



SEB Microfinance Fund VI, SEK

Closing Performance
Report

Contents

September 2023

Introduction	3
SEB Microfinance Fund VI – Key achievements	4
SEB Microfinance Funds & the SDGs	5
Investment Strategy	6
Portfolio Investments	8
Financial Performance	10
Net Returns	10
Performance Comparison with Other Asset Classes	11
Social Outreach	12
Social Performance	14
Social Practices	14
End-client outreach	15
Social Impact	18
Living Standards	19

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Introduction

Fund Key Facts & Figures

Launch date	June 2018
Term	5 years
Objective	Pursue a double bottom line return, being both a socially transformative impact fund and offering an attractive financial return.
AuM	USD 91.5 million
Number of transactions	141
Number of financial institutions	92
Number of countries	46
Number of borrowers reached by financial institutions	11.6 million

Results

Total Net Returns	43%
Annualised Net Returns	7.73%
Annualised write-offs (% AuM)	0.18%
Percentage of women clients reached by investee microfinance institutions	50%
Number of MSME jobs sustained by the fund per year (estimated)	150,860

About this report

This report provides an overview of the investment strategy and portfolio and the financial and social performance achieved by the SEB Microfinance Fund VI. It also provides illustrative cases and describes how investors contribute to building inclusive and sustainable financial markets in growing, emerging and frontier economies. This report was prepared by Tameo Impact Fund Solutions in collaboration with SEB Investment Management and Symbiotics.

About SEB & Microfinance

Microfinance is the most established asset class in impact investments, offering investors both an attractive financial return and the opportunity to contribute to socioeconomic development for a population usually excluded from the financial system. SEB was a pioneer among Swedish banks in launching its first microfinance fund in 2013, enabling institutional investors to channel capital to low- and middle-income entrepreneurs in emerging and frontier markets. SEB was also the second in Europe to offer microfinance funds in local currency (unhedged) aimed at institutional investors.

The Sustainable Finance Disclosure Regulation (SFDR) was introduced in 2019 as part of the European Commission's Sustainable Finance agenda to increase transparency in the financial market through harmonized rules addressing sustainability risks integration and disclosure of overall sustainability-related information for financial products. As per article 9 of the SFDR, the SEB Microfinance Fund VI has sustainable investment objectives including a focus on business and projects targeting low- and middle-income households and MSMEs at the base of the pyramid, referred to as microfinance. Through this, the fund aims to address part of the global challenges represented by a selected set of targeted Sustainable Development Goals (SDGs). In the same context, the fund integrates principal adverse sustainability impacts in the investment decision-making process through the exclusion of companies active in sectors doing potential significant harm to ESG factors, a comprehensive ESG assessment and periodic monitoring at different stages of the investment. Sustainability risks that can affect the value of the investments are partly integrated into such process. The SEB Microfinance Fund VI has further defined its sustainable investment objectives using the SDGs adopted in 2015 by the United Nations as a global benchmark. Through its investments, SEB Microfinance Fund actively contributes to the SDG 1 (no poverty), SDG 5 (gender equality) and SDG 8 (decent work and economic growth).

About Symbiotics

Symbiotics SA (Symbiotics) is the leading market access platform for impact investing in emerging and frontier markets, offering market research, investment advisory, and asset management services to professional investors. Symbiotics currently employs over 150 people and is headquartered in Geneva, Switzerland, with offices in Amsterdam, Cape Town, New Delhi, London, Mexico City, Paris, Singapore, Yerevan, and Zurich. Since 2004, Symbiotics has structured nearly 7,000 investment transactions in over 500 financial institutions across 94 emerging and frontier markets.

About Tameo

Tameo Impact Fund Solutions SA (Tameo) is a Swiss impact investing specialist serving the financial industry with independent expert solutions. Tameo guides investment funds, managers, and investors through the entire impact investing journey. It offers the most comprehensive online database of impact funds, customized analyses, and independent valuations. Through its research and advisory services, Tameo empowers clients to move towards best-in-class impact measurement and management. Through this report, Tameo is assessing the impact performance of the SEB IOF fund as an independent third party, verifying the data collected by Symbiotics and analysing it at a fund level.

Key achievements during the life of the Fund

USD 91.5m

AUM

42

COUNTRIES

92

INVESTEES

11.6 million

BORROWERS REACHED

50 %

FEMALE BORROWERS

51 %

BORROWERS IN RURAL AREAS

81 %

LOANS IN LOCAL
CURRENCIES

150,860

NUMBER OF MSME JOBS
SUSTAINED BY THE FUND (EST.)

30

CURRENCIES

SEB Microfinance Funds & the SDGs






The SEB Microfinance Fund VI has contributed to achieving the United Nations Sustainable Development Goals (UN SDGs) through investments made in emerging and frontier markets.

We identify the key SDG contributions for each transaction based on the main area of investment and the institution's activities.

As a microfinance fund primarily targeting financial inclusion, 36% of SEB VI's portfolio directly addressed SDG 1 (no poverty). In addition, 26% is invested in SME finance, providing financial services to small- and medium businesses, and contributing to SDG 8 (Decent work and economic growth) as it promotes job creation and ultimately economic growth.

Regarding its contribution to SDG 5 (Gender equality), 26% of SEB VI's portfolio focuses on providing women with access to finance (funding institutions where at least 70% of borrowers are women).

Through a few investments in specialised financial institutions, SEB VI also contributed to SDG 2 (zero hunger), SDG 7 (affordable and clean energy), SDG 4 (quality education) and SDG 11 (sustainable cities and communities).

How does SEB VI contribute to the SDGs?	% of portfolio outstanding
 <ul style="list-style-type: none"> Ensuring that low-income individuals have access to financial services, including microfinance and savings products 	36 %
 <ul style="list-style-type: none"> Strengthening the capacity of domestic financial institutions to expand access to banking and financial services for all and encouraging the growth of SMEs 	26 %
 <ul style="list-style-type: none"> Providing women with equal access to economic resources and opportunities. 	26 %
 <ul style="list-style-type: none"> Providing small-scale food producers access to productive resources through financial services and products. 	5 %
 <ul style="list-style-type: none"> Other (SDGs 4, 7 and 11) 	7 %

