PHENIX CAPITAL

JUNE 2025

IMPACT REPORT

Private Debt

FUNDS AT A GLANCE

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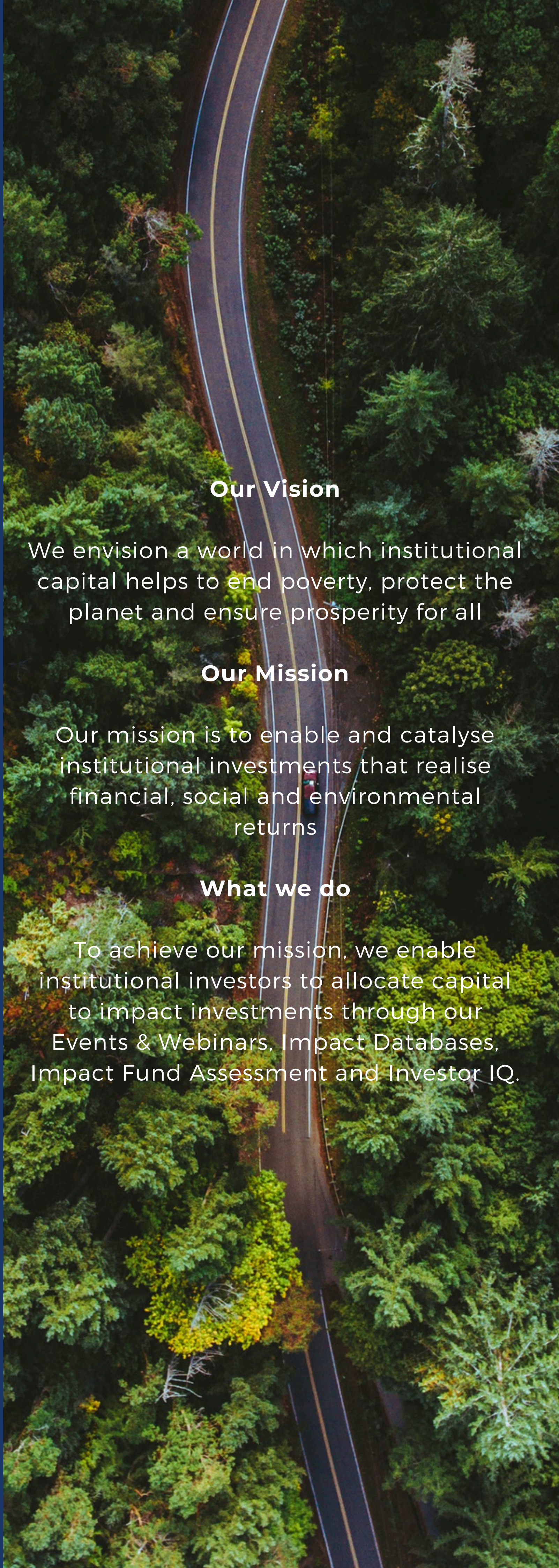
ABOUT PHENIX CAPITAL

CATALYSING INSTITUTIONAL CAPITAL TOWARDS THE SDGS

Phenix Capital Group is an impact investment consultant that enables institutional investors to make impact investments.

We assist asset owners and asset managers in aligning their investments with their values, financial objectives, and the Sustainable Development Goals.

www.phenixcapitalgroup.com



Our Vision

We envision a world in which institutional capital helps to end poverty, protect the planet and ensure prosperity for all

Our Mission

Our mission is to enable and catalyse institutional investments that realise financial, social and environmental returns

What we do

To achieve our mission, we enable institutional investors to allocate capital to impact investments through our Events & Webinars, Impact Databases, Impact Fund Assessment and Investor IQ.

About impact database

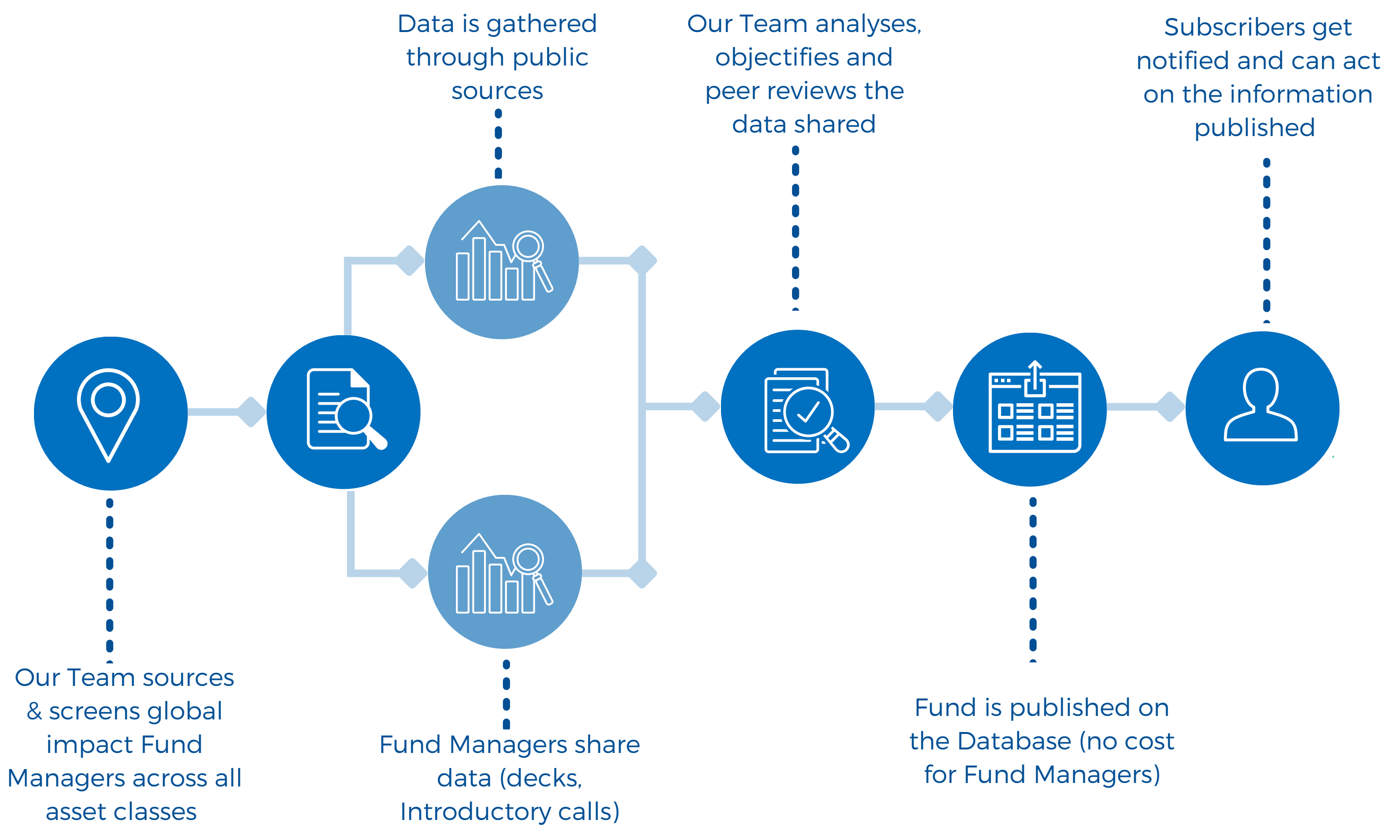
Phenix Capital's mission is to enable the allocation of capital from institutional investors towards social and environmental solutions while supporting the 2030 Sustainable Development Goals (SDGs). With the Impact Database, Phenix Capital aims to provide investors with access to and intelligence on the impact fund market opportunities available to them.

Three main variables have been central to construct, monitor and update the database: **funds considered have an impact proposition, institutional scale, and target market-rate returns.**

