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Private Asset Impact Fund Report 2024

A New Frontier for PAIF Strategies

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Acknowledgements

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About the Directorate for Development Cooperation and Humanitarian Affairs

Luxembourg's Development Cooperation pursues the main objective to contribute to the eradication of extreme poverty and the promotion of economic, social and environmental sustainability. Its interventions are closely aligned with the Agenda 2030 and aim to promote meaningful progress in achieving the SGDs. Luxembourg's focus lies on four interrelated thematic priorities: Improving access to quality basic social services, enhancing socio-economic integration of women and youth, promoting inclusive and sustainable growth and strengthening inclusive governance. In all of its activities, Luxembourg's Development Cooperation places a particular emphasis on implementing its three cross-cutting priorities, namely human rights, gender equality and environmental sustainability.

Website: https://cooperation.gouvernement.lu/fr.html

About SDC

The Swiss Agency for Development and Cooperation (SDC) is the agency for international cooperation of the Federal Department of Foreign Affairs (FDFA). The SDC is responsible for the overall coordination of Swiss international cooperation, which aims to contribute to a world without poverty and in peace, for sustainable development. It fosters economic self-reliance and state autonomy, contributes to the improvement of production conditions, helps address environmental problems, and ensures better access to education and basic healthcare services.

Website: https://www.eda.admin.ch/sdc

Co-sponsors

We also express our gratitude to the following organizations actively engaged in the impact space for their generous financial support and collaboration in bringing forth the 2024 edition of the PAIF report. Within the report, some of these sponsors highlight their product offerings, business models, and track record in the impact investing sector.

Survey participants

We would like to thank all impact investment managers for committing time to participate in our annual survey and for placing their trust in Tameo.

- Abler Nordic
- Accial Capital
- Accion
- Acre Capital Management Limited
- Adenia Partners
- Africa Trust Group
- AGBI Real Assets
- ALIVE Ventures
- AlphaMundi Group
- Alterfin
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- CREAS Ecuador
- Creation Investments Capital Management
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- Deetken Impact
- Developing World Markets
- Développement International Desjardins
- E Squared
- EcoEnterprises Fund
- EDFI Management Company
- Enabling Qapital, AG
- FPM SA
- FS Impact Finance
- Fundo
- Gaia Impact
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- iGravity
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- Impact Asset Management GmbH
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- Invest in Visions GmbH
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- Investisseurs et Partenaires (I&P)
- iungo capital
- Lafise Investment Management
- Lightsmith Climate Resilience Management LLC
- Lok Capital
- MCE Social Capital
- MicroVest Capital Management
- Mikro Kapital
- Money Kapital Management
- Nonprofit Enterprise and Self-sustainability Team Inc.
- Nexus for Development
- PC Capital Partners
- Phatisa
- Philea
- Privium Fund Management
- responsAbility Investments AG
- Revego Fund Managers
- Rise Ventures
- Sail Investments
- Salkantay Ventures
- SEB Investment Management AB
- SIDI
- STOA Infra & Energy
- Sweef Capital
- Symbiotics
- Talanton Advisors
- TriLinc Global, LLC
- Triodos Investment Management
- Vox Capital
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- WWB Asset Management
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Contents

Special Focus

Luxembourg: a leading hub for impact funds

Special Focus

Deep dive into the PAIF universe in sub-Saharan Africa

Part 1

Market Landscape of Private Asset Impact Funds

Part 2

Trends and Performance Analysis of Private Asset Impact Funds

Appendices

Executive summary

The 5th edition of the Private Asset Impact Fund (PAIF) Report provides a comprehensive analysis of a dynamic market valued at USD 103.7 billion, encompassing 798 investment vehicles, and 468 investment managers.

A subset of 84 investment managers contributed detailed fund-level data, complemented by Tameo's extensive desk research, to produce this in-depth study. The report offers a detailed market overview with fund-level financial and impact metrics, and profiling of key actors, investment strategies, and peer group comparisons across sectors and asset classes.

For this edition, our market coverage represents 31% of total AUM, with a cumulative sample of USD 32.3 billion, 230 funds, and 109 investment managers. Historical trends from 2019 to 2023 and as far back as 2007 for microfinance funds continue to highlight market advancements.

This edition also features focused chapters on Luxembourg-domiciled funds and investments targeting sub-Saharan Africa. Additionally, it explores advanced impact management practices, including technical assistance facilities and impact-linked finance strategies.

Endorsed by Luxembourg's Directorate for Development Cooperation and Humanitarian Affairs and the Swiss Agency for Development and Cooperation (SDC), this edition presents the most comprehensive dataset to date on private asset impact funds, serving as a critical resource for market participants worldwide.

Key insights from this edition:

- PAIF strategies targeting emerging and frontier markets are largely managed from developed countries, with 75% of total AUM overseen by investment managers in North America and Western Europe. While gender parity has been achieved across their overall workforce, women remain underrepresented in leadership roles.

- Despite a challenging fundraising environment, the market demonstrated resilience in 2023, with over 100 new PAIFs launched.

- Luxembourg continues to play a pivotal role in advancing the impact investing landscape, remaining the primary domicile for PAIFs, with 27% of AUM registered in the country.

- Private equity strategies dominate the market, comprising 54% of total AUM. Climate and energy funds hold the largest share of the market with 29% of AUM.

- The average fund size is USD 130 million, with a median of USD 50 million, though sizes vary significantly by sector and region.

- Impact assets invested in sub-Saharan Africa amount to an estimated USD 19.8 billion, underscoring the region's significance in impact investing.

- Blended finance structures, leveraging public or philanthropic capital to attract private sector investments, account for about a quarter of PAIFs by number and AUM.

- PAIFs primarily rely on internally developed impact management and measurement tools, posing challenges for sector harmonization and efficiency.

- Half of surveyed funds have a technical assistance facility, with an average size of USD 3.5 million. Impact-linked finance is gaining attention but remains an emerging practice.

- In 2023, PAIFs experienced a slowdown in total asset growth, with a modest 1.2% year-on-year increase. Open-ended funds saw a 3.1% decline in total assets, with average net outflows of USD 2.2 million per fund, while closed-ended funds grew by 10.3%, driven by new fundraising rounds.

- Institutional investors remain the primary capital source, though public funders' contributions in the capital structure of PAIFs grew by 29% in 2023, representing 32% of total investor allocation at year-end 2023.

- Average exposure per investee was USD 3.3 million at the end of 2023, with financial institutions receiving higher allocations (USD 3.8 million) compared to non-financial SMEs (USD 1.1 million).

- PAIFs invest across 100+ countries, with India as the top destination, followed by Ecuador, Georgia, Mexico, and Cambodia. In 2023, lower- and upper-middle-income countries accounted for 43% and 47% of total exposure, respectively.

- Private credit portfolios faced increased default risks, with loan loss reserves reaching 5.8% of outstanding debt portfolios in 2023. Compared to 2022, annual loan loss provisions decreased to 1.1% and loan write-offs increased 0.6% of total assets in 2023, respectively.

- Private credit portfolio yields rose to a median of 8.3% in 2023, driven primarily by funds investing through financial institutions and influenced by global interest rate increases.

- While median management fees and operating expenses remained stable in 2023 for private debt funds, they increased for private equity and mixed funds.

- In 2023, median annual returns for unleveraged private debt funds peaked at 4.6% for USD-denominated share classes and 3.1% for EUR-denominated share classes. Private equity funds with USD-denominated share classes also recorded their highest annual returns since 2019 at 6.3%.

- On average, PAIFs support over 50,000 jobs through investments in portfolio companies, with women comprising just over a third of investees' workforce. Additionally, the median PAIF supports approximately 143,000 end-clients, 55% of whom are in rural areas, and 62% are women.

- The median loan size to end-clients of microfinance funds amounts to USD 2,064, remaining on par over the last three years, and reaffirming their commitment to serving the lower end of their target clientele.

The findings in this edition highlight the strong momentum of impact funds in developing markets. With continued collaboration and innovative financing, the sector is well-positioned to drive meaningful and lasting change. At Tameo, we remain committed to enhancing transparency, enabling stakeholders to identify opportunities, address challenges, and advance the collective progress toward sustainable development.

1 Market landscape of private asset impact funds

This chapter provides an overview of the private asset impact fund landscape, including estimate of its size, key ecosystem players, and prevalent investment strategies. It also explores topics such as gender diversity, gender-lens investing approaches, and essential impact measurement and management (IMM) processes.

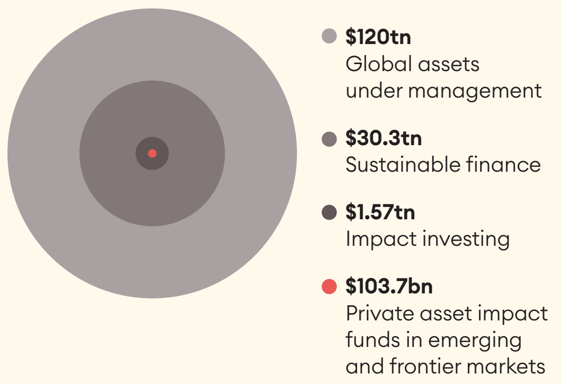
Additionally, the chapter features two special focus areas: Luxembourg-domiciled funds and investment strategies targeting sub-Saharan Africa.

Estimated market size

Over the past decade, impact investing has evolved from a very niche market to an investment strategy surpassing USD 1 trillion in assets under management (AUM) by 2021.[1] Today, the Global Impact Investing Network (GIIN) estimates total impact investing AUMs amount to USD 1.571 trillion globally, reflecting a compound annual growth (CAGR) of 21% over the past five years.[2] The market includes diverse players such as investment managers, pension funds, development finance institutions (DFIs), philanthropic organizations, banks, and insurance companies. Notably, investment managers represent 27% of global impact AUM and 59% of the market participants.

Tameo's Private Asset Impact Fund (PAIF) Report examines a specific segment of this market: impact investment strategies channelled through fund vehicles targeting private assets in emerging and frontier economies. This niche segment, where transparency and benchmarking remain limited, is **currently valued at USD 103.7 billion, encompassing 798 funds managed by 468 managers**.[3] These funds are operated by private investment managers on behalf of public and private sector clients.[4]

Figure 1 – Investment universe



1 Global Impact Investing Network (GIIN) (2022). Sizing the Impact Investing Market 2022.
2 Global Impact Investing Network (GIIN) (2024). Sizing the Impact Investing Market 2024.
3 As of December 2024.
4 The study excludes funds managed by public sector entities like DFIs.

Although this market segment remains a niche within global capital markets, it holds significant potential to evolve into a major pillar of sustainable finance, a sector valued at over USD 30 trillion.[5] As sustainable investment continues to mature, it has already claimed a considerable share of the nearly USD 120 trillion global asset and wealth management industry.[6]

Note on methodology

We estimate the size of the PAIF universe through comprehensive desk research and data collection, anchored by our annual survey. This year, we collected detailed portfolio, financial and impact data on 230 funds. Throughout the report, we will refer to them as "surveyed funds". For the remaining funds, information on size and investment strategies is supplemented through desk research. When specific fund size information is unavailable, we estimate it using the median reported sizes of comparable funds within the same primary impact sector and asset class. Additionally, for 19 funds with a global geographical focus of investing in both developed and emerging economies, we assume that half of their AUMs are allocated to emerging and frontier markets.

Moreover, the report integrates historical data from past Microfinance Investment Vehicle (MIV) surveys, significantly enriching the data track record for microfinance funds, extending back to 2007. It is important to note that across surveyed funds, our sample is skewed towards private debt funds (68% of total funds compared to 34% in total PAIF universe) and microfinance funds (56% compared to 22% in total PAIF universe). Microfinance funds' cumulative assets amount to USD 18 billion in our surveyed sample, which represents a coverage ratio of 78% of the total AUM of microfinance funds overall.

Most investment vehicles identified by Tameo are traditional investment funds (700 vehicles). Additionally, the PAIF universe includes 79 entities such as cooperatives, foundations, investment companies, and NGOs, which invest primarily from their balance sheets, often with an "impact-first" approach targeting below-market returns to support developing countries.

The remaining 19 vehicles are structured finance instruments, including special purpose vehicles like collateralized debt obligations and impact bond structures with earmarked proceeds.

All survey questions are optional, so the sample size varies across indicators. Consequently, the data analysed may come from different subsets of funds, which can complicate the interpretation of relationships between certain results, as for example portfolio yields and net returns. Year-on-year comparisons are also subject to sample effects. To address this, for metrics such as annual growth rates, we analyse a constant sample of funds with data available for two consecutive years.

For comparability purposes, we have converted all indicators from the funds' accounting currencies to US dollars (USD) using end of 2023 exchange rates. Aggregate results are typically presented as weighted averages, which may be influenced by larger funds in the sample. To provide additional context and account for potential outliers, we also include simple averages and medians for selected indicators. Results are further broken down by peer groups, categorized by primary impact sector and asset class to ensure more nuanced insights (see Appendix 4 for more details on inclusion criteria and peer group definitions).

5 Global Sustainable Investment Alliance (2023). The Global Sustainable Investment Review 2022

6 Boston Consulting Group (2024). Global Asset Management Report 2024: AI and the Next Wave of Transformation.

Overview of fund managers

Our PAIF universe includes 468 managing organizations operating from both developed and emerging economies. Beyond fund managers, the broader impact fund ecosystem consists of a diverse array of organizations and networks that support PAIF managers by facilitating dialogue, knowledge exchange, and the development of common principles, guidelines, and reporting frameworks.

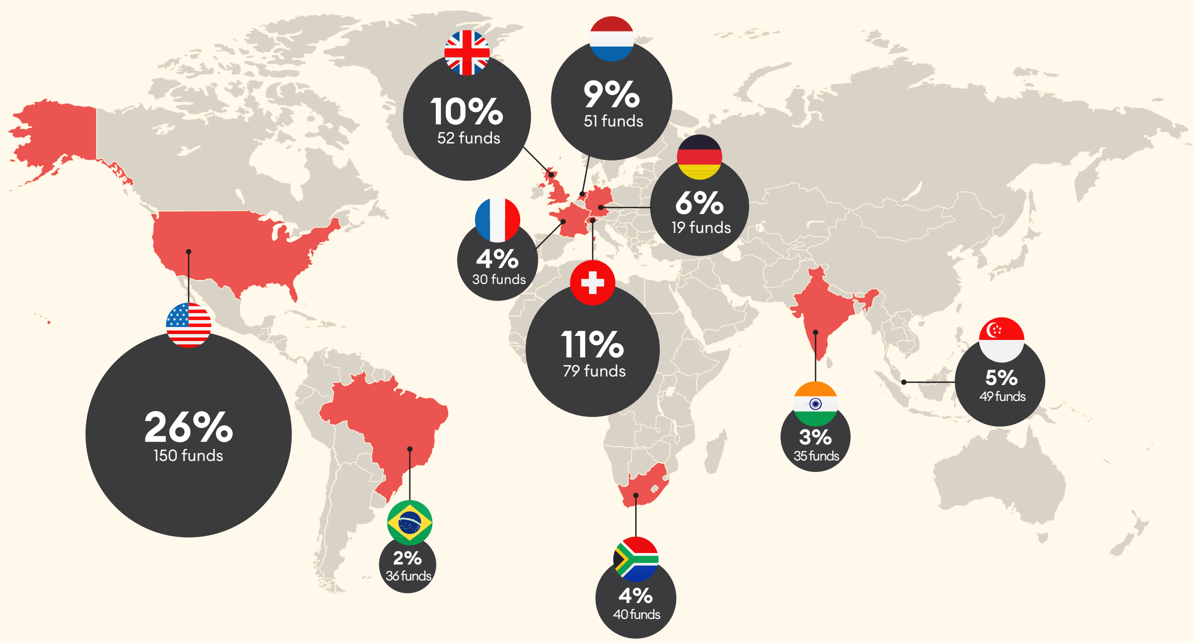
Recognizing the growing significance of gender diversity within the impact investing community, this section also highlights key metrics on gender representation at the investment management organization level.

Location

While investment managers in our universe are headquartered in 76 countries, most of the AUMs are managed from a few high-income countries, with managers located in developed economies in Western Europe and North America cumulatively accounting for 75% of the USD 103.7 billion market. US-based investment managers account for the largest share of the market, at 26%, followed by four European countries: Switzerland (11%), the United Kingdom (10%), the Netherlands (9%), and Germany (6%).

Sub-Saharan African investment managers account for 9%, cumulatively managing USD 9.1 billion of the total market. The rest, 17%, is managed out of East Asia & Pacific (USD 6.9 billion), Latin America & Caribbean (USD 4.0 billion), South Asia (USD 3.7 billion), Middle East & North Africa (USD 2.6 billion), and Eastern Europe & Central Asia (USD 0.1 billion).

Figure 2 – Top 10 fund investment management countries
(n=468 firms, AUM = USD 103.7bn)

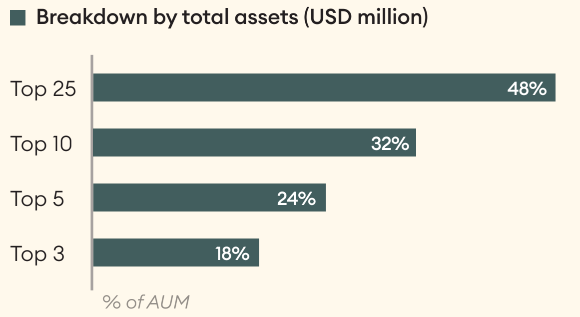


% = percentage of AUM

Market concentration

Market concentration among investment managers shows that the top ten companies collectively account for 32% of the market. Nearly half of all AUMs are managed by just 25 investment managers, while the other half is distributed among 443 managers. These top 25 companies individually manage between USD 900 million and nearly USD 10 billion in assets, typically offering multiple fund products within their impact strategies.

Figure 3 – Market share of investment managers
(n=468 firms, AUM = USD 103.7bn)



Principles, guidelines and standards

Investment managers are increasingly embracing a variety of principles, voluntary reporting guidelines, and standards to promote transparency and establish consistent reporting frameworks within the industry. Among these, the Principles for Responsible Investment (PRI) and the Impact Principles (Operating Principles for Impact Management)–whose secretariat is now hosted by the GIIN–are particularly prominent, garnering the highest number of signatories among survey participants.

In addition, fund managers are actively engaging with several other initiatives, including:

- The UN Global Compact,
- The UNDP's SDG Impact Practice Standards for Private Equity Funds,
- The Principles for Investors in Inclusive Finance (PIIF),
- The Key Principles to Protect Microfinance Institutions and their Clients in the COVID-19 Crisis, and
- The Investor Guidelines for Responsible Investing in Digital Financial Services.

The Operating Principles for Impact Management serve as a global standard for embedding impact considerations throughout the investment life cycle. They guide investors in designing, implementing, and refining impact management systems and processes. As an independent verifier, Tameo has developed an AI-driven methodology and tool to scrape, extract, and analyse publicly available data (i.e., disclosure statements) to evaluate the practices adopted by signatories of the Impact Principles.

Tameo's tool conducts the only comprehensive, data-driven analysis of the Impact Principles universe, covering 185 signatories[7] and 599 disclosure statements as of December 2024. Each statement is assessed for clarity, consistency, and contextual understanding, assigning scores from 0-100% for each sub-practice. These scores are aggregated at the practice and principle levels to establish benchmarks.

An analysis of 71 PAIF managers targeting emerging and frontier markets shows they perform on par with the global average. They slightly outperform the global benchmark in Principle 5–assessing, addressing, monitoring, and managing potential negative impacts of investments–and Principle 6–monitoring the progress of investments in achieving expected impact and responding appropriately. Engaging and collaborating with portfolio companies is a particularly common practice among private equity impact investors. As for the global average, PAIFs managers obtained the lowest scores on Principle 8, which pertains to reviewing, documenting, and improving decisions and processes based on impact outcomes and lessons learned.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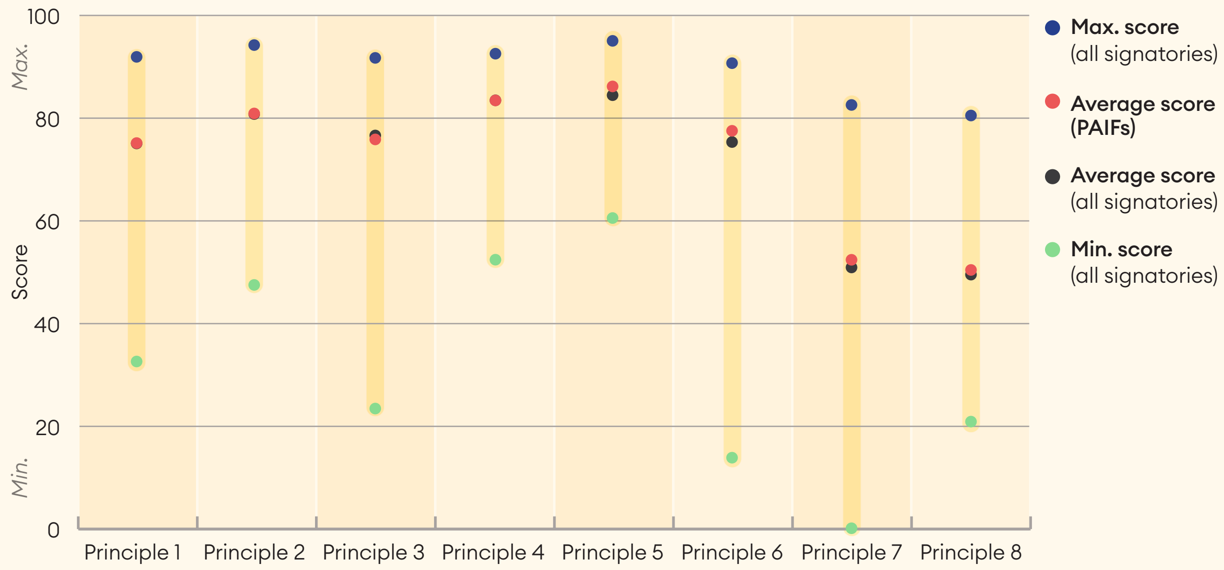
7 Of these, 11 have not yet published any disclosures as of December 2024.

Figure 4 – Impact Principles score, PAIFs against Global Benchmark
(n=174 signatories)



Moreover, a variety of organizations and networks play a critical role in driving collaboration and innovation within the impact investing ecosystem. Among survey respondents, the GIIN emerged as the organisation with the highest membership and participation, followed by the Social Performance Task Force (SPTF) and 2X Global. The latter has garnered significant recognition for its gender-lens investing initiatives since its inception in 2021 (previously known as the 2X Collaborative).

Additional key organizations include:

- The European Microfinance Platform (e-MFP),
- The Association for Private Capital Investment in Latin America (LAVCA),
- The Council on Smallholder Agricultural Finance (CSAF),
- Impact Europe (formerly EVPA),
- Swiss Sustainable Finance (SSF),
- The Emerging Markets Private Equity Association (EMPEA), and
- Sustainable Finance Geneva (SFG).

Gender diversity

Surveyed participants reported an average of 49% women representation across their organizations.[8] However, this figure declines when looking at leadership roles, with women representing 38% in the C-suite, 33% on Boards of Directors, and 30% in investment committees. Smaller organizations with up to 10 employees tend to achieve greater gender parity across all metrics compared to their larger counterparts.

In their Project Catalyst Report, 2X Global and Sagana found that women represent 62% of investment partners and 53% of investment committee members across a sample of 175 gender lens funds.[9] While our dataset focuses solely on gender lens mandates at the fund level, it is likely that investment managers operating these funds also demonstrate stronger representation of women across their organisations.

Table 1 – Share of women across survey participants
(n=77 firms, AUM = USD 10.5bn)

	Share of Women			
FTE buckets	Organization	C-suite	Board of Directors	Investment Committee (IC)
0 to 10	52%	51%	38%	38%
10 to 50	47%	32%	32%	25%
50 to 100	50%	31%	25%	36%
100 to 200	52%	40%	42%	-
200+	47%	44%	30%	30%

8 On a sample of n=77 organizations.

9 2X Global and Sagana (2024). Project Catalyst: Tracking gender lens investing activity in private markets.