Source: Symbiotics

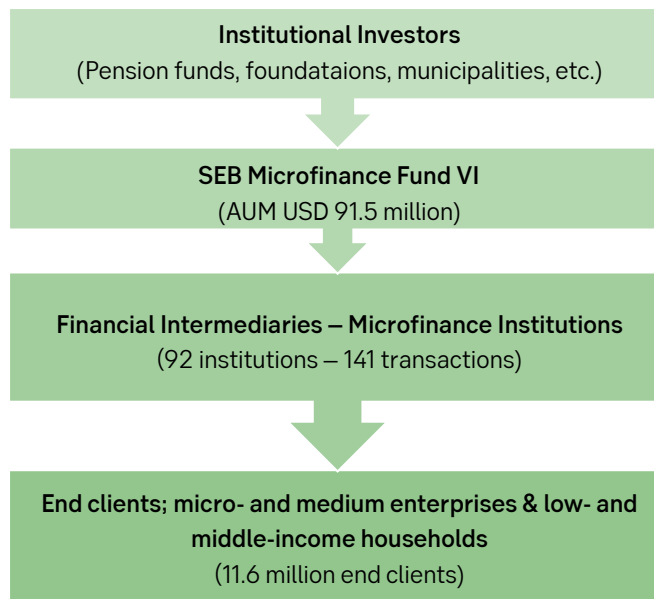
Investment Strategy

The investment strategy of SEB Microfinance Fund VI aimed to facilitate the flow of institutional capital to markets and clients where it typically does not reach.

The fund pooled institutional capital and provided direct lending to financial intermediaries, particularly microfinance institutions, in emerging and frontier markets. These institutions play a crucial role in offering credit and various financial products and services to meet the diverse needs of micro-, small-, and medium-sized enterprises, as well as low- and middle-income households.

Micro-enterprises are defined as small businesses that employ up to 5 people, whereas small enterprises employ up to 50 people and medium enterprises employ up to 250 people.

Figure 1: SEB Microfinance Fund VI Investment Value Chain



SEB Microfinance Fund VI's investment universe included financial institutions of all sizes, from institutions with total assets below 10 million to institutions with total assets exceeding USD 1 billion. The fund's focus was primarily on medium-sized institutions with total assets between USD 100 million and USD 1 billion, where 66% of the portfolio was allocated.

At first disbursement, the median asset size of an institution was USD 117 million, whereas by December 2022 (or based on the latest available data), this figure had increased to USD 174 million. These results illustrate that SEB VI has succeeded in supporting financial service providers and helped them grow. As MFIs continue to grow in terms of assets and borrowers, they can reach more clients and become financially sustainable.

Going local currency, unhedged in emerging and frontier markets

The strategy of the SEB Microfinance Fund VI deliberately provides unhedged debt financing to microfinance institutions in their domestic currencies. There are two key reasons for this:

1. Ethical; taking the currency risk away from microfinance institutions

There is a need from domestic microfinance institutions in emerging and frontier markets for local currency funding. The foreign exchange risk is passed to the investee microfinance institutions or the end-client when lending in hard currency.

The investee microfinance institutions that have significant hard currency liabilities face a mismatch between their assets (in local currency) and liabilities (in hard currency). In many of these countries, the local solution for managing currency risk may be complicated, too expensive or unavailable.

By lending in local currency, the SEB Microfinance Fund VI meets the borrowing needs of domestic investee microfinance institutions, improves their credit quality, and takes the local currency risk from the investee to the fund. That currency risk has been managed by having a diversified port-

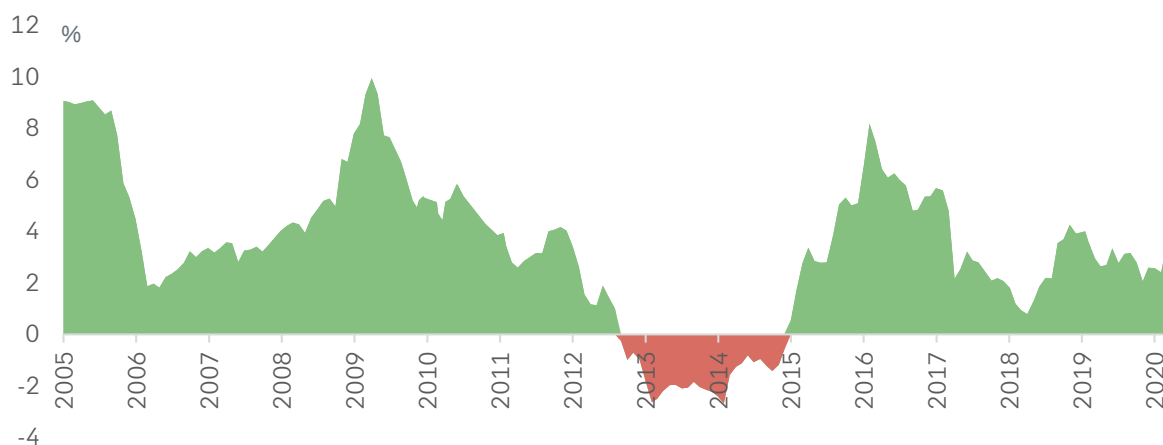
folio throughout the fund's life and receiving a premium on the interest on loans. With that said, the fund also had a USD exposure since some of the targeted countries are dollarized.

2. Financial; the local currency risk premium

Historical analysis suggests that a well identified local currency (unhedged) strategy yields higher returns for investor portfolios. Investors benefit from a material premium since higher yields can be obtained with unhedged loans in domestic currencies, which would more than compensate for the depreciation of such currencies over the long term.

Symbiotics analysed the performance of hedged versus unhedged investment strategies over a 14-year period and found that unhedged strategies are more profitable overall. In fact, for 12.7 years out of the 15 years, going unhedged would have yielded additional profits for the investor. Investing in unhedged, local currency also allows for a more diversified portfolio as the fund can invest in more countries where currency risk solutions are not accessible.