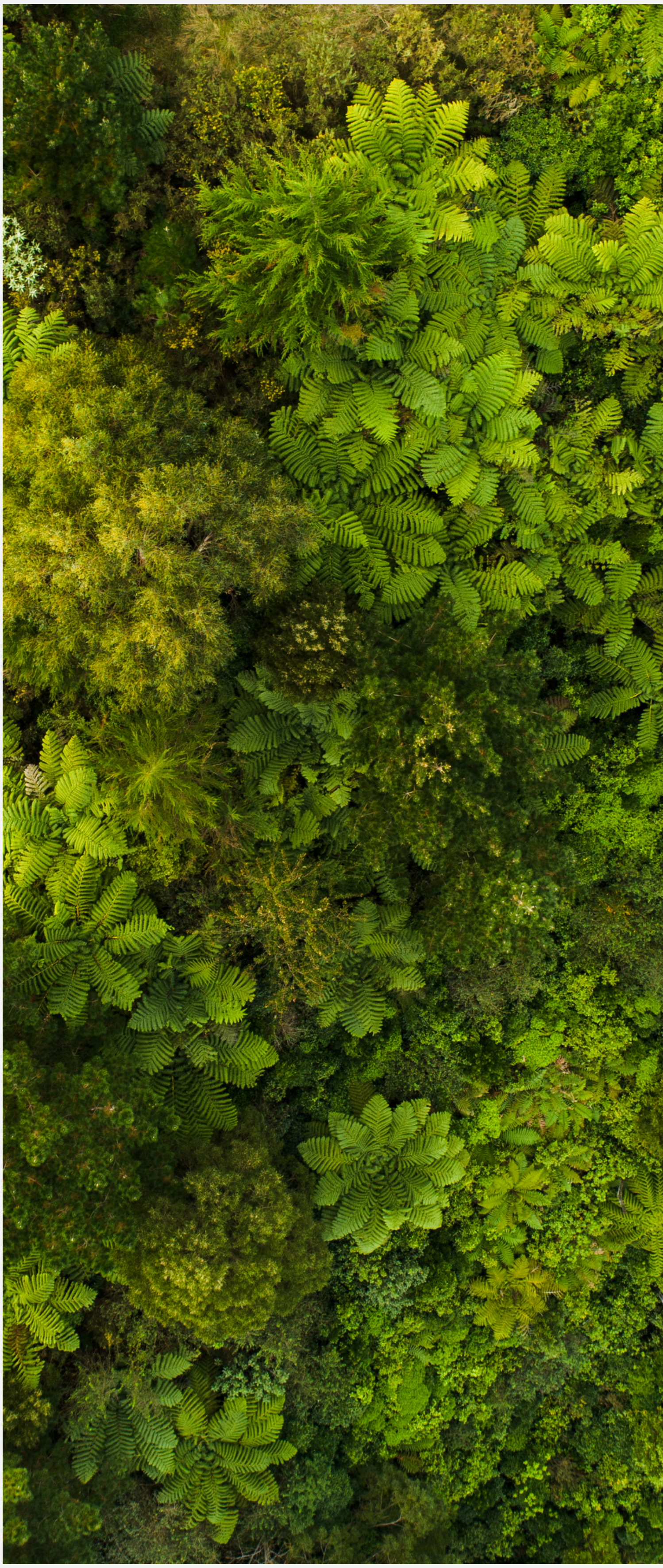
Impact Investing goes beyond negative screening and using Environmental, Social and Governance (ESG) integration to reduce harm or avoid risks, to generating intentional positive impact. Phenix Capital defines impact investing as **investing with the dual mandate of financial return and positive societal or environmental impacts**, with the notion of measuring the positive and negative impact of investments, ensuring both **intentionality and additionality** among these.

Phenix Capital's Impact Database features funds that align with this definition through their creation of solutions for global social and environmental issues, whilst prioritising financial returns. This category of impact investments can be referred to as **financial-first impact investments**.

FUND SOURCING PROCESS



Introduction



Developing countries face a $4.3 trillion annual financing gap for sustainable development, including $1.8 trillion for climate needs. But in more than 25 countries, over 20% of government revenue is spent servicing debt, diverting resources from investments and expenditures that could power the Sustainable Development Goals (SDGs). High interest rates and currency risks continue to exacerbate the realities for developing nations, locking them into cycles of unsustainable borrowing.

With the heightened awareness about the urgency of climate change, responsible and impact investing, thematic bonds especially climate-related bonds (green bonds, blue bonds, forest bonds, social and sustainability bonds) have gained momentum.

Despite facing headwinds, solutions such as sustainability-linked bonds, which had total issuance at $38 billion in 2024, and as well as debt-for-nature swaps, offer public and private debt pathways to escape this trap.

According to an International Institute for Environment and Development report, debt-for-nature swaps could provide $100 billion to restore nature and help countries adapt to climate change. Such swaps have been deployed in Cabo Verde, Ecuador, Gabon and Belize.

But it is private credit, or direct nonbank lending, to companies that has grown since the Global Financial Crisis of 2008–2009 as banks started to pull away from middle-market lending activities, which could offer a solution for developing nations. Despite being information intensive, private credit is gaining popularity as a way to unlock value in the emerging markets.

Creditor rights, collateral systems, enforcement, and insolvency frameworks have been improving in the emerging markets, further supporting the growth of this asset classes in these regions. Moreover, the governance of private debt funds and investor protection follow different regimes.

In many emerging markets, and especially in Latin America as we will see in the Deep Dive, private credit is offered by means of specialised onshore regulated vehicles with built-in investor protections.

Private credit investment strategies range from collateralised senior lending at one end of the scale to special situations and distressed debt at the other end, with mezzanine loan funds, opportunistic credit funds, collateralised loan obligations, direct lending, infrastructure and project finance debt and microfinance in between.

Risk adjusted returns and flexibility to structure solutions are among the reasons private credit is appealing to both borrowers and investors. In terms of impact investing, private credit allows investors to customise investment solutions with measurable social and/or environmental outcomes while targeting attractive financial returns.

Private credit can offer a 'Goldilocks' risk-return profile; not too risky but not too boring with returns ranging from 200 basis points at one end to 800 basis points at the other. Private credit's low correlation to traditional asset classes makes it an ideal portfolio diversifier.

The types of businesses looking for alternative sources of funding are often aligned with many of the themes of the SDGs. Private credit is particularly well-suited to renewable energy infrastructure due to its flexibility, while micro-finance loans for financial inclusion, such as the funds offered by *Triodos Bank*, can support themes such as societal, food and energy transitions.

Private sector investment, however, remains an underutilised resource for financing development particularly in emerging economies, where risks continue to drive reticence.

Private market risks include, among others, illiquidity and susceptibility to defaults, all of which collude to deter capital from flowing into developing economies. Without better risk sharing mechanisms, such as guarantees, the potential for institutional capital flows is limited.

Risk mitigation is one area where blended finance has been instrumental in the growth and development of the private debt market, particularly in emerging markets.

Concessional capital from philanthropic sources helps to mitigate risks and improve risk-adjusted returns for investors. Risk mitigation mechanisms include guarantees, first-loss tranches, or subordinated debt.

Blended finance often steps into sectors or regions where there is less private capital. For example, the Global SME Finance Facility, launched in 2012, aims to generate one million new jobs in underserved small to middled-sized enterprises (SMEs), including those in fragile countries, very small enterprises, climate-smart SMEs, and women-owned SMEs.

Funded by UK Foreign, Commonwealth & Development Office and Kingdom of Netherlands, GSMEF is a blended-finance partnership helping to close the financing gap faced by SMEs in emerging markets. The IFC leveraged donors' contribution of $155 million since inception until FY 2023, leading to 1,076,481 in SME loans, $48.2 billion in new financing to SME loans and funding 196 projects in 43 countries.

Multilateral development banks are vital to reducing risks so that private capital can be mobilised to help in offering long-term and affordable financing. Unfortunately, strict risk policies and AAA credit rating priorities limit the impact of MDBs. The methodologies of these agencies are focused on credit risk assessment and are not designed to capture the nuanced challenges facing developing economies.

The private debt impact fund market is growingly incrementally, but much needs to be done to attract more institutional assets to flow into the emerging markets.

Key Highlights:

- 15% of database are private debt funds
- 184% growth in number over 10 years
- 46% of funds have direct lending focus
- 31% of private credit targets Africa
- 49% target SDG1: No Poverty
- 282 DFI's allocate to private debt

Impact themes mapped against the SDGs

Phenix Capital Group has mapped the SDGs against Impact Themes, which are based on **the most globally endorsed terms used by practitioners in the financial sector** and what's used by generally accepted frameworks, to enable both fund managers and fund allocators to better **understand how the SDGs and it's sub-goals translate into outcome-based investment areas -** by the name that they are commonly known and referred to in the financial industry.

Mapped against the SDGs' sub-goals, our Impact Themes offer a comprehensive way for investors and fund managers in the financial industry to identify what social or environmental outcome is generated by an impact investment and its contribution to the Sustainable Development Goals.

The revamped impact themes are already available in our Impact Database for fund filtering, via the Fund Search function.

Feature in an impact report

Every month Phenix Capital Group publishes a new Impact Report, bringing up-to-date data on impact investments and interviews with impact fund managers and investors from the field.

PAST REPORTS INCLUDE:

[Read all our impact reports here]

WOULD YOU LIKE TO BE FEATURED IN THE NEXT EDITION?

Showcase your impact investing thought leadership to our audience of thousands of impact investors. We have a range of asset classes and impact themes to choose from below so you can choose your area of expertise.

Talk to our team about opportunities to be featured. Upcoming report topics include:

MONTH	REPORT THEME
August	Biodiversity Funds at a Glance
September	Real Asset Funds at a Glance
October	Impact Investor Report - The Bigger Picture
November	Gender Lens Funds at a Glance
December	Public Equity Funds at a Glance

Contact us to feature in an impact report!

