FOUNDATION:
2010



SECTOR:

Multi-sector in growth-stage small and medium-sized



MAIN PARTNERS:

AlphaMundi Foundation and development financial institutions.

SDGS



MOTIVATION OR PROBLEM TO SOLVE:

Promote access to finance for companies and organizations that create social and environmental impact in order to become national and regional references.



NON-FINANCIAL SUPPORT OFFERED:

- Strategic and operational strengthening.
- Impact management and measurement.



FINANCIAL INSTRUMENT:

Debt

TYPE OF FINANCE / RESOURCES INVESTED OR DONATED:

USD 105 M

accumulated since 2010.



FINAL BENEFICIARIES:

More than

2.4 million

people at the bottom of the pyramid.

47% women.



IMPACT:

Development of new credit products focused on



TYPE OF INVESTOR/SILO:



CONTINUUM OF CAPITAL:

Impact investing.



OVERVIEW

Business development in Latin America includes different scenarios: on the one hand, large companies with high productivity and, on the other hand, “a long tail of small, often informal companies that collectively provide large-scale employment, but whose low productivity and stagnant growth hold back the economy.”¹ One of the reasons why small and medium-sized enterprises (SMEs) are faced with barriers to growth and formalization is the difficulty of accessing finance. In light of this reality, the missing middle becomes evident, i.e., the absence of finance for growth-stage companies that can generate more employment and foster socio-economic development.²

These provides some organizations with an opportunity to develop the spending power of people living on low income. This is the case of AlphaMundi, the Swiss manager of the SocialAlpha fund that realized that public and private philanthropic resources are not enough to solve the main problems encountered by developing countries. Faced with this situation, AlphaMundi saw impact investing as an opportunity to unlock and mobilize additional capital for sustainable development in Africa and Latin America.

More specifically, AlphaMundi designed financial products focused on companies in the missing middle with the capacity to contribute to socio-economic and environmental development, particularly in sectors such as microfinance and fintech, education, renewable energy, health, sustainable housing, and agriculture, among others. Additionally, AlphaMundi has integrated a gender lens approach to its portfolio and operations. In this way, AlphaMundi expects to facilitate capital financing and non-financial support for organizations and companies that create social, environmental, and/or gender impact.

To manage its investments, AlphaMundi has two funds: AlphaJiri, focused on Sub-Saharan Africa, and

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¹ McKinsey & Company (2019). Latin America’s missing middle of midsize firms and middle-class spending power. McKinsey Global Institute. Accessed at: <https://www.mckinsey.com/featured-insights/%E2%80%A9americas/latin-america-missing-middle-of-midsize-firms-and-middle-class-spending-power/es-cl>

² McKinsey, 2019. Latin America and its missing middles.

³ The Latin American portfolio is managed in Colombia.

SocialAlpha Investment Fund (SAIF), focused on Latin America – presently in Mexico, Colombia³, Peru, and Ecuador. Together with the AlphaMundi Foundation, AlphaMundi has worked with partners—such as the United States Agency for International Development (USAID) and the Swedish International Development Agency—and receives operational, legal, and accounting support from Arendt & Medernach, Société Générale S.A., and PricewaterhouseCoopers (PwC). With their support, AlphaMundi has built up a network of international cooperation and private-sector partners to leverage its catalytic capital in investments.

AlphaMundi's investment thesis is based on the premise that it is necessary to combine the financial discipline of the private sector with a sustainable development approach. Both funds therefore finance business models that achieve financial returns and impact, giving equal weight to both types of return, as shown by the initial selection criteria for organizations:

- 1 Robust and quantifiable social and/or environmental impact approach, based on the company's purpose and mission.
- 2 Good corporate and organizational governance practices.
- 3 Growth and maturity stages with annual sales of USD 500,000 or more.
- 4 Preferably with positive net profits or close to the break-even point.