Investment strategies

Through investment vehicles such as PAIFs, investment managers pool investor capital to finance impactful projects and companies in developing countries (see the appendix 'Business Model' for their positioning within the impact investing value chain). PAIFs employ diverse strategies and business models shaped by their primary impact sectors, investment instruments, and target geographies–factors that significantly influence their fund size.

Over the past decade, their focus has evolved, as evidenced by the creation of new funds. This section also explores emerging themes of growing importance, such as gender finance and climate finance, which are increasingly applied as investment lenses across various impact sectors.

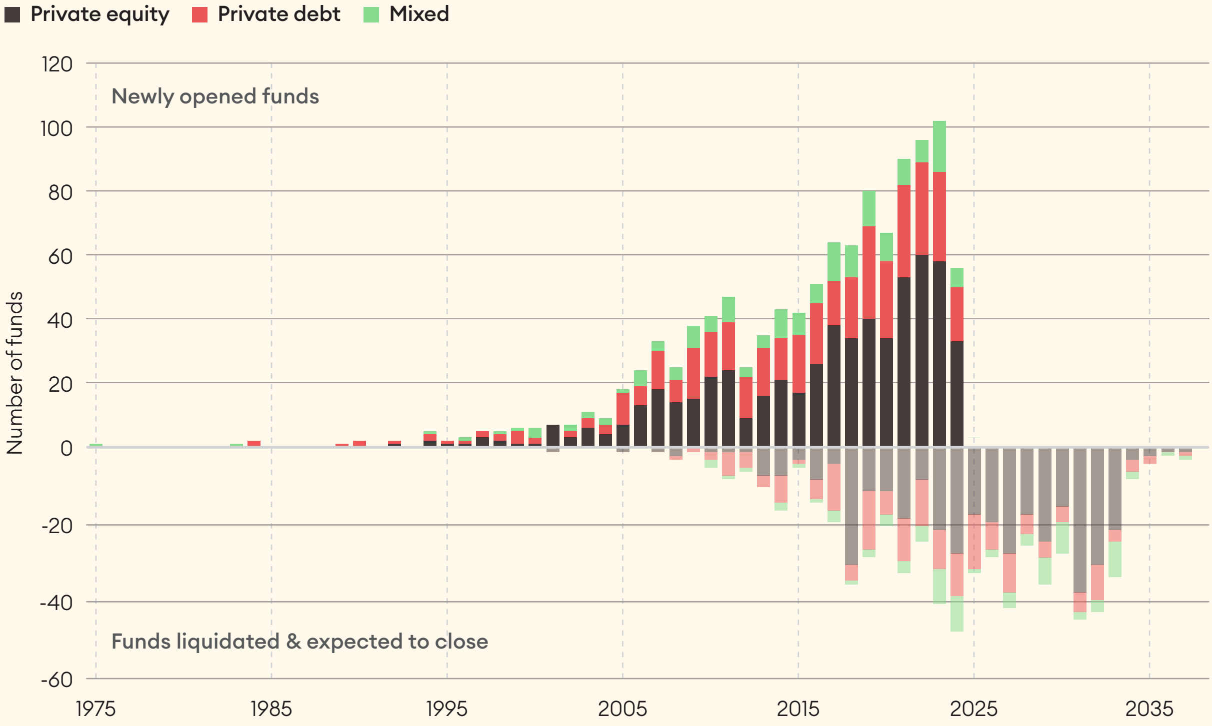
While the section provides a detailed analysis of the strategies adopted by the 798 funds in our universe, additional nuances are drawn from more granular insights provided by surveyed funds.

Fund creations

Since 2005, the establishment of PAIFs has grown steadily, channelling investor capital into impactful companies in emerging markets. This trend accelerated over the past decade, with an average of 70 new funds launched annually, and the past three years have been especially dynamic, each seeing the creation of 90 or more funds. In 2023, the number of new funds surpassed 100, and the momentum has continued into 2024, with 56 new funds identified so far.

Over the last three years, new private equity funds outpaced new private debt funds at a ratio of approximately 2:1, with over 50 private equity funds introduced annually. These funds predominantly follow a closed-ended structure, with typical lifespans of 8–10 years after their initial closings. In contrast, the launch of mixed funds–investing in both private equity and private debt instruments–remained more limited.

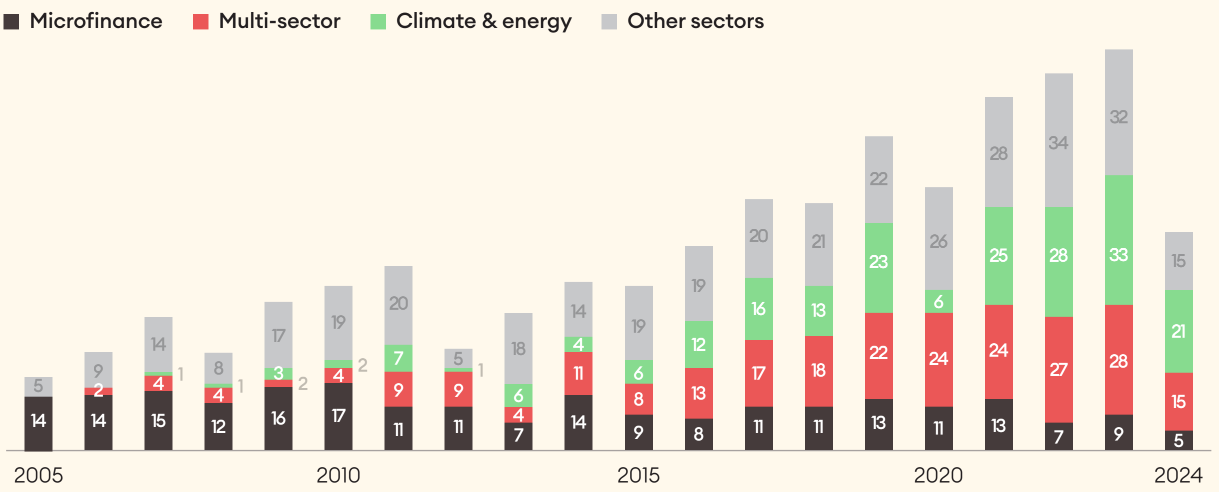
Figure 5 – Inception and closing dates, by asset class
(n=1124 funds)



Microfinance fund strategies were instrumental in the rise of development finance as a focus for private sector investment in the late 1990s and early 2000s. This momentum was underscored by the United Nations' designation of 2005 as the International Year of Microcredit. However, the impact investing landscape has since broadened significantly, moving beyond microfinance funds to encompass a wider range of sectors.

For instance, fewer than 10 microfinance funds were launched in both 2022 and 2023, compared to approximately 30 new multi-sector funds and 30 climate & energy funds annually. Other impact sectors include SME development (13 new funds in 2023), food & agriculture (12 new funds), housing, water & communities (4 new funds), and health & education (3 new funds).[10] In 2024, 56 new funds were already identified in Tameo's database, a number expected increase in the next edition of the PAIF Report as additional newly launched funds are uncovered.

Figure 6 – New funds created since 2005, by primary impact sector
(n=1049 funds)



10 For an overview of sector definitions, please see our methodology section in the appendix.

Luxembourg: a leading hub for impact funds

Figure 7 - Luxembourg sustainable finance timeline

2006	Creation of the Luxembourg Finance Labelling Agency (LuxFLAG)
2009	Creation of the Luxembourg Microfinance and Development Fund (LMDF)
2015	Creation of the Climate Finance Task Force
2016	Creation of the Luxembourg Green Exchange
2017	Launch of the Luxembourg-EIB Climate Finance Platform
2018	Publication of the Luxembourg Sustainable Finance Roadmap Launch of the International Climate Finance Accelerator (ICFA)
2020	Commitment to the SDG500 investment platform Launch of the Luxembourg Sustainable Finance Initiative
2021	Publication of Luxembourg's Development Cooperation Inclusive and Innovative Finance Strategy Publication of Luxembourg's Sustainable Finance Strategy
2023	Creation of the Gender Finance Task Force
2024	Launch of the International Social Finance Accelerator

Luxembourg continues to cement its position as a global hub for responsible investing. By leveraging its robust financial ecosystem and commitment to sustainable development, the country plays a critical role in fostering the growth of the impact fund sector.

Since the early 2000s, the government has introduced numerous initiatives to promote sustainable finance practices and impact investing strategies. These efforts have been instrumental in solidifying Luxembourg's position as a leading sustainable finance hub globally.[11]

Launched in 2023, the Gender Finance Task Force is the newest addition to Luxembourg's sustainable finance initiatives. Its mission is to identify actionable opportunities advancing both women in finance and finance for women, which can be pursued either individually by financial sector actors or through collaborative efforts with the public sector.

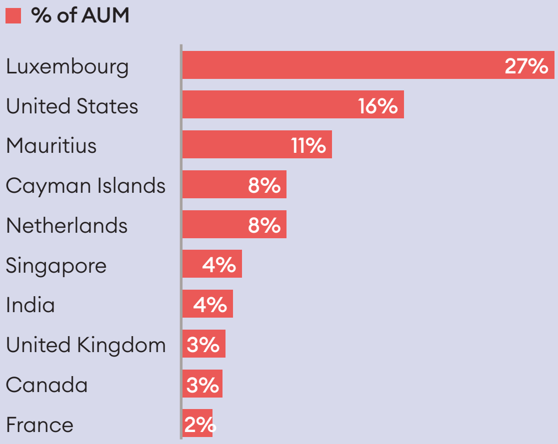
Additionally, building on the success of the International Climate Finance Accelerator (ICFA), which was established in 2018, the International Social Finance Accelerator (ISFA) was officially launched in July 2024. This new program is designed to further align with and support Luxembourg Development Cooperation priorities, including the promotion of human rights, gender equality, and environmental sustainability.[12]

Key factors such as conducive legal frameworks, taxation policies, streamlined licensing requirements, and robust regulations for foreign investors play a critical role in determining the choice of jurisdiction for PAIFs. Luxembourg has firmly established itself as the top destination for PAIF incorporation, with 145 funds registered in the country.

11 Tameo Impact Fund Solutions (2022). Private Asset Impact Fund report 2022.
12 International Climate Finance Accelerator Luxembourg (2024). Expansion of the ICFA – International Climate Finance Accelerator to include the ISFA – International Social Finance Accelerator. https://www.icfa.lu/expansion-of-the-icfa-international-climate-finance-accelerator-to-include-the-isfa-international-social-finance-accelerator/

These funds collectively amount to USD 27.9 billion in assets, accounting for 27% of the global AUM in this sector. This places Luxembourg ahead of other key jurisdictions, including the United States (16%) and Mauritius (11%).

Figure 8 – Top 10 fund domiciles
(n=798 funds, AUM = USD 103.7bn)



With a well-established set of investment vehicles, Luxembourg's layered fund structures have proven particularly effective in facilitating blended finance funds.[13] As of the end of 2024, Luxembourg hosted at least 60 blended finance impact funds with a combined AUM of USD 12.0 billion.

Luxembourg funds universe

The following analyses will focus on this subset of PAIFs registered in Luxembourg, hereafter referred to as "Luxembourg funds".

The 145 active Luxembourg funds are managed by 69 different fund managers, primarily headquartered in Switzerland (35% of AUM), Germany (19%), the United Kingdom (9%), the United States (7%), and Luxembourg itself (5%).

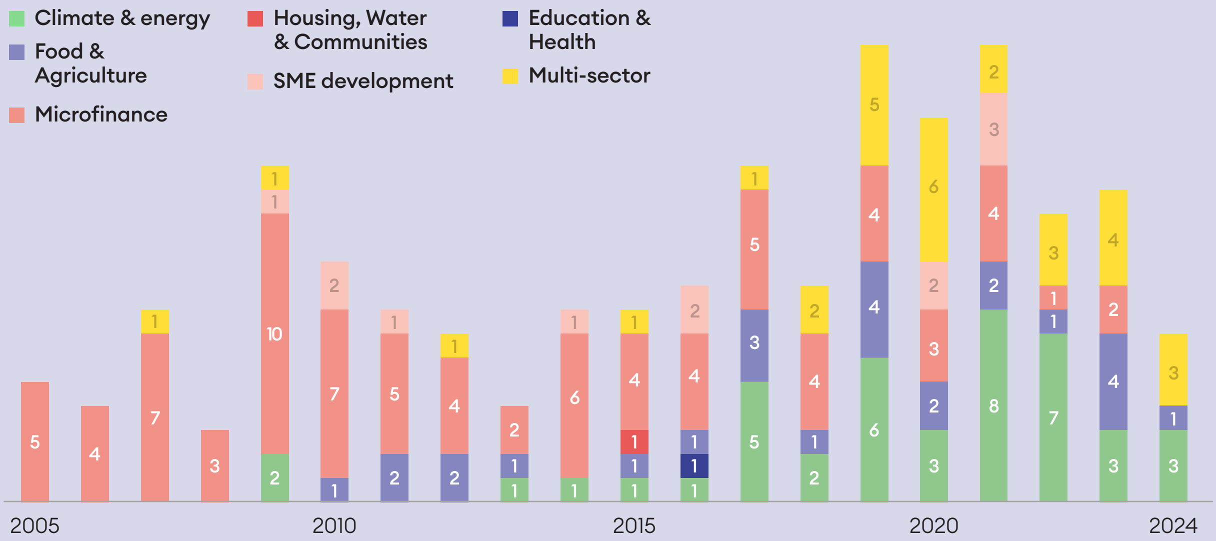
Figure 9 – Luxembourg funds investment management countries
(n=69 firms, AUM = USD 27.9bn)

HQ PAIF Manager	% AUM
Switzerland	35%
Germany	19%
United Kingdom	9%
United States	7%
Luxembourg	5%
France	5%
Netherlands	5%
Austria	3%
Sweden	3%
United Arab Emirates	2%
Spain	1%
Belgium	1%
Nigeria	1%
Singapore	1%
Tunisia	1%
Kenya	1%
South Africa	1%
Angola	0%
Canada	0%

Due to rounding, small percentages are show as zero, but are slightly above.

13 Luxembourg For Finance (2024). Leader in Responsible and Impact funds. https://www.luxembourgforfinance.com/en/financial-centre/sustainable-finance/

Figure 10 – Luxembourg funds creation
(n=197 funds)



The establishment of Luxembourg-based funds has significantly accelerated since 2005, with the past decade witnessing the most substantial growth. Initially, microfinance funds dominated the landscape, but since 2017, the launch of climate and energy funds has surged. In addition, recent years have also seen the consistent introduction of food and agriculture vehicles, as well as multi-sector funds. This momentum continues into 2024, with seven new PAIFs incorporated in Luxembourg already identified.

Interestingly, private debt strategies dominate this market, accounting for 73% of AUM, compared to 15% for private equity strategies at 13% for mixed funds. Open-ended funds also represent more than half of AUM (54%), compared to only 26% across the total PAIF universe. This aligns with the prevalence of microfinance strategies–often open-ended private debt funds–which make up nearly half (47%) of the AUM of Luxembourg funds.

Luxembourg has long been a pioneer in the microfinance sector, demonstrated by initiatives such as the creation of the Luxembourg Microfinance and Development Fund (LMDF) in 2009. The country also hosts the former Microfinance Enhancement Facility (MEF), which in early 2024 evolved into the Global Gender-Smart Fund (GGSF). This fund now focuses on enhancing gender-smart and responsible financial services.[14] Additionally, Luxembourg fosters collaboration across public, private, and civil society actors in inclusive finance. Notable initiatives include the Inclusive Finance Network Luxembourg Asbl (InFiNe.lu) and the European Microfinance Week, organized by the European Microfinance Platform (e-MFP).

Climate and energy funds represent another significant share of Luxembourg funds, accounting for 28% of AUM. Since the launch of the Climate Finance Task Force in 2015, Luxembourg has actively positioned itself as a global green finance hub. This includes the establishment of the International Climate Finance Accelerator (ICFA) in 2018, which has supported 39 emerging fund managers to date. Through EUR 9.5 million in financial support, the ICFA has facilitated the launch of 14 funds, collectively raising USD 450 million to drive climate action.[15]

14 Innpact (2024). World's largest gender-lens fund starts operating with new investment strategy to help address the USD1.7 trillion gender gap. https://innpact.com/global-gender-smart-fund-ggsf/
15 International Climate Finance Accelerator Luxembourg: https://www.icfa.lu/ (accessed on December 6, 2024)

Founded in 2006, the Luxembourg Finance Labelling Agency (LuxFLAG) has also been a pioneer in promoting sustainable finance in Luxembourg. Established as an independent, international non-profit association, LuxFLAG provides a range of labels to financial actors, including those for microfinance, climate finance, environment, green bonds, and ESG. As of October 2024, 264 investment and insurance products were certified, representing total assets under management of €132.18 billion.[16]

Table 2 – Luxembourg funds breakdown by primary asset class and impact sector

Breakdown by total assets

Sector	Private equity	Private debt	Mixed	Total	%
Climate & energy	2,169	4,724	798	7,690	28%
Food & agriculture	507	1,292	564	2,362	8%
Microfinance	74	10,995	2,117	13,186	47%
SME development	229	620	-	849	3%
Multi-sector	1,100	2,504	104	3,708	13%
Other impact sectors	-	70	-	70	0%
Total	**4,078**	**20,204**	**3,581**	**27,864**	
%	15%	73%	13%		

Breakdown by number of funds

Sector	Private equity	Private debt	Mixed	Total	%
Climate & energy	14	16	8	38	26%
Food & agriculture	4	16	5	25	17%
Microfinance	3	36	8	47	32%
SME development	2	4	-	6	4%
Multi-sector	7	18	2	27	19%
Other impact sectors	-	2	-	2	1%
Total	**30**	**92**	**23**	**145**	
%	21%	63%	16%		

16 LuxFLAG (2024). In Q3 2024 LuxFLAG labels 12 new investment products for a total of 264 financial products labelled by LuxFLAG. https://luxflag.org/in-q3-2024-luxflag-labels-12-new-investment-products-for-a-total-of-264-financial-products-labelled-by-luxflag/

In terms of geographical scope, Luxembourg funds predominantly adopt a multi-region strategy, allocating assets across two or more regions (75% of AUM). Among these multi-region funds, one-third focus on two or three regions, while the remainder take a more global approach across emerging and frontier markets. When targeting a single region, the primary focus is on sub-Saharan Africa, which accounts for 12% of AUM across 30 funds. Eastern Europe & Central Asia also represent a notable share, comprising 9% of AUM. However, this allocation is concentrated in just three large microfinance funds.

Finally, impact funds may adopt a gender lens investing approach across various impact sectors. Among the Luxembourg funds, at least 43 are incorporating gender considerations into their investment decisions and processes, with a collective AUM totalling USD 4.4 billion.

Concluding remarks

Luxembourg has solidified its position as a global leader in impact investing, leveraging its robust financial ecosystem. From pioneering microfinance efforts to championing climate and gender-smart finance, Luxembourg continues to drive progress across multiple impact sectors. Its comprehensive regulatory framework also supports the development of blended finance structures. With its continued innovation and collaboration across public and private sectors, Luxembourg is poised to remain at the forefront of sustainable finance, fostering impactful investments that address pressing global challenges.

Table 3 – Luxembourg funds regional focus

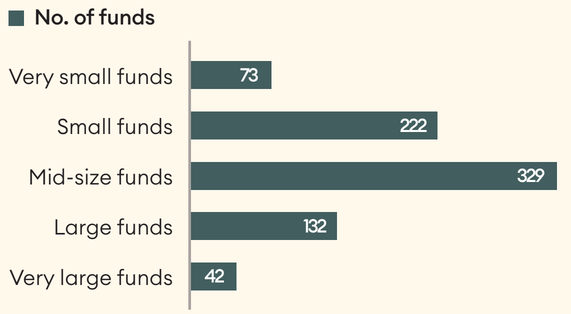
Regional focus	Number of funds	USD (million)	% of total AUM
Eastern Europe & Central Asia	3	2,612	9%
Latin America & Caribbean	8	775	3%
South & East Asia	2	270	1%
Middle East & North Africa	-	-	0%
Sub-Saharan Africa	30	3,372	12%
Multi-region	102	20,835	75%
Total	**145**	**27,864**	**100%**

Average fund size

On average, PAIFs have a fund size of USD 130 million, with a median size of USD 50 million. The difference between both data points indicates the presence of large funds influencing the average size. Notably, these larger funds comprise global and multi-region funds, which have an average size of USD 199 million. In contrast, single-region funds report a lower average size of USD 82 million. Further details and analysis will be provided in the sections that follow.

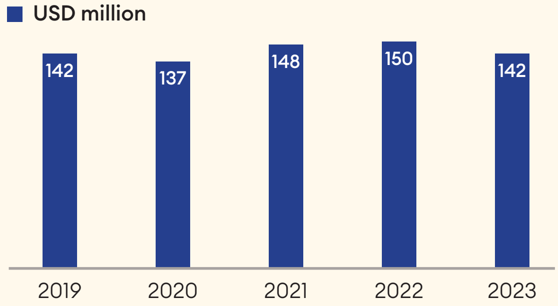
The fund size range is quite broad, with the smallest fund below USD 250,000 and the largest exceeding USD 5 billion. In terms of fund distribution, very small funds make up 9% of the universe (73 funds), small funds represent 28% (222 funds), mid-sized funds account for 41% (329 funds), large funds cover 17% (132 funds), and very large funds constitute only 5% (42 funds).[1]

Figure 11 – Distribution of funds by size
(n=798 funds, AUM = USD 103.7bn)



Across the surveyed funds, the average fund size remained within the USD 135 million to USD 150 million range between 2019 and 2023. The average initially decreased to USD 137 million in 2020, then rose to USD 150 million by the end of 2022, before decreasing again to USD 142 million at the end of 2023.

Figure 12 – Average fund size evolution
(n=230 funds, AUM = USD 32.3bn)



Primary asset classes & impact sectors
Today, private equity strategies dominate the market, comprising 54% of identified funds (429 funds) and total AUM (USD 56.5 billion). Private debt funds account for about one-third of the market, with 256 funds cumulatively representing USD 35.4 billion. On average, private equity and private debt funds are sized at USD 132 million and USD 138 million, respectively. In comparison, mixed funds, with a combined AUM of USD 11.9 billion, are smaller, averaging USD 105 million. Among the surveyed funds, mixed funds used private debt instruments slightly more than private equity, with private debt comprising 57% of their outstanding portfolio at the end of 2023, compared to 43% for private equity.

Multi-sector funds are the most common in terms of number of funds, with 216 identified in our database, while climate & energy funds represent the largest share of AUM, totalling USD 30.1 billion. Climate & energy and microfinance funds are generally larger than other strategies, with average fund sizes of USD 172 million and 171 million, respectively. The SME development sector also holds a notable share, representing 12% of AUM, while sectors like food & agriculture, education & health, and housing, water & commodities are less represented. Notably, SME development and food & agriculture funds tend to be smaller, with average fund sizes of USD 88 million and USD 68 million, respectively.

1 **Very small funds:** below USD 5 million. **Small funds:** at or above USD 5 million and below USD 30 million. **Mid-sized funds:** at or above USD 30 million and below USD 150 million. **Large funds:** at or above USD 150 million and below USD 500 million. **Very large funds:** at or above USD 500 million.