Private Debt Funds Data Overview

423

Private Debt Funds

232

Fund Managers with Private Debt Funds

264

Private Debt Funds Open for Investments

143

Fund Managers with Private Debt Funds Open for Investments

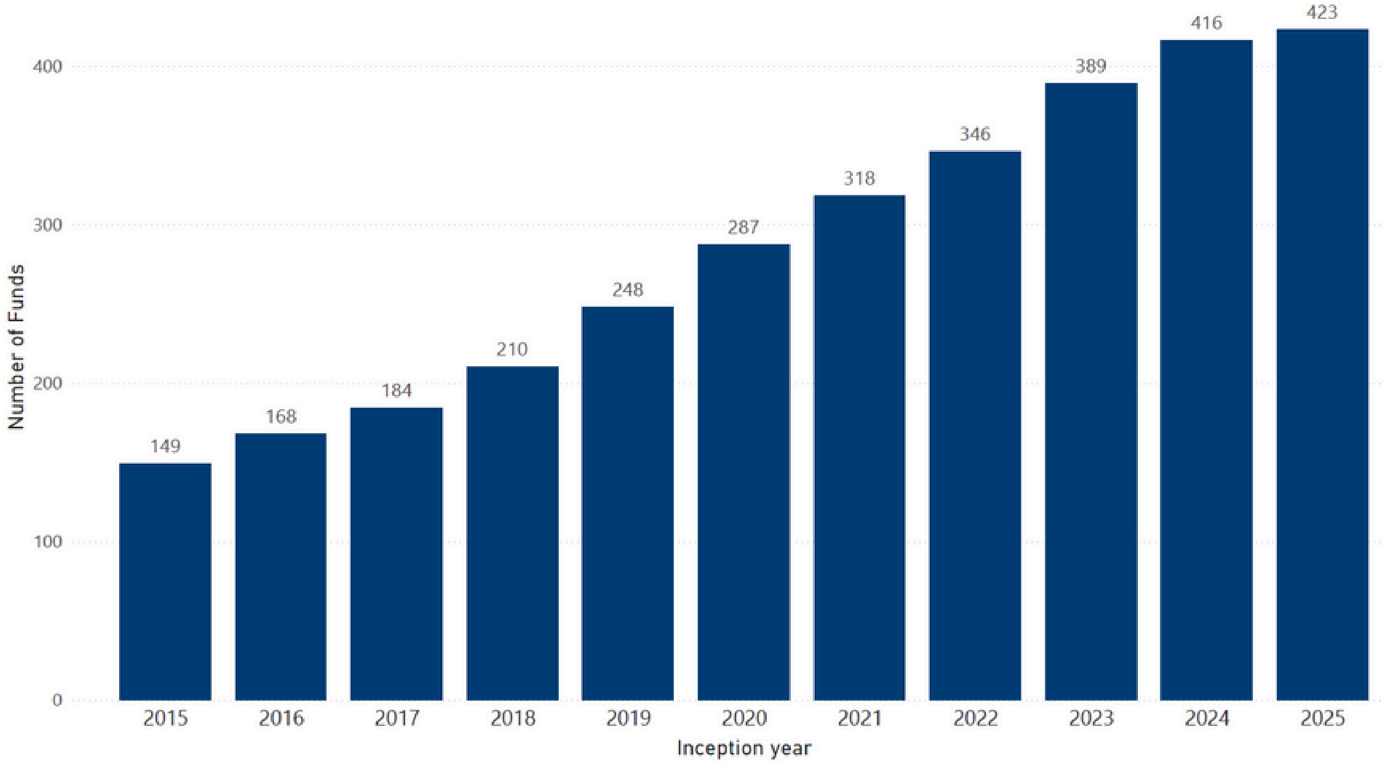
€66 bn

Total Capital Raised by Private Debt Funds since 2015

€83 bn

Total Target Size of Private Debt Funds

Cumulative Number of Private Debt Funds



*Funds without inception year data have been assigned the value from the reference year (2015)

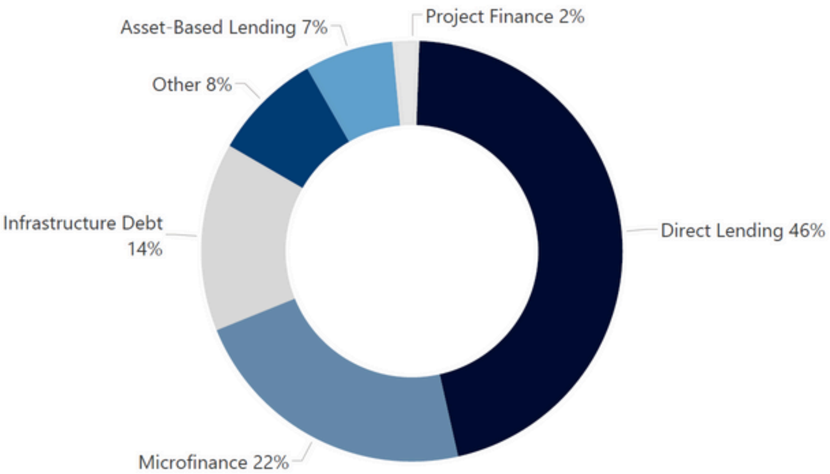
The number of private debt impact funds has been growing steadily over the last decade to reach 423 in 2025. The growth rate in the number of impact private debt funds over the last 10 years is 184%, while in the last 12 months the number of private credit impact funds has grown by 1.7%. There are 232 impact managers running the 423 funds. Of the 423 funds, 264 are open to investors, equivalent to 62.4%, which is a similar percentage to the number of managers with open funds.

So far, €66 billion has been raised in private impact debt funds since 2015, while the target size is €83 billion. Looking at the names of new launches, however, it is not difficult to see that this asset class is poised for growth in terms of assets and numbers of funds going forward. Allianz Global Investors reached €705 million in commitments from European leading institutional investors at its 4th closing of the Impact Private Credit strategy launched in 2024.

Meanwhile, Sienna Investment Managers launched the Sienna Biodiversity Private Credit Fund, the first private debt impact fund dedicated to the preservation and restoration of biodiversity in Europe, which is targeting €200 million half of which the Malakoff Humanis Group has already endowed. Last year, Nuveen, launched a Global Credit impact strategy with investment of around $170 million from a range of global investors, including Gjensidige Pensjonsforsikring and Nuveen's parent company TIAA. Nuveen's strategy aims to address real world issues such as access to affordable housing and community development, as well as environmental issues ranging from climate change to the regeneration of natural resources.

Earlier this year, the European Investment Fund launched the Green Private Credit, a private debt fund of funds with a target size of €200 million, dedicated to promoting sustainability and climate-focused financing for European SMEs and small mid-caps. Anchor investors include EIF and nine French institutional investors, primarily mutual and insurance companies such as BPCE Assurances, MACIF, L'Auxiliaire and Mutuelle Médicis.

Distribution of Private Debt Funds by Sub-Asset Class



Private debt impact funds can be divided into sub strategies, with the majority of the funds, 46% focusing on direct/private lending. FMO Investment Management and NN IP jointly manage the Emerging Markets Loans Fund that extends debt financing to financial institutions in developing countries.

Micro finance is the next most popular private credit sub-strategy making up 22% of the category. Set up in 2005 by KfW Development Bank, the European Fund for Southeast Europe is a microfinance fund that has contributed to economic development in countries including Ukraine, Albania, Romania and Kosovo.

Infrastructure debt funds (14%) and asset-based lending (7%) are the next two popular private debt sub strategies.

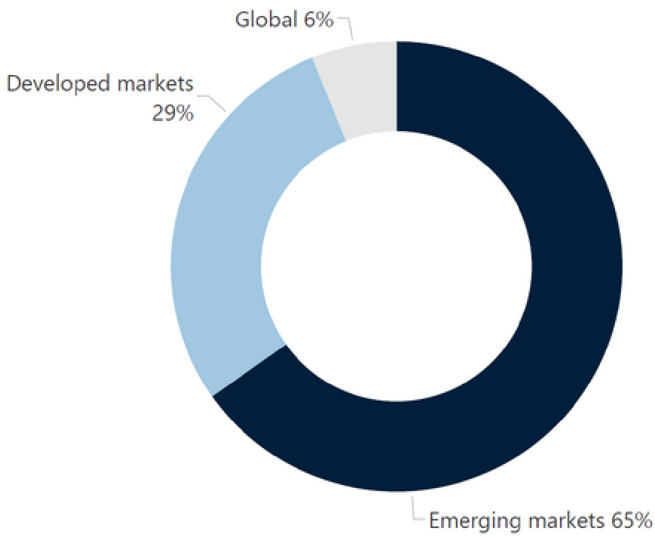
Non-bank lending is a growing asset class in emerging markets. Last year, 69% of the private debt impact funds in the Phenix database focused on the emerging markets, while this percentage has dropped to 65%.

Meanwhile private debt funds focused on the developed markets make up 29% of the universe, up from 26% last year. Private debt funds with a global remit have stayed roughly the same at 6%.