Figure 2: Net yield of a basket of unhedged local currencies compared to hedged

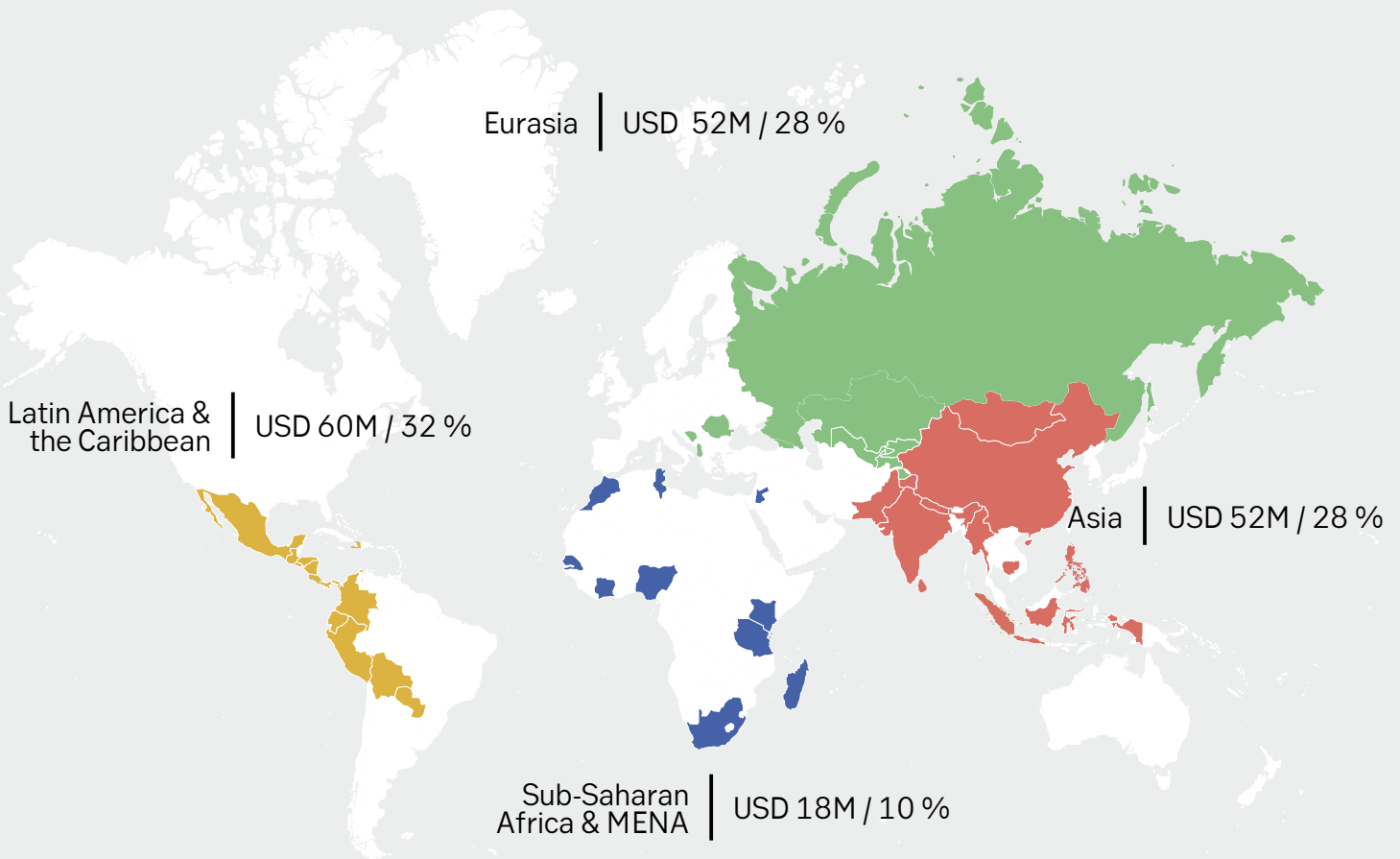


Portfolio Investments

- SEB Microfinance Fund VI has **financed 92 microfinance institutions**, in 42 emerging and frontier markets.

- SEB Microfinance Fund VI has reached out to **11.6 million entrepreneurs**, clients of micro-finance institutions.

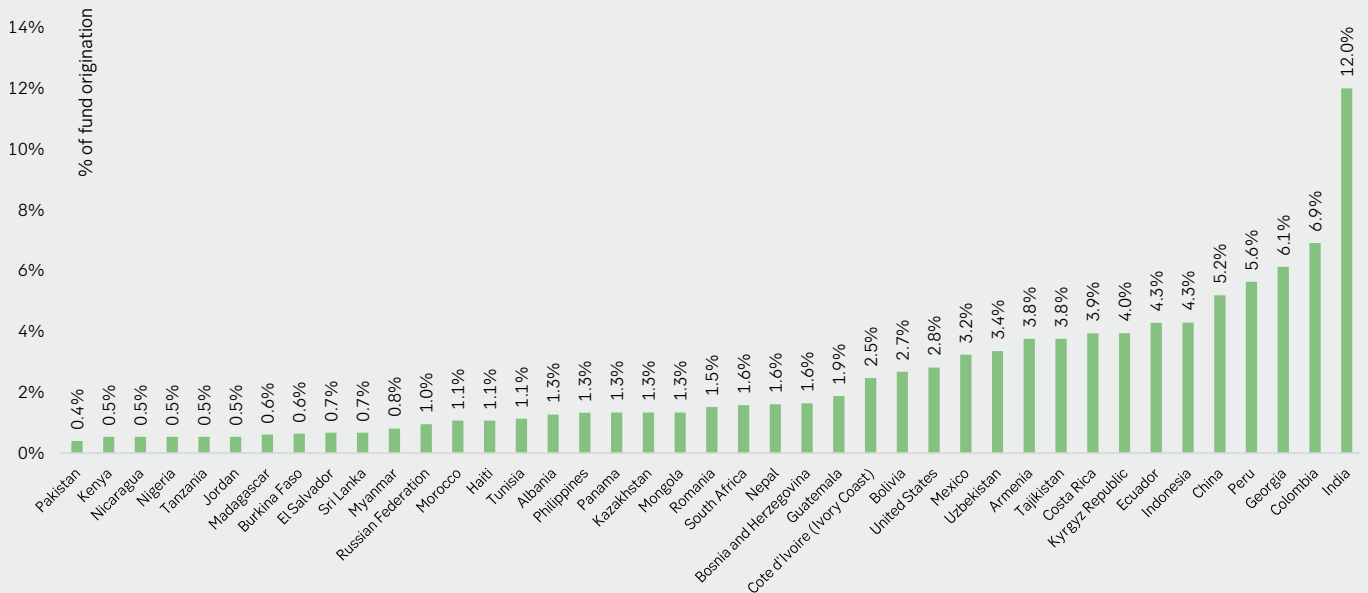
- SEB Microfinance Fund VI has **originated USD 186.3 million** in financing to microfinance institutions, through 141 transactions.



In terms of specific regions, SEB VI invested the most capital in Latin America and the Caribbean (USD 60M) followed by Asia (USD 52M), Eurasia (USD 52M) and Sub-Saharan Africa, and the Middle East and North Africa (USD 18M).¹

¹ SEB VI also made one indirect investment of USD 5.3 M in Greenlight Planet (GLP). GLP is domiciled in the United States and designs, distributes, installs, and finances solar home energy products for people without reliable energy access.