Table 4 – Breakdown by primary asset class and impact sector

Total assets (USD million)

Sector	Private equity	Private debt	Mixed	Total	%
Climate & Energy	19,059	8,378	2,655	30,092	29%
Education & Health	3,399	196	30	3,624	3%
Food & Agriculture	2,347	2,293	1,350	5,990	6%
Housing, Water & Communities	25	410	1,048	1,483	1%
Microfinance	4,617	15,267	3,058	22,942	22%
SME development	8,879	1,684	1,365	11,928	12%
Multi-sector	16,486	6,978	2,350	25,815	25%
Other	1,644	189	0	1,833	2%
Total	**56,456**	**35,396**	**11,857**	**103,708**	**100%**
	54%	34%	11%	100%	

Number of funds

Sector	Private equity	Private debt	Mixed	Total	%
Climate & Energy	99	48	28	175	22%
Education & Health	19	4	1	24	3%
Food & Agriculture	35	35	18	88	11%
Housing, Water & Communities	2	7	4	13	2%
Microfinance	35	80	19	134	17%
SME development	91	30	14	135	17%
Multi-sector	138	49	29	216	27%
Other	10	3	0	13	2%
Total	**429**	**256**	**113**	**798**	**100%**
	55%	32%	14%	100%	

Average fund size (USD million)

Sector	Private equity	Private debt	Mixed	All asset classes	%
Climate & Energy	193	175	95	172	22%
Education & Health	179	49	30	151	3%
Food & Agriculture	67	66	75	68	11%
Housing, Water & Communities	12	59	262	114	2%
Microfinance	132	191	161	171	17%
SME development	98	56	97	88	17%
Multi-sector	119	142	81	120	27%
Other	164	63	-	141	2%
All impact sectors	**138**	**132**	**105**	**130**	**100%**

Among the surveyed funds, the most commonly used instruments were senior debt, which accounted for 88% of the outstanding private debt portfolio, and common equity, representing 90% of the private equity portfolio. Notably, subordinated debt instruments have gained some significance over the past five years, increasing from 8% of the outstanding private debt portfolio at the end of 2019 to 12% by the end of 2023. Conversely, the use of preferred equity instruments has declined, dropping from 19% at the end of 2022 to 10% in 2023.[2]

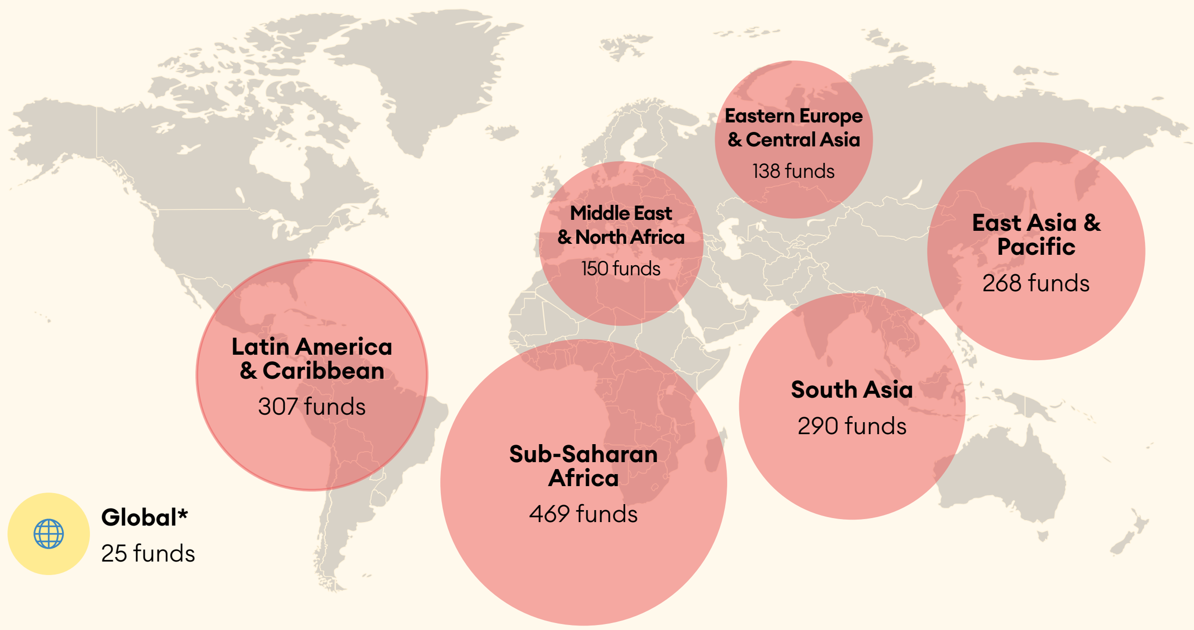
Target geographies

PAIFs may invest in one or multiple regions within emerging and frontier markets. Sub-Saharan Africa and Latin America & the Caribbean are the most frequently targeted regions, with 469 and 307 funds, respectively, considering investments in these areas. These investments can be part of a single region focus or a broader multi-region strategy, which also includes a small subset of global funds that invest across all regions.

Interestingly, funds exclusively targeting sub-Saharan Africa account for 18% of AUM (USD 18.6 billion), followed by funds exclusively targeting Latin America & the Caribbean (7%) and South Asia (5%). Multi-region funds (including global funds) tend to be larger, with an average fund size of USD 199 million, collectively representing 63% of total AUM. This observation underscores the potential for diverse investment opportunities when broadening the scope of investment allocation across multiple regions. Finally, funds targeting Eastern Europe & Central Asia stand out with the highest average fund size at USD 228 million, driven largely by a few microfinance funds. For other single region focused funds, the average fund size ranges between USD 65 million and USD 89 million.

2 On a sample of n=185 funds.

Figure 13 – Geographical scope
(n=798 funds, AUM = USD 103.7bn)



* Funds with a global focus (both developed and developing markets), and no prime focus on any of the two categories

Table 5 – Regional focus

Regional focus	Number of funds	Cumulative AUM (USD M)	Average fund size (USD M)
Eastern Europe & Central Asia	13	2,961	228
Latin America & Caribbean	106	7,396	70
East Asia & Pacific	45	2,931	65
South Asia	56	4,989	89
Middle East & North Africa	21	1,766	84
Sub-Saharan Africa	230	18,552	81
Multi-region focused	327	65,113	199
Total	**798**	**103,708**	**130**

Deep dive into the PAIF universe in sub-Saharan Africa

As a prime location for impact investing across emerging and frontier markets, sub-Saharan Africa (SSA) has witnessed increased interest due to its vast potential for developmental impact. The GIIN estimated USD 23.9 billion in impact AUM allocated to sub-Saharan Africa, with the region achieving a CAGR of 11% between 2019 and 2024.[1] However, much remains to be explored to fully understand the dynamics of this field and enhance transparency, fostering its growth.

While still a niche strategy, impact investing in the region holds transformative potential. Sub-Saharan Africa lags behind global progress on the SDGs[2], presenting numerous opportunities to drive meaningful change. Investments can catalyse the growth of start-ups, expand financing opportunities for SMEs, and drive progress in critical areas such as gender equality, climate action, and healthcare.[3] Moreover, impact investors contribute to economic resilience in fragile economies and help bridge gaps where government service delivery is insufficient. Initiatives like the Africa Impact Investing Group and AVPA (African Venture Philanthropy Alliance) are integral to building a robust ecosystem by supporting collaboration, knowledge exchange, and advocacy.

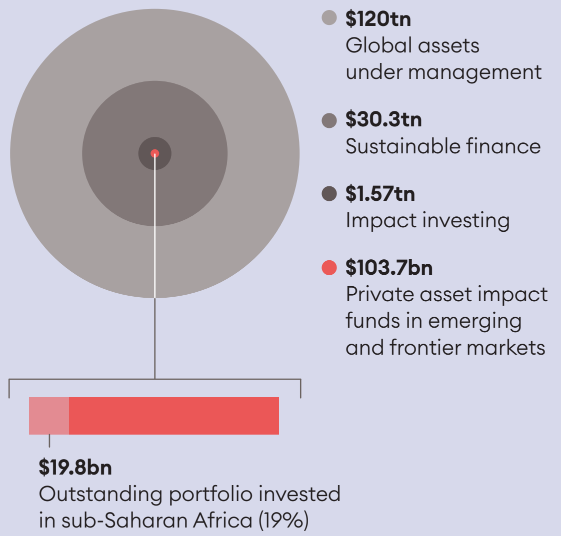
However, significant challenges persist. The region faces macroeconomic shocks, currency depreciation, political instability, and human resource constraints. Limited exit opportunities and challenging fundraising conditions over the past three years have further tested the resilience of impact investors.[4] Building local capacity and adopting innovative financing models are essential to overcoming these barriers.

Despite these challenges, the future of impact investing in sub-Saharan Africa remains promising. By channelling private capital toward impactful sectors, stakeholders can align their objectives with the region's sustainable development goals, promoting inclusive growth and better living standards.

PAIF Universe in sub-Saharan Africa

Within the PAIF market, we estimate the total outstanding portfolio invested in sub-Saharan Africa to be approximately USD 19.8 billion across a notable subset of 469 funds. These funds target the region through a single region focus (230 funds) or multi-region strategy (239 funds). Hereafter, we refer to the first group as "SSA-focused funds".

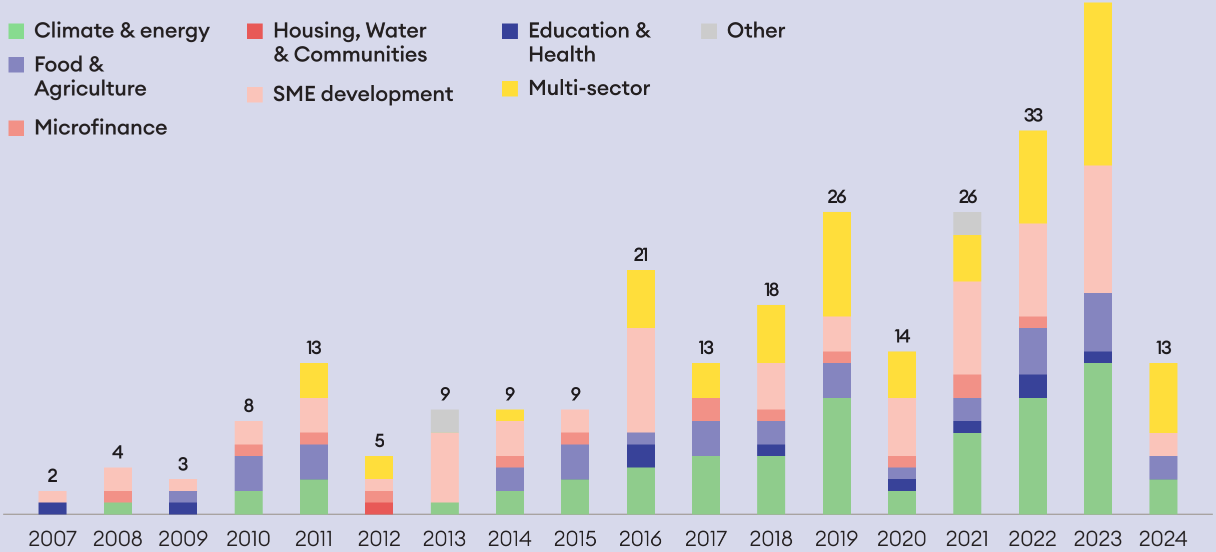
Figure 14 – Sub-Saharan Africa Investment universe
(n=469 funds)



The first SSA-focused fund in our database was launched in 1990, with new funds creation remaining relatively modest until 2006. However, the landscape changed significantly after 2010, with PAIFs targeting SSA growing at an average rate of 15 new funds per year. The COVID-19 pandemic caused a temporary slowdown in 2020, but fund launches quickly rebounded. Between 2021 and 2023, an average of 34 new funds were launched annually, culminating in a record high of 44 new funds in 2023.

1 Global Impact Investing Network (GIIN, 2023). *State of the Market 2024: Trends, Performance and Allocations.*
2 CFA Institute (2024). *Five ways to scale up impact investment in Africa.*
3 F. Léon, S. Rabary (Ferdi, 2024). *Impact investing in Africa: a 2024 analytical map.*
4 Ibid.

Figure 15 – New funds launched in the region
(n=270 funds)



In 2024, 13 new funds have already been added to Tameo's databased. Climate and energy, SME development, and multi-sector funds have become the most prominent investment strategies in the region.

On average, SSA-focused funds constitute 90% of the AUM for investment managers operating in the region.[5] This underscores the significant presence of managers with a near-exclusive focus on sub-Saharan Africa. Among the 170 managers overseeing SSA-focused funds, 141 are fully dedicated to the region, with all their investment vehicles targeting sub-Saharan Africa. Notably, 114 of these managers operate a single PAIF. In terms of market concentration, the top 10 fund managers collectively manage over a third (36%) of the total AUM in the region.

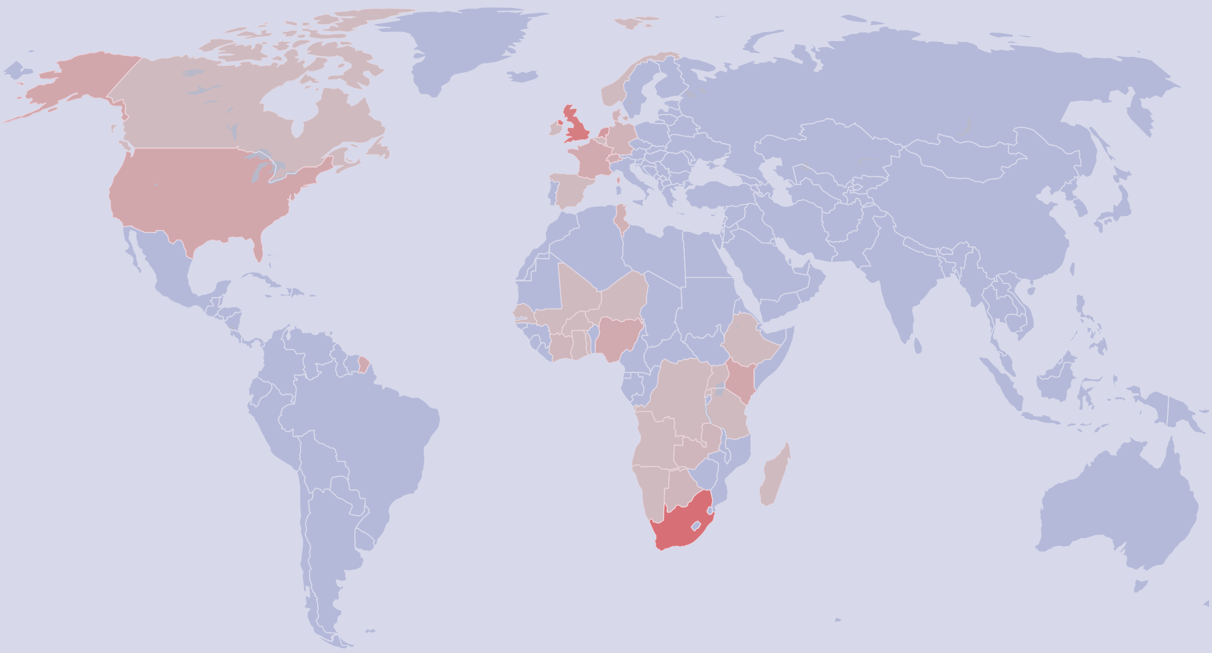
The 170 PAIF managers operate from 36 countries, with 91 managers based in 21 sub-Saharan African countries. Collectively, these regionally based managers oversee USD 8.5 billion across 119 funds, accounting for nearly half (46%) of the total AUM allocated to sub-Saharan Africa. Globally, funds targeting sub-Saharan Africa are managed from three key locations: South Africa (23%), the United Kingdom (19%), and the Netherlands (10%), together representing over half (52%) of AUM.

Table 6 – Share of SSA-focused funds

Investment manager (IM) size range	Share of SSA-focused funds as percentage of total AUM (simple avg.)
Small IM (AUM < USD 100M)	96%
Large IM (AUM < USD 500m)	85%
Large IM (AUM > USD 500M)	52%
Total	**90%**

5 Simple average. Weighted average of 56% indicating the presence of large and diversified managers in the sample.

Figure 16 – Headquarters of investment managers overseeing SSA-focused funds
(n=170 firms, AUM = USD 18.6bn)



% of AUM in SSA

Sub-Saharan Africa	% of impact portfolio
South Africa	23%
Mauritius	7%
Kenya	6%
Nigeria	5%
Botswana	1%
Côte d'Ivoire	1%
Zambia	1%
Ethiopia	0%
Namibia	0%
Congo, Dem. Rep.	0%
Madagascar	0%
Togo	0%
Angola	0%
Senegal	0%
Uganda	0%
Ghana	0%
Tanzania	0%
Burkina Faso	0%
Mali	0%
Rwanda	0%
Niger	0%

Others	% of impact portfolio
United Kingdom	19%
Netherlands	10%
United States	6%
France	5%
Switzerland	4%
Tunisia	3%
Singapore	3%
Germany	2%
Denmark	2%
Luxembourg	1%
Spain	0%
Belgium	0%
Ireland	0%
Canada	0%
Norway	0%

Due to rounding, small percentages are show as zero, but are slightly above.

Notably, women make up 33% of the workforce in investment firms headquartered in sub-Saharan Africa, highlighting the need for further progress toward gender parity in the region. Their representation even diminishes at leadership levels, with women comprising 26% of investment committee members, 19% of C-suite executives, and 27% of board members.[6]

When it comes to fund domiciles, half of SSA-focused funds are registered within the region, with Mauritius and South Africa accounting for 34% and 12% of total AUM, respectively. Outside the region, Luxembourg and the Netherlands serve as key domiciles, hosting 18% and 10% of SSA-focused AUM, respectively.

Within SSA-focused funds, private equity strategies are predominant, accounting for approximately two-thirds (65%) of total assets across 142 funds. In terms of the number of funds, climate & energy funds, SME development funds, and multi-sector funds each represent about one-quarter of the sample. However, when considering total assets, climate & energy funds account for roughly a third (31%), aligning with the total sample across all regions, while multi-sector funds hold a slightly larger share at 33%. The share of SME development funds is higher in the region (19%) compared to the total sample (12%), highlighting the strong emphasis on investment strategies aimed at fostering employment and entrepreneurship in sub-Saharan Africa.

Table 7 – Breakdown by primary asset class and impact sector for SSA-focused funds

Breakdown by total assets (USD million)

Sector	Private equity	Private debt	Mixed	Total	%
Climate & energy	2,924	1,752	1,014	5,689	31%
Education & health	539	196	-	735	4%
Food & agriculture	597	143	409	1,148	6%
Housing, water & communities	-	-	-	-	0%
Microfinance	377	272	43	692	4%
SME development	2,628	131	706	3,465	19%
Multi-sector	4,376	1,599	133	6,108	33%
Other	696	20	-	716	4%
Total	**12,136**	**4,112**	**2,304**	**18,552**	
	65%	22%	12%		

Breakdown by number of funds

Sector	Private equity	Private debt	Mixed	Total	%
Climate & energy	30	16	14	60	26%
Education & health	5	4	-	9	4%
Food & agriculture	15	8	6	29	13%
Housing, water & communities	-	-	-	-	0%
Microfinance	3	4	2	9	4%
SME development	41	11	8	60	26%
Multi-sector	45	8	6	59	26%
Other	3	1	-	4	2%
Total	**142**	**52**	**36**	**230**	
	62%	23%	16%		

6 Based on a sample of 24 investment managers.

A CLOSER LOOK AT SURVEYED FUNDS PRIMARILY INVESTING IN SUB-SAHARAN AFRICA

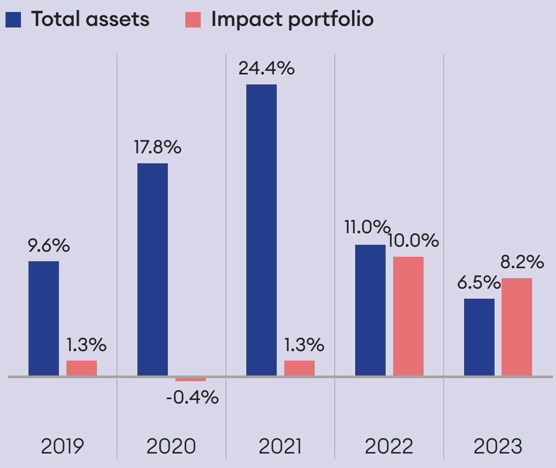
An analysis of the subset of 37 surveyed funds primarily investing in sub-Saharan Africa[7], for which detailed financial, portfolio, and impact data are available, reveals insightful nuances and trends on growth, investor composition, investee types, countries of investment, fund dynamics and developmental impact. At the end of 2023, these funds had a combined portfolio of USD 1.6 billion invested in the region, accounting for 98% of their total outstanding portfolio.

Data for SSA-focused funds is benchmarked against three peer groups: single-region funds, multi-region funds, and all PAIFs. The single-region funds peer group includes all SSA-focused funds, as well as funds focused on other specific regions, such as Latin America and the Caribbean or South Asia. Multi-region funds, on the other hand, include those targeting multiple regions, for instance, both sub-Saharan Africa and South Asia. The "all funds" peer group encompasses both single-region and multi-region funds.

Despite persistent challenges, growth continued in 2023

Between 2019 and 2021, surveyed SSA-focused funds experienced robust growth in total assets, including double-digit increases in both 2020 and 2021. However, this mainly translated into increased cash levels, with little growth from the impact portfolio. While total assets growth slowed in both 2022 and 2023, it was accompanied by a strong impact portfolio growth.

Figure 17 – Year-on-year growth of SSA-focused funds
(n=31 funds, AUM = USD 1.9bn in 2023)



In comparison to other regions, funds focused on sub-Saharan Africa saw the second-largest growth in total assets in 2023 at 6.5%.[8] While funds focused on Latin America & the Caribbean led with a growth of 15.3%, SSA-focused funds outpaced those primarily targeting Eastern Europe & Central Asia (3.5%) and South Asia (1.9%).[9] There were too few data points available for East Asia and Pacific, as well as the Middle East & North Africa regions.

Surveyed SSA-focused funds anticipate a return to double-digit growth in 2024, whereas multi-region funds project more modest growth of 4.1%.[10] Additionally, according to the GIIN, more than half of impact investors (53%) plan to increase their allocations to the region.[11]

SSA-focused funds reported a higher proportion of liquid assets (i.e., cash and cash equivalents), accounting for 20% of total assets in 2023, compared to 9% across all funds. Other single-region funds also reported lower average cash levels, with for instance funds focused on Latin America and the Caribbean reporting cash levels of 12% of total assets in 2023.[12] Notably, the share of liquid assets for SSA-focused funds has consistently remained higher, at approximately 20% since 2020.

7 Funds which reported at least 75% of regional exposure in sub-Saharan Africa at the end of 2023.
8 Based on a constant sample of 31 funds, for which total assets are available both at the end of 2022 and 2023.
9 Based on a constant sample of 23 funds for Latin America & the Caribbean, 6 funds for Eastern Europe & Central Asia, and 7 funds for South Asia, with outstanding portfolio data available for both the end of 2022 and 2023.
10 Based on a sample of 16 SSA-focused funds, and 74 multi-regional funds.
11 Global Impact Investing Network (GIIN, 2023). *State of the Market 2024: Trends, Performance and Allocations.*
12 Based on a sample of 24 funds.

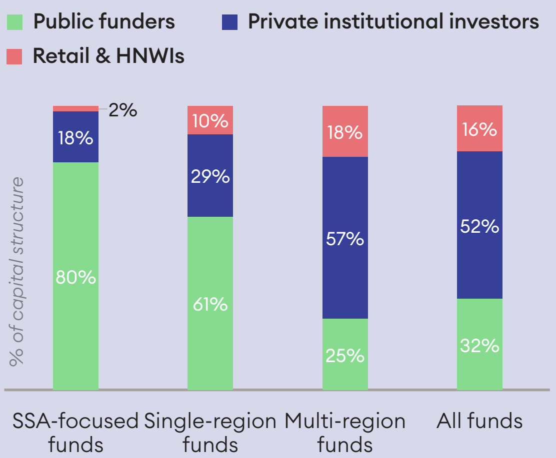
In 2023, SSA-focused funds disbursed on average USD 15.7 million per fund across 8 deals, with an average ticket size of USD 2.2 million.[13] In line with the high growth expected, planned disbursements for 2024 appeared optimistic as of mid-year, with expectations to reach USD 23.7 million across 10 deals per fund. The average ticket size is projected to remain steady at USD 2.2 million.

Prevalence of public funders in the region

SSA-focused funds rely importantly on public funders, with an average of 80% of their capital originating from this investor group in 2023. This represents a significant increase from 2022, when public funders accounted for 64% of their capital. By comparison, public funders contribute 61% of the capital structure for all single-region-focused funds and only 25% for multi-region funds.

Institutional investors, however, make up only 18% of the capital structure for SSA-focused funds in 2023. Capital contributions from retail investors and high-net-worth individuals (HNWI) remain scarce, constituting just 2% of the capital structure for SSA-focused funds.