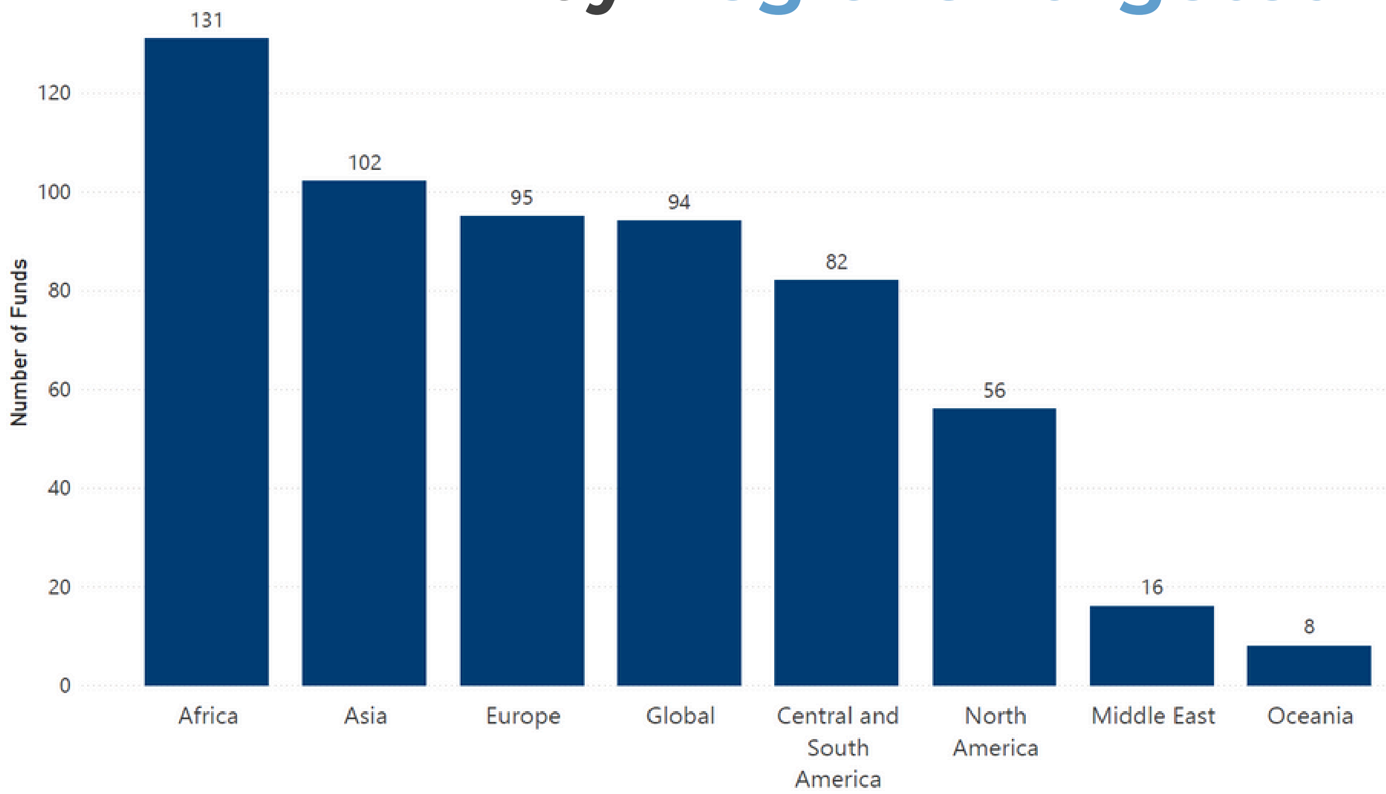
The emerging market private credit landscape typically includes senior and mezzanine lending, structured equity, distressed debt, and special situations, although there may be some overlap in these investment strategies.

Historically, investing in emerging market private credit has been challenging given relative higher risk of default and complexities around structuring transactions. Development finance institutions now offer insurance and guarantees that help to mitigate risk, often for loans targeting specific nature or social objectives.

Distribution of Private Debt Funds by Market Targeted



Distribution of Private Debt Funds by Regions Targeted



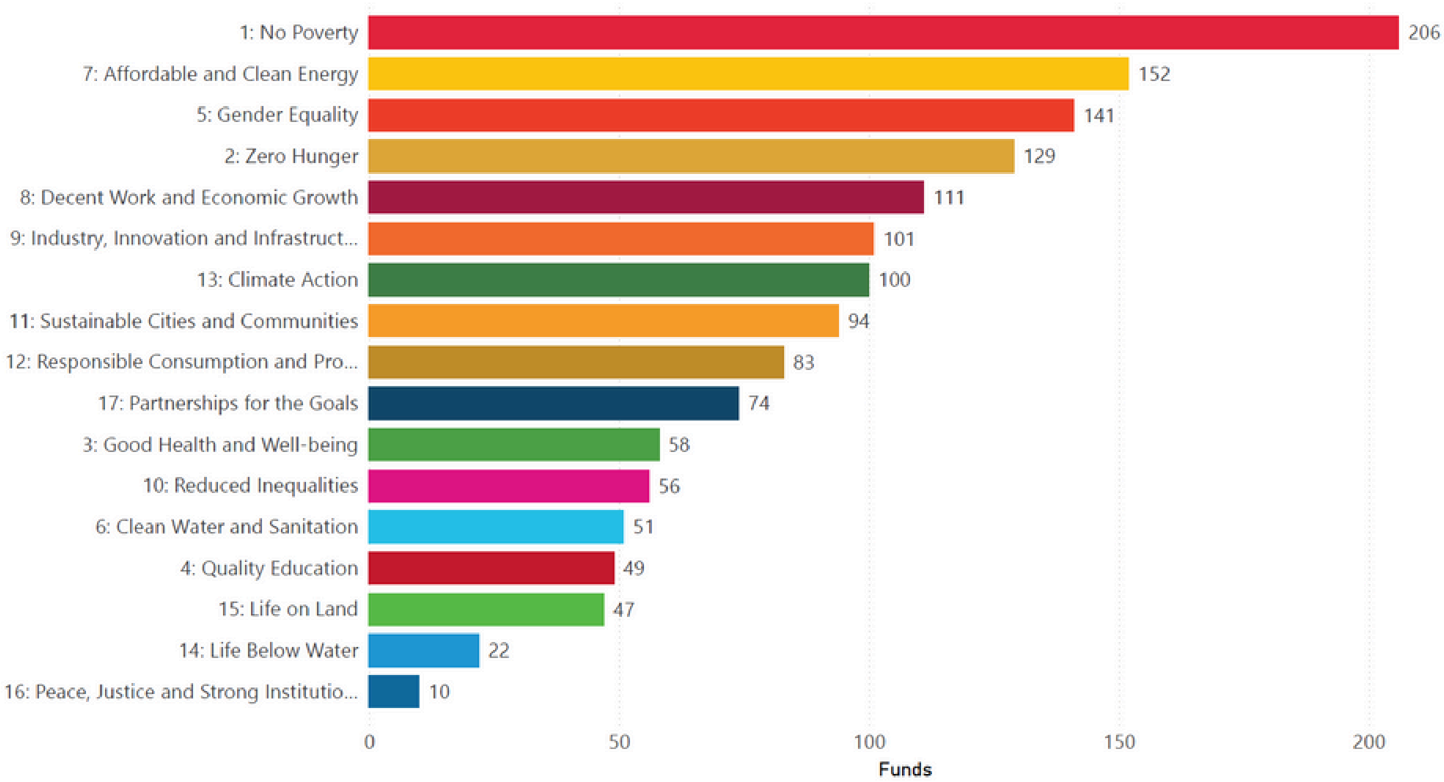
*Data may overlap as funds can target several Regions.

Geographically, Africa continues to be the destination of focus for private debt impact funds with 31% of the category invested there. The focus of last year's Deep Dive was Africa, as Africa's growing mid-cap businesses are a vital part of the continent's economic future, driving growth, innovation, and employment. The majority of companies in Africa are micro companies and SMEs that often lack access to the capital needed for growth. In Africa, private debt represents an opportunity to fund high-growth sectors like health, education, and nutrition, all of which tie into the Sustainable Development Goals.

This year the report, however, will focus on opportunities in Latin America, the funds of which make up 19.4% of the category. Asia is the next most popular regions with 102 private debt impact funds targeting it. Most emerging market private debt funds, which makes up 65% of the regional universe, will obviously target more than one sub region. As has been seen there is a rise in funds with a global remit, numbering 94, while there are 95 European private debt impact funds and only 56 with a North American focus.

The International Finance Corporation is a leading financier in emerging markets, both in private credit and private equity on its own account, as well as a leading investor in specialised funds that pool capital to finance emerging market companies, projects, and financial institutions. Emerging market private credit is still nascent and its penetration varies significantly by region. Asia has had the largest share of fundraising and investment opportunities, followed by Latin America. However, in Africa, the Middle East and North Africa region, as well as emerging Europe, the opportunities have been more limited.

Distribution of Private Debt Funds by SDGs Targeted



*Data may overlap as funds can target several SDGs.