Figure 3: Country concentrations



Institutional story

SA Taxi, South Africa



SA Taxi Development Finance, established in 1996, is a company based in Midrand, South Africa. It aims to offer personalized financial services to South Africa's minibus taxi industry. Through its services, SA Taxi empowers minibus taxi entrepreneurs who may not have access to traditional bank loans, creating employment opportunities and improving public transportation safety in South Africa.

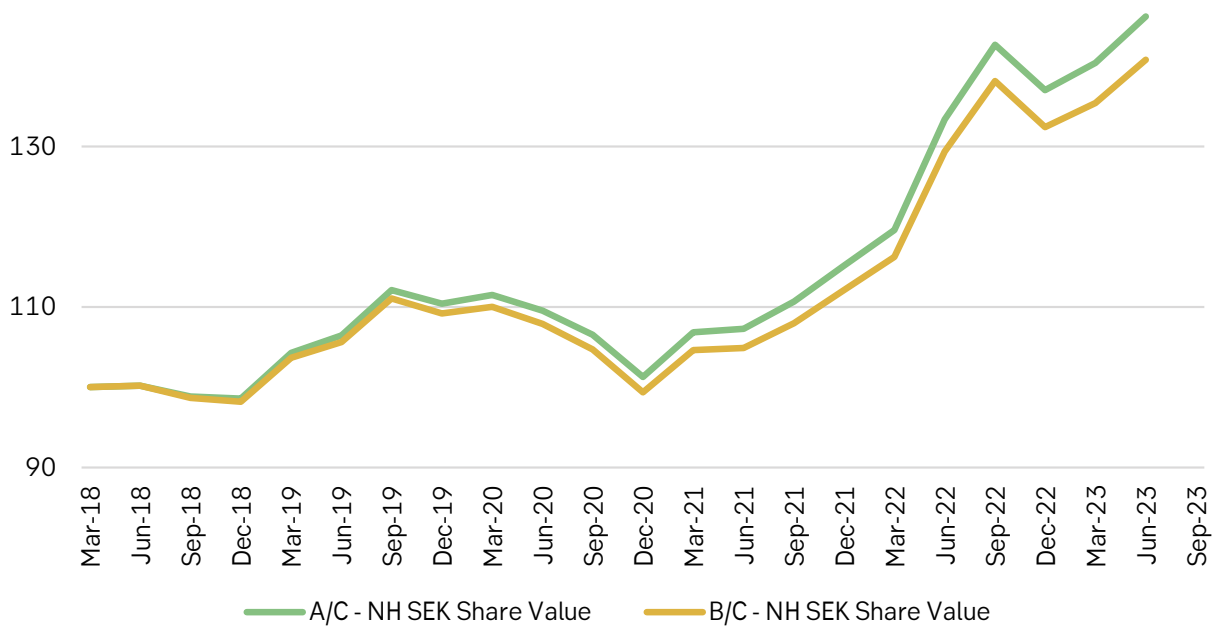
Minibus taxis are a crucial component of transportation in South Africa, with 69% of households relying on them. Each taxi creates two industry-related jobs, and there are 250,000 taxis operating on the roads. SA Taxi provides financing for over 36,000 of these taxis, as well as various insurance packages to protect taxi owners in case of accidents or vehicle loss. This insurance is particularly important, as issues with vehicles can cause significant financial challenges for taxi owners and impact their livelihoods.

Since its establishment, SA Taxi has helped more than 76,000 businesses since its establishment. SA Taxi takes various measures to minimize its environmental impact. These include promoting efficient energy use at its facilities, supporting reforestation and community greening initiatives, and replacing older vehicles with safer and more efficient ones to reduce emissions and fuel consumption.

Financial Performance

The cumulative net returns of the SEB Microfinance Fund VI to investors over the period from June 2018 to June 2023 have amounted to 43.3% in SEK for the A share class and 38% in SEK for the B share class, implying annual returns of 7.7% and 6.9%, respectively.

Figure 4: NAV SEB Microfinance Fund VI - SEK



Investing in quality microfinance institutions

As investing in quality microfinance institutions is essential to generate performance in a debt fund, 84% of the total investment volume was invested in investment grade microfinance institutions.²

Cumulative write-offs over the life of the fund amounted to only 0.44%³ of cumulative origination. This amounts to an annual write-off ratio of 0.18% over the life of the fund.

² As per Symbiotics proprietary credit risk ratings. Refers to the credit quality of the microfinance institutions.

³ The performance of the fund is calculated until June 2023, date of the last repayment to investors as of August 2023. Note that there are some workout positions remaining. When resolved, annual write-offs might be a bit higher, which might have a small impact on the final returns.

Performance Comparison with Other Asset Classes

To provide context, we compare the risk-return profile of the SEB Microfinance VI Fund over the five-year period relative to more mainstream asset classes.

Returns, Volatility and Sharpe Ratio Compared to Other Asset Classes (SEK)

Index name	SEB Microfinance Fund VI (A/C Share Class)	Markit iBoxx Liquid Emerging Market Sovereigns Index	MSCI Frontier Emerging Markets Net Total Return Index	MSCI Emerging Markets Currency Index	Stockholm Interbank Offered Rates 3 Month
Asset class	Fixed income	Equity	Equity	Currency	Money market
Index currency	SEK	SEK	USD converted to SEK	USD converted to SEK	SEK
Annualised return	7.7%	4.7%	2.5%	4.5%	0.5%
Annualised volatility	8.2%	8.5%	16.9%	6.1%	0.6%
Risk-free rate	0.5%	0.5%	0.5%	0.5%	0.5%
Sharpe ratio	0.9	0.5	0.1	0.7	0.0

Institutional story

Crecer, Bolivia



Crecer is a Bolivian institution established in 1999 with a mission to enhance the livelihoods of Bolivian women. In 2008, it expanded its services to include individual loans for agricultural, consumption, and housing purposes, also offering these services to men. However, 80% of Crecer's clients continue to be women.

Beyond its financial services, this institution provides business development services, health education, and has formed partnerships with health centers and governmental bodies to offer preventive cervical cancer screenings to female customers. Additionally, it has a dedicated department for designing and managing social programs and regularly conducts impact studies. The training of loan officers is an ongoing process, with social objectives forming the core of the investment strategy.

Crecer has initiated a project named "Mujeres Conectadas" (Connected Women) with two primary objectives. Firstly, it aims to transition from traditional training approaches to reach a broader audience through technology. Secondly, Crecer collaborates with the private sector to provide training that enables women to enhance their businesses using available technology. The training covers a range of themes, from the development of basic technical skills and financial literacy to social media management and data protection.