Figure 18 – Investor breakdown of SSA-focused funds
(n=28 SSA-focused funds, AUM = USD 1.6bn)



Among public funders, development finance institutions (DFIs) account for 80% of the capital of SSA-focused funds.[14] According to the GIIN, sub-Saharan Africa receives the largest share of DFIs' impact assets under management (AUM), accounting for 44%, followed by South Asia (21%) and the Middle East and North Africa (13%).[15]

Researchers Florian Léon and Sitraka Rabary from FERDI also note that while the first two decades of the 21st century saw a surge in interest from private investors in Africa, this momentum has waned in recent years. International private investors have significantly reduced their allocations to the region.[16] Nonetheless, the GIIN underscores the growing role of local investors, accounting for 72% of the capital from institutional investors allocated to the region towards infrastructure projects, including clean energy and sustainable agriculture.[17]

Meanwhile, foundations are beginning to play a more prominent role in the ecosystem, though their impact is still nascent. Capital from foundations and philanthropies accounts for 11% of the capital structure of SSA-focused funds.[18] Initiatives such as the MasterCard Foundation Africa Growth Fund and the FASA fund hold promise for catalysing a new wave of impact investors. Similarly, major donating agencies like the World Bank, through its Private Sector Window (PSW) under IDA, and the European Union are innovating with blended finance mechanisms aimed at attracting private capital to the region.[19]

Non-financial SMEs represent an important share of SSA-focused funds' portfolios

SSA-focused funds primarily invest in non-financial SMEs, which make up 40% of their impact portfolios, followed by financial institutions (excluding fintechs) at 29% and projects at 16%. In contrast, other PAIFs predominantly invest in financial institutions, accounting for 82% of their impact portfolios. Across all funds, non-financial SMEs represent only 9% of the impact portfolio. Noteworthy, investments in fintechs and embedded finance companies, though still a relatively small portion, are more prominent in SSA-focused funds than in other funds, accounting for 6% and 5% of their impact portfolio, respectively.

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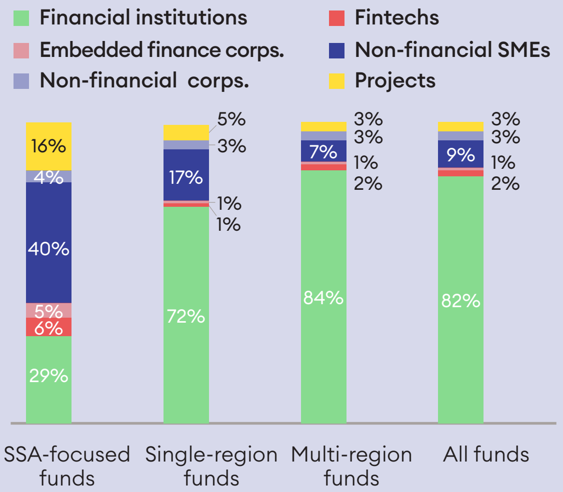
13 Based on a sample of 29 SSA-focused funds, for which both the total disbursed amount and total number of deals is available.
14 Based on a sample of 23 SSA-focused funds.
15 Global Impact Investing Network (GIIN, 2023). *State of the Market 2024: Trends, Performance and Allocations.*
16 F. Léon, S. Rabary (Ferdi, 2024). *Impact investing in Africa: a 2024 analytical map.*
17 Global Impact Investing Network (GIIN, 2023). *State of the Market 2024: Trends, Performance and Allocations.*
18 Based on a sample of 20 SSA-focused funds.
19 F. Léon, S. Rabary (Ferdi, 2024). *Impact investing in Africa: a 2024 analytical map.*

Figure 19 – Investee types of SSA-focused funds
(n=31 SSA-focused funds, AUM = USD 1.6bn)



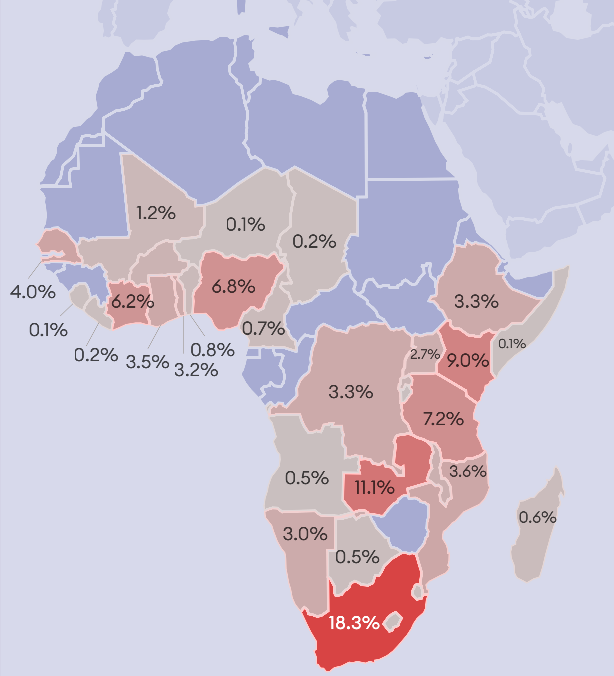
Reflecting the focus on non-financial SMEs, SSA-focused funds also invest more in early-stage (21% of impact portfolio) and growth-stage (43%) companies, compared to all funds, where mature companies comprise more than half of the portfolio (57%) by the end of 2023.[20] As a result, the average investee exposure for SSA-focused funds is lower, at USD 1.3 million per investee, compared to USD 3.3 million across all funds.[21] However, given the typically smaller size of single-region funds, SSA-focused funds are highly concentrated, with the top 5 investees accounting for 66% of their portfolios, compared to just 36% across all funds.[22]

Portfolio exposures are concentrated in a few countries

In 2023, surveyed SSA-focused funds reported portfolio exposures spanning 32 of the 48 countries in the region. Notably, the top five countries– South Africa (18% of outstanding country portfolio), Zambia (11%), Kenya (9%), Tanzania (7%), and Nigeria (7%)–accounted for more than half (52%) of the total portfolio allocations of these funds. Similarly, Florian Léon and Sitraka Rabary found that across a portfolio of 1,148 investees in the region, the majority were concentrated in Nigeria, Kenya, and South Africa.[23] Noteworthy, the high portfolio exposures in Zambia and Tanzania are primarily driven by a single fund. Excluding this fund, the top three countries would be South Africa (17%), Kenya (10%), and Nigeria (8%). However, both Zambia and Tanzania would still rank among the top 10 countries.

In terms of the number of funds active in each country, Kenya stands out with 22 funds investing there, followed by Tanzania and Ghana (14 funds each), and Uganda (13 funds).

Figure 20 – SSA country exposures
(n=30 funds, AUM = USD 1.9bn)



Top 10 country exposures

South Africa	18.3%
Zambia	11.1%
Kenya	9.0%
Tanzania	7.2%
Nigeria	6.8%
Côte d'Ivoire	6.2%
Senegal	4.0%
Mozambique	3.6%
Ghana	3.5%
Ethiopia	3.3%

20 Based on a sample of 18 SSA-focused funds and 106 funds for all strategies.
21 Based on a sample of 37 SSA-focused funds and 213 funds for all strategies.
22 Based on a sample of 29 SSA-focused funds and 175 funds for all strategies.
23 F. Léon, S. Rabary (Ferdi, 2024). Impact investing in Africa: a 2024 analytical map.

Several factors can influence the prevalence of impact investing in one country compared to another. Government policies and regulatory frameworks play a pivotal role in shaping the impact investing landscape. These frameworks can either promote environmental and social objectives–through public-private partnerships, subsidies, or tax incentives[24]–or pose significant challenges to its adoption.

For example, regulatory bodies in Kenya, Nigeria, and South Africa have actively supported the alignment of pension fund allocations with national development priorities, such as affordable housing, critical infrastructure, economic growth, and job creation.[25]

At the end of 2023, a substantial 74% of the outstanding portfolio of SSA-focused funds was directed towards lower- to lower-middle-income countries. In comparison, these countries accounted for only 43% of the portfolio across all funds, underscoring the strong development potential of investments in the region.

Costs and risks dynamics remain challenging for SSA-focused funds

In terms of costs, SSA-focused funds have consistently incurred significantly higher operating costs in recent years, although these costs have decreased from 8.0% of total assets in 2020 to a median of 4.8% in 2023. In comparison, the median operating costs across all PAIFs amounted to 2.6% in 2023.

Management fees were also higher for SSA-focused funds, reaching 2.5% in 2023, compared to 1.5% across all funds[26]. However, like operating expenses, management fees have decreased from 4.8% in 2020.

Before the pandemic, in 2019, management fees for SSA-focused funds were 1.6%, aligning with the median across all PAIFs. However, operating expenses were already significantly higher, at 5.2%–more than double the rate across all funds that year.

For debt and mixed SSA-focused funds, default risk was higher than for all PAIFs at the end of 2023. This is reflected in loan loss reserves outstanding as a percentage of the impact debt portfolio, which stood at 10.2% at the end of 2023, compared to 5.9% across all PAIFs. Similarly, annual loan loss provisions during the year were also higher for SSA-focused funds, at 1.8%, compared to 1.1% across all funds.[27]

Figure 21 – Fees and costs of SSA-focused funds
(n=23 funds, AUM = USD 1.6bn)

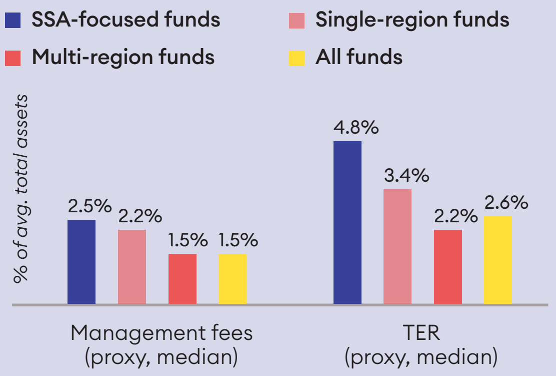
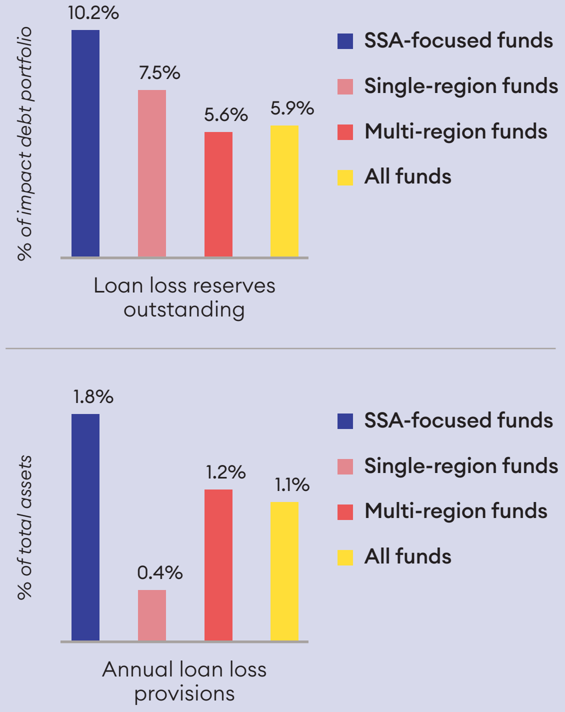
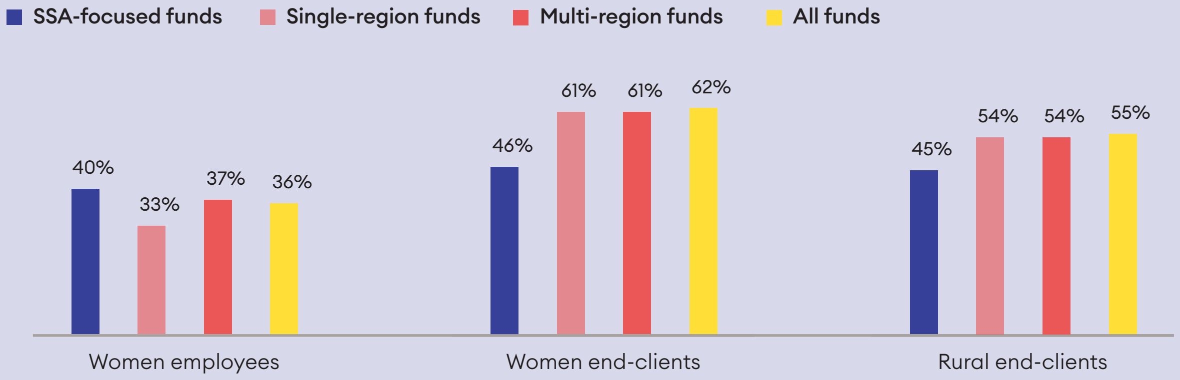


Figure 22 – Default risk and annual provisioning of SSA-focused funds
(n=18 funds, AUM = USD 1.2bn)



24 Global Impact Investing Network (GIIN) (2024). Sizing the Impact Investing Market 2024
25 Global Impact Investing Network (GIIN) (2024). Sizing the Impact Investing Market 2024.
26 Management fees and operating costs for all PAIFs are derived on samples of 128 funds and 143 funds, respectively.
27 Loan loss reserves outstanding and annual provisions for all PAIFs are derived on a sample of 121 funds.

Figure 23 – Impact outreach of SSA-focused funds
(n=24 funds, AUM = USD 1.8bn)



Impact outreach

On average, women make up 40% of the workforce in investees of SSA-focused funds, a slightly higher proportion compared to investees across all PAIFs, where women represent 36%[28]. However, in terms of end clients, women account for 46% of end clients, lower than the representation across all PAIFs at 62%. Rural end clients also make up nearly half of investees' end clients, although their share is lower than that of all PAIFs. These figures reflect the nature of the investees targeted, with SSA-focused portfolios including more non-financial SMEs compared to financial institutions.

Concluding remarks on the region

This deep dive into the PAIF universe in sub-Saharan Africa highlights the region's potential as a hub for impact investing, despite the persistent challenges that investors face. With a promising growth trajectory and record levels of fund launches in recent years, SSA-focused funds demonstrate their resilience and adaptability in a complex environment marked by economic and political headwinds.

While the region continues to face structural hurdles, such as high operating costs, limited exit opportunities, and macroeconomic instability, the significant allocation of funds to underserved lower- and lower-middle-income countries underlines the developmental impact these investments can achieve. SSA-focused funds are uniquely positioned to catalyse transformative change by fostering SME growth, supporting gender-inclusive portfolios, and addressing climate change.

As stakeholders increasingly embrace innovative financing mechanisms and collaborative initiatives, the foundation for a more robust and sustainable impact investing ecosystem in sub-Saharan Africa is being laid. By aligning investment strategies with regional development priorities, impact investors have an opportunity to drive meaningful progress toward the SDGs, unlock inclusive economic growth, and improve living standards for millions across the region. Sub-Saharan Africa's impact investing story is still being written, but its future looks promising.

28 Impact outreach data for all PAIFs are based on samples of 127 funds for employment data, 121 funds for female end-clients, and 110 funds for rural end-clients.

Gender lens investing

Gender lens investing (GLI), defined by the GIIN as a "strategy or approach to investing that takes into consideration gender-based factors across the investment process to advance gender equality and better inform investment decisions"[1], has been transforming the investment landscape for over a decade. According to 2X Global and Sagana, as of June 2023, 175 gender lens funds–defined as funds with an explicit gender mandate or those integrating gender considerations into investment decisions and portfolio management–reached a cumulative market size of USD 7.9 billion.[2]

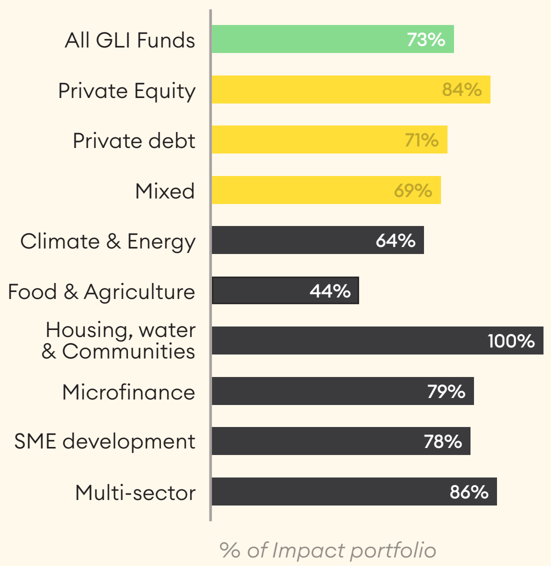
Within the PAIF universe, an increasing number of fund managers are incorporating a gender lens into their investment strategies, with the aim to deliver measurable positive impacts on the lives of women and girls in emerging and frontier markets. Key objectives include expanding access to leadership roles, entrepreneurship opportunities, quality employment, capital, and gender-focused products or services. Beyond addressing inequalities, investment managers recognize that advancing SDG 5 (Gender Equality) acts as a catalyst for achieving other SDGs.[3] Gender equality initiatives not only drive economic growth through increased participation by women but also generate broader benefits, such as improved healthcare and education outcomes.

This year's data reveals that 266 funds within the PAIF universe–approximately one-third–have adopted a GLI mandate or incorporated gender considerations into their investment processes. Together, these funds represent USD 22.3 billion, although only a portion of their impact portfolios may qualify as gender investments. These funds are typically smaller with an average fund size of USD 84 million, compared to USD 130 million for the total sample.

Among surveyed gender lens funds, GLI portfolios–defined as investments meeting at least one 2X criterion[4]–accounted for an average of 73% of total outstanding portfolios at the end of 2023. By contrast, funds without a GLI mandate reported an average alignment with the 2X criteria of 45%.

Portfolio alignment with the 2X criteria varies across asset classes and sectoral peer groups. The highest alignment was observed in Housing, Water & Communities funds (100%), multi-sector funds (86%)–which often address gender as a cross-cutting theme before targeting specific sub sectors–and private equity funds (84%). Microfinance and SME development funds also demonstrated strong alignment, exceeding 75% with the 2X criteria.

Figure 24 – Alignment of GLI funds' portfolio to the 2X Criteria
(n=72 funds, AUM = USD 4.9bn)



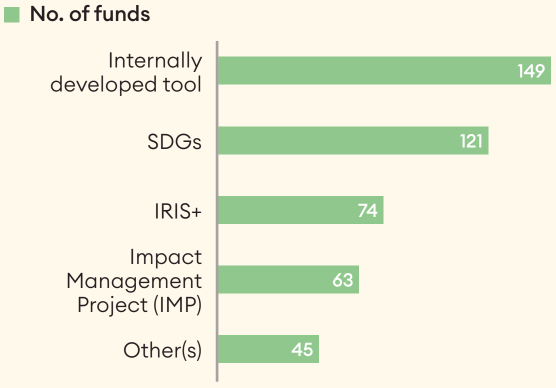
1 Global Impact Investing Network (GIIN). Gender Lens Investing Initiative. https://thegiin.org/gender-lens-investing-initiative/
2 2X Global, Sagana (2024). Project Catalyst: Tracking gender lens investing activity in private markets.
3 Tameo Impact Fund Solutions (2022). Private Asset Impact Fund report 2022.
4 In 2024, the 2X Challenge introduced additional requirements for investments to qualify as 2X eligible. Alongside meeting at least one 2X criterion, investments must now comply with the Basic 2X ESG standards and minimum Governance & Accountability requirements. For more information, refer to the 2X Criteria – 2X Challenge website. These updates will be reflected in the next edition of the PAIF Report.

Durgapur, West Bengal, India
Abit Roy Barman © Shuttestock

Impact management and measurement practices

PAIF strategies embed the intention to drive positive impact into their operations throughout the investment cycle, supported by robust Impact Management and Measurement (IMM) practices (see Appendix 6 for more details on impact intentionality). Most impact funds define a theory of change, articulating their impact goals, outlining investment criteria, and determining the scope and depth of their outreach through investments. During the investment screening process, the majority of PAIFs apply exclusion policies and integrate ESG norms into both opportunity evaluation and decision-making.

Figure 25 – Tools or frameworks to manage and measure the impact performance of the fund
(n=184 funds, AUM = USD 30.0bn)

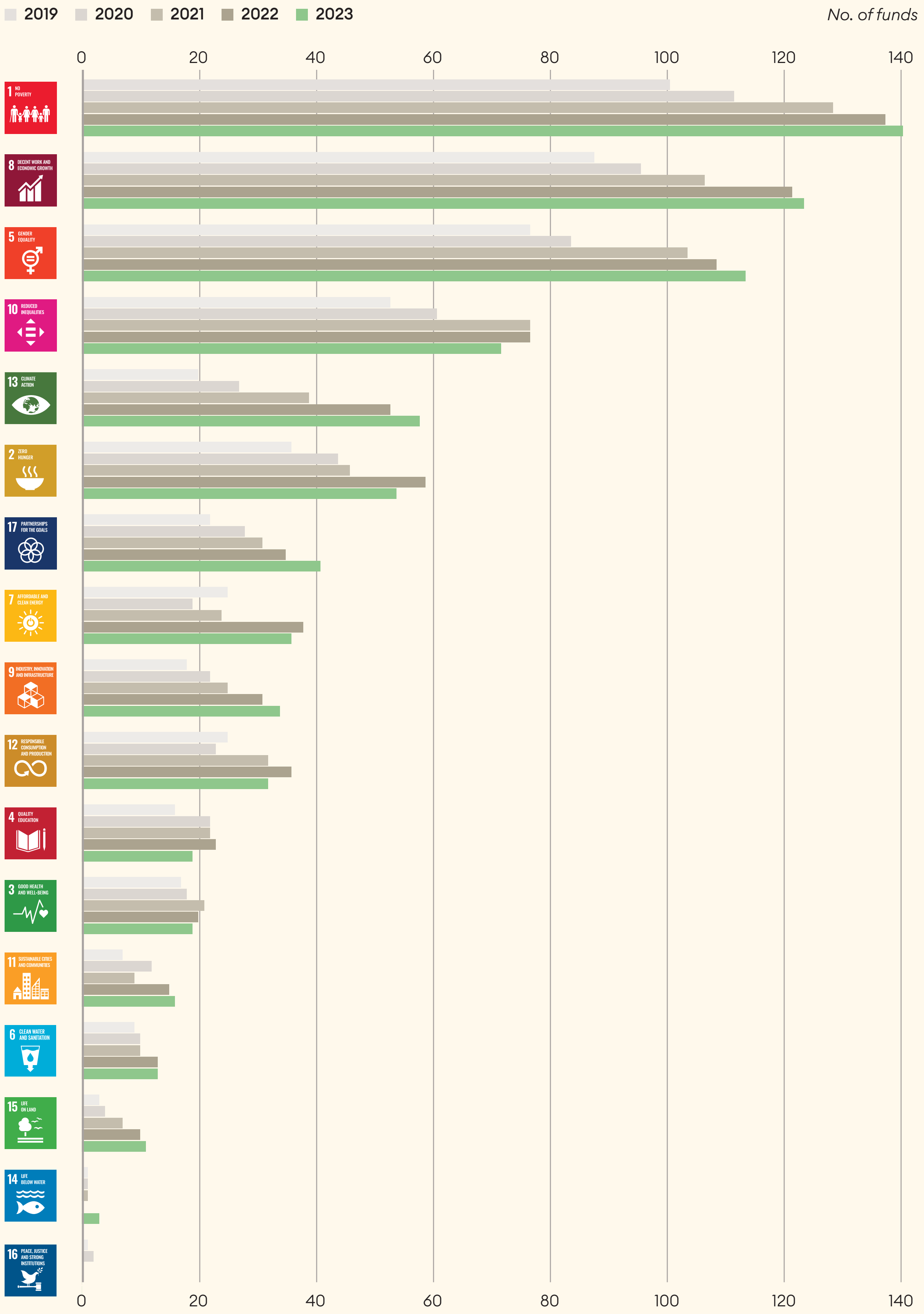


PAIFs frequently integrate social and environmental covenants into investment agreements as a strategic tool to promote responsible and sustainable business practices. These covenants align the objectives of both the investor and the investee, serving as mechanisms to drive shared goals. They may include social or environmental performance reporting, specific use-of-proceeds requirements, or earmarking funds for designated purposes[1]. Additional measures often incorporated into these agreements include setting caps and floors on financial ratios, establishing social performance milestones, or creating dedicated social performance management units. By embedding these covenants, PAIFs establish a structured framework for measurable and accountable progress toward achieving social and environmental objectives.

