

# Asia Impact Investment Fund I L.P. Development Impact Report 2023

**November 2023**

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# Forewords



2023 has been a consequential year both for the management of the Asia Impact Investment Funds I and II and the fund portfolios themselves. Having pioneered the creation of a bespoke impact investment product for ultra-high and high net-worth clients nearly ten years earlier, Credit Suisse's private banking arm spun out the impact advisory team into an independent entity, Double Delta. The Double Delta team has harnessed the institutional underpinnings and strong internal controls developed within Credit Suisse to create a family of funds uniquely providing risk capital to lower-middle market companies in South-East Asia and China. As a stand-alone entity, Double Delta is now an important actor in the region's impact landscape, much of which remains focused either on very small transactions and incubation/acceleration-stage interventions, or much larger deals.

Though the slowdown in the Chinese economy and reverberations across Asia and the world have made for a challenging investment climate in 2023, the Double Delta team has steadfastly concentrated on adding value to portfolio companies in numerous ways, from building partnerships and procuring relevant sectoral expertise to assist in sourcing complementary debt and other financing. Given that most investees are primarily orientated towards domestic demand and un-/underserved, or inefficient internal markets, Double Delta has been mobilising the team's relationships and decades of impact investment, development finance and SME development expertise to help them navigate the challenges and opportunities they face. It is my strong conviction that our determination to build up business models that facilitate inclusion and full economic participation for all continues to resonate with investors and portfolio companies alike.

With our UOBVM partners, we are working to maximise the value from the AIIF I as the pace of divestment accelerates, yet remaining mindful that we position investees to build on the impact-orientated theses we participated in crafting. AIIF II, meanwhile, continues to take risk-mitigated stakes in companies that are forging opportunities for the many and helping the less fortunate overcome perennial obstacles to inclusion. As we continue to grow our suite of funds in future, we honour the foresight and risks taken by the Credit Suisse (now UBS) private bank in launching the AIIF initiative, and redouble our commitment to the best possible stewardship of these critical vehicles.

Joost Bilkes  
Managing Partner



I am delighted to introduce the 2023 Development Impact Report for the Asia Impact Investment Fund I L.P. As the analysis suggests, we remain cautiously optimistic about the outlook of the ASEAN-China region. The Chinese economy is beginning to show signs of recovery, with economic data in the third quarter of 2023 indicating broad-based upticks in consumption, industrial activity and employment creation. This should position China to achieve the annual average real GDP growth target of 5%. Meanwhile, the ASEAN economies are bouncing back from the pandemic at a faster pace than the global average. This said, the ongoing crisis in China's property sector, and the disappearance of 'easy money' is forcing start-ups and early-stage companies to focus on profitability, and is producing headwinds that continue to have an impact on the fundraising environment and stock market performance.

The fact that our investment portfolios are focused on sectors that benefit China's base of the pyramid population, and are strongly aligned with government policy, notably the Common Prosperity Goal, has helped to insulate performance, to a greater or lesser extent, from less favourable macroeconomic trends. Agriculture continues to be an area that the government pays attention on as they look towards more sustainable growth in the sector with efficiency improvement and environmental considerations. In Indonesia and Philippines, millions struggle for access to quality primary care, let alone specialist care. Similarly, the vibrance of the small and medium-sized enterprise (SME) sector in urban and rural settings alike has continued to drive entrepreneurship and small-scale lending, whether for commerce or agriculture.

Our steadfast focus on sponsor quality, alignment of interests with co-investors and deep engagement with investee companies is paying dividends in terms of their ability to weather the inevitable turbulence generated by geopolitical tensions within and beyond the region. We have remained attentive to the capital needs of the portfolio to ensure that it is as well-positioned as possible for continued steady growth. We also remain cognisant that, as AIIF I concentrates on realising value and divestment, it is the quality of each company—financial and managerial—that will attract suitable purchasers or enable successful listings.