Social Outreach

The social outreach of the SEB Microfinance Fund VI can be measured at the level of the markets in which the fund is invested, and the end-clients reached through the fund.

Market outreach – reaching underserved economies

The SEB Microfinance Fund VI has channelled capital towards countries where income levels and financial inclusion are low. On average, the fund invested in countries where 60%⁴ of the adult population had an account at a financial institution, which is significantly lower than both the world average (70%) and in line with the average for low- and middle-income countries (63%).⁵

Furthermore, the GNI per capita in those countries (USD 5,124) is lower than the world average (USD 11,616) and in line with the average for all low- and middle-income countries worldwide (USD 5,068).⁶

The fund has invested in institutions like Fondation Arrawaj to support micro-entrepreneurs and small businesses in Morocco (GNI per capita: USD 3,710), promoting financial inclusion and social integration. Fondation Arrawaj is the third-largest microfinance institution in Morocco, operating in 14 regions and providing essential financial services to those excluded from mainstream financing.

Figure 5: Banking penetration levels, 5-year average

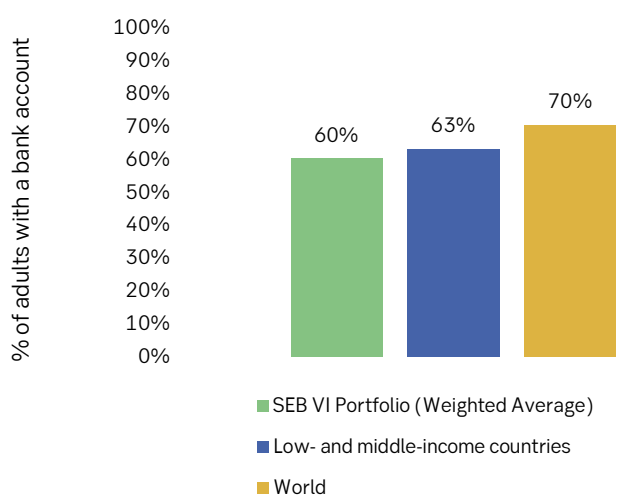
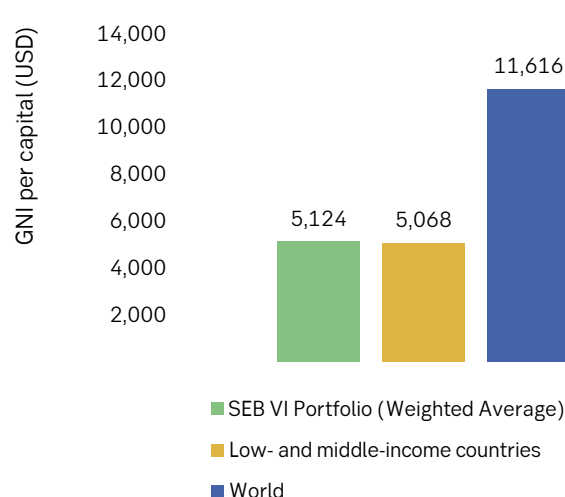


Figure 6: GNI per capita (USD), 5-year average



⁴ This value does not include data from indirect investments such as Greenlight Planet, domiciled in the United States.

⁵ Countries' income levels are defined by the World Bank according to gross national income (GNI) per capita as follows: Low-income: USD 1,085 or less. Lower-middle-income: USD 1,086 to USD 4,255. Upper-middle-income: USD 4,256 to USD 13,205. High-income: USD 13,205 or more

⁶ World Bank (2021). World Development Indicators

Institution profile

Fondation Arrawaj, Morocco



Fondation Arrawaj for Inclusive Finance is a non-profit microcredit association that received its microfinance license in 2000. The MFI's primary goal is to support micro-entrepreneurs and small businesses, who are typically excluded from traditional financing channels, by offering financial services. It is the third-largest microfinance institution in Morocco and operates in 14 out of the 17 regions in the country.

Fondation Arrawaj offers two types of products to its clients. The first product is a standardized loan to micro-entrepreneurs and the second one is a housing loan for the bottom of the pyramid population. The latter loan can be used both for buying a house or improving an existing one. The institution allows financial transactions to be conducted via smartphone, which is particularly beneficial for individuals residing in remote areas. Additionally, Fondation Arrawaj provides training to its customers.

Institution profile

Insotec, Ecuador



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

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

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

Social Performance

The SEB Microfinance Fund VI channelled capital to markets and micro-entrepreneurs and low and middle- income households where income levels and financial inclusion is low. It has provided funding to responsible microfinance institutions that aim to contribute to the financial security, employment opportunities and living standards of millions of entrepreneurs excluded from the mainstream financial system.

Social Practices

Each investee was assessed pre-investment against seven dimensions and 100 indicators of social responsibility, in order to gauge the likelihood of the microfinance institution to contribute positively to sustainable development and social impact. These seven dimensions are:

1 | **Social governance:**

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

2 | **Labour climate:**

assessing policies regarding social responsibility to staff, looking at human resources policy, systems to monitor employee satisfaction and staff turnover rate, as a measure of staff satisfaction.

3 | **Financial inclusion:**

measuring whether the financial institution has an efficient and proactive strategy and good results in terms of financial inclusion, as well as its ability to serve low-income and excluded clients, especially those located in areas where no other financial services are provided.

4 | **Client protection:**

looking at whether clients are treated in a fair and transparent way if the negative impacts that affect them (notably over-indebtedness) are avoided as much as possible. These indicators are linked to the Smart Campaign for Client Protection in Microfinance

5 | **Product quality:**

looking at a financial institution's marketing strategy and activities, as well as the diversity and quality of its financial and non-financial products and services.

6 | **Community engagement:**

assessing the steps that the financial institution takes in implementing policies and actions aimed at supporting community development at large, and the social impacts of such steps on the community.

7 | **Environmental policy:**

whether the financial institution has any policies and initiatives in place to mitigate environmental impacts, not only of its internal activities but also, and above all, of its financed enterprises.

In Ecuador, the institution Insofec has implemented specific policies to prevent client over-indebtedness, underscoring the company's commitment to client protection.