After investment, PAIFs actively monitor the social and/or environmental performance of their investees. PAIFs traditionally use internally developed tools to manage and measure impact, eventually posing challenges for sector harmonization and efficiency. However, industry standards such as the SDGs remain central to impact management, with most PAIFs aligning target SDGs to their specific goals. Additionally, frameworks like the GIIN's IRIS+ and the Impact Management Project are widely referenced for impact measurement practices.

1 Social or environmental performance reporting: binding the investee to provide regular reports on social and environmental performance indicators, fostering transparency and accountability. Use of proceeds: clearly defining the specific types of expenses for which the investee will allocate the obtained capital, ensuring alignment with the intended impact objectives. Earmarking: setting aside the invested capital for designated purposes or projects, reinforcing the commitment to targeted impact outcomes.

Figure 26 – Targeted SDGs
(n=190 funds, AUM = 30.0bn in 2023)



Among surveyed funds, the most targeted SDGs were the following ones: SDG 1 (141 funds), SDG 8 (124), SDG 5 (114), SDG 10 (72), SDG 13 (58). It is worth mentioning that SDG 6 (Clean Water and Sanitation), SDG 15 (Life on Land), SDG 14 (Life Below Water), and SDG 16 (Peace, Justice and Strong Institutions) were less frequently cited as specific targets by survey participants.

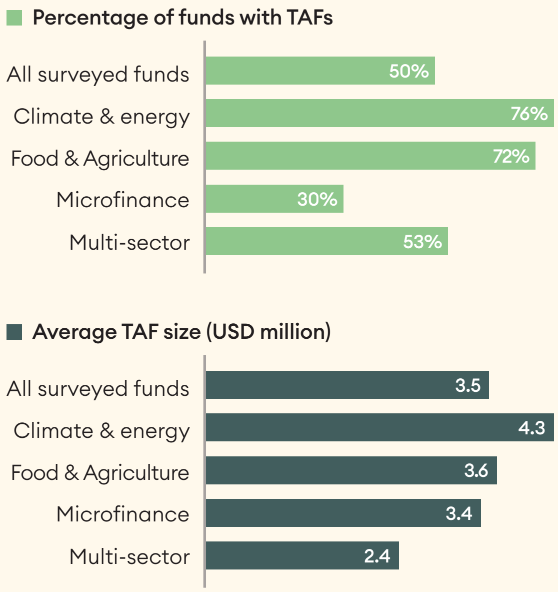
Some PAIFs extend preferential terms to investees with a strong commitment to ESG principles. These benefits may include lower interest rates and more lenient financial covenants, such as flexible repayment schedules, reduced collateral requirements, and a greater tolerance for risk. Survey responses also revealed a range of additional preferential measures across both debt and equity funds. For instance, some funds offer supplementary capital disbursements to support investees. In equity investments, certain PAIFs expressed a willingness to accept lower dividends, reflecting a focus on long-term sustainable practices over short-term returns. Others demonstrated a commitment to pay a higher multiple in equity transactions.

In this edition of the PAIF Report, we expanded our analysis to include data on technical assistance provided by funds to their investees, as well as impact-linked finance practices. A technical assistance facility (TAF) is a dedicated pool of resources aimed at supporting capacity-building projects within an investor's portfolio or pipeline. Among the surveyed funds, 50% (75 out of 149 respondents) reported having a TAF, spanning both private credit and private equity instruments, with an average size of USD 3.5 million. The majority of these facilities (78%) operate at the fund level, while 22% are structured at the investment management company level, covering multiple funds. Most TAFs (62%) are managed in-house, while 18% are outsourced, and 20% use a hybrid approach.

Regarding the timing of the assistance provided, most TAFs primarily provide funding post-investment to portfolio companies. However, a significant portion (42%) provides support at both the post-investment and pre-investment stages, helping potential investees meet financial reporting requirements to become investment-read for example. Regionally, 79% of surveyed funds focusing on Sub-Saharan Africa (SSA) and 71% of those targeting Latin America & the Caribbean (LAC) reported having a TAF. On average, SSA-focused TAFs were larger (USD 4.3 million) compared to LAC-focused ones (USD 2.7 million). Additionally, 30% of multi-region surveyed funds reported having a TAF.

Looking at primary impact sectors, 76% of surveyed climate & energy funds had a TAF, as did 72% of surveyed food & agriculture funds. The proportion was lower for microfinance funds, likely reflecting the sector's maturity and the presence of more established investees. Climate & energy funds also had a larger average TAF size, at USD 4.3 million.

Figure 27 – Technical assistance facilities by primary impact sector
(n=75 funds, AUM = 30.0bn)



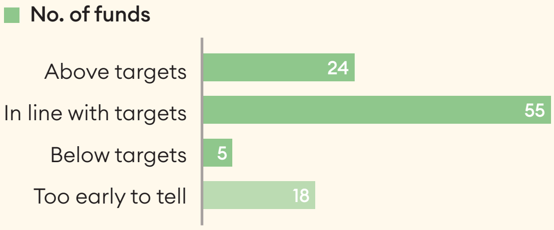
Impact-linked finance refers to financial instruments designed with financial incentives directly tied to positive impact outcomes. For example, impact-linked payments provide payments to enterprises for achieving additional positive outcomes, while for impact-linked loans, interest rates are adjusted based on the borrower's achievement of predefined impact milestones.

While impact-linked finance has gained some attention in the impact investing space, it remains an emerging practice. Only 13% of surveyed funds (12 out of 91 respondents) reported incorporating such instruments into private credit agreements. Among the small subset of funds using these instruments, an average of 71 transactions per fund have been done since inception, totalling 565 transactions.

Furthermore, 60% of surveyed funds reported that the measured impact was verified by the investor, while the remaining 40% relied on self-reported data from investees. Most impact-linked finance instruments (64%) are managed in-house.

And finally, to benchmark their impact performance, some funds have begun implementing impact targets. These targets may be set at the fund level or more granularly, tailored to individual investees. Among surveyed funds, over half (55 out of 102 respondents) reported meeting their impact targets, while several PAIFs (24 funds) noted that they even exceeded their goals. Only a small number (5 funds) indicated that their performance fell short of their impact targets.

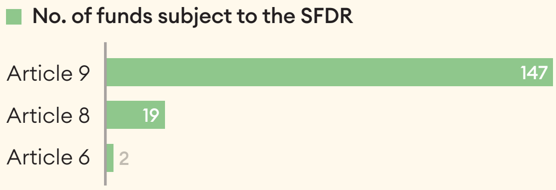
Figure 28 – Performance relative to impact targets
(n=102 funds, AUM = USD 13.0bn)



Reinforcing their commitment to transparency and accountability, many PAIFs publish annual impact reports. Beyond voluntary disclosures, regulatory frameworks are increasingly mandating sustainability reporting by investment managers. Leading this shift, European regulators introduced the Sustainable Finance Disclosure Regulation (SFDR) in March 2021, which establishes tiered disclosure requirements based on sustainability strategies: Article 6, Article 8, and Article 9.[2] Although these categories were not initially intended as sustainability labels, they have become effective markers for identifying funds with sustainable investments as their primary objective.

Within the total PAIF universe, at least 168 funds fall under the scope of the SFDR. Of these, 88% comply with Article 9, highlighting the sector's strong commitment to sustainable investment practices.[3]

Figure 29 – SFDR categories
(n=168 funds, AUM = USD 31.6bn)



2 Article 6: Disclosure on the firm's website about how sustainability risks are integrated into its investment decision-making processes.
Article 8: Products promoting environmental or social characteristics or having sustainable investment as their objective. These products are subject to additional disclosure requirements, providing more detailed information about how sustainability is achieved. Article 9: Products with a sustainable investment objective. These products are subject to the most stringent disclosure requirements, providing detailed information on how they contribute to sustainability goals.

3 Of the remaining 630 funds, 122 are not subject to the SFDR, and data is unavailable for the rest.

alphamundi GROUP

AlphaMundi Group Ltd (AMG) is dedicated to impact investing, focusing on market-based solutions aligned with the UN Sustainable Development Goals. Since 2009, AMG has profitably invested over USD 125M in more than 60 impact ventures across Latin America and Africa, executing over 300 venture debt and equity transactions through its SocialAlpha and AlphaJiri funds and related co-investments. AlphaMundi portfolio companies have positively impacted over 10 million low-income beneficiaries, predominantly in rural areas, with 40% being women.

In 2025 AMG will launch the **Alpha Latin America 2030 Fund (ALA30)**, a pioneering impact investment fund committed to advancing Latin America's transition to a sustainable future as framed by the United Nations Development Program (UNDP). There is a financing gap of 2 trillion to meet the UN SDGs in Latin America, providing an opportunity to invest in purpose-driven ventures across the region.

ALA30 Fund Objectives:

- Deliver market returns by investing equity in leading Tech-driven impact ventures with transformative impact and high growth potential.
- Build a diversified portfolio of early-stage companies across Latin America, addressing climate change risks and social inclusion needs.
- Provide financing and technical assistance to drive investee growth and capitalise on their success through follow-on investments.
- Promote innovation and entrepreneurship by backing local teams, product innovation and market expansion.
- Accelerate climate change mitigation and adaption, and social inclusion by catalysing additional capital for the region.

With a target size of USD 50M+, the ALA30 fund aims to achieve a 15% net IRR by deploying capital in 10-15 game-changing tech-driven impact ventures that are redefining market leadership through sustainability. The Technical Assistance Facility will be hosted by the AlphaMundi Foundation.

The ALA30 fund will primarily invest Equity in early-stage businesses with a solid and experienced management team. The investment strategy will be focused on Climate Change and Social Inclusion, with a geographical focus in tier-1 countries (Mexico, Colombia, Peru). We have identified more than 164 startups potentially matching the Fund's criteria (see chart on the right).

AlphaMundi Group (AMG) Highlights

Inception year	**2008**
Headquarters	**Geneva, Switzerland**
No. of offices	**3 (Geneva, Bogota, Nairobi)**
No. of staff (FTE)	**16 (including AM Foundation)**
AuM (USD M)	**33M**
Total no. of current investees	**25**
Total Invested to date	**USD 126M**
Total No. of investments	**321**
Total SMEs financed to date	**60+**
Total beneficiaries to date	**10M+**
Main geography of investment	**Latin America and Sub-Saharan Africa**
Main impact sectors	**Financial Inclusion, Renewable Energy, Sustainable Food, Affordable Housing**
Main asset class	**Private Debt and Venture Capital**
Industry Recognition	**B-Corp certified since 2023, listed by ImpactAssets 50 in 2021 and 2022**

ALA30 Potential Pipeline by Sector

Financial Services	22%
Green Services	13%
Circular Economy	10%
Education	10%
Healthcare	10%
Renewable Energy	8%
AgriBusiness / AgTech	7%
Food	4%
Water Management	2%
Other	14%

Data as of December 2024

Nairobi, Kenya
Miaron Billy © Shuttestock

2 Trends and Performance Analysis of Private Asset Impact Funds

This chapter presents a comprehensive analysis of trends and observations within the PAIF segment, focusing on developments from 2019 to 2023, as well as historical data on microfinance funds dating back to 2006. The analysis draws on data from 230 surveyed funds, although the sample size may vary depending on the indicator. Variations across primary asset classes and impact sectors are also explored to provide a nuanced understanding of the market dynamics.

Key topics covered include market growth, investment activity, investor profiles, blended finance funds, investee types and concentration, and country and currency exposures. The chapter also examines financial performance and its key drivers, including default risk, portfolio yields, fees, and costs. In addition, the chapter concludes with an overview of impact results, highlighting investee employment, end-client outreach, and relevant sectoral indicators.

Market growth

Growth in total assets

In 2023, PAIFs continued to experience a slowdown in total asset growth, with a year-on-year increase of just 1.2%, based on a subset of 183 funds for which total assets are available in both 2022 and 2023. This marks a significant decline compared to the record 17.1% growth in 2021 and the more moderate 6.9% increase in 2022. However, mid-year projections from PAIF managers had anticipated a negative growth rate of -0.7% for the year, a scenario that ultimately did not materialize. Despite this slow growth, funds in the sample saw record financial returns in 2023 (see the financial performance section for details). Looking at the year 2024, initial estimates from fund managers, based on data collected between July and November 2024, suggest a moderate industry-wide growth of 6.6%.

Liquidity is a key consideration in private assets, which, unlike traditional investment products, tend to be illiquid. Closed-ended and equity funds are among the least liquid, requiring long-term capital commitments. Open-ended impact funds provide investors with varying levels of liquidity, often offering subscription and redemption opportunities on a monthly or quarterly basis, with a median redemption notice period of 60 days. Some funds even provide daily or weekly liquidity with shorter notice periods, bringing them closer to traditional mutual funds.

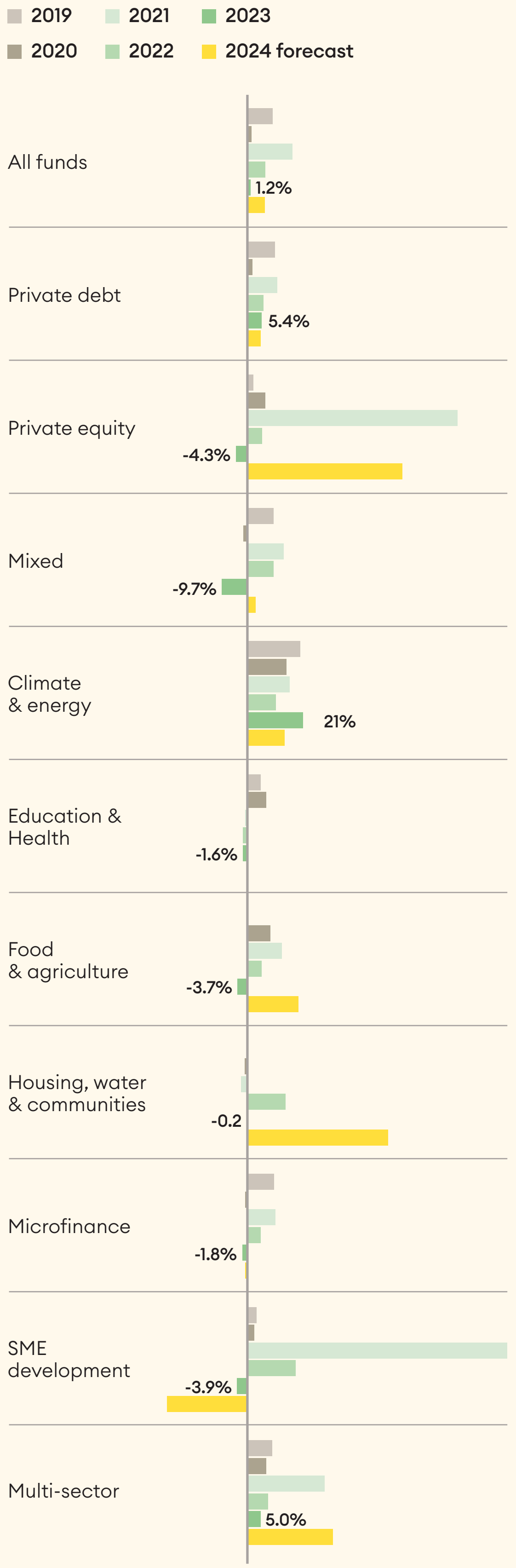
In 2023, the assets of open-ended funds declined by 3.1%, with data from a sample of 44 funds showing average net outflows of USD 2.2 million per fund over the year. In contrast, closed-ended funds grew by 10.3% driven by new fundraising rounds. These outcomes aligned closely with fund managers' expectations, who had forecasted a -3.3% decline for open-ended funds and a 9.7% increase for closed-ended funds. Mid-year projections for 2024 suggest a modest recovery for open-ended funds, with expected growth of 1.1%, while closed-ended funds are anticipated to maintain strong momentum, growing by 23.9%.

The modest growth in 2023 was primarily driven by private debt funds, which saw a 5.4% year-on-year increase. In contrast, private equity strategies recorded a decline of 4.3%. These outcomes were unexpected, as mid-year forecasts had predicted the opposite–negative growth for private debt funds and double-digit growth for private equity funds. Meanwhile, after two years of strong expansion, mixed funds also saw a decline, with assets shrinking by 9.7% in 2023.

Significant variations were observed across sectors. Growth was led by climate & energy funds, which recorded an impressive 21.0% increase, followed by multi-sector funds at 5.0%. All other sectors experienced declines, ranging from -0.2% to -3.9%. The sharpest decreases were seen in SME development funds (-3.9%) and food & agriculture funds (-3.7%). This represents a notable shift for SME development funds, which had led growth in both 2021 and 2022. However, while PAIF managers of SME development funds had forecasted a steep decline in assets for 2023, the actual decrease was less severe than anticipated.[1]

Whether the high growth projections in 2024 for private equity funds (+58.7%) and impact sectors such as housing, water, and community funds (+53.3%), as well as multi-sector funds (+32.2%), will materialize remains to be seen. These figures will be confirmed in the next edition of the PAIF report with actual 2024 growth data.

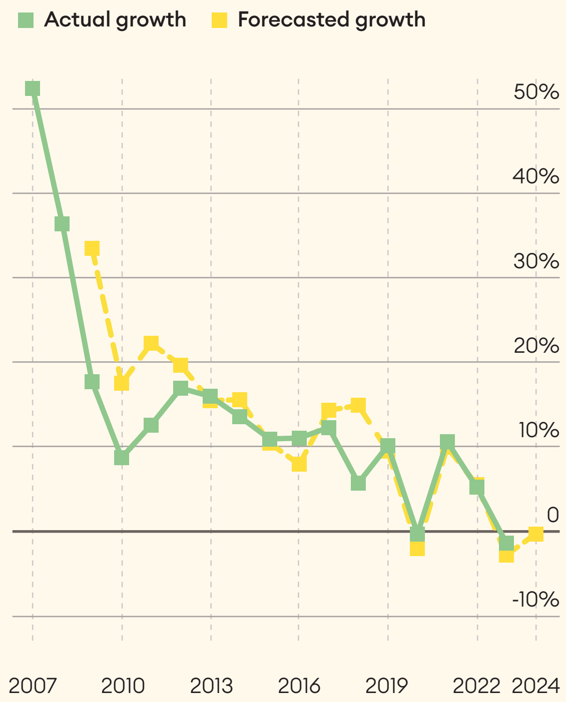
Figure 30 – Growth in total assets by peer group
(n=183 funds, AUM = USD 30.0bn in 2023)



1 Differences in the figures presented in this report compared to last year's are due to the reclassification of a few funds under a different primary impact sector or asset class.

Examining historical trends for microfinance funds, which have been tracked since 2006, these funds have grown at a compound annual growth rate of 13.4%. Between 2009 and 2019, growth remained within a range of +5.5% to +17.9%. The sector saw its first decline in 2020 (-0.7%), reflecting the economic impact of the COVID-19 pandemic. Growth rebounded to 10.6% in 2021 but slowed to a more moderate 5.0% in 2022. In 2023, total assets declined by 1.8%, marking the second decrease recorded since 2006. Forecasts for 2024 indicate a continued slight decline of -0.7%.

Figure 31 – Historical growth of microfinance funds
(n=86 funds, AUM = USD 17.8bn in 2023)



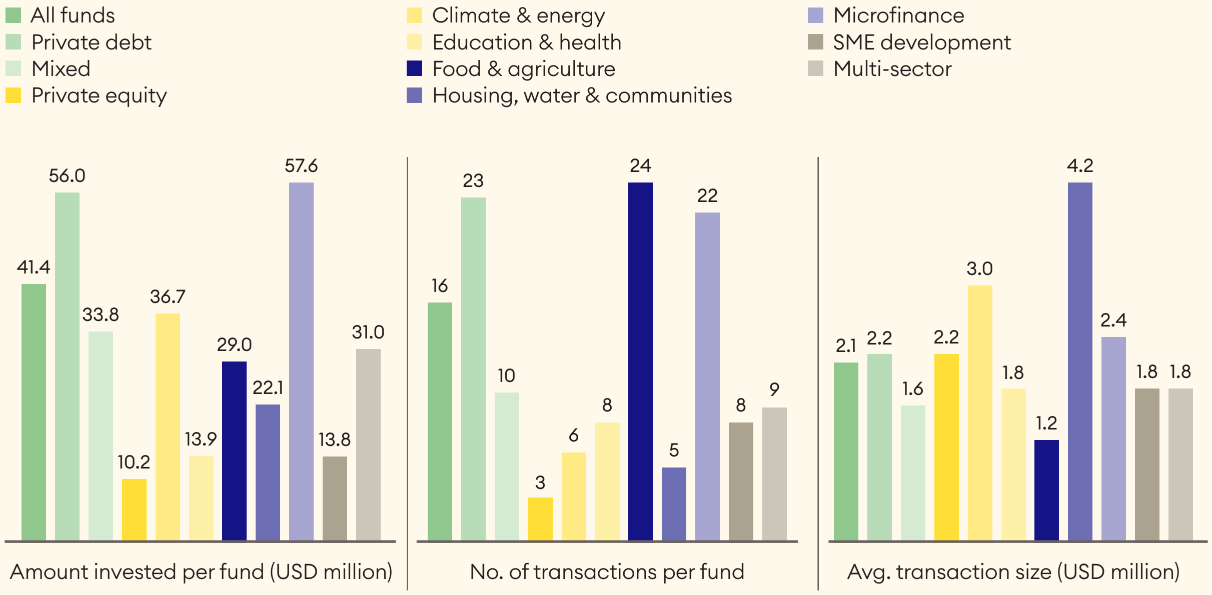
Investment activity

Despite slower total asset growth in 2023, PAIFs invested an average of USD 41.4 million per fund across 16 transactions. This is only slightly below the average investment levels in 2021 (USD 49.5 million) and 2022 (USD 45.4 million). Notably, average ticket sizes increased from USD 1.4 million per transaction in 2021 to USD 2.1 million in 2023.

Private equity funds, on average, disbursed USD 10.2 million per fund across three transactions, while private debt funds invested USD 55.7 million per fund across 23 transactions. However, the average transaction size remained similar for both, at USD 2.2 million. Mixed funds had slightly lower average transaction sizes, at USD 1.6 million.

Significant differences were observed across sectors. Microfinance funds invested USD 57.6 million on average in 2023, while SME development funds invested USD 13.8 million per fund. Average ticket sizes were higher for housing, water & communities funds, as well as climate & energy funds, averaging USD 4.2 million and USD 3.0 million, respectively. In contrast, food & agriculture funds invested on average USD 1.2 million per transaction.

Figure 32 – Investment activity
(n=201 funds, AUM = USD 31.3bn)



Cash levels

At the end of 2023, PAIFs allocated an average of 84% of their assets to impact investments, a proportion that has remained consistently above 80% since 2019. Cash holdings accounted for 9%, staying relatively stable within a 9% to 13% range over the period between 2019 and 2023, while other assets[2] made up the remaining 8%.

Nonetheless, liquidity needs vary by fund type, with private debt funds maintaining higher cash levels (12%) compared to equity funds (3%). This reflects their need for liquidity to manage portfolio replenishment and investor redemptions. In contrast, equity funds, which are typically closed-ended, rely on capital calls and distribution policies to manage liquidity, reducing their need for cash reserves. At the end of 2023, uncalled capital commitments constituted 26% of total commitments of equity funds.

Differences were also observed across impact sectors, with SME development funds having the lowest cash holdings, averaging just 2% at the end of 2023, whereas cash accounted for nearly one-third of total assets in education and health funds.

Microfinance funds recorded their lowest cash levels as a percentage of total assets, averaging 6% at the end of 2023. Compared to 2022, cash holdings declined by 25.6% among funds for which data is available in both years. However, this decrease does not indicate a surge in investment activity, as impact portfolios experienced a slight contraction on average.

2 Other assets include non-impact investments, as for example sovereign bonds, as well as accrued interests, currency forward contracts, receivables and deferred assets, equipment, real estate, etc.