In order to achieve both financial returns and social, environmental, and/or gender impact, AlphaMundi offers financial and non-financial support. The mechanism used for financial support is debt, with tickets ranging from USD 250,000 to USD 2 M, with interest rates between 8% and 12% (in USD), and terms of approximately one to three years. For its part, non-financial support includes technical assistance to strengthen their business model, impact measurement practices, and integrate a gender lens approach. This allows to use an intervention model aligned with the purpose of AlphaMundi and the fund for Latin America (SAIF).

"For many impact enterprises going through accelerated growth processes, debt prevents equity from being diluted at the same rate as their resource needs, thus maximizing the return for social entrepreneurs." Sebastián Uribe, AlphaMundi Senior Investment Analyst for Latin America.

Both financial and non-financial support are governed by impact and results measurement processes. SDGs⁴ are used for this purpose, complemented with IRIS+ indicators, which are classified into: i) Financial (active income, portfolio size, and provisions, among others); ii) Corporate Governance (governing bodies, employees, and gender lens policies); iii) Social (direct and indirect beneficiaries and job creation, among others); and iv) Environmental (carbon footprint and good environmental practices, among others). In addition to impact measurement, there is also the results transparency and communication process. For this purpose, in 2022 AlphaMundi engaged an online platform that will allow portfolio companies to submit their reports, and provide investors and other relevant stakeholders access to this information. The system is currently in the testing phase.

A SAIF success story is Fundación Espoir in Ecuador, a non-profit microfinance institution founded in 1992 to provide financial services for low-income microentrepreneurs and loans for education and health insurance. It currently has a USD 55 M portfolio and has granted close to 330,000 loans in the last three years, including education programs and health services for all beneficiaries. This initiative stands out for its good community-banking practices and its focus on working with women, who account for 76% of its clients. This shows an alignment between AlphaMundi's purpose and impact investment criteria.

Due to its experience and repayment capacity—which has guaranteed financial return and outreach to women beneficiaries—to its education and health programs, and to its social and gender impact, AlphaMundi decided to support Fundación Espoir with two disbursements—the first for USD 2 M in 2019, and the second for USD 1 M in 2021. These amounts were defined by mutual agreement between both parties, based on the analysis carried out. Regarding non-financial support, the AlphaMundi Foundation has supported the impact measurement process by developing 16 standardized indicators. Also, through a technical assistance program designed jointly with Value for Women—a consulting firm specializing in gender—priority was given to strengthening the gender lens within the organization in order to complement the work that Fundación Espoir was already actively doing based on its service portfolio.

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⁴ The challenge that SDGs pose is that they do not provide specific indicators based on sectors. They are therefore used as a roadmap for measurement but complemented with IRIS+, which does provide specific indicators based on sectors and activities. Additionally, since AlphaMundi is governed by European regulations, it must start reporting certain criteria required for investment funds, such as carbon footprint measurement and climate change mitigation and education actions.

Table 1. Characteristics of the disbursements to Fundación Espoir.

Characteristics	Loan 1	Loan 2
Ticket size	USD 2 M	USD 1 M
Date of disbursement	June 2019	July 2021
% participation of total debt held on Espoir at closing.	5%	2.8%
Interest rate	8.5%	8.5%

Source: prepared by the author with information from AlphaMundi Foundation.



Innovative factors

Beyond non-financial support, the way in which AlphaMundi provides said support is innovative. In this case, AlphaMundi created a foundation to which it donates 20% of its annual profits in order to bolster non-financial support and promote the gender lens provided to portfolio organizations. This option sets AlphaMundi apart from other impact investment funds, as it enables non-financial support and strengthens the gender lens that it seeks to promote through its investments.

The weight that AlphaMundi attaches to financial return and social, environmental, and gender impact is made evident by the AlphaMundi Foundation, which has its own independent corporate governance. The foundation’s independence and relevance is also reflected in the fact that it employs its own fundraising strategy, in addition to the funds it receives from AlphaMundi for non-financial support. This support focuses on:

- a Technical assistance in order to strengthen business models and impact measurement and monitoring.

- b** Assistance and training to strengthen the gender lens.⁵ This support is offered alongside Value for Women.