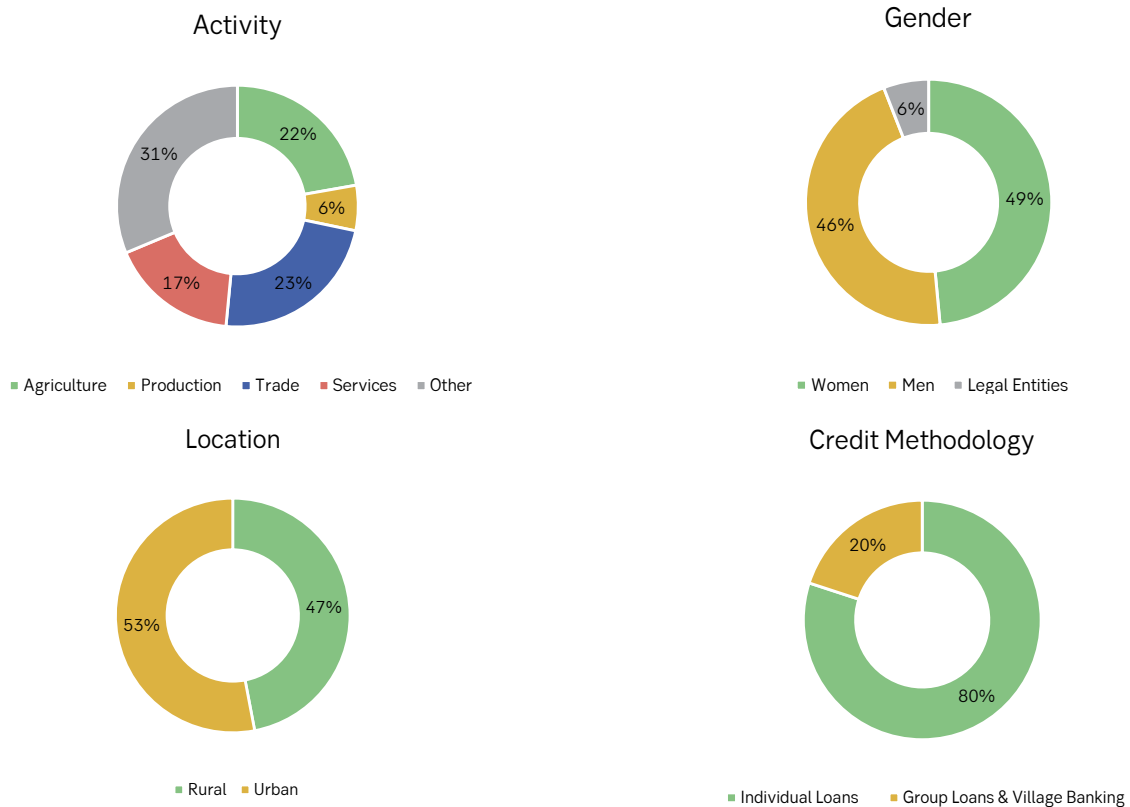
End-client outreach

Serving a diverse set of end-clients

The fund originated USD 186.3 million in financing to microfinance institutions, reaching 11.6 million micro-entrepreneurs and low and middle income households with different characteristics as shown in Figure 7. SEB VI served end-clients through individual loans (79%) and financed mostly women borrowers (50% vs 43% men), and urban businesses (49% vs 51% rural).

In terms of sectors of activity of the MSMEs financed, borrowers were actively involved in small trading activities (23%) and other types of activities (31%) that include transportation, construction, housing, renewable energy, and consumption.

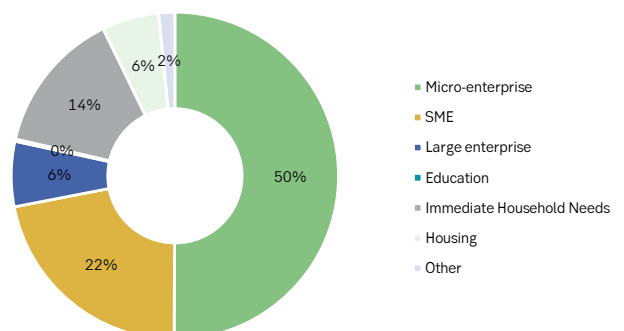
Figure 7: Fund end-clients' characteristics (5-year average, % of number of active borrowers)



MFIs meet several types of funding needs

While the fund has primarily channelled capital to micro-entrepreneurs and SME businesses, the investee microfinance institutions also offer household-related loan products to enable end-clients to raise their living standards. On average, 20% of the gross loan portfolio of the fund's investee microfinance institutions is allocated to household-related products such as education, immediate household needs and housing (Figure 8). Microenterprise and SME loan products account for 72% of investee microfinance institutions' loan books.

Figure 8: Proportion of credit products (5-year average, % investees gross loan portfolio)



Addressing the gender financing gap

Additionally, it's important to note that poverty disproportionately affects women, who also have a significantly lower global labor force participation rate. These disparities result partly from social, economic, legal, and regulatory barriers constantly limiting women's opportunities. Research shows that while some women entrepreneurs are driven to start their business to provide for their families, a significant number do so to attain economic empowerment and independence. Therefore, they often seek external funding to maintain their autonomy.⁷ Facilitating access to financial products and services can potentially allow women to have greater control over their

financial resources, enhance their bargaining power within their household and ultimately increase women's autonomy.⁸ As a result, this can increase household spending in areas such as health, food and education.⁹ Likewise, targeted financial literacy training is fundamental for women to acquire the necessary skills and tools to take full advantage of financial products.¹⁰

The fund assists women-owned businesses by providing financial products and services, like Mrs. Lia. She received her first loan of USD 134 from Komida in 2015, when no other institutions agreed to lend her money.

Microfinance client story

Mrs. Lia, Komida, Indonesia



Mrs. Lia, is a 34-year-old woman, living in Jatinunggal, a village in West Java, Indonesia, with her husband and two children. In 2015, she applied for a USD 134 loan from Komida to support her work on her family's rice farm. Back then, she lacked property or land that could serve as collateral for traditional banks so the loan from Komida was very appreciated.

Facing recurrent crop failures due to pest attacks, Lia's income from the rice farm became unpredictable. Consequently, in 2022, she sought a USD 673 loan from Komida to establish a small shop, selling vegetables and snacks, to provide a steady daily income. She used the money from the loan to transform a section of her home into a shop. She procures all inventory from the nearby traditional market early each morning and then opens her shop at 6 AM. Lia averages a daily income of USD 33, with a daily profit of up to USD 6. After repaying her current loan, she plans to apply for another loan to renovate and expand her shop, adding products like water gallons and cooking gas. Accessing financing from Komida has enabled her and her husband to save and purchase a home and establish a successful small business.

⁷ CGAP (2022). No small business: A segmented approach to better Finance for Micro and Small Enterprises.