Figure 33 – Asset composition by primary asset class
(n=187 funds, AUM = USD 28.9bn)

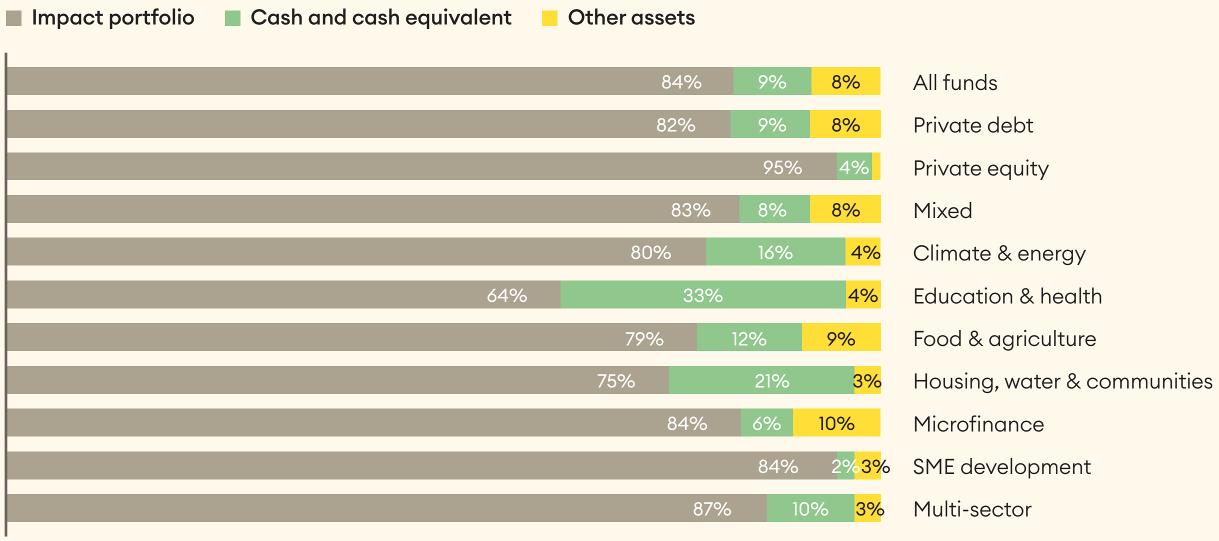
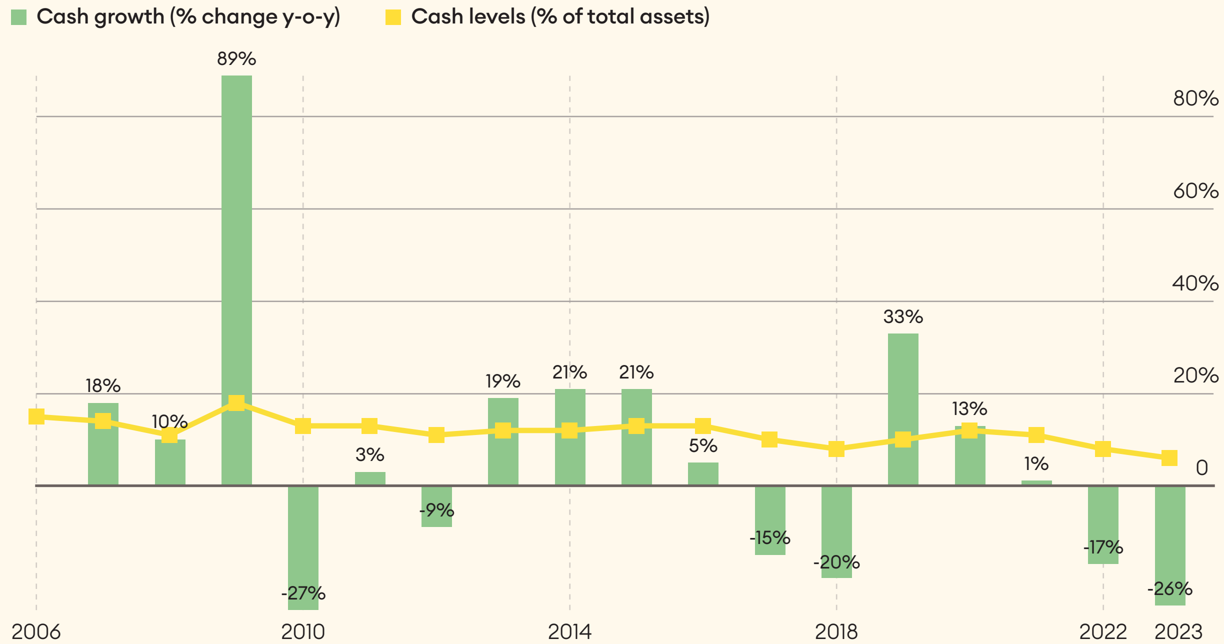


Figure 34 – Historical cash levels of microfinance funds
(n=84 funds, AUM = USD 16.4bn in 2023)



Gondar, Ethiopia

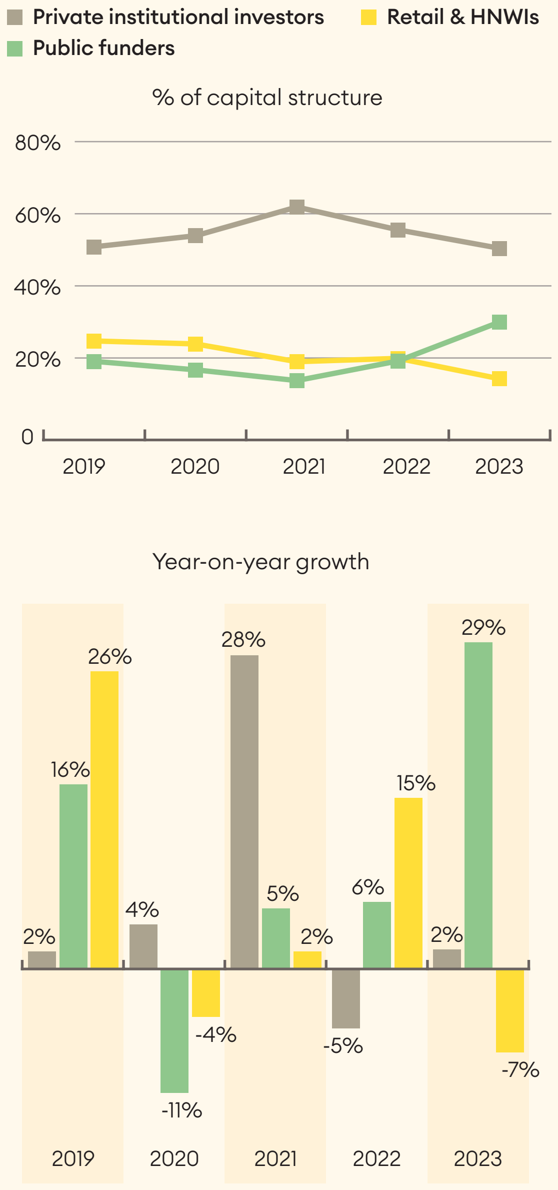
Investors composition

Retail and professional investors, who contribute to the capital structure of PAIFs, are primarily based in Western Europe and North America, with key markets including the United States, Luxembourg, Switzerland, Germany, and the United Kingdom, among others. Although retail investor participation remains relatively limited within this space, the Netherlands stands out as an exception, with several funds actively targeting retail investors.

PAIFs primarily source their capital from institutional investors, which made up an average of 52% of their capital structure by the end of 2023. Public funders played an increasingly significant role in both 2022 and 2023, growing by 29% in 2023[1] to reach a 32% share. In contrast, capital from private retail investors and high-net-worth individuals (HNWIs) continued its downward trend, declining by 7% in 2023, with a 16% share at year-end.[2]

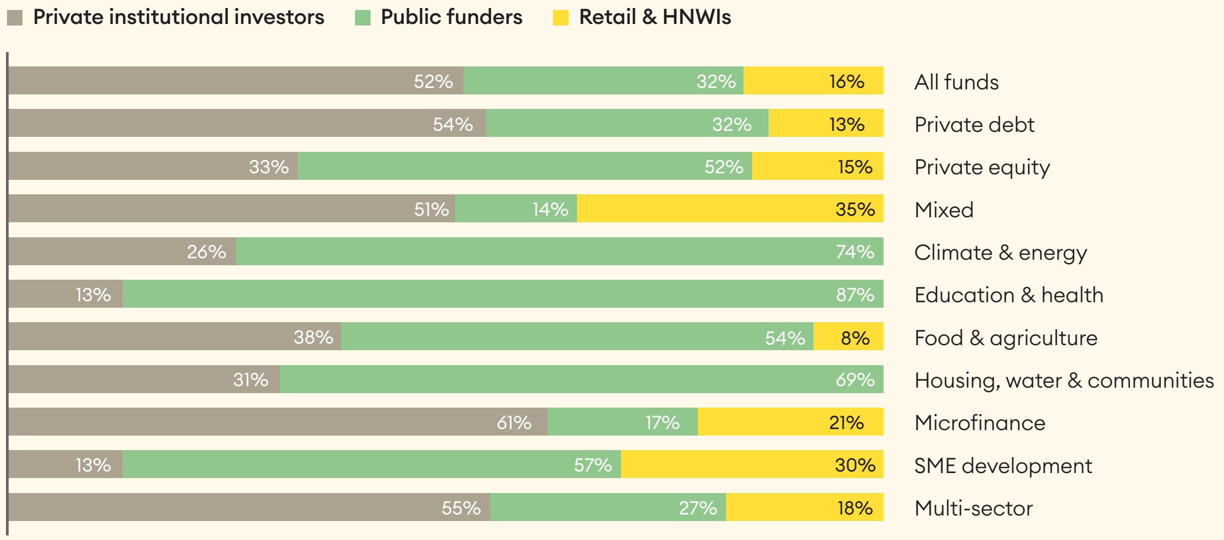
Public funders held a dominant position in private equity funds, accounting for 52% of their capital by year-end. Their presence also expanded in both private debt and private equity funds, increasing by 35% and 19%, respectively. Notably, development finance institutions (DFIs) accounted for 78% of the capital from public funders.[3] Across impact sectors, institutional investors held the largest share in microfinance and multi-sector funds, contributing more than half of total capital on average. In all other sectors, public funders were the primary capital source at the end of 2023, ranging from 54% in food & agriculture funds to 87% in education and health funds. Public funders saw a sharp increase in climate & energy funds (+74%), while their share declined slightly in education & health funds (-5%).

Figure 35 – Trends by investor types
(n=168 funds, AUM = USD 26.1bn in 2023)



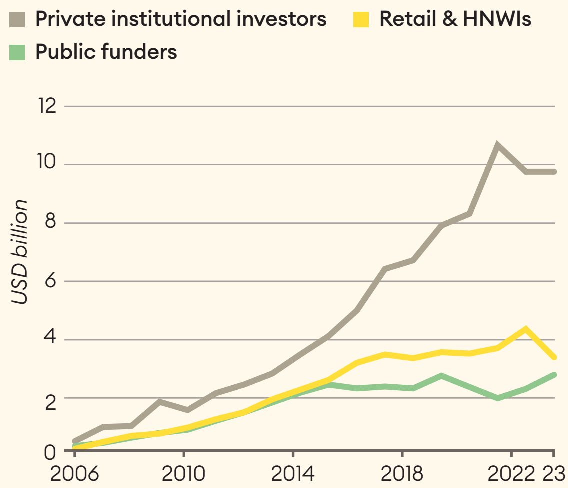
1 Growth calculations are based on a sample of 135 surveyed funds for which the investor breakdown is available in both 2022 and 2023.
2 For definitions of the different types of investors, refer to Appendix 5.
3 Calculated on a sample of 130 funds for which this breakdown was available.

Figure 36 – Investor breakdown
(n=168 funds, AUM = USD 26.1bn)



Within the microfinance funds segment, private institutional investors remained the predominant funding source in 2023, making up 61% of total capital. Their capital has grown at a 19% CAGR since 2006, reaching USD 9.7 billion by the end of 2023. Public funders, whose share had dropped to a record low of 12% in 2021, rebounded to 17% by 2023, reflecting an 18% year-on-year increase. In contrast, capital from retail investors and HNWIs declined by 10%.

Figure 37 – Historical investor composition of microfinance funds
(n=78 funds, AUM = USD 17.1bn in 2023)



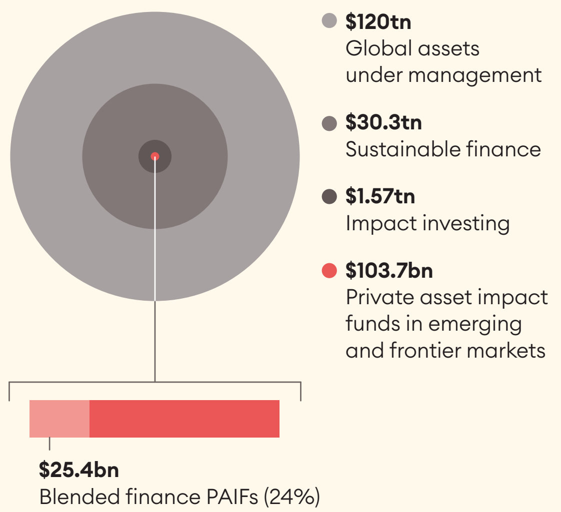
Blended finance

Blended finance is a structuring approach defined as "the use of catalytic capital from public or philanthropic sources to increase private sector investment in developing countries to realize the SDGs"[4]. As of April 2024, 1,123 blended finance transactions have mobilized a total of USD 213 billion in capital toward developing countries through various vehicles, including funds, according to Convergence, the global network for blended finance. While 2022 saw a 10-year low in aggregate blended finance investments, the market rebounded in 2023, with investments totalling USD 15 billion.

Within the PAIF universe, we identified 218 funds with a blended finance structure, accounting for 27% of the market by number of funds. Together, the total assets of these funds amount to USD 25.4 billion, or 24% of the total USD 103.7bn PAIF market. These structures incorporate various mechanisms, such as concessional capital (including first-loss capital) within the fund's capital structure, risk-sharing facilities and guarantees, grants targeted at impact-linked transactions, local currency facilities, project preparation, and technical assistance. Concessional capital and technical assistance are the most commonly used structures in blended finance funds, adopted by 56% and 42% of funds, respectively.

Additionally, 14% of funds incorporate risk-sharing facilities or guarantees into their structure.

Figure 38 – Blended finance PAIFs universe
(n=218 funds, AUM = USD 25.4bn)



In blended finance structures, public sponsors can contribute through concessional capital or by participating in senior tranches. Many institutions actively engage in these structures, either by providing capital on concessional terms or adopting a more commercially driven approach. These include African Development Bank (AfDB), the Asian Development Bank (ADB), British International Investment (BII), the Belgian Investment Company for Developing Countries (BIO), the U.S. International Development Finance Corporation (DFC), the European Investment Bank (EIB), FinDev Canada, Finnfund, the Dutch Entrepreneurial Development Bank (FMO), the International Finance Corporation (IFC), KfW, Norfund, the Austrian Development Bank (OeEB), Proparco, the Swiss Investment Fund for Emerging Markets (SIFEM), and Swedfund among others. Surveyed funds reported raising a total of USD 2.6 billion in concessional capital since their inception, averaging USD 24.1 million per fund. This capital was primarily sourced from public funders, while foundations and philanthropies contributed a modest 5% of private institutional investor funding by the end of 2023.[5]

4 Convergence (2024). State of Blended Finance 2024.
5 Based on a sample of 108 surveyed funds for concessional capital data and 98 surveyed funds for the share of philanthropic capital among institutional investors.

Investment managers of blended finance structures are predominantly located in Germany (19% of total blended finance funds AUM), the Netherlands (13%), the United Kingdom (12%), Switzerland (12%), and the United States (9%). Notably, the top three managers oversee approximately one-third (31%) of total AUM, while the top ten account for over half (53%).

Nearly a third of blended finance funds (31% or 68 funds) focus on climate & energy, making it the largest sector. Food & agriculture and SME development, follow with each 39 blended finance funds. Other impact sectors include health & education funds, as well as housing, water & communities funds. Convergence highlighted that 2023 experienced a heightened emphasis on blended finance transactions targeting climate-resilient and sustainable agriculture, with a notable concentration in Latin America and the Caribbean. Among funds with a blended finance structure, private debt funds dominate, representing 45% of the total.

Blended finance funds predominantly focus on sub-Saharan Africa, with 93 funds specifically targeting the region. Other regions, such as Latin America & the Caribbean, East Asia & Pacific, and South Asia, are primarily targeted through multi-regional fund strategies.

Figure 39 – Regional focus of blended finance funds *(n=218 funds, AUM = USD 25.4bn)*

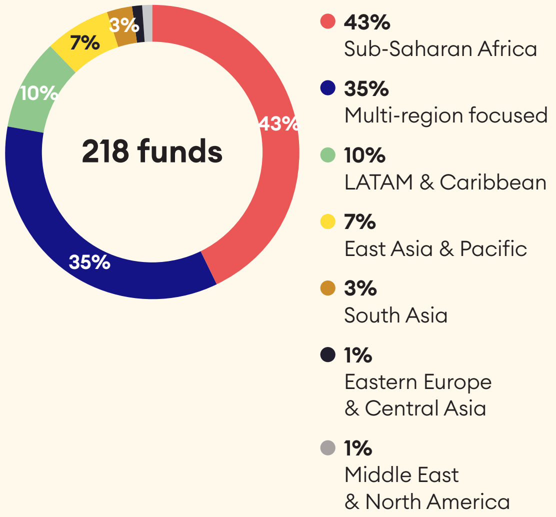


Table 8 – Breakdown of blended finance funds by primary asset class and impact sector

Number of funds	Private equity	Private debt	Mixed	Total	%
Climate & energy	17	33	18	68	31%
Food & agriculture	11	18	10	39	18%
Microfinance	2	21	6	29	13%
SME development	29	6	4	39	18%
Multi-sector	11	14	5	30	14%
Other	3	7	3	13	0%
Total	**73**	**99**	**46**	**218**	
	33%	45%	21%		

VISA Foundation

Mission

Visa Foundation seeks to support inclusive economies where individuals, businesses and communities can thrive. Through grant making and investing, Visa Foundation prioritizes the growth of gender diverse and inclusive small and micro businesses. The Foundation also supports broader community needs and humanitarian response in times of crisis. Visa Foundation is registered in the U.S. as a 501(c)3 entity.

Strategic Focus

Small businesses account for a significant proportion of enterprises worldwide and contribute up to 50 percent of global employment.[1] Despite their immense contribution, businesses owned or led by women and historically underrepresented communities continue to be disproportionately excluded from financial resources and have been severely affected by the economic turmoil caused by Covid-19. The International Finance Corporation estimates a financing gap of $320 billion for formal sector women entrepreneurs in emerging markets,[2] and less than 3% of VC capital in the US went to women entrepreneurs in 2020, with Black and Latinx women founders receiving less than 1%.[3]

In response to these important challenges, in April 2020, Visa Foundation launched the Equitable Access Initiative, a five-year, $200 million strategic commitment to support gender diverse and inclusive small businesses around the world. As a part of the initiative, Visa Foundation will provide $60 million in grants and $140 million in impact investments with a gender and diversity lens across the capital continuum.

The Foundation seeks to address structural and systemic barriers in the financial ecosystem. Ultimately, Visa Foundation provides catalytic funding to partners advancing access to finance and business support for small businesses.

To ensure gender and diversity-related outcomes, Visa Foundation is focused on the following:

- Entrepreneurs
- Employees
- Investors
- Eco-System Actors

Commitment

At Visa Foundation, we:

Work with a Collective Vision
Observe, listen, reflect, then assist.
We believe that genuine and transparent relationships amongst our team and partners allow us bring a diversity of viewpoints, skills, and resources to bear on global challenges.

Challenge Systemic Barriers
Envision how much further we must go.
We seek to mitigate systemic barriers facing small businesses, particularly those led by women or people from underrepresented groups, in order to help ensure a more inclusive global economy.

Champion Scalable Solutions
Begin with the end goal in mind.
We strive to support partners advancing innovative solutions and promote initiatives which contribute to a more equitable small business ecosystem.

Equitable Access Partnerships

- IFAD
- TechnoServe
- Village Capital
- Women's World Banking

Grants and Investments

Visa Foundation believes that creating a capital continuum for small businesses is crucial for their sustainability and growth. As such, the Foundation aims to increase equitable and efficient access to capital at different stages of business growth, support gender diverse and inclusive small businesses, and promote inclusive economic growth. An additional goal is to influence the sector broadly in order to help move gender lens investing from niche to the mainstream.

The Foundation's commitment to investing $140 million into intermediaries and funds globally is primarily focused on emerging markets, with a gender lens across the entire portfolio from small business borrowers up to venture capital partners. The goal is to increase the number of women who control capital, the number of women entrepreneurs who can access that capital, and the number of women who benefit from those businesses as employees or customers.

Through its grant-making, Visa Foundation partners with organizations that provide capital, capacity building and support services to gender inclusive and diverse small businesses. Additionally, the Foundation uses grant funding to unlock barriers that prevent the flow of investment capital from reaching gender diverse small businesses.

1. "World Bank SME Finance." World Bank, www.worldbank.org/en/topic/smefinance.
2. "Bridging the Gender Gap." Ifc.org, www.ifc.org/wps/wcm/connect/news_ext_content/ifc_external_corporate_site/news+and+events/news/bridging-gender-gap. "CrunchBase Diversity Spotlight 2020: Funding to Black & Latinx Founders", CrunchBase, about.crunchbase.com/wp-content/uploads/2020/10/2020_crunchbase_diversity_report.pdf "Women-Led Startups
3. Received Just 2.3% of VC Funding in 2020", Harvard Business Review, hbr.org/2021/02/women-led-startups-received-just-2-3-of-vc-funding-in-2020 "The State of Black & Latinx Women Founders", Project Diane, www.projectdiane.com

*small business(es) = includes both micro and small businesses, based on local context and definitions

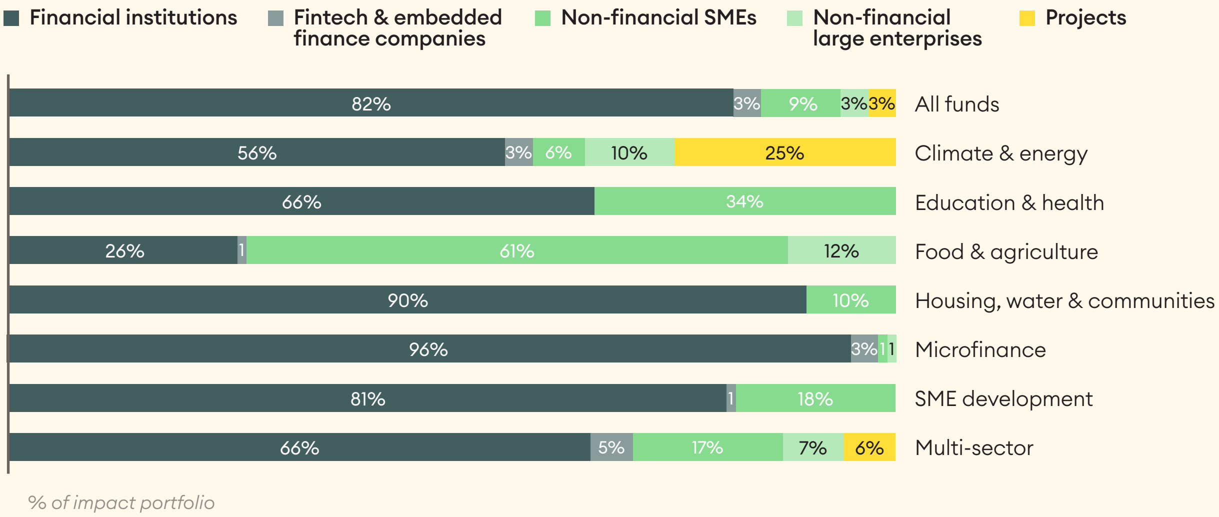
Investees

Surveyed PAIFs primarily invest in financial institutions, which represented an average of 82% of their outstanding portfolios at the end of 2023. These financial institutions include microfinance institutions (MFIs), downscaling commercial banks, SME banks, leasing/factoring companies, and insurance companies. Investment funds, holding companies, networks, and other vehicles are excluded from this category (see Appendix 5 for more details on business models and investee types). Since the survey sample intentionally excludes pure funds of funds, investment vehicles account for only a small portion of outstanding portfolios at the end of 2023 and are excluded from the following analyses. In addition, to track the growth of fintech and embedded finance companies within the PAIF universe, these were analysed separately, despite representing just 3% of the outstanding portfolio at the end of 2023. In contrast, non-financial SMEs attracted 9% of funding, and large enterprises received 3%. Finally, projects accounted for 3% of the portfolio. These proportions remained relatively stable between 2019 and 2023.