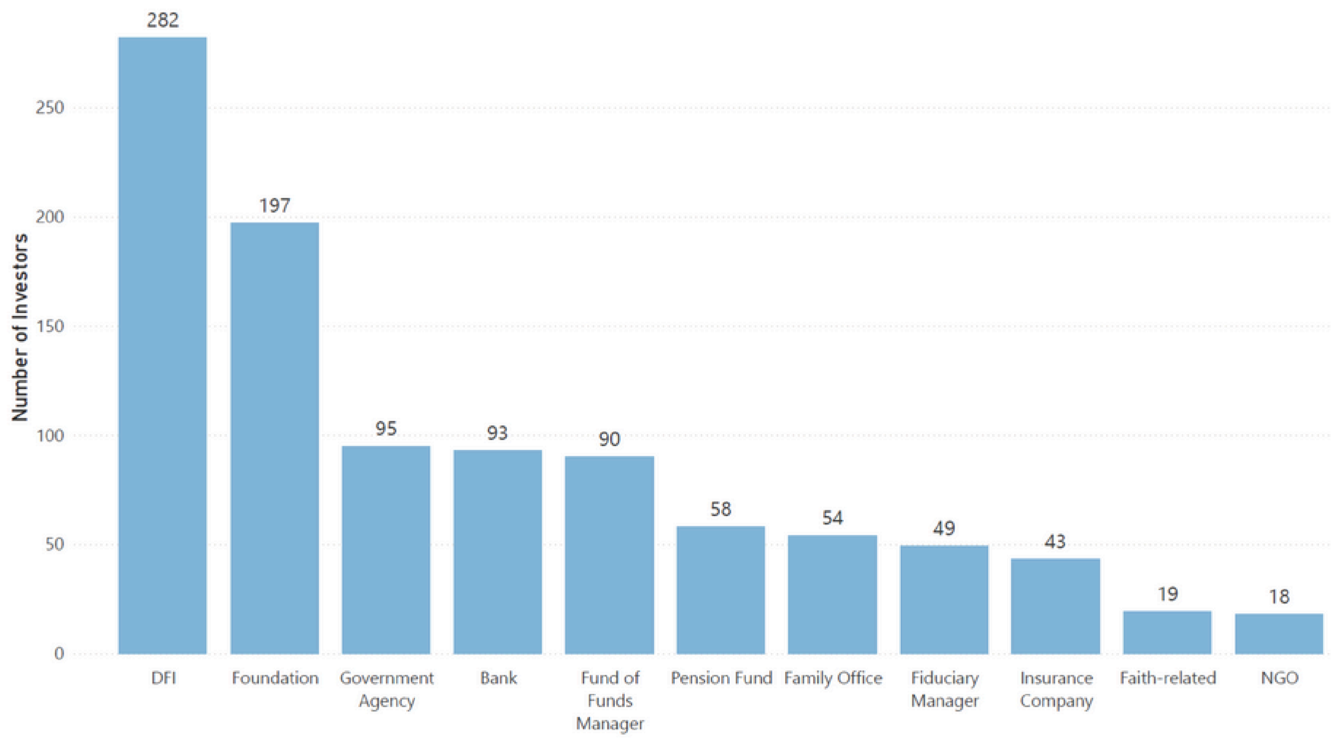
Current estimates for the financing gaps for sustainable development range between $2.5 trillion and $4 trillion additional investment needed annually for developing countries. This represents more than a 50% increase over the pre-pandemic estimates. Given the emerging market bias of the private debt impact funds in the Phenix Database it is not surprising that the top two Sustainable Development Goals (SDGs) targeted are No Poverty (SDG1) with 206 funds focusing on this and 152, equivalent to 36% of the private debt fund universe, targeting SDG7: Affordable & Clean Energy.

ILX Management, an SDG and climate focused emerging market private debt asset manager, announced that ABP and bpfBOUW, via APG, and Pensioenfonds Vervoer, via Achmea, have increased their allocations to ILX Fund I following its conversion to an evergreen structure. At the same time, ILX announced the 1st close of ILX Fund II, with commitments from Danish pension funds Sampension and AkademikerPension, bringing total commitments across both funds to nearly $1.7 billion. ILX Fund I has invested around $800 million in 40 projects across 18 countries in emerging markets alongside the Multilateral Development Banks IFC, EBRD, ADB, IDB-Invest and FMO.

The types of investments ILX is involved in include a $40 million parallel loan to support the growth of Vietnam's education sector that is aligned with its commitment to bridging the SDG and climate finance gap, with a particular focus on SDG4: Quality Education and SDG7. The Asian Development Bank arranged a $150 million syndicated sustainability-linked loan for the Vinschool Joint Stock Company that incentivises the school to achieve specific ESG goals.

Also, alongside ADB, ILX has reinforced its commitment to financing sustainable infrastructure with a $20 million syndicated senior secured B-loan to support the development of Pakistan's first large-scale sustainable aviation fuel facility and advancing the decarbonisation of the aviation industry.

Investor Commitments to Private Debt Funds by Investor Type



*For clarity, this chart only displays the top Investor Types. Other Types are not represented.
**Data may overlap as investors can belong to several Types .

Development Finance Institutions (DFIs) play a pivotal and catalytic role for private debt in emerging economies by providing essential capital and risk mitigation, which explains why the biggest investor type committing to private debt impact funds are DFIs. These institutions use various strategies, including blended finance to reduce the perceived risk of investing in emerging markets, backing thematic bonds or offering credit insurance.

Another benefit offered by DFIs is the fact they are long term investors and their money is often called 'patient capital' that is crucial for investing in infrastructure, sustainable land use, and renewable energy. DFI involvement helps investors align with development goals such as poverty reduction, job creation, economic growth, environmental sustainability, and social inclusion.

Earlier this year, Mercer and British International Investment (BII), the UK's DFI launched a new initiative to help scale up climate finance in emerging markets and developing economies. BII's £100m Mobilisation Facility aims to unlock hundreds of millions of pounds of private investment into climate and sustainability-focused investments in these important regions, and this initiative aims to find a handful of asset managers to help design investment products that seek to address the gap between risk appetite and return thresholds of institutional investors.

Once some of the risk is taken off the table, pension funds, of which 58 allocate to private debt impact funds, can coinvest. For example, ABP increased its investment in ILX, which partners with DFIs such as IFC, EBRD, ADB, IDB-Invest and FMO, to $1 billion as part of its €30 billion impact investment strategy and commitment to SDGs and climate-focused development finance projects in emerging markets. Foundations, which do not have the fiduciary liabilities of pension funds, are the second biggest investor in private debt impact funds with 197 allocators in this category, often part of a blended finance solution.

Deep Dive: Latin America

Foreign direct investment flows to Latin America and the Caribbean may have decreased by 12% to $164 billion in 2024, according to *World Investment Report* from UN Trade and Development (UNCTAD), but the region's favourable regulatory frameworks and high interest rates continue to spur the growth of private credit, particularly across the themes of the digital economy and renewable energy sectors.

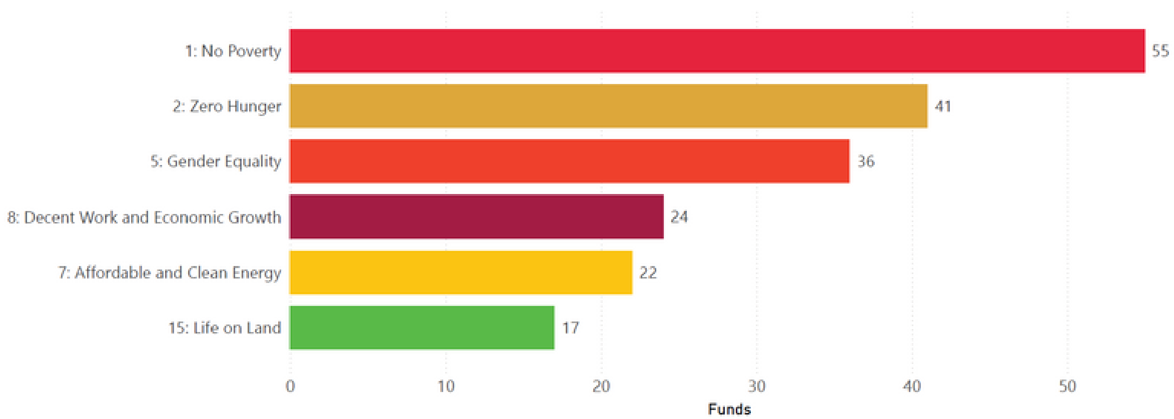
Private credit funds continue to expand in the region through loans to small and medium sized enterprises, distressed companies and infrastructure projects, filling a financing gap not being addressed by traditional lenders in the region. The number of private credit deals closed in the region reached a new high, growing from 132 in 2022 to 164 in 2023, according to Association for Private Capital Investment in Latin America (LAVCA).

To attract more foreign direct investment, regional policymakers have introduced novel foreign direct investor attraction strategies for priority sectors, most of which, such as green hydrogen, dovetail with many of the Sustainable Development Goals (SDGs) that impact investors hone in on. Moreover, regional development banks such as CAF, the Development Bank of Latin America and the Caribbean, are supporting local projects.

For example, last year CAF approved $2.48 billion for 10 countries in the region that will be used to create resilient infrastructure, accelerate the energy transition, increase productivity and improve urban mobility, environmental sustainability and water and sanitation systems.

With Brazil, home to the Amazon, also known as the 'lungs of the earth', set to host COP30 in November, all eyes are on the country specifically, and Latin America in general, from an energy transition and climate change point of view. But not only does the region need to tackle climate change, but Latin America and the Caribbean (LAC) also needs to reduce poverty, hunger and drive economic growth; all of which need significant investments.

Top 6 SDGs Targeted by Private Debt Funds in Latin America



Before the global institutional investor community is able invest, a number of challenges and obstacles that increase investment risks in the region need to be addressed. Among these are: uncertain regulatory frameworks; lack of proper local skills and weak managerial capabilities; high financing costs; poor infrastructure; high political, credit, and operational risks; and challenges in meeting environmental and social governance criteria impede ability to perform impact measurement and verification.

To get the ball rolling, public and private concessional capital, finance offered at more favourable terms than the market, has been, and still is, crucial. Since 2018, the World Bank Group has committed almost $2.9 billion to mobilise nearly $16.4 billion in private sector capital in LAC to support financial solutions and offer technical assistance. About 11% of the World Bank Group's contribution came from the International Development Association (IDA). As of 12 June 2024, the World Bank portfolio of LataAM projects consisted of approximately $36.2 billion in net commitments; 15 of these projects are also expected to generate Private Capital Mobilised (PCM) totalling $4.6 billion, roughly 2.7% of the total net commitments.

