



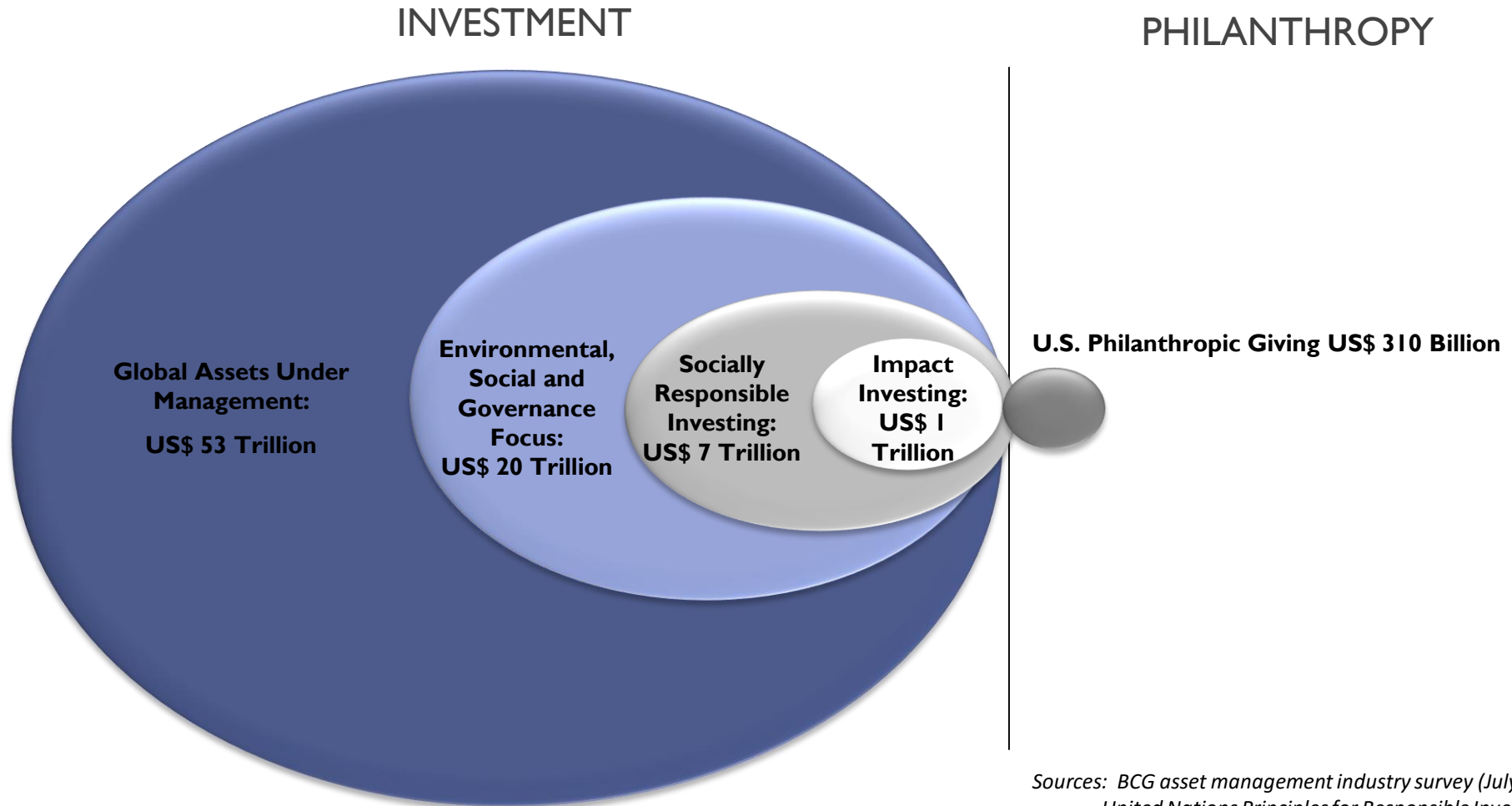
LGT Venture Philanthropy

The Role of Micro and Social Enterprises in
Promoting Inclusive Growth

PECC, Manila, 11 September 2015



Where is the capital?



Sources: BCG asset management industry survey (July 2010)
United Nations Principles for Responsible Investment
J.P. Morgan: Impact Investments: An Emerging Asset Class (November 2010)
Monitor Institute: Investing for Social and Environmental Impact (2009)
Financial Times "Global managed assets rebound" (2011)

What is Impact Investing?