Nonetheless, they are significant differences across impact sectors. Microfinance funds allocate 96% of their portfolios to financial institutions on average, driving the high allocation towards financial institutions across all funds. SME development funds primarily invest through financial institutions (e.g., SME banks), which then on-lend to SMEs. However, in terms of number of funds, half of these funds mainly pursue direct investment strategies in SMEs. This highlights the capacity of financial institutions to absorb more substantial investments compared to non-financial SMEs.

On the other hand, food & agriculture funds stand out with 61% of their portfolios allocated to non-financial SMEs, on average, and 12% to large enterprises. Health & education funds also allocate 34% of their portfolios to SMEs. Climate & energy funds, which often incorporate infrastructure assets into their investment strategy, are the only category investing in projects, allocating 25% of their portfolios. Multi-sector funds show a more balanced allocation across investee types, with financial institutions still representing two-thirds of their portfolios.

Figure 40 – Investee types by primary impact sector
(n=193 funds, AUM = USD 29.7bn)



Reflecting the high allocation towards financial institutions, mature-stage investees represented the majority of portfolios, averaging 57% at the end of 2023. These are companies that have achieved a certain scale and proven financial sustainability. Growth-stage companies also accounted for a substantial share, comprising 37% of the impact portfolio. In contrast, early-stage companies represented only 6% of the average allocation.

Significant differences can be observed across primary asset classes and impact sectors. Private equity funds primarily focus on growth-stage companies, averaging 73% of their portfolios. This strategic emphasis aligns with the scalability potential inherent in businesses at this development stage. On the other hand, private debt funds predominantly allocate their investments to mature companies, which constitute 82% of their impact portfolios, with a smaller portion (17%) allocated to growth-stage companies. Notably, no investments are directed towards early-stage companies, as this type of instrument is generally not suitable for them.

Food & agriculture funds have the largest share of early-stage companies, averaging 26% of their portfolios. However, mature companies still represent more than half of the portfolio for these funds. Interestingly, SME development funds reported investing solely in growth-stage companies, despite a high share of investments in financial institutions. This contrasts with microfinance funds, where mature companies account for an average of 80% of their portfolios.

Figure 41 – Portfolio allocation by investee business stage
(n=105 funds, AUM = USD 9.0bn)

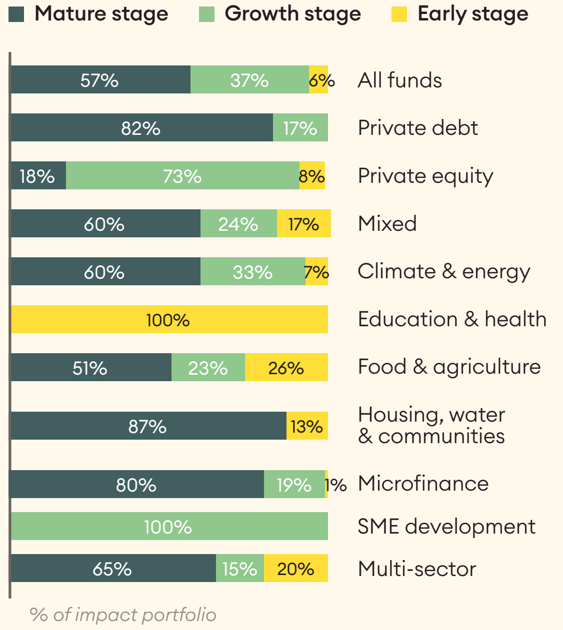


Table 9 – Investee concentration and average exposure
(n=213 funds, AUM = USD 31.3bn)

	Avg. number of investee per fund	Avg. investee exposure (USD million)	Top 5 investees (% of impact portfolio)
All funds	38	3.3	36%
Private debt	51	3.0	25%
Private equity	8	9.0	87%
Mixed	38	2.9	50%
Climate & energy	16	8.6	34%
Food & agriculture	30	2.3	62%
Housing, water & communities	13	4.0	56%
Microfinance	48	3.6	28%
SME development	20	9.5	80%
Multi-sector	32	2.2	39%

Average exposure and concentration ratios

On average, a PAIF is exposed to 38 investees at the end of 2023, a figure that remained relatively stable from 2019 to 2023. At the end of 2023, the top five investees accounted for 36% of each fund's outstanding portfolio. The average exposure per investee was USD 3.3 million, with a median of USD 2.3 million, suggesting some larger investments into a few investees. Notable differences exist across investee types, with financial institutions attracting an average exposure of USD 3.8 million per investee, compared to just USD 1.1 million for non-financial SMEs.

Equity funds in the surveyed sample generally exhibit lower diversification than debt funds, reflecting a more focused investment strategy. On average, equity funds hold portfolios of just 8 investees, with an average exposure of USD 9.0 million per investee and a median of USD 4.3 million, indicating significant variation in investment size. These funds are notably concentrated, with the top five investees representing 87% of each fund's portfolio at the end of 2023.

Climate & energy funds also have fewer investees in their portfolio, with an average of 16 investees per fund, and an exposure of USD 8.6 million per investee (median of USD 3.8 million). Notably, climate & energy funds often invest in infrastructure projects, which typically demand larger funding volumes. Additionally, the average exposure to financial institutions within climate & energy funds is high as well, at USD 11.4 million, exceeding the overall fund average. Despite this, the top five investees account for about a third of the portfolio, aligning with the overall fund average.

In contrast, food & agriculture funds generally hold more investees in their portfolios, with an average of 30 investees per fund and an average exposure of USD 2.3 million (median of USD 2.4 million). This is primarily because these funds target non-financial SMEs. However, they still present concentrated portfolios, with the top five investees representing 62% of total holdings on average.

SME development funds are also characterized by high concentration ratios and larger exposures per investee. These funds primarily finance SMEs indirectly through financial intermediaries, and the average exposure to financial institutions investees in their portfolios stand at USD 17.6 million, significantly higher compared to the overall fund average.

Table 10 – Average investee exposure by investee type
(n=213 funds, AUM = USD 31.3bn)

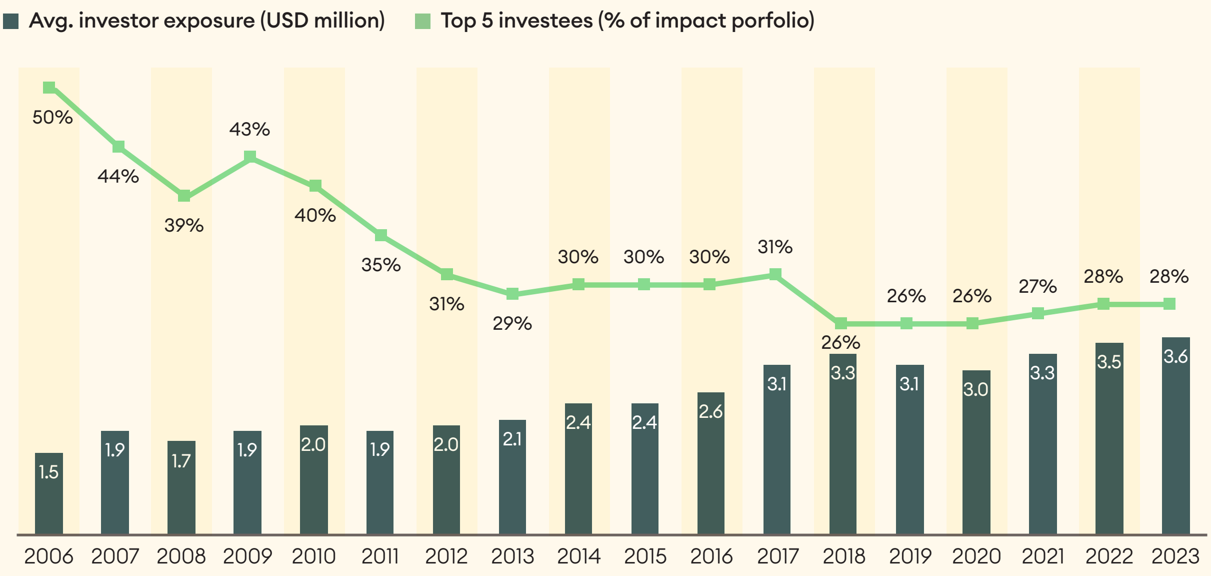
Average exposure per investee (USD million)	Climate & Energy	Food & Agriculture	Housing, Water & Communities	Micro-finance	SME development	Multi-sector	All impact sectors
Financial institutions	11.4	2.4	3.4	3.8	17.6	2.1	**3.8**
Non-financial SMEs	3.6	1.6	4.4	0.7	4.1	1.4	**1.1**
Non-financial corporations	5.9	6.5	-	7.3	-	1.9	**4.1**
Projects	9.5	-	-	-	-	1.9	**5.3**
All investee types	**8.6**	**2.3**	**4.0**	**3.6**	**9.5**	**2.2**	**3.3**

The rapid growth in size and outreach of microfinance funds over the years has resulted in greater portfolio diversification. By the end of 2023, these funds held an average of 48 investees per portfolio, with an average exposure of USD 3.6 million per investee and a median of USD 2.3 million. On average, the top five investees represented 28% of microfinance funds' portfolios.

Since 2006, the average direct investee exposure of microfinance funds has consistently increased, rising from USD 1.5 million to USD 3.6 million by the end of 2023.

Equity microfinance funds, in particular, show a higher average exposure per investee at USD 7.3 million. This growth reflects the rapid expansion of borrowing microfinance institutions (MFIs) and the inclusion of larger financial institutions in microfinance fund portfolios. These institutions serve an upper segment of end-beneficiaries with greater financing needs, extending beyond low- and middle-income households and microenterprises to also encompass SMEs and larger corporations.

Figure 42 – Historical investee concentration and average exposure of microfinance funds
(n=88 funds, AUM = USD 17.7bn in 2023)



regmifA

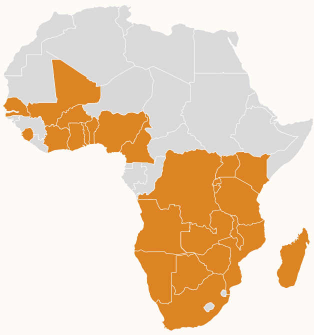
A UNIQUE BLENDED FINANCE STRUCTURE FOR MSMES IN SUB-SAHARAN AFRICA

REGMIFA aims to foster economic development, employment creation and poverty alleviation in Sub-Saharan Africa (SSA). The Fund provides innovative financial products and technical assistance (TA) support to Partner Lending Institutions serving MSMEs and low- and middle-income households (LMIHs). The Fund is a unique public-private partnership between development finance institutions, private investors, and African stakeholders.

REGMIFA is classfied as an Article 9 Fund according to the EU Regulation on *sustainability-related disclosures in the financial services sector (SFDR).*

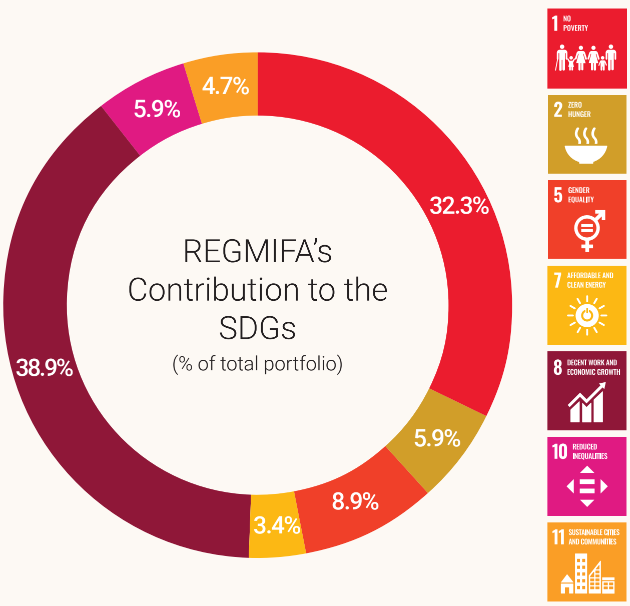
Track record Technical Assistance

128 projects completed
54 PLIs
EUR 11.2M committed
24 countries in SSA



IMPACT IN 2023

End-borrowers reached	146,073
End-users of remittances	222,090
Jobs supported by the fund through SME lending	27,800
Median loan size of end-borrowers	~ USD 2,000
% of female clients financed	36%
% of rural borrowers	23%
% of PLIs served < 100M assets	43.8%



REGMIFA AT A GLANCE	(June 2024)
Launched:	**2010**
Asset class:	**Fixed-income**
Impact sectors:	**Microfinance, SME banking, LMIHs.**
Total assets (USD):	**177 million**
No. of investees:	**54**
No. of countries:	**25**
Currency strategy:	**Local currency, hedged and unhedged exposure**
Investor-type:	**Public, Professional**

SFDR Implementation

Through its investments, REGMIFA seeks to actively contribute to the SDGs 1, 5 and 8.

- **SDG 1:** Financed 2.84 million micro-entrepreneurs with an average loan of USD 840.
- **SDG 5:** 10 investees in women-focused micro loans and providing financial literacy trainings.
- **SDG 8:** Financed ~60,000 SMEs with an average loan of USD 12,000.

Financial Inclusion Index

REGMIFA participated for the second time in the 60 Decibels Microfinance Index.

Coverage: 12 REGMIFA partners in 9 countries and 3,393 end-clients interviewed

Key Results on REGMIFA partners:

- **85% end-clients** used loans to support their existing businesses, with 64% investing in inventory and 22% purchasing farming supplies and livestock.
- PLIs primarily support clients in underserved markets, with **68% of respondents accessing these loans for the first time**.
- **84% of end-clients** agree that loan conditions are easy to understand and clear.
- **62% of women** reported a significant increase in their influence over household decisions and greater respect within their communities since receiving the loan.

Alignment with the 2X Challenge

The 2X Challenge was launched during the G7 Summit in 2018 and represents a commitment by Development Finance Institutions (DFIs) to mobilise capital and set a worldwide standard for gender finance.

REGMIFA not only aligns with the 2X Challenge criteria, but also exceeds the requirement by satisfying more than one indicator, by number (as % of PLIs):

- More than 40% of the Fund's portfolio and PLIs have 25% or more of their senior leadership positions held by women.
- Among the PLIs' boards, 39% have at least one-third of their board members who are women.
- Over half of the Fund's portfolio and 60% of all PLIs have over 40% of female representation in their workforce.
- Regarding the gender pay gap threshold, 37% of the PLIs meet this criterion.
- One-third of the institutions have over 50% female borrowers.

Country exposures

In 2023, PAIFs held investments across 126 countries worldwide. At the end of the year, India remained the primary destination for PAIF investments, accounting for 15.6% of the combined impact portfolios, equivalent to USD 3.5 billion. India also continued to attract the highest number of funds, with 79 funds investing in the country.

Ecuador followed as the second-largest destination, representing 4.9% of the portfolio across 72 funds, followed by Georgia (4.7%, 49 funds), Mexico (3.2%, 66 funds), and Cambodia (3.0%, 51 funds). Other key investment destinations included Uzbekistan, Peru, Colombia, the Russian Federation, and Turkey–markets that have consistently played a significant role in PAIF portfolios.

Notably, the Russian Federation, which ranked fifth in 2022, fell to ninth place in 2023, experiencing an 18% decline in investment share to 2.4% of the combined portfolio. Furthermore, exposure in Russia was concentrated in just 11 funds, whereas other top destinations typically saw investments from approximately 40 funds.

Cambodia also witnessed a 17% decline in total exposure in 2023. In contrast, Uzbekistan saw significant growth, with investments increasing by 28%, bringing its share to 2.8% of the combined portfolio. Turkey and Colombia also experienced strong growth, with exposure rising by 40% and 30%, respectively. However, investments in Turkey remained highly concentrated across just 16 funds.

Figure 43[a] – World map of country exposures
(n=166 funds, total impact portfolio = USD 22.2bn)

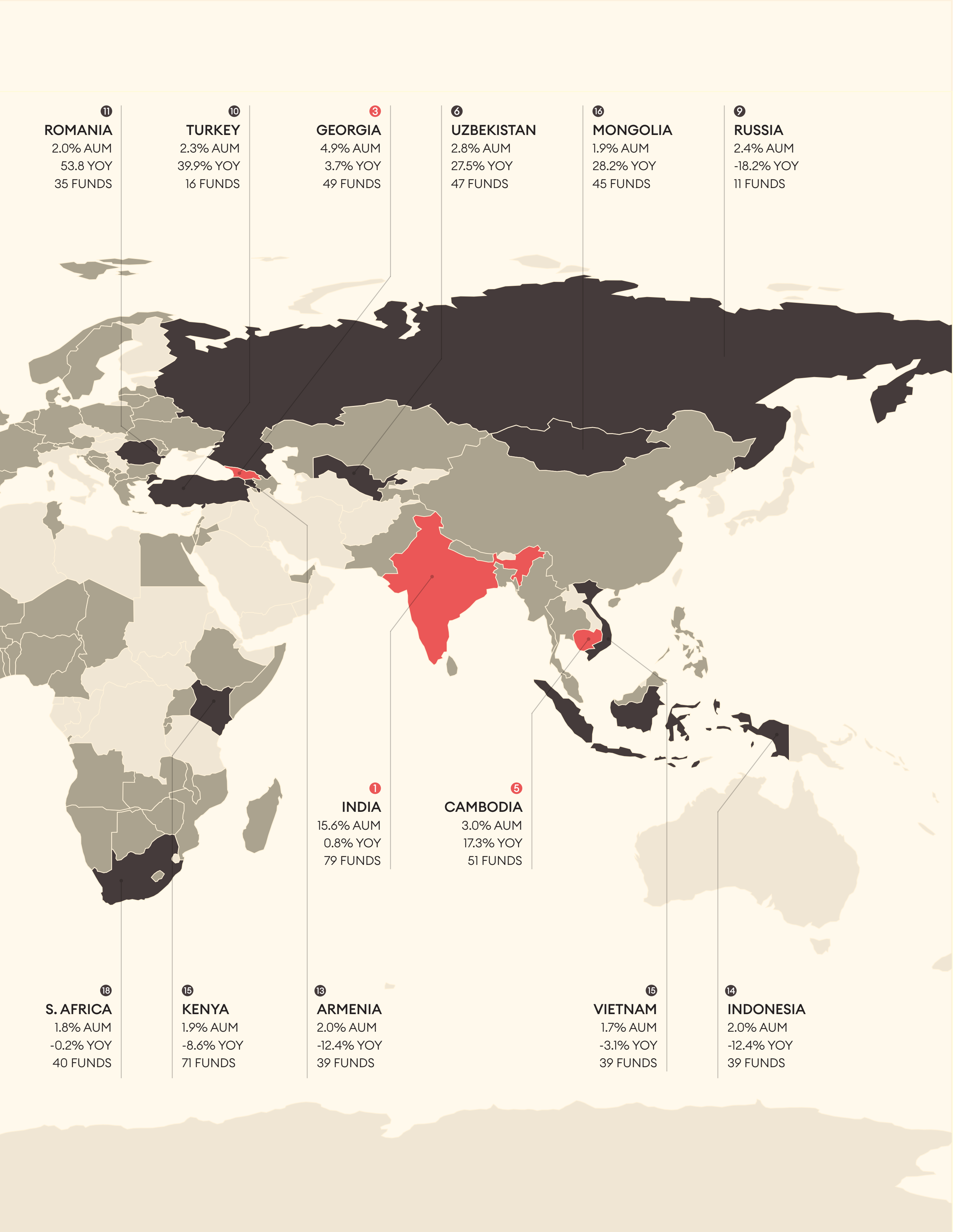
Top 5 country allocation

Country	% of AUM	% YOY	No. of funds
1. India	15.6%	-0.8%	79
2. Ecuador	4.9%	-7.8%	72
3. Georgia	4.7%	3.7%	49
4. Mexico	3.2%	-9.5%	66
5. Cambodia	3.0%	-17.3%	51

Top 6–20 country allocation

Country	% of AUM	% YOY	No. of funds
6. Uzbekistan	2.8%	27.5%	47
7. Peru	2.7%	3.4%	71
8. Colombia	2.6%	30.2%	63
9. Russia	2.4%	-18.2%	11
10. Turkey	2.3%	39.9%	16
11. Romania	2.0%	53.8%	35
12. El Salvador	2.0%	-0.4%	41
13. Armenia	2.0%	-12.4%	39
14. Indonesia	1.9%	-5.9%	58
15. Kenya	1.9%	-8.6%	71
16. Mongolia	1.9%	28.2%	45
17. Bolivia	1.8%	-15.8%	40
18. South Africa	1.8%	-0.2%	40
19. Vietnam	1.7%	-3.1%	39
20. Costa Rica	1.7%	-2.2%	45

Figure 43ᵇ – World map of country exposures
(n=166 funds, total impact portfolio = USD 22.2bn)

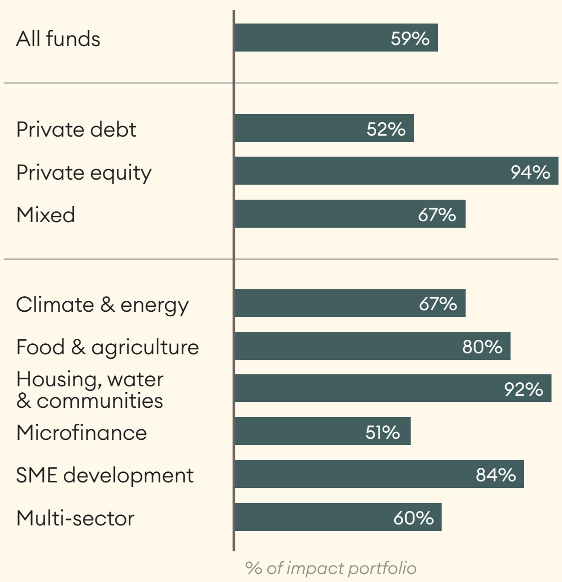

11
ROMANIA
2.0% AUM
53.8 YOY
35 FUNDS
10
TURKEY
2.3% AUM
39.9% YOY
16 FUNDS
3
GEORGIA
4.9% AUM
3.7% YOY
49 FUNDS
6
UZBEKISTAN
2.8% AUM
27.5% YOY
47 FUNDS
16
MONGOLIA
1.9% AUM
28.2% YOY
45 FUNDS
9
RUSSIA
2.4% AUM
-18.2% YOY
11 FUNDS
1
INDIA
15.6% AUM
0.8% YOY
79 FUNDS
5
CAMBODIA
3.0% AUM
17.3% YOY
51 FUNDS
18
S. AFRICA
1.8% AUM
-0.2% YOY
40 FUNDS
15
KENYA
1.9% AUM
-8.6% YOY
71 FUNDS
13
ARMENIA
2.0% AUM
-12.4% YOY
39 FUNDS
15
VIETNAM
1.7% AUM
-3.1% YOY
39 FUNDS
14
INDONESIA
2.0% AUM
-12.4% YOY
39 FUNDS

PAIFs held investments in 15 countries, on average, at the end of 2023. However, since 2019, portfolios have become more concentrated, with the top five countries in each fund's portfolio accounting for 59% of total exposure on average–up from 52% in 2019.

As noted in the previous section, private equity funds tend to have fewer investees and exhibit higher portfolio concentration ratios, with their top five countries representing an average of 94% of their portfolios.

Across impact sectors, the top five countries typically account for more than 60% of total impact portfolios. However, microfinance funds stand out as an exception, maintaining a more diversified allocation. Their country concentration has steadily declined over the years, from 70% in 2006 to 51% in 2023. In contrast, funds focused on housing, water & communities, SME development, and food & agriculture remain highly concentrated, with their top five countries representing at least 80% of their portfolios on average.