Concessional capital is often offered as a way to attract private finance, essential to achieve the scale of investments needed. To achieve this, the World Bank Group has developed an approach called Maximizing Finance for Development (MFD) to increase private sector investments in development projects. It focuses on addressing market failures and capacity gaps to enable private investment in areas where it is viable, allowing public resources to be allocated more efficiently elsewhere.

The International Finance Corporation (IFC)'s recent investment is a perfect example of this. As a cornerstone catalytic investor, IFC plans to invest up to $30 million in BEEL Sustainable Credit II, a private debt fund managed by BEEL Infrastructure Partners, to enhance Mexico's infrastructure, energy and real asset sectors, fostering sustainable economic growth and environmental resilience.

Investment in infrastructure is a driver of productivity and economic growth. The BEEL Sustainable Credit II fund will provide senior and mezzanine debt to infrastructure projects across various sectors, including digital services, energy, transport, logistics, and water and sanitation. The IFC's investment supports the fund's efforts to mobilise up to a further $370 million from institutional investors, both local and international, as well as other development finance institutions.

Focusing on Brazil, the IFC was among a number of core investors, including BNDES, the Brazilian Development Bank and CAF, in Patria Investments' Infrastructure Private Credit Fund that has already raised $200 million. The fund, which is targeting $1 billion, will focus on areas that directly impact the energy transition as well as the Brazil's economic and social development, such as renewable energy, basic sanitation, water and waste management and urban mobility.
The fund will also support projects from Brazil's billion federal government programme, originally launched in 2007, but the New Growth Acceleration Program (Novo PAC) was launched in 2023.

As a group, the World Bank works with governments and international organisations including the International Monetary Fund, the International Fund for Agricultural Development, the IDB, and the Organization of Eastern Caribbean States to support projects with various types of funding. For example, through IDA, IFC, and Multilateral Investment Guarantee Agency, the World Bank operates the Private Sector Window (PSW) designed to mobilise private investment in the poorest and most fragile markets.

MFD prioritises sustainable, economically viable, transparent, and environmentally and socially responsible private sector solutions. In Latin America and the Caribbean, it uses a combination of financial instruments (guarantees to de-risk investments), technical assistance (advisory and knowledge services), and capacity building (supporting the financial sector) to support sustainable development, economic transformation, and resilience.

Obviously, the themes the World Bank is focusing on are in line with achieving the SDGs, such as inclusion and access to finance and markets for underserved groups, including women-led small and medium-sized enterprises (SMEs), rural communities, and smallholder farmers. One example is the Haiti Horticulture advisory project, which connects Haitian smallholder farmers to local firms like GreenFresh S.A., providing them with high-quality seeds, training, and direct market access. This approach helps boost domestic production, reduce dependence on imports, and improve farmers' incomes.

Another area of the project's focus is enhancing skills, innovation, productivity, and competitiveness in sectors such as agroforestry, energy, housing, bioeconomy, blue economy, circular economy, supporting technology adoption, inclusive business models, and the development of entrepreneurship and innovation ecosystems. And critically, focusing on building resilience and adaptation to climate change impacts across sectors.

Looking at the table highlighting the key SDGs targeted by private debt funds in Central and South America in the Phenix Database, only two are similar in ranking compared to the overall global database: No Poverty (SDG1) features at the top with 55 funds targeting it; and Gender Equality (SDG5) has third place in both rankings, with 36 private debt impact funds focusing on it.

Zero Hunger (SDG2) is in second place for the for the LatAm private debt fund listings with 41 funds, compared to 4th place in the global raking, while 4th in the ranking for Latin America with 24 private debt impact funds is Decent Work & Economic Growth (SDG8), which is 5th in the global ranking. Globally, the energy transition comes in 2nd in the rankings, while for Latin America Affordable & Clean Energy (SDG7) is 5th with 22 funds focusing on it. Life on Land (SDG15) features 6th on the Latin American ranking with 17 funds, while it is 9th on the global listing.

SDG1: No Poverty

Looking at poverty in Latin America and the Caribbean, the region has made significant progress both in terms of extreme poverty and poverty reduction. In total, 172 million people were living in poverty in 2023, of whom *66 million were living in extreme poverty*, but there are two things to note.

The first is that although rural poverty rates remain higher, the number of urban poor continues to rise faster, with the share of the poor living in urban areas increasing from 66% in 2000 to 73% in 2022. The shift is even more dramatic for extreme poverty, with the urban share rising from 48% to 68% over the same period. The second statistic to look at is that the region is not homogenous. In terms of poverty, rates range from below 10% in Chile and Uruguay to more than 50% in Guatemala and Honduras.

Global Partnerships, a Seattle-based impact firm, launched its first fund in 2005 to invest in sustainable solutions that empower people living in poverty to earn a living and improve their lives. Geographically, GP invests in social enterprise partners in Latin America, the Caribbean and sub-Saharan Africa. It has managed eleven funds since 2005 and now has five active debt funds designed for social enterprises, and one social venture fund designed for early-stage social enterprises.

The firm has an active portfolio with $176 million in impact-first capital, invested in 87 social enterprise partners across 29 countries. The current portfolio includes coffee cooperatives connecting smallholder farmers with technical assistance and access to markets, microfinance institutions integrating credit, savings and health services for indigenous women, and solar light manufacturers creating access to clean, affordable light for families beyond the grid.

FMO, the Dutch development bank, previously invested in Social Investment Fund 5.0, launched in 2012, which focused on investing in social enterprises in Latin America that are committed to combining microcredit with services in four impact areas: micro-entrepreneurship (business education); rural livelihoods (technical support and market access for farmers); green technology (access to affordable clean household technologies); and health services (health education and services). Of the borrowers currently served by, 71% are women and 40% live in rural areas.

SDG2: Zero Hunger

In 2022, 38% of the region's population suffered from food insecurity, equivalent to 247.8 million people and 7%, 43 million people, faced hunger, according to the Food and Agriculture Organization. Driving this are loss of income, inequality and rising food prices. These three factors have restricted access to healthy food. In Latin American and the Caribbean, 10 countries are net food importers, and more than 20 are net importers of corn and wheat.

Around 11% of children suffer from stunted growth and 24% of adults are obese. Additionally, the region has the highest cost for accessing a healthy diet, equivalent to $4.08 per person per day vs. $3.60 globally. Consequently, 24% of the population cannot afford access to a healthy diet (50% in the Caribbean, 28% in Central America and 20% in South America). Climate change also poses a threat to food security. That said, FAO data indicates that if South America maintains its current progress, it is on track to achieve zero hunger by 2030.

Managed by Add-Value Management in San Jose, Costa Rica, the Small Farmers Climate Adaptation Fund (SMAF) is an impact fund that supports smallholder farmers in Latin America in becoming more resilient to the effects of climate change. Through Initiative 20x20, SMAF plans to invest a total of $30 million by 2028 in the form of medium-term loans to around 20,000 smallholder farmers in seven Latin American countries: Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Ecuador, and Peru.

SMAF also plans to invest $2 million in technical assistance to help those smallholder farmers introduce smart agriculture techniques and improve the resilience of their farms to climate change. SMAF will work through a group of rural microfinance institutions, which are skilled at agricultural financing, and the fund is committed to expanding its activities.

Two years ago, HZero, the innovation hub for Latin America and the Caribbean, managed by the UN's World Food Programme in Colombia, celebrated the conclusion of a programme that supported 10 innovative projects from six countries in the region. Together, these projects, whose approaches range from the use of blockchain, the transformation of recyclable materials, to the revitalisation of ancestral knowledge, are making a positive impact on the lives of over 85,000 people and contributing to Zero Hunger.

SDG5: Gender Equality

Countries in the Latin America and Caribbean region are still grappling with gender inequality in economic opportunities, human development assets, and agency. Informed by the Gender Strategy and the Gender Action Plan for Latin America, the World Bank is finding ways to redress the imbalance. Female labour force participation in 2020 was 53% compared with 76% for men, while countries in the region are losing $6.7 trillion in wealth due to differences in income between women and men with Peru, Ecuador, and Bolivia facing the largest gender gaps in the region.

Women spend as much as 30% of their daily time on unpaid domestic work and care activities, and the region has the second-highest adolescent fertility rate with women 20% less likely to have a bank account. To address this, in 2020, Mexico issued its first social bond with a gender perspective on the Mexican stock market. Only 20% of the women in Mexico were property owners, which implies significant challenges to create new commercial chains, develop infrastructure, and create new jobs.

Since then, Latin America has become the leading region in gender bonds, which aim to address and reduce gender inequality by improving women's economic empowerment and financial inclusion. Gender bonds represent 17.6% of all fixed-income securities with a gender lens in Latin America.

Some of the World Bank's key gender-related achievements include: 24 million women benefited from Brazil's Bolsa Familia programme in the first seven years of implementation; 25% increase in Brazilian women's employment and 50% increase for Afro-Brazilian women post-Bolsa Familia project between 2011 and 2021. Meanwhile, IDB Invest is considering a loan of up to $5 million to Access Financial Services Limited that is planning to expand its MSME portfolio to include support to women in business.

Deetken Impact, a Canadian impact investing firm, launched the Ilu Women's Empowerment Fund, the first gender lens investing fund that aims to empower women and drive climate resilience in Latin America and the Caribbean in 2016 to integrate gender equality into every aspect of investment strategy and business operations. With $35 million in assets under management, the Ilu Fund has invested in 32 companies in 13 countries. The firm itself has $145 million in assets under management across five funds investing in the region making 61 investments in assets including private debt.