Investments intended to create positive social impact beyond financial return

Provide capital

- Transactions currently tend to be private debt or equity investments
- We expect more publicly traded investment opportunities will emerge as the market matures

... to generate positive social and/or environmental impact which are measurable

- Positive social and/or environmental impact should be part of the stated business strategy and should be measurable as part of the success of the investment

Expect financial returns

- The investment should be expected to return at least nominal principal
 - Grants and donations typically excluded
 - Market concessionary to market rate returns

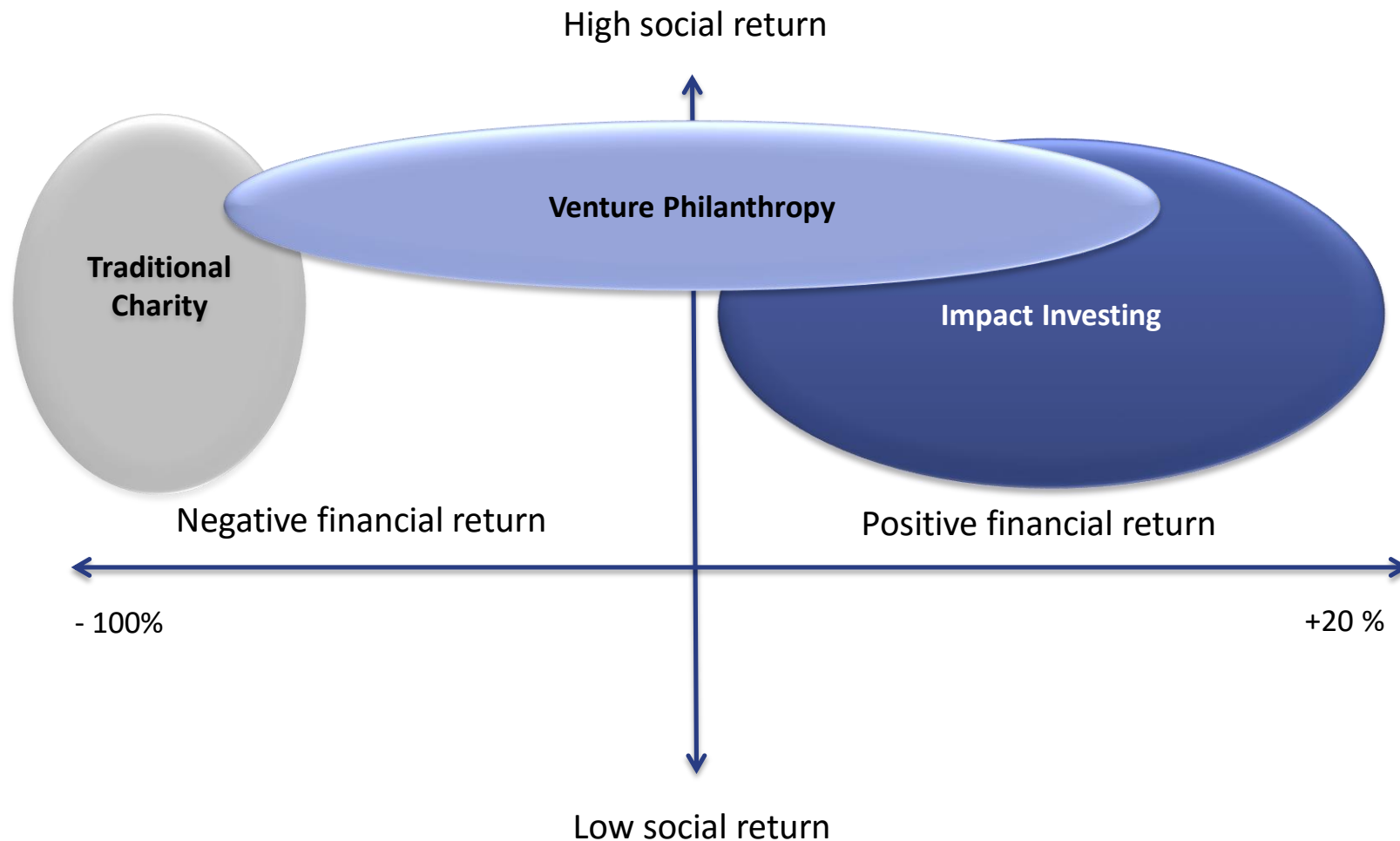
Intentionality...

- The investment should be designed with intent to make a positive impact
- This differentiates impact investments from investments that have unintentional positive social consequences

What is Venture Philanthropy?



Differentiating between Traditional Charity, Venture Philanthropy and Impact Investing?