“The gender lens is very important for AlphaMundi, and it promotes it not only through its investments, but also through partnerships with other funds and actors. It not only seeks to stand out as a manager with this approach, but also encourages the sector in general to adopt this vision in its practices.” Angélica Giraldo, AlphaMundi Analyst for Latin America.

In order to effectively measure the gender lens impact achieved, AlphaMundi uses different tools, such as the Criterion Institute guide⁶—which provides a framework for developing an investment strategy considering risks and opportunities around gender dynamics—and the Gender Diagnostic Assessment—developed based on tools designed by ICRW, Acumen, and 2X Challenge.⁷ AlphaMundi has thus acquired knowledge and experience in the promotion and execution of gender lens investing, which has allowed it, for example, to lead the Gender Lens Initiative for Switzerland.⁸

Regarding gender lens measurement in portfolio companies, it is noteworthy that 83% of the CEOs assert that they operate with a gender approach, and 43% of full-time employees are women. As for the impact on beneficiaries, women account for more than half of the client base of portfolio companies.



LESSONS

AlphaMundi was recognized by GIIRS as one of the best investment funds with an impact model in emerging economies in 2016 and 2017. The model is based on the impact generated by financial and non-financial support. In addition to impact measurement, AlphaMundi has a regular results transparency and communication process and is transitioning to an online system that will allow portfolio companies, investors, and other relevant stakeholders to access the reports.

⁵ This assistance process took place by means of an analysis of the company including internal interviews and external surveys and an analysis of the policies, corporate governance, and products and services. In 2020-2021, in the context of the pandemic, gender training was provided to Espoir clients as part of non-financial support.

⁶ For more information: <https://criterioninstitute.org/resources/gender-lens-investing-tool-designing-an-action-plan>

⁷ For more information: <https://www.2xchallenge.org/>

⁸ For more information: <https://sfgeneva.org/what-we-do/work-groups/gender-lens-initiative-for-switzerland/>

It is worth mentioning two good practices related to the support that AlphaMundi provides to the companies. First, the use of debt as a financing mechanism that enables more efficient and flexible investments and can achieve profitability faster for investors. This mechanism also grants access to working capital and facilitates CAPEX investment. This way, the benefits of debt can be seen when defining financial instruments in the impact investment ecosystem. And second, long-term support for portfolio organizations should be highlighted inasmuch as it facilitates capacity building and the attraction of capital from other funders.

The finance and support provided to Fundación Espoir, as well as its hard work over the years, helped it win the Violet Award 2021, which recognizes the adoption of good practices to create an egalitarian workspace. The following gives an account of Fundación Espoir's work:

- ... 75% of clients are women and 76% come from rural areas.
- ... 93% of clients have used the loans for their businesses, mainly to purchase materials.
- ... Fundación Espoir employs 414 people, 63% of whom are women.

Some of the results of the technical assistance provided by the AlphaMundi Foundation and Value for Women to Fundación Espoir are:

- ... Creation of training spaces through an e-learning platform where 12,900 clients (89% women) were issued non-financial assistance certificates by Fundación Espoir.
- ... Development of a new credit product focused on women's needs,⁹ which will be launched in 2022.

AlphaMundi will continue training companies so that they can embed a gender lens in their DNA and make more investments that prove that gender equality favors financial returns, risk mitigation, and sustainable business growth.¹⁰ In addition, given the experience gained by the SAIF fund in its 12

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⁹ AlphaMundi (2021). Journey to Gender Lens Investing. Gender Lens Investing (p. 5). Accessed at: https://www.alpha-mundi.ch/_files/ugd/25ea0b_ed569eb1b0e34b3497937f3025775bcc.pdf

¹⁰ AlphaMundi (2021). Journey to Gender Lens Investing. Gender Lens Investing (pp. 10 and 11). Accessed at: https://www.alpha-mundi.ch/_files/ugd/25ea0b_ed569eb1b0e34b3497937f3025775bcc.pdf

years of operation in Latin America, it has identified the opportunity to invest in new market niches, as well as the possibility of creating a capital fund with concessional resources to offer more flexible and innovative instruments to increase impact and achieve development objectives for the region.