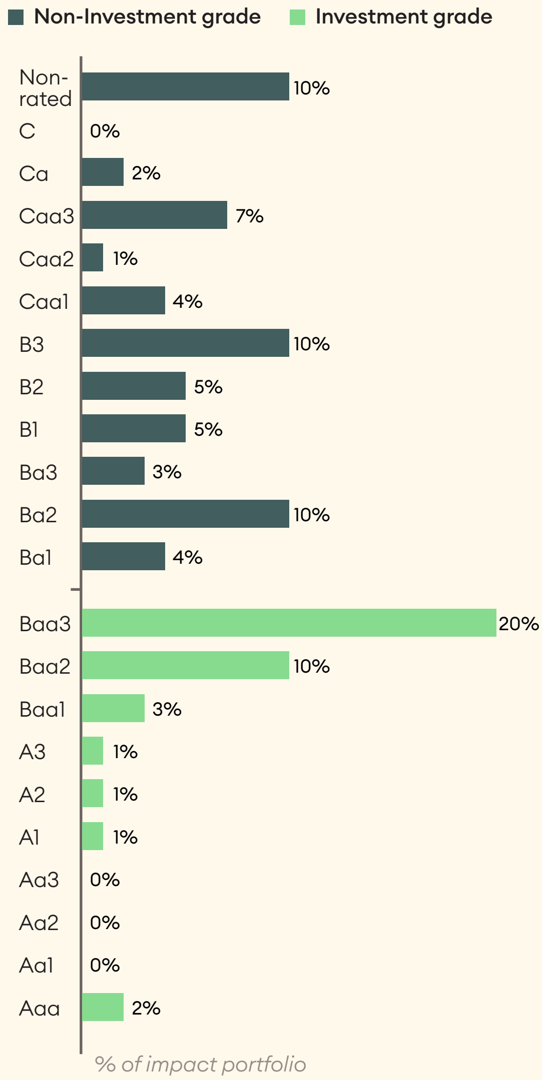
Figure 44 – Top 5 countries concentration by peer group
(n=184 funds, AUM = USD 27.3bn)



Country risks

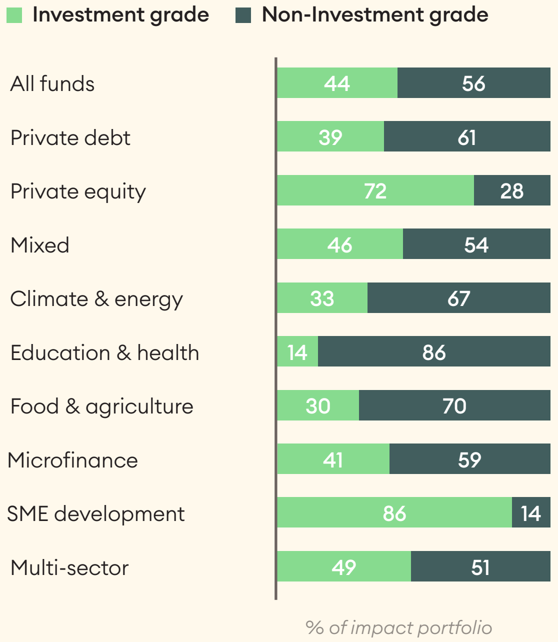
Emerging and frontier markets are generally perceived as riskier compared to advanced economies. However, these countries exhibit significant diversity, particularly in terms of sovereign risk, with little overall homogeneity. Upon aligning the country portfolio of the PAIF sample with Moody's long-term sovereign risk ratings for foreign currency denominated issues, 56% of PAIFs' country exposures fall within the non-investment grade category (between a rating of C to Ba1 included, without considering non-rated countries).

Figure 45 – Country risk (measured using Moody's long-term credit rating)
(n=166 funds, total impact portfolio = USD 22.2bn)



In 2023, private equity funds, as well as SME development funds, had a notably higher exposure to investment-grade countries, accounting for 72% and 86% of their total country allocations, respectively. In contrast, funds focused on education & health, food & agriculture, and climate & energy allocated an even smaller share of their portfolios to investment-grade countries.

Figure 46 – Country risk breakdown by impact sector peer group
(n=166 funds, total impact portfolio = USD 22.2bn)



Assigning a sovereign risk rating to the PAIF market by considering country exposures reveals that the median portfolio sovereign risk stands at Ba2 on Moody's scale. This rating exhibits variability across different PAIF peer groups, as illustrated in the following table.[1]

Table 11 – Median sovereign rating of country portfolios by peer group
(n=166 funds, total impact portfolio = USD 22.2bn)

All funds	Climate & Energy	Education & Health	Food & Agriculture
Ba2	Ba2	B3	Ba3
Microfinance	**SME Dev.**	**Mult-sector**	
Ba2	Baa3	Ba2	
Private Debt	**Equity**	**Mixed**	
Ba2	Baa3	Ba2	

While this table provides insight into the position of PAIFs within each impact sector based on their current country allocation and sovereign risk ratings, it does not directly reflect the inherent risk of a particular impact sector. Nonetheless, it facilitates comprehension of the overall aggregate sovereign risk ratings of these portfolios. Additionally, it is important to note that sovereign risk does not necessarily correlate with investee credit risk.

Development potential

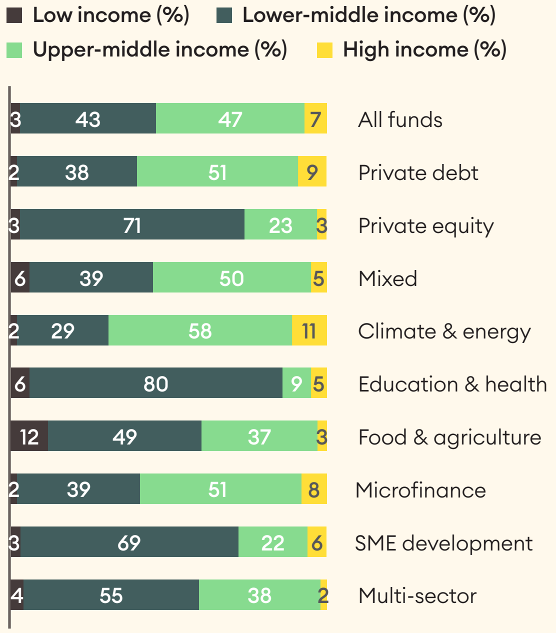
Analysing PAIFs' exposure based on the income levels of their country portfolios and the GNI per capita of these portfolios provides insight into how they deploy capital to maximize outreach and inclusion. Their investments aim to extend as far as possible into low- and middle-income countries and as deeply as possible into low- and middle-income households.

On average, lower- and upper-middle-income countries dominate PAIFs' portfolios, together averaging 90% of total exposure. Given the study's focus on emerging and frontier markets, it is unsurprising that high-income countries represent only 7% of the impact portfolio. Meanwhile, capital allocated to low-income economies remains limited, making up just 3% in 2023.

1 We assign a rating for all PAIFs and the respective peer groups by looking at where the 50% mark falls in Moody's rating scale when summing PAIF country percentages in each grade, without considering unrated countries.

Grant funding and concessional investments may be more effective in serving low-income markets, given the sovereign risk challenges faced by private-sector investors and fund managers. However, food & agriculture funds dedicated an average of 12% of their portfolios to low-income countries. Notably, private equity funds also demonstrate a strong focus on lower-middle-income countries, with an average allocation of 71%.

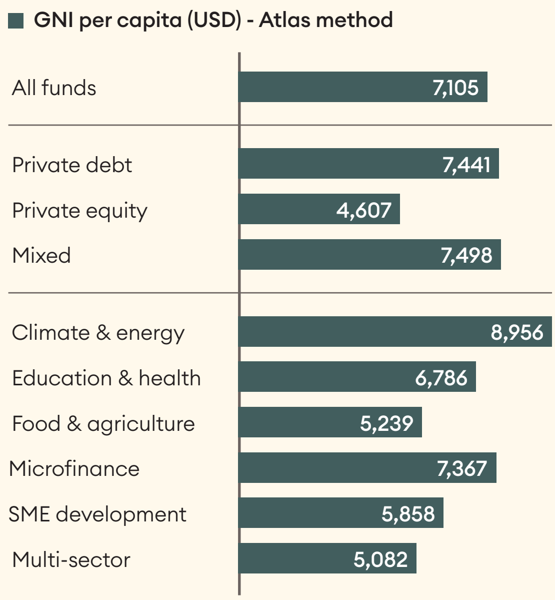
Figure 47 – Country exposure by income level
(n=166 funds, total impact portfolio = USD 22.2bn)



Across all these markets, the average gross national income (GNI) per capita stood at USD 7,105 in 2023, remaining relatively stable since 2019 within a range of approximately USD 6,000 to USD 7,500. Compared to the global average of USD 13,179 or the USD 40,000+ average in OECD countries, this highlights PAIFs' ability to channel capital into regions where populations and households earn below-average incomes.

Reflecting their higher exposure to lower-middle-income countries, private equity funds have an average GNI per capita of USD 4,607. In contrast, climate & energy funds, which allocate more capital to upper-middle-income countries, have a higher average GNI per capita of nearly USD 9,000 in 2023.

Figure 48 – GNI per capita of PAIFs' country portfolios
(n=166 funds, total impact portfolio = USD 22.2bn)



Within country outreach, PAIFs from our surveyed sample allocate low amounts to Least Developed Countries (LDCs). As defined by the UN, LDCs are "low-income countries suffering from the most severe structural impediments to sustainable development"[2]. Their inclusion or graduation from the LDC list is reviewed every three years, by looking among others at thresholds around GNI per capita, Human assets index, and Economic and environmental vulnerability index. Since starting the survey in 2019, three countries have graduated from the list, including Vanuatu in 2020, Bhutan in 2023, and Sao Tome and Principe in 2024. However, no surveyed fund allocated capital to these markets between 2019 and 2023.

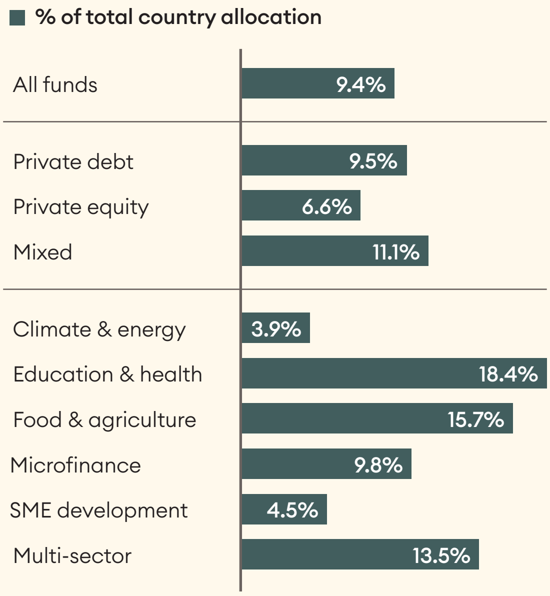
According to the latest UN list (December 2024), 44 countries are currently classified as Least Developed Countries (LDCs). As of December 2023, PAIFs included 28 of these countries in their portfolios, with a total outstanding investment of USD 2.1 billion–representing 9.4% of their overall country allocation. This share has slightly decreased over the years, from 11.1% in 2019. Notably, a significant share of total investments in LDCs is concentrated in Cambodia, which accounts for USD 0.7 billion.

2 United Nations' Department of Economic and Social Affairs: https://www.un.org/development/desa/dpad/

As a historically strong market for microfinance funds, Cambodia has a well-integrated microfinance sector within its broader financial system. In contrast, investments in other LDCs remain below the USD 250 million threshold each.

Certain sectors allocate a higher proportion of their portfolios to LDCs, particularly education & health and food & agriculture funds. However, in absolute monetary terms, their investments remain limited, as these funds make up a smaller portion of the overall sample. In contrast, private equity and climate & energy funds allocate a notably lower share of their portfolios to LDCs.

Figure 49 – LDC proportions
(n=166 funds, total impact portfolio = USD 22.2bn)



Investment currencies

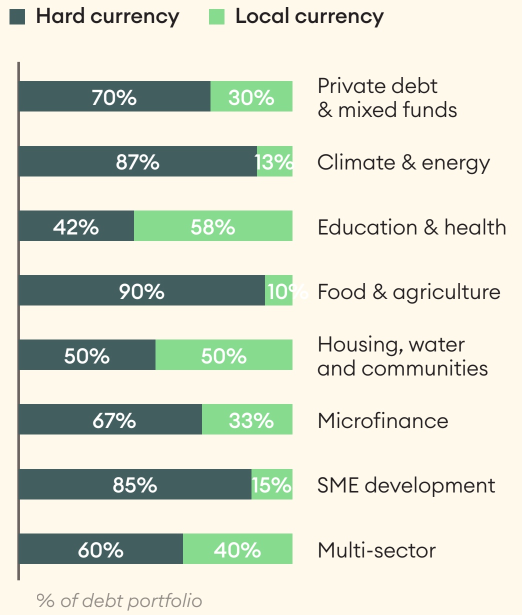
A PAIF has the flexibility to invest into portfolio companies in either hard or local currency. The decision and responsibility to hedge the currency lie with the investee in the former case and with the fund in the latter. In the context of private equity funds, there is typically no hedging of investments in local currency, implying that the entirety of private equity funds' portfolios remains unhedged against any currency fluctuations.

The majority of lending provided by private debt and mixed funds is denominated in hard currency (e.g., USD, EUR or CHF), with a distribution of 70% in hard currency compared to 30% in local currency. The share of debt investments in local currency has been gradually decreasing, down from 36% in 2019. Meanwhile, 38% of loans issued in local currency remain unhedged against the fund's accounting currency, up from 30% in 2019.

While the absence of currency hedging costs contributes to higher gross yields on the debt portfolio for PAIFs employing this strategy, the trade-off involves increased volatility due to currency fluctuations impacting the loan's principal amount. There is also the risk that currency depreciation could offset any eventual returns. At the end of 2023, the top 5 unhedged currencies represented, on average, 16% of local currency portfolios.

PAIFs focused on education & health, as well as housing, water & communities, tend to have the highest proportion of local currency lending, averaging 58% and 50% of their lending activities, respectively.

Figure 50 – Currency type of debt portfolios
(n=133 funds, AUM = USD 23.5bn)



Additionally, housing, water & communities funds held a substantial share of their local currency portfolio unhedged at the end of 2023. Since 2021, multi-sector funds have also maintained a notable portion of unhedged local currency investments, which altogether comprised 23% of their total debt portfolio by the end of 2023 (and 67% of their local currency portfolio).

Figure 51 – Unhedged currency exposure
(n=125 funds, AUM = USD 20.6bn)

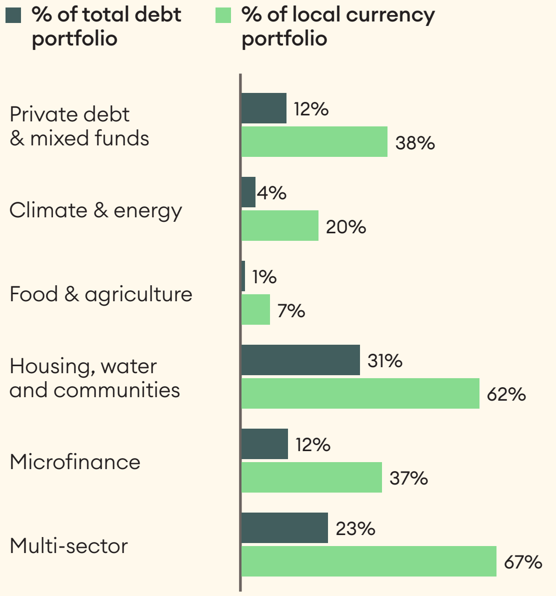
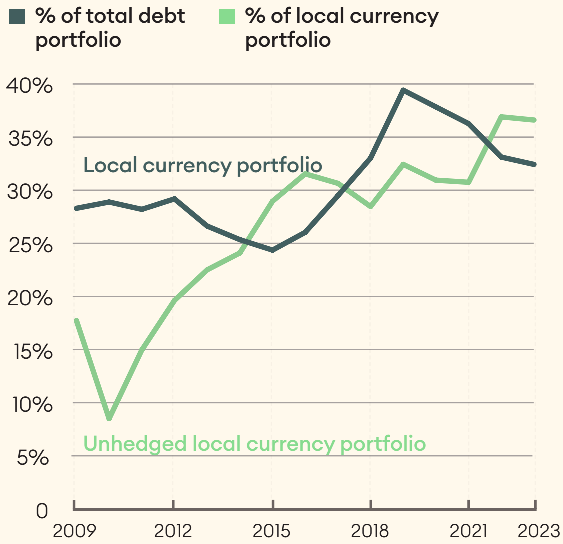


Figure 52 – Historical local currency portfolio of microfinance funds
(n=66 funds, AUM = USD 15.2bn in 2023)



Looking at historical data from microfinance funds, hard currency debt investments have remained prevalent in the microfinance sector over the years, ranging between 60% and 75% of their debt portfolio. However, there has been a growing trend in the proportion of local currency loans since 2009, showcasing a positive trend for investees that benefit from less FX risk exposure within their local context. Since 2020, however, the trend has started to reverse, with a decrease in local currency debt portfolios, from a peak of 40% at the end of 2019 to the current 33% of debt exposure. As for FX hedging approaches of microfinance funds, 37% of local currency debt exposures remain unhedged.

Accra, Ghana
Nataly Reinch © Shuttestock

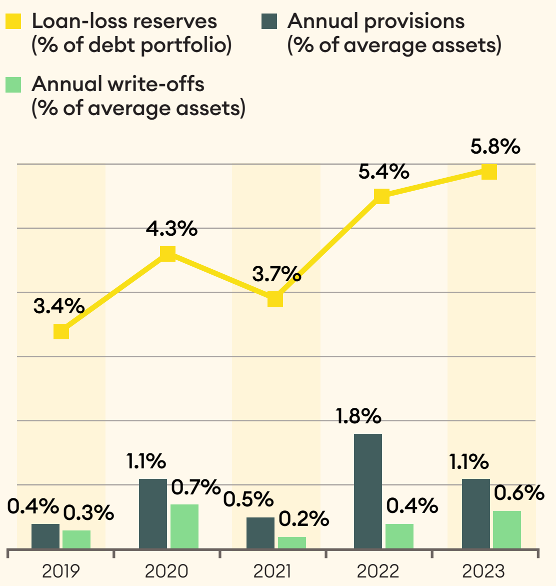
Default risk of credit portfolio

At the end of 2023, loan loss reserves as a percentage of the credit portfolio of private debt and mixed funds rose to 5.8%, following a notable increase in 2022. This metric serves as an indicator of potential default risk within credit portfolios. However, it does not reflect the direct impact of yearly provisioning levels on fund net returns.

To assess this impact, yearly provisions and write-offs can be analysed relative to a fund's average assets over two consecutive years. In 2023, annual loan loss provisions decreased from 1.8% of total assets in 2022 to 1.1%, while annual write-offs averaged 0.6%.

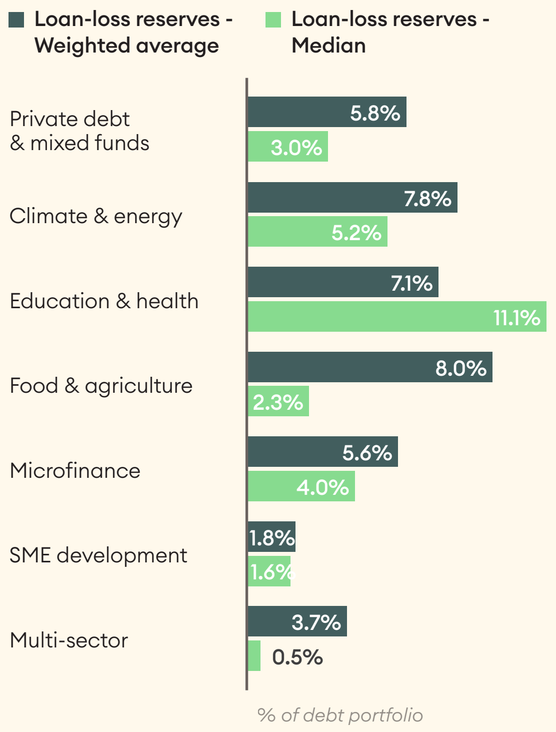
Median loan loss reserves increased from 2.2% at the end of 2022 to 3.0% by the end of 2023, remaining significantly below weighted average figures. This indicates that a few large values are driving the weighted average upward. Median annual provisions edged up slightly from 0.4% in 2022 to 0.5% in 2023, while median write-offs remained at 0.0%.

Figure 53 – Default risk trends
(n=121 funds, AUM = USD 23.6bn in 2023)



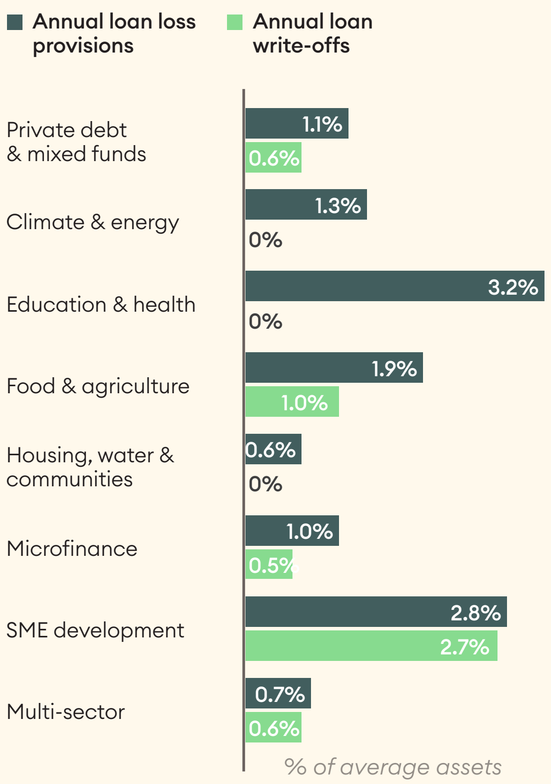
The survey highlights significant differences in loan loss reserves across PAIFs in various impact sectors. Funds focused on climate & energy and education & health reported higher loan loss reserves, while food & agriculture funds showed a notable gap between median and weighted average figures. Overall, SME development and multi-sector funds reported lower levels of loan loss reserves.

Figure 54 – Loan loss reserves by impact sector
(n=121 funds, AUM = USD 23.6bn)



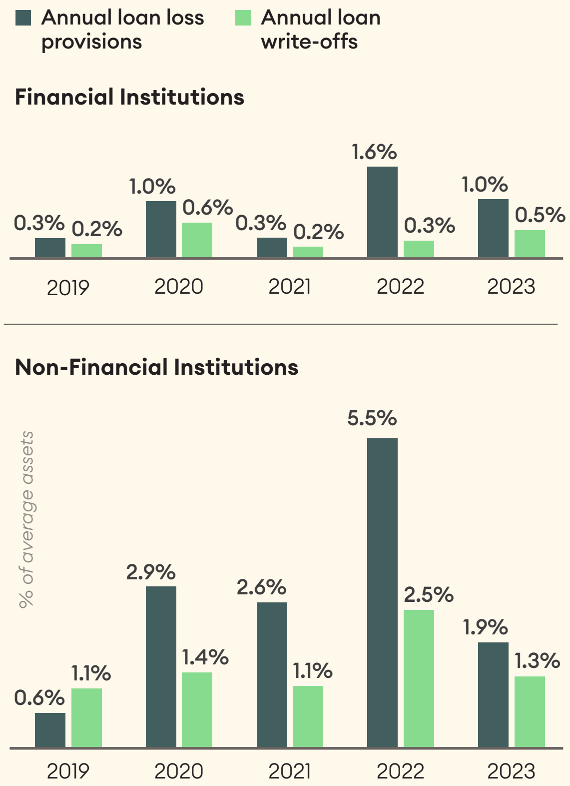
In 2023, annual provisions were higher for education & health funds, SME development funds, and food & agriculture funds. However, provisions for SME development and food & agriculture funds decreased compared to 2022, by 2.9 bps and 1.2 bps, respectively. On average, multi-sector funds had lower annual provisioning and write-offs.

Figure 55 – Annual loan loss provisioning and write-offs by primary impact sector
(n=121 funds, AUM = USD 23.6bn)



When categorizing funds based on