Rags2Riches (R2R)

Manila, Philippines




PROBLEM

- The Philippines generate approximately 18'000 tons of waste daily
- 33% of all Filipino households live below the national poverty line
- Members of poor and indigenous communities, especially women, have difficulty earning sustainable livelihoods from their community-made products due to lack of market access, consumer demand, product development, and personal/skills training

SOLUTION

- R2R provides marginalized women with product development, sales, marketing, and logistics support to produce and sell stylish and eco-friendly products made from scrap cloth
- R2R trains and organizes poor communities, providing members with modules on self-esteem/confidence, values formation, savings and financial management
- R2R partners with various companies to up-cycle scrap materials and reduce waste accumulation

ENGAGEMENT OF LGT VENTURE PHILANTHROPY

- Equity investment of USD 78'000 and a loan of USD 47'000 to finance the expansion of R2R
- LGT VP client debt of USD 200'000 to support the establishment of an in-house workshop, working capital and the hiring of new team members
- R2R has access to LGT VP's ICats Program, the LGT Employee Donation Program, LGT VP's network as well as ongoing mentoring support






IMPACT

R2R provides women with sustainable sources of income, giving them a degree of financial independence and enabling them to participate in providing for their families.

Reach

	2012	2013	2014	2015e
# of artisans trained	175	54	80	0
# of active artisans	129	155	164	150
% with savings account	50	90	183	183

Depth

	Increased income
	Greater access/ability to pay for healthcare; up-cycling reduces waste
	Greater confidence/respect, leadership skills among producers
	Greater economic security
	Better access to markets, training, quality control



Social Well-Being



Security



Physical Well-Being



Material Well-Being



Freedom of Choice through Education

Kennemer Foods International, Inc. (KFI)

Davao City, Philippines



PROBLEM

- In the Philippines, ~12 million people work in the agricultural sector, where the poverty incidence rate is estimated to be 36.7%.
- The average wage earned by an agricultural worker is approximately USD 3.50/day, or USD 840 p.a.
- Most farmers are unable to access high-quality farm inputs and/or training on best practices to improve productivity, thus leading to low annual yields, and a perpetual cycle of indebtedness and poverty.

SOLUTION

- KFI delivers an end-to-end solution for improving cacao farmers' livelihoods: providing them with high-quality planting material, farm inputs, financing for such up-front investments, and ultimately, access to selling into the global commodities markets.
- KFI's team of field technicians provide continuous training and on-the-ground technical support through the lifecycle of the cacao tree. Finally, KFI purchases cacao from farmers at min. 70% of the world price.

Engagement of LGT Venture Philanthropy

- USD 500'000 in equity and USD 250'000 in debt from LGT VP, as well as USD 1m in debt funding from LGT VP's clients, to finance the development of additional post-harvest centers, nurseries, and a managed farm in cooperation with indigenous tribespeople in Davao.
- KFI has access to LGT Venture Philanthropy's ICats Program, network, and ongoing mentoring support

IMPACT






- KFI aims to increase the yields and incomes of its smallholder farmers by as much as 4x, from 0.5MT/ha. to 2MT/ha.
- KFI targets to integrate 35'000 farmers into its value chain by 2020.

Reach

	2012a	2013a	2014a	2015e	2016e	2017e
# of farmers	167	750	4'658	11'013	16'346	19'679
Potential earnings* (in USD '000s)	655	14'500	22'262	43'171	64'076	77'142

* # of farmers x USD 3'920 (Cacao farmers' target revenue by Year 5)

Depth

	Farmers' incomes increase by 4x
	Higher incomes / savings lower the risk of income shocks; cacao trees are more resilient against typhoons
	Farmers are more empowered
	Better farming practices reduce the need for pesticides, etc.
	Farmers become less economically-marginalized



Social Well-Being



Security



Physical Well-Being



Material Well-Being



Freedom of Choice through Education

Sustainable Growth for Rural Venture, Inc. (SUGRUVI)

Bukidnon, Philippines



PROBLEM

- Standalone subsistence farmers in rural areas have limited access to professional post-harvest processing equipment and cannot afford the financial outlay required for growing the majority of cash crops
- Lower quality output and small farm sizes prevent farmers from accessing reliable institutional buyers
- Lack of education on effective farming techniques and agri-business skills perpetuates their livelihood struggle

SOLUTION

- SUGRUVI organizes farmers into a cooperative and through demonstration farms promotes planting of high yielding, perennial cassava that serves both as staple food and cash crop
- Village clusters are equipped with post-harvest processing equipment that produces high value cassava output
- Farmers' capacity is strengthened through regular training programs and self-management of community funds

ENGAGEMENT OF LGT VENTURE PHILANTHROPY

- USD 30'000 loan in June 2012 to finance a truck, three cassava post-harvest processing modules and establish 20 model farms
- SUGRUVI has access to LGT Venture Philanthropy's network and ICats Accelerator Consultant






IMPACT

- Collective selling of higher value cassava products provides farmer families with 20% higher income
- Access to affordable, professional post-harvest equipment results in 150x faster processing than with manual labor
- Training on sustainable farming techniques strengthens farmer education

Reach

	2011	2012	2013	2014	2015e
# farmers	328	483	872	1'423	2'263
# model farms	0	22	60	342	620
# hectares planted	200	258	463	678	828

Depth

	Increase in farmer family income due to improved market access
	Manual post-harvest processing is very labor intensive
	Access to education on agri-business skills + integrated farming techniques
	Collective selling power provides income stability to farmers
	N/A