SDG8: Decent Work & Economic Growth

In Latin America, micro, small, and medium enterprises (MSMEs) represent more than 99.5% of the business fabric and are responsible for approximately 60% of formal productive employment, but are characterised by low productivity, competitiveness, and efficiency. When UNDP launched the SDG Value Chains Programme for Latin America it opened doors on accounting, marketing, hygiene, and sales, which on average, saw sales in the region increase between 15% and 30%.

The SDG Value Chains programme, which now offers integrated development solutions aimed at fostering the incubation and acceleration of MSMEs through inclusion and sustainability globally, began with the Suppliers Development programme in Mexico in 2008.

The UNDP started implementing the process in companies like Nestlé Mexico, to enhance value chains' productivity of Mexican companies; increase local production; and ensure product quality for export. The programme has supported 62 chains in 22 states, integrating more than 650 SMEs suppliers, resulting in an average employment growth rate of 5.8% and a 15% increase in sales.

Focusing on SMEs in Latin America is the thread that will grow the local economies. After Suriname and Guyana, Paraguay is the smallest economy in South America and CAF supports the country's economic development through the issuance of bonds in local currency. Since 2020, CAF has approved loans, which support productivity and growth in the Paraguayan financial sector.

These loans have increased from $79 million in 2020 to $230 million in 2024. At the end of 2024, CAF approved a new $25.2 million loan for Sudameris Bank with a 4-year financing term to meet the financial needs of more than 80 SMEs, which on average receive a loan of $300,000, in key productive sectors such as agriculture and agribusiness.

The next step will be supporting the growth of the capital markets in the region. For example, by facilitating access for MSMEs through the issuance of mini-bonds could be one way for policymakers to drive economic growth. That said, instruments need to be specifically tailored to MSMEs, providing more flexibility than those offered to larger companies, and this will require government support and incentives, such as guarantees or tax incentives.

SDG8 In Focus: Digitisation

Closely linked to the support for and growth in MSMEs has been the region's adoption of digital tools and technologies to boost trade. The pandemic forced the closure of thousands of businesses, and according to a 2023 report by the International Chamber of Commerce, 40% of surveyed MSMEs indicated a decrease in the number of employees since its start. Similarly, the pandemic significantly restricted their export capacity with many MSMEs, particularly in Brazil and Mexico, changing the destination of their exports.

The pandemic, however, triggered a significant increase in the use of digital tools and technologies with 80% of surveyed companies reporting an increase in the use of these tools. It also greatly accelerated the development of online commerce for both formal and informal MSMEs. Over 75% of the surveyed MSMEs in Argentina, Brazil, and Mexico began buying or selling products and services online during the pandemic. This trend was less pronounced in Colombia.

Supported by the UNDP, Ecuador's answer to the pandemic was the launch of Digital In Motion to support local commerce through innovation. In coordination with public-private institutions, companies learned to sell via WhatsApp, deliver products to consumers, and implement health protocols. Within months, thousands of companies resumed selling their products and Digital In Motion expanded to more than nine countries in the region and continues to be implemented with adaptations to different contexts.

This year, Google Cloud and Ecuador's Corporación Nacional de Telecomunicaciones (CNT) signed a framework agreement that has set in motion a public-private initiative aimed at supporting Ecuador's national strategy for digital transformation. The agreement involves a to strengthen digital infrastructure, modernise public administration, and enhance cybersecurity capabilities within the country.

But the digital age has not just arrived in Ecuador, in the last decade, internet penetration in Latin America jumped from 43% to 78%, even reaching 90% in Chile, surpassing China's penetration, driven by the inclusion of the middle and lower-income classes. This data, from the *Latin America Digital Transformation Report 2023* by Atlántico, now places Brazil and Mexico among the top 10 countries with the largest digital populations, cumulatively accounting for 282 million users in 2023. Latin America added more than $60 billion in market capitalisation since the first digital report in 2020.

SDG7: Affordable & Clean Energy

Therefore, closing financing gaps in infrastructure, including renewable energy projects, will be key to economic growth among other things and private capital will be a critical player. According to the World Bank, private capital could help to generate almost 3,000 megawatts of renewable energy capacity.

In Argentina, for example, the government's RenovAr Program sought to increase privately-generated renewable energy production via auctions. Together, the World Bank that gave guarantees totalling $730 million; the IFC that helped to design the programme; and IBRD that helped with the risk mitigation structure, have helped Argentina raise more than $3 billion in private financing over three rounds of auctions to build 147 renewable energy projects.

Investing in green/clean hydrogen and its associated infrastructure is a key renewable energy theme across the region. Argentina and Chile are aiming to become net exporters, prioritising the production of clean hydrogen for trading on international markets, while Brazil, Colombia and Mexico want to use clean hydrogen to decarbonise their domestic economies before expanding into exports.

Chile's renewable energy resources could supply 70 times the country's current electricity generation capacity and produce up to 160 million tons (Mt) per year of clean hydrogen by 2050, according to its National Green Hydrogen Strategy, which has attracted international investments: €225 million fund from the European Investment Bank and KfW Development Bank; $150 million loan from the World Bank; and a $400 million loan from the Inter-American Development Bank.

In Argentina, the Central Bank of the Argentine Republic expects the country to receive around $2 billion in private investments for green hydrogen by 2032. Additionally, investments totalling $1.2 billion are anticipated for the broader energy transition, with significant allocations for sustainable aviation fuels ($400 million by 2027), bioethanol ($300 million by 2026), and cogeneration projects ($600 million by 2026).

Within the framework of the Energy Transition and Green Hydrogen Dialogue, the European Union unveiled investment plans for the advancement of green hydrogen in Argentina, with the aim of replicating the success achieved in Chile. A specific $4 million to support the development of renewable hydrogen in Argentina has been announced as part of a broader $45 billion programme for LAC.

Whilst the clean hydrogen economy in Latin America has potential, it currently faces several challenges including: low demand; slow progress on infrastructure; high costs; labour issues; and lack of standards and certification. Regional cooperation, certification initiatives, and attracting investment.

Collaborations such as CertHiLAC, a joint effort between the Inter-American Development Bank and Latin American Energy Organisation, will be key to accelerate LAC’s clean hydrogen economy. Launched in 2023, CertHiLAC is a certification system for clean hydrogen production in LAC that has already signed up more than a dozen countries. Certification is important to promote traceability, environmental and social sustainability, and CertHiLAC pays close attention to responsible water management and respecting local communities and indigenous peoples.

SDG7 In Focus: Brazil

In Brazil, despite an 8% reduction in foreign direct investments, the country remains the region's largest recipient of foreign capital, bolstered by ongoing investment in renewable energy sectors. And with Brazil set to host COP30 in November, all eyes are on what the country is doing with respect to deploying frontier technologies to decarbonise heavy industry.

Launched in 2023, Brazil's *New Growth Acceleration Programme* (Novo PAC) plans to invest nearly $100 billion to meet the challenge of energy transition and security by investing so that 80% of the added electricity capacity will come from renewable sources. Through the Luz para Todos electrification programme, the Novo PAC will universalise service in the Brazilian Northeast, and anticipate the universalisation of isolated communities in Legal Amazon.

At the start of the year, Brazil's Ministry of Mines and Energy announced the selection of 12 low-carbon hydrogen hub projects for the decarbonisation of Brazilian industry. The proposals included the production of hydrogen from various sources, such as electricity connected to the National Interconnected System grid, wind, solar, ethanol, biomass and others. The production capacity varied between 1,000 and 350,000 tons of hydrogen per year.

Separately, the Brazilian state of Ceará has become home to the *Pecém Verde* hydrogen project, cornerstone of Brazil's national climate strategy that is targeting a cut of 43% of emissions by 2030. Pecém is ideal due to solar and offshore wind as renewable power, and the Port of Pecém for international access.

Brazil, which already exports 20% of the world's iron, aims to become a global leader in green hydrogen and green steel. Green hydrogen promises a double win. Such a resource would not only support Brazil's decarbonization efforts but could secure the country a competitive foothold in the global low-carbon market, boosting economic growth and generating skilled clean energy jobs in the process.

High production costs and infrastructure challenges are a challenge to the development of clean hydrogen. Assisting with this is $35 million in concessional finance from the Climate Investment Funds that comes under its Renewable Energy Integration Program and includes a $1.5 million grant, which is dedicated to green hydrogen infrastructure at Pecém. The project is estimated to create 1,400 direct and indirect jobs, many requiring specialized skills and will proactively promote women's participation.

SDG15: Life on Land

Latin America covers approximately 19.2 million km², and Brazil the largest country in Latin America covers 8.5 million km². Perhaps most importantly, it is home to the 'lungs of the earth', the Amazon rainforest that over eight countries covers approximately 6.7 million km², equivalent to roughly 35% of the region's landmass. Natural capital is finally becoming seen as an "asset class" to be invested rather than plundered, and so with it biodiversity, and its rapid loss, is starting to hit the headlines.

The Amazon forest holds some 10% of the world's species, which need to be preserved. So, a year ago the UK government and FMO announced today a $55 million commitment to reforestation in Latin America, including in the Cerrado biome, one of the most biodiverse ecosystems in Brazil. The investment with the BTG Pactual Timberland Investment Group will focus on the conservation, restoration, and planting of deforested and degraded properties. It is expected to attract further capital as BTG Pactual TIG's Latin American reforestation strategy is targeting $1 billion.