Seah Kian Wee  
Chief Executive Officer





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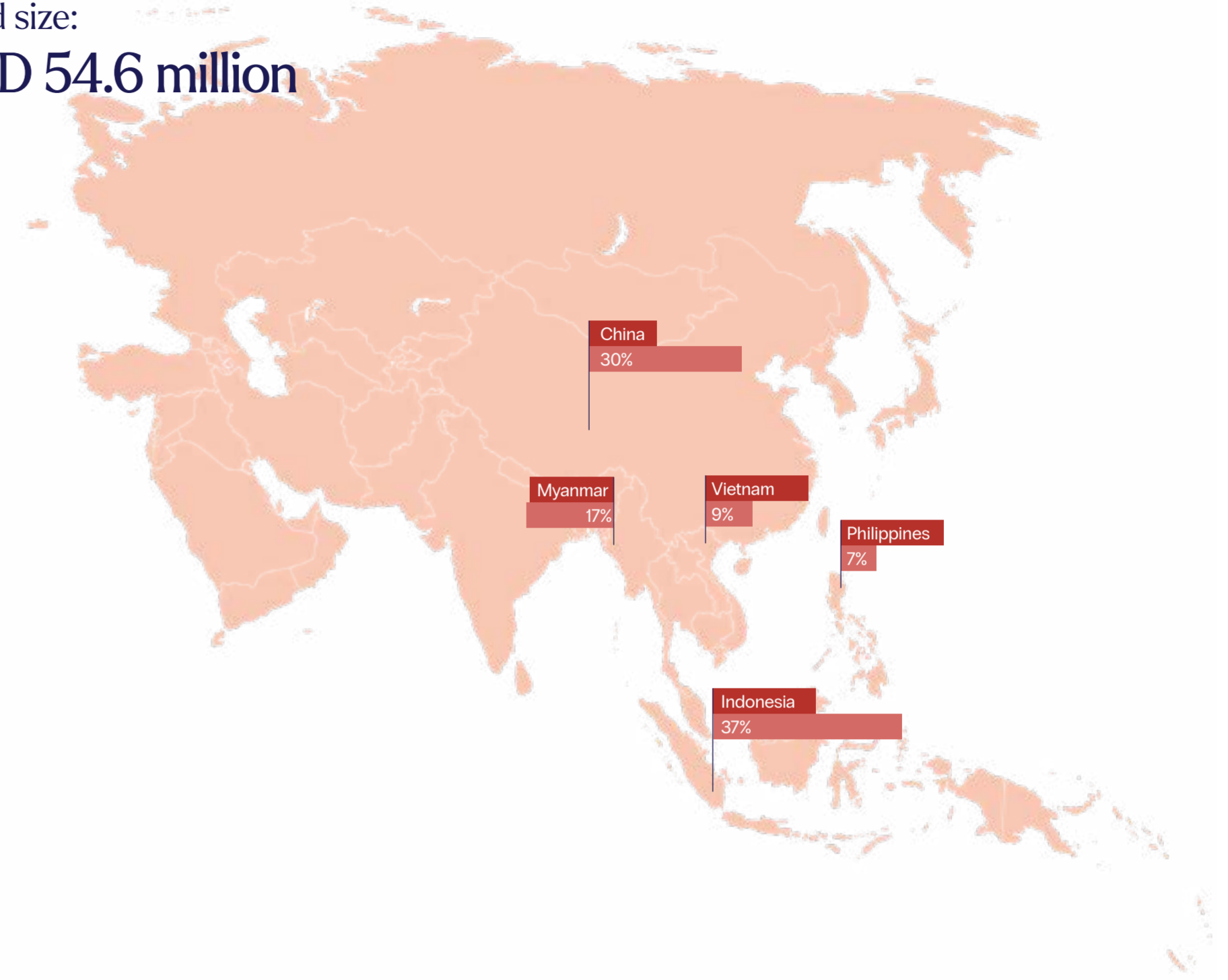
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<sup>1</sup>This information is solely for illustrative purposes only and it does not constitute an offer or invitation, nor does it contain any advice or recommendation, to buy or sell any security or to otherwise enter into any type of financial transaction.