Social Well-Being



Security



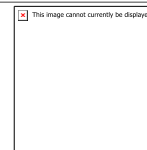
Physical Well-Being



Material Well-Being

One Renewable Energy Enterprise, Inc. ('OREE')

Philippines



PROBLEM

- Approx. 3.1 million Filipino households (16% of the population) do not have access to electricity. Given the Philippines' archipelagic nature, connecting all citizens to the grid would be costly and difficult to maintain. Hence, electricity prices are among the highest in Asia, and access is particularly limited in rural / remote areas.
- Kerosene lamps are currently used as a substitute, but have negative effects on the environment and people's safety / health.

SOLUTION

- OREE distributes, installs and maintains solar PV products across the Philippines. OREE's 3 business lines are: (1) Wholesale trading of solar lamps and solar home systems, (2) Turn-key projects for solar lighting systems, water pumps, etc., and (3) Service projects, i.e. design, installation and aftersales support.
- OREE delivers triple bottom line impact by providing renewable and affordable energy to rural low-income households, and reducing environmental damage through larger renewable energy projects.

ENGAGEMENT OF LGT VENTURE PHILANTHROPY

- USD 50'000 convertible debt to fund operational expenses, marketing and inventory, enabling OREE to take advantage of upcoming business opportunities.
- OREE has access to LGT Venture Philanthropy's ICats Program, LGT Venture Philanthropy's network as well as ongoing mentoring support.






IMPACT

- OREE makes solar energy available to low-income households, increasing productive work days and improving income opportunities for them.
- OREE enables households to increase savings of at least USD 94 p.a. from reduced spending on kerosene, etc.; reduces risk from smoke inhalation and house fires and increases time to study and operate businesses.

Reach

	2011	2012	2013	2014	2015e
# of units sold	493	8'106	5'678	4'123	4'355
# of beneficiaries	2'465	42'995	28'390	20'615	21'755
Savings p.a. (USD '000s)	46	808	1'296	921	797

Depth

	Increases productivity hours leading to a potential increase in household income
	Replaces the use of kerosene, which results in improved public health
	Improves health and longer studying hours help attain higher education
	Improves physical security of people, property and well-being
	Provides independence from high electricity rate, increases access to information and opportunities



LGT Venture Philanthropy – Your partner for scaling positive impact

Our mission

Increase the sustainable quality of life of less advantaged people, contribute to healthy ecosystems and build resilient, inclusive and prosperous communities.

Our approach

- We analyze and support young, strongly growing organizations with high societal impact based on best-in-class venture capital principles.
- We focus our investments on scalable models and contribute our know-how to make them financially self-sustaining.
- We offer customized co-investment solutions for a broad range of clients.

Our track record

- 50 portfolio organizations
- 5.2 million less advantaged people reached
- Impact Ventures UK fund launched (USD 55m)
- Over 100 ICats Fellows matched with our portfolio organizations to bridge their business know-how needs
- Mission-related investment suite of LGT supported

Our team

28 venture philanthropy and impact investing experts in Latin America, Europe, Africa, India, Southeast Asia and China work together with an engaged board.

Our investment themes

- Education
- Agriculture, nutrition & forestry
- Health & sanitation
- Renewable natural resources
- ICT

How can we be a partner?

- Customize implementation of your impact investment
- Advise in developing your personal impact investing profile



“All human beings should be able to live under dignified conditions and be given a fair chance for personal development in their lives.

Wealthy individuals have an economic, political and moral responsibility to champion the cause of disadvantaged persons. In developing countries in particular, the scale of poverty is alarming and the need for help is great. There are limits to the contributions that governments and development agencies can make.

This means that helping the disadvantaged in developing countries and assisting social advancement is also a challenge for the private sector. In this respect, it is vital that the invested financial resources generate a high and sustainable social return and do not create any false or unnecessary dependencies nor distort local markets.”



H.S.H. Prince Max von und zu Liechtenstein

CEO LGT, Member of LGT Venture Philanthropy Foundation Board

Contact information

It all starts with a personal conversation. Contact us to arrange a meeting. We are looking forward to meeting you.



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Support

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Disclaimer

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Venture philanthropy is an approach to philanthropic giving that uses concepts and techniques from the venture capital industry to build strong social organizations by providing them with both financial (grants and high-risk impact investments) and non-financial support in order to increase their societal impact. Impact investments, as an approach, are high-risk investments made into companies and organizations with the intention to generate social and environmental impact ("Impact Investing"). **Impact Investing has the character of a high risk investment and therefore entails the risk of a total loss of an investment. It often also means to engage in emerging markets, i.e. in jurisdictions which may not be politically, financially or organizationally stable. Therefore the influence on an investment can be substantially restricted and not guaranteed.**