⁸ CGAP (2022). The Essential Role of Finance in Education, Housing and Health Care (cgap.org).

⁹ Mabali, A., Kinda, S. R., & Mallye, D. (2022). Women's Empowerment and Social Household Spending in Fragile States: Evidence from Chad. African Economic Research Consortium.

¹⁰ CGAP (2021). Addressing gender norms to increase financial inclusion: designing for impact.

Addressing the rural financing gap

The rural-urban gap in financial inclusion is also well-documented in emerging markets, with urban residents being more likely to have an account at a financial institution.¹¹ Even though the size of the gap globally is difficult to estimate, SEB VI co-participated in providing equal access to financial services for rural and urban clients, with close to half of end clients being based in rural areas.

To expand its reach to rural end-clients, the fund invests in institutions that have the necessary infrastructure to cater to these communities. Genesis, is an institution in Guatemala, specializes in providing services to underserved rural areas to improve their quality of life.

Institution profile

Genesis, Guatemala

Fundación Génesis Empresarial (Genesis) is a non-profit foundation that has been operational for 33 years. Its main goal is to provide financial services to underserved communities, especially rural areas.

In addition to providing financial services, Genesis also offers entrepreneurs specific training and technical assistance to increase their business productivity. As a result, their quality of life improves, and the needs of their families and communities are met. Although individual loans are still one of Genesis's main products, the foundation is currently redefining its group loan approach to make financing more widely available.



Genesis is committed to making digital financial services accessible to everyone. To achieve this, they have created a digital ecosystem that allows customers to easily conduct digital financial transactions. Their mobile applications, including Genesis App, Genesis Cash, and Supply Genesis, played a vital role during the COVID-19 pandemic and have become popular among customers. Additionally, Genesis has introduced educational programs that can be accessed via smartphones, providing content in both Spanish and Mayan.

Genesis has a presence in 22 states and operates through a network of 108 branches and 4,000 branchless agents. They serve over 140,000 customers, which amounts to roughly 2.5% of the Guatemalan population. The foundation is supported by 1,800 employees who receive good compensation, promotions, and training. Despite being unregulated, Genesis is recognized globally for its operational excellence, social impact, and dedication to customer protection.

¹¹ CGAP (2021). Addressing gender norms to increase financial inclusion: designing for impact.

Social Impact

Quantifying social impact is challenging given that many exogenous factors affect end-beneficiaries' daily lives and socio-economic progress. However, there is a wealth of empirical evidence that suggests there is a positive, causal relationship between financial sector development and economic growth.¹² In addition, recent research using household data indicates that low-income households benefit from access to financial services and use these services frequently to manage their income and spending needs¹³

Microfinance client story

Pooja Singh, Namra Finance, India



Pooja Singh is a 36-year-old entrepreneur from Lucknow, Uttar Pradesh. She lives with her husband, three sons, and parents-in-law. Pooja operates a beauty parlour offering hair spas, facials, and beauty treatments.

Her husband works at a private company, and their oldest son works in a fibre company. The two younger sons are still attending school. Pooja participated in a beauty course before her marriage, hoping to open her own business eventually. In order to do so she needed financing, which was provided by Namra Finance Limited, who lends to female entrepreneurs. She successfully launched her business with an initial loan of INR 60,000 (equivalent to USD 725).

Her workday typically begins around noon and ends around 8 PM, often extending later during peak seasons. Pooja receives assistance from an intern at her business, who undertakes daily tasks and gains practical experience in exchange for a small stipend.

She has started being solicited for external events such as outdoor film shootings and beauty services for weddings. Pooja plans to open a beauty salon in the city center. Although she is still a bit reluctant to use digital payment platforms, she is slowly adapting to the new technologies with her son's and her intern's assistance.

¹² Ogden, Timothy. (2019). What is the impact of investing in financial systems? Practical thinking on investing for development. London: CDC Group. Retrieved from: <https://www.cdcgroup.com/en/news-insight/insight/articles/the-impact-of-investing-in-financial-systems-reviewing-the-evidence/>

¹³ Ibid.

Living Standards

Financial access to greater economic resources allows households to seize previously unavailable economic opportunities.¹⁴ It allows MSMEs and self-employed individuals to increase their working capital to grow and manage their businesses more efficiently and make long-term investments.¹⁵ Adequate financial products and services have the potential to enhance households' resilience to economic shocks and reduce financial stress, freeing up resources to be directed towards more beneficial activities for the family such as children's education.¹⁶

In the Philippines, OnePuhunan provides microentrepreneurs with loans to establish or strengthen their businesses. As the main provider for her family, Delia Daganio has greatly benefited from the sustained financial support from this institution.

Microfinance client story

Daganio, OnePuhunan, the Philippines



Delia Daganio owns Daganio Store, a corner store in Batangas Province, Philippines. She is a mother of 9 children; her oldest is 37 and her youngest is 12.

Before her husband suffered from a mild stroke in 2022, they used to make and sell Batangas-style suman, a type of sticky rice, in a nearby market. Because of Delia's husband's fragile condition, he could not work as much which affected their income.

In November 2022, they applied for PHP 45,000 (USD 795) from OnePuhunan to build a small convenience store in front of their house in a busy area. They knew that this location could attract customers as many people visits the basketball court next door. Most of their customers are nearby residents watching and playing basketball or people who need to buy things on their way to school or work. Delia sells all sorts of things like rice, toiletries, over-the-counter medicine, snacks, and beverages. Her youngest son and husband, who has now recovered from the stroke, frequently help with the manning of the store, which runs 24/7. According to Delia, customers come late at night, so they take shifts in the store maintenance. Now, they earn around PHP 20,000 (USD 353) a month thanks to the store.

Delia and her family hope they can one day turn their business into a small grocery store.

¹⁴ Demir, A., Pesqué-Cela, V., Altunbas, Y., & Murinde, V. (2022). Fintech, financial inclusion and income inequality: a quantile regression approach. *The European Journal of Finance*, 28(1), 86-107.

¹⁵ Dunn, E., & Arbuckle Jr, J. G. (2001). *The impacts of microcredit: A case study from Peru*. USAID Office of Microenterprise Development. Washington DC: USAID AIMS Project.

¹⁶ Chiapa, C., Prina, S., & Parker, A. (2016). The effects of financial inclusion on children's schooling, and parental aspirations and expectations. *Journal of International Development*, 28(5), 683-696.