# Asia Impact Investment Fund I at a glance

Fund size:  
**USD 54.6 million**



## Investments to date by country and sector

Indonesia	China	Myanmar	Vietnam	Philippines
<b>37%</b>	<b>30%</b>	<b>17%</b>	<b>9%</b>	<b>7%</b>
Education Access to Finance Healthcare Agriculture	Healthcare Agriculture	Access to Finance	Agriculture Logistics/Distribution	Healthcare

As at 31 October 2023

Percentages denote proportion of invested amount deployed per country.

Source: UOB Venture Management and Double Delta.

# Introduction



## Fund overview

In December 2016, the Asia Impact Investment Fund I L.P. (AIIF, or the Fund) reached a final close with capital commitments of USD 54.6 million. It is managed by UOB Venture Management (UOBVM) and advised by Double Delta.<sup>1</sup> The Fund makes investments of USD 1–8 million (including follow-on tranches) in fast-growing private businesses in China, Indonesia, Philippines, Thailand, Vietnam, Myanmar, Cambodia and Laos. Its geographical focus, along with the concentration on growth capital and inclusive business models, are unique in the region.

<sup>1</sup> UOBVM is a subsidiary of United Overseas Bank Limited (UOB), a commercial bank focused on Asia with headquarters in Singapore. Double Delta is the Impact Adviser to UOBVM for AIIF.

**Source:** UOB Venture Management and Double Delta.

# The imperative of inclusion

Impact investing means many things to many people. AIF has a very clear definition of impact investing. It is the deployment of capital in companies with the deliberate intention of generating positive social and/or environmental benefits alongside, and as a means of, achieving positive financial returns. The key point here is that the benefits are not by-products or “incidentals”. They are embedded in the strategy of the business.

Within impact investing, the Fund targets **inclusive businesses**. What does this mean? The model of an inclusive business enables poor people to do two things:

- to gain access to affordable goods and services that are vital to meeting basic needs and building secure, sustainable livelihoods; and/or,
- to engage more effectively (or at all) in economic opportunities in enduring and beneficial ways.

#### The key points here are:

- For AIF, the route to impact is commercial and therefore sustainable.
- The process of inclusion drives transformational change.
- The Fund sees financial opportunity in building companies that address lower income groups' demand for goods and services. In many cases, these have long been unaffordable or inaccessible to the poor.

These goals find expression in investments that seek to remove (or at least reduce) the so-called poverty penalty. This is defined as the cost or, effectively, the tax that derives from being poor. It can take the form of first-order obstacles: lack of access, physical distance or danger, unreliability, cost, poor quality, limited choice, discrimination; and second-order obstacles, such as lack of internet access. Taking into account the poverty penalty is important because it captures the multi-dimensional aspects of deprivation.

## AIF's definition of poverty

AIF adopts the World Bank's definition of poverty, “profound deprivation in well-being”. It forces us to consider more than just familiar manifestations of poverty like malnutrition or starvation, urgent as they are, to include lack of empowerment, opportunity, security and so on.



## What does AIF I mean by BoP?

AIF I investments target people living at the base of the economic pyramid (BoP). The Fund defines the BoP as people living on US\$3,000 per year or less. This encompasses those in abject or extreme poverty, those in basic poverty and the so-called “near poor”, who live precarious lives and are at risk of falling into or returning to poverty. Focusing on the BoP means strengthening livelihoods in the following areas:

**Access:** Facilitating access to basic goods and services that improve poor people's standard of living;

**Affordability:** Lowering the cost of basic goods and services for poor people by supporting companies that can achieve economies of scale and increase their customer bases or reach;

**Opportunity:** Promoting opportunity, especially for employment, enabling the poor to generate wealth and to accumulate assets; and

**Empowerment:** Creating new employment opportunities for the poor which materially improve their standard of living, or improving existing employment opportunities in the same way.

# A disciplined approach to achieving impact

It is not enough simply to avow a focus on impact and, within that, on inclusive business. Even in just two short decades of impact investing, too many investors have been disappointed by strategies that promised much but drifted from their missions. AIIF sought to avoid this danger by designing a robust Impact Policy. The Impact Policy stipulates the business models and sectors eligible for investment, highlighted on the next page. Any investments outside these parameters are raised with the Fund's Impact Advisory Council, a panel of independent experts.