Separately, IDB Invest plans to invest $35 million in Pátria Crédito Amazônia that will aim to build a portfolio of structured debt investments to support companies operating in the Legal Amazônia. With a target size of $175 million is expected to make approximately 20 investments focusing on sustainable industrial development, sustainable agriculture, transportation efficiency, logistics and warehousing projects, and financial inclusion.

Green bonds have become a popular way to invest in Life on Land and the World Bank is playing a key role in financing many green projects, including the Dominican Republic's placing of its inaugural US dollar sovereign green bond in the international capital markets that raised $ 750 million. The proceeds will support expenditures on low carbon transportation, renewable energy, efficient and resilient management of water and wastewater management, and natural resources.

In Brazil, the World Bank's support led to the issuance of a $2 billion sovereign sustainable bond by in 2023 that is supporting projects such as climate change adaptation, biodiversity conservation, and social development initiatives. Meanwhile Colombia, with technical assistance from the World Bank, became the second country in the region after Chile to issue sovereign green bonds.

The region's issuance of international green, social, sustainability and sustainability-linked (GSSS) bonds totalled $13 billion in the first four months of 2024, up 90% from the same period in 2023. In the same timeframe, green bonds were the region's most used sustainable debt instrument, representing 48% of the region's GSSS total, while sustainability bonds ranked second with a share of 24.5%, according CEPAL.

Financing food sustainability is a key element to preserve Life on Land, as well as impact Zero Hunger (SDG2) and Climate Action (SDG13). Brazil is aiming to play a leading role in the world's transition to sustainable food production. With investment project financing of $500 million from the World Bank, Banco do Brasil is mobilising up to $1.4 billion more from its own resources and investors to target SMEs and companies that will be independently validated for emission reductions in their operations. The project aims to scale up sustainability-linked financing of decarbonisation investments across various sectors, including scope three emissions and agribusiness supply chains.

Conclusion

Private credit is becoming a dominant investment class with potential for high returns globally and Moody's predicts that assets under management could reach $3 trillion by 2028. Moreover, for longer term projects such as renewable energy, or the emerging markets such as Latin America, private credit is a key asset class and often a second step towards international investments, after concessional capital, particularly for return-seeking impact investors.

Since 2018, nearly $16.4 billion in private capital has been mobilised in Latin America and the Caribbean, according to the World Bank, and despite the declining foreign direct investor numbers into Latin America, the region is full of opportunities across all asset classes. In 2022, venture debt and private credit financing in Latin America reached an all-time high in 2022, totalling $1.3 billion, according to the Association for Private Equity Investment in Latin America.

This growth is part of the broader expansion of the private credit market in the region, targeting the void left by banks in Latin America after the global financial crisis. This has seen private credit deals closed in the region reach a new high in 2023, growing from 132 in 2022 to 164 in 2023. Debt has been particularly popular with Mexican start-ups holding unicorn status largely because equity is difficult to price.

Whilst not all Latin American debt investors on this list are impact investors, names such as FMO, Triodos Investment Management, Incofin and Blue Orchard are among the many that do appear. To assist impact investors in targeting the right impact opportunities, the UNDP has created SDG Investor Maps that translates development needs into tangible investment opportunities. For Latin America, there are currently four SDG Investor Maps with 76 Investment Opportunity Areas (IOAs): Brazil (21), Colombia (22), Costa Rica (11) and Paraguay (22). The most prominent target sectors are: Food and Beverage (23 IOAs), Infrastructure (13 IOAs), and Renewable Resources and Alternative Energy (12 IOAs).

It is clear that the role of private capital is helping to shape a sustainable future in Latin America and the Caribbean. It would seem that as all eyes look at Brazil this November for COP29, the entire region is readying to embrace sustainable development and impact investing across themes such as renewable energy and digitisation. With its flexibility and ability to provide bespoke solutions, private credit can be a long-term growth partner, able to provide add-on financing and working capital, as required as well as handling distressed situations.

PHENIX IMPACT FUND ASSESSMENT

Phenix Impact Fund Assessment is a proprietary framework developed in close consultation with institutional asset owners and industry leaders, for the purpose of **assessing the robustness of a fund's impact proposition**.

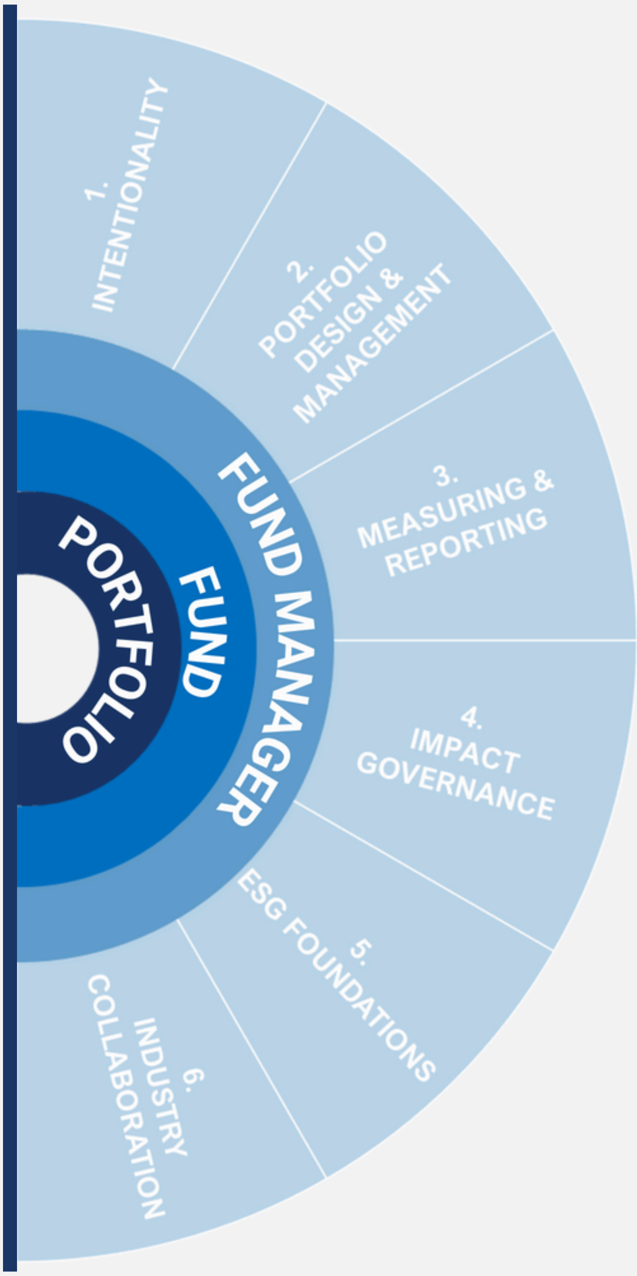
On 6 themes and 45 criteria, it examines to what extent the policies, procedures and human resources are in place to deliver the impact that a fund aims to create.

ASSESSING THE ROBUSTNESS OF IMPACT FUND PROPOSITIONS

Uncover strengths and weaknesses

Adopt industry best practices

Prepare for institutional impact due diligence



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Glossary & Symbols

Committed capital: Amount committed in a fund vehicle by its limited partners / investors.

Developed markets: We include Europe (excl. Eastern Europe), North America, Asia Pacific (Singapore, Japan, and South Korea only), Oceania (New Zealand, Australia) Middle East and Africa (Israel only).

Direct lending: A specialised form of private debt, in which loans are made to middle-market companies. It is the private debt strategy with lower risk, achieved by using collateral.

Emerging markets: We include Latin and Central America, Asia Pacific (excl. Singapore, Japan, South Korea), Middle East and Africa (excl. Israel) Europe (Eastern Europe only).

Fund managers: Organisation managing commingled, pooled and customised vehicles invested by institutional asset owners. Also called General Partner or GP.

Global: Funds that have an investment geographic scope encompassing both developed and emerging markets.

Impact investing: Investments with the dual mandate of financial return and positive societal or environmental impacts, with the notion of measuring the positive and negative impact of investments, ensuring both intentionality and additionality among these.

Institutional asset owners: Outsourced CIOs, pension funds, insurance companies, family offices, sovereign wealth funds, endowments, foundations, banks, fiduciary managers, discretionary investment consultants. Also called Limited Partner or LP.

Market targeted: Markets fund managers target for their investments: We include Global, Developed markets, Emerging markets.

Mezzanine: A specialised form of financing in which loans are subordinated to banks, with no collateral. It is the most equity-like form of private debt.

Microcredit: A common form of microfinance, characterised by small loans to individuals or small companies.

Private debt: Debt instruments to companies: direct lending, mezzanine, microfinance strategies.

Public debt: Publicly traded fixed income securities: investment grade or high yield, focused on green bonds and municipal and community infrastructure and affordable housing issuers.

Regions targeted: Regions fund managers target for their investments: We include Asia Pacific (East Asia, Central Asia, South Asia, South East Asia), Europe (Western Europe, Eastern Europe), Global, Latin and Central America, Middle East and Africa (East Africa, Middle East, Northern Africa, West Africa, Southern Africa), North America, Oceania.

Target fund size: Amount the fund manager is targeting when raising capital.

Vintage: Year where the fund manager first calls capital from investors.

Full glossary: www.phenixcapitalgroup.com/impact-investing-glossary

Disclaimer

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