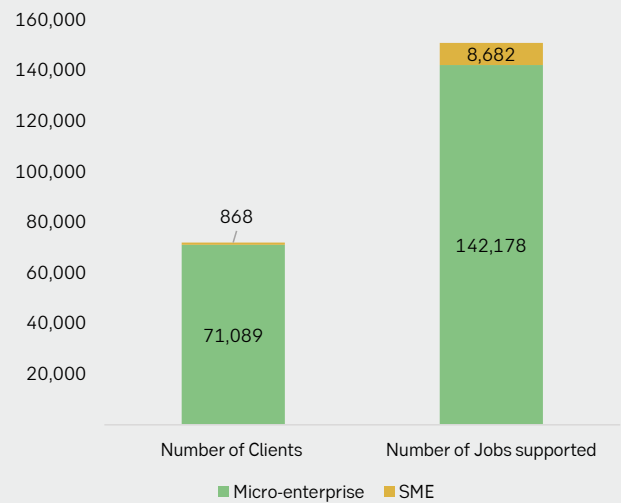
Employment and entrepreneurship

Lack of access to finance is one of the main impediments for MSMEs' economic growth. Providing adequate financial products and services can boost their capability to foster job creation and entrepreneurship considering MSMEs are a major contributor to employment in developing and emerging markets.¹⁷ They fulfil this role by hiring mostly local and low-skilled labor, ultimately supporting low-income households achieve sustainable means of living.¹⁸

While it is difficult to measure the exact number of jobs sustained by the fund, by assuming that a micro-enterprise employs on average two people and an SME employs on average 10 people, we estimate that the fund has sustained 150,860 MSME jobs per year over the past five years (Figure 9).

Levan's story from Georgia exemplifies how the fund drives job creation in the countries it invests in. Levan and his uncle established 'Geo Organics,' a business that produces organic dried fruits from locally sourced fruits that would otherwise go to waste. Thanks to assistance from TBC Leasing, they acquired machinery that boosted their annual productivity, resulting in more job opportunities and efficient use of resources that greatly benefited the local economy.

Figure 9: Number of jobs sustained over the five-year period



Microfinance client story

Levan, TBC Leasing, Georgia



Levan Gakheladze and his uncle founded a dried fruit business in 2018 and opened a factory in Georgia's Kakheti region.

While this region is renowned for its winemaking and viticulture, it also yields other fruits that often go to waste. Levan and his uncle saw the value in these often-forgotten fruits and started an organic dried fruit business called 'Geo Organics'. Their products are made from locally sourced, natural ingredients, which is where they got the inspiration for their company name.

With the assistance of the TBC Leasing company, they acquired three dryers, each capable of processing one ton of fruits. This investment has significantly boosted their annual productivity, now at 180 tons. Moreover, the company contributes to the local economy by creating regional employment opportunities and utilizing locally available resources effectively. Currently, Geo Organics employs a workforce of 50 individuals, with 30% of them being women. Levan, aged 32 and married with two daughters, holds a Bachelor of Business Administration and spent 13 years in sales, of which eight in managerial roles.

While his dried fruit products are sold in five retail chains in Georgia, 90% of his production is earmarked for international export, reaching countries like Canada, Czechia, Poland, Lithuania, and Germany. Moreover, Levan is negotiating to expand into new markets, with an eye on countries such as France, Australia, and Saudi Arabia. Levan also plans to diversify his offerings to include juices and jams and to expand the business to the second floor of their current building.

¹⁷ International Labour Organization (2019). Small matters: Global evidence on the contribution to employment by the self-employed, micro-enterprises and SMEs.

¹⁸ CGAP (2022). No small business: A segmented approach to better Finance for Micro and Small Enterprises.

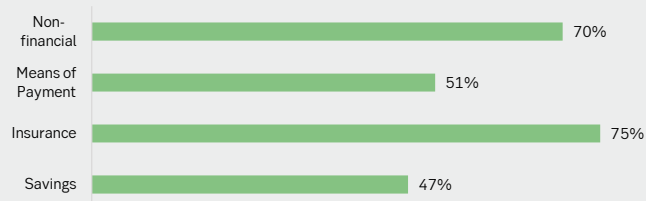
Financial security

Financial and non-financial services offered by investees play a very important role in how end-clients seize opportunities brought forward by loans. For example, while most people in emerging markets tend to rely on informal means for saving which are normally accompanied by higher physical risks, savings services offered by financial institutions create an option for end-borrowers to keep their money secured. This can decrease their vulnerability to external shocks and allow them to invest in long-term opportunities.¹⁹ Similarly, insurance for small-holder farmers has proven to enhance farmers' risk tolerance and incentivize them to increase agricultural input investment, area cultivated and hire labor, ultimately improving farmers' resilience.²⁰ On average, more than half of SEB VI investees were providing savings, insurance, payment and non-financial products (Figure 10). 89% of investees were providing at least one of the aforementioned non-credit products to their clients.

¹⁹ International Labour Organization (2019). Small matters: Global evidence on the contribution to employment by the self-employed, micro-enterprises and SMEs

²⁰ CGAP (2022). No small business: A segmented approach to better Finance for Micro and Small Enterprises.

Figure 10: Financial security - non-credit product offering (5-year average)



Microfinance client story

Rustam Talipov, HamkorBank, Uzbekistan



Rustam Talipov, a 54-year-old man from Tashkent, has since a young age dreamt of starting his own business. In 2008, he realized this dream by founding the company "Akumshin."

Initially, he began with the sale of automobile spare parts and kick-started his business with a USD 7,000 loan from HamkorBank in the first year. As his business expanded, so did the range of services he offered. His company gradually evolved into one of the country's major dealers in importing cars and spare parts from European and Asian countries. In addition to providing car-related items to the local market, it also ventured into offering automobile repair and car-wash services to their customers. Through these endeavors, he successfully grew his company, achieving an annual turnover of USD 1 million.

The policy of currency exchange restrictions was particularly challenging in the early years, especially when it came to making payments to foreign partners. Another significant hurdle that Rustam faced as a business owner was the company's crisis during the COVID-19 period. At one point, the company was on the brink of bankruptcy, necessitating a halt of all operations, including the import of products and car wash services. Fortunately, additional financial and development loans from HamkorBank played a vital role in helping Rustam revive his business.

As the impacts of COVID-19 waned, a new challenge emerged with the onset of the conflict between Russia and Ukraine. This conflict began to affect the business, posing difficulties in logistics for imported items. Despite these formidable challenges, Rustam maintains a clear vision for his company, which currently employs 30 individuals. He has already initiated the process of importing car-wash equipment from Spain and plans to expand the number of retail stores from 4 to 12. With confidence and determination, he emphasizes the importance of entrepreneurs finding their unique path.

This is SEB

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