Source: UOB Venture Management and Double Delta.

## AIIF: Business models and sectors eligible for investment

BoP business models	Comments
Consumer	Businesses that improve livelihoods by providing consumers with goods and services that alleviate challenges arising from one or several of the following: access, cost/affordability, quality, choice, availability.
Supplier/Producer	Businesses that source from the poor, have significant potential or need to do so and/or are seeking to increase the number of poor people in their supply chains.
Distributor	Businesses whose distribution strategies require the employment of significant numbers of BoP incumbents and, often, whose goods and services seek to improve livelihoods.
Employee	Businesses that employ significant numbers of poor people and impact their lives by improving their earning capacity, mobility, opportunity, security and by providing training.

Sectors	Sub-sectors
Agriculture	Agro-processing, food production, primary production, infrastructure, agricultural inputs, aquaculture, niche and high-value products.
Healthcare	Service providers (hospitals, clinics, diagnostic centres), distribution and retail, light manufacturing, pooled healthcare products, medical education, application of medical technology, nutritious foods and clean water.
Education	Primary, secondary, tertiary, adult and professional education, training centres, online education solutions, teacher-training, curriculum development.
Clean/renewable energy	Investments including waste-to-energy, biogas, solar, small-hydro, technical service providers to the clean energy sector.
Sanitation, water & waste management	Water distribution and management, waste-water management, secondary and tertiary irrigation, household waste-management.
Access to finance	Microfinance, microcredit, agricultural finance, other financial services including technology enabled solutions.
General manufacturing	Basic consumer goods required by low income households, with a focus on affordability (size and price).
Affordable housing	Including construction and provision, and leasing of construction equipment to home builders.
Logistics, distribution & infrastructure	Transportation and communications infrastructure, technology enabled distribution models, logistics.

Source: UOB Venture Management and Double Delta.

Since investment by AIIF,

# Over 33,200,000 low-income individuals have been reached<sup>1</sup>

## Sector Highlights



**Agriculture**

98,000

Farmers have gained access to finance, inputs and technology, and/or introduced higher-value crops, resulting in higher production yields.



**Healthcare**

3,261,000

Low-income individuals have gained access to better-quality, affordable healthcare goods and specialist services.



**Access to Finance**

1,762,000

Low-income individuals have gained access to finance, enabling them to build, or invest further in, their small businesses.



**Education**

26,212,000

Youths from low-income households now have access to quality educational content, improving individual and national-level learning outcomes.

## Contributions to Sustainable Development Goals (SDGs)

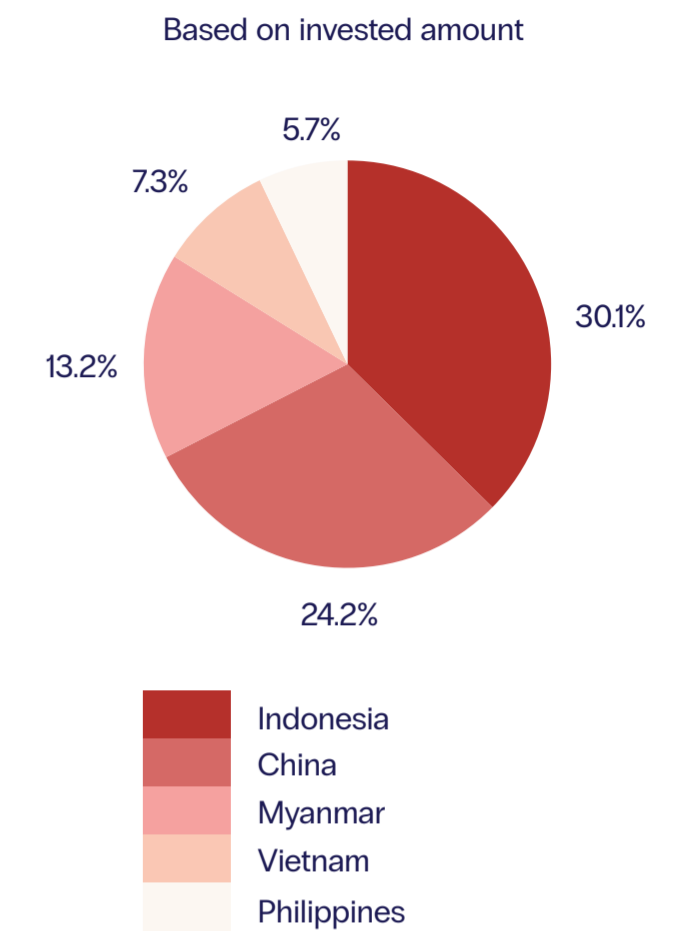


<sup>1</sup> As at end September 2023. This figure is the increase between either the investment date or date of baseline, and the quarter ending September 2023. Sector-specific figures are calculated on the same basis.

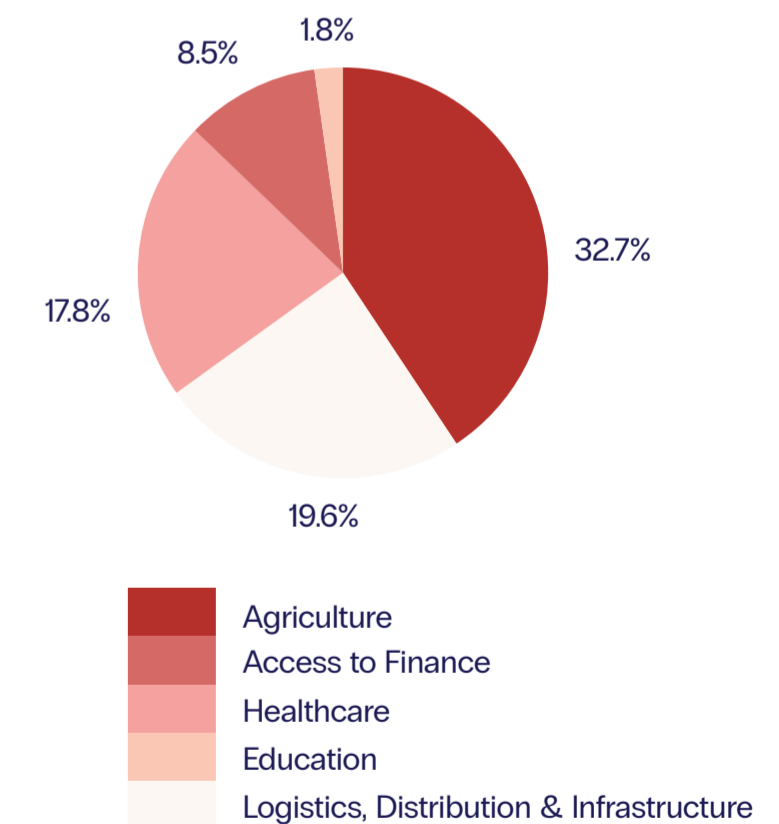
Source: UOB Venture Management and Double Delta.

## Portfolio Breakdown

	No. of deals	Invested/committed amount (USD millions)	As % of fund size
Indonesia	4	16.5	30.1%
China	3	13.2	24.2%
Myanmar	1	7.2	13.2%
Vietnam	2	4.0	7.3%
Philippines	1	3.1	5.7%
<b>Total</b>	<b>11</b>	<b>44.0</b>	<b>80.5%</b>



	No. of deals	Invested/committed amount (USD millions)	As % of fund size
Agriculture	4	17.9	32.7%
Access to Finance	2	10.7	19.6%
Healthcare	3	9.7	17.8%
Education	1	4.7	8.5%
Logistics, Distribution & Infrastructure	1	1.0	1.8%
<b>Total</b>	<b>11</b>	<b>44.0</b>	<b>80.5%</b>



As of September 2023

Source: UOB Venture Management and Double Delta, as at October 2023. Asset allocation may change from time to time without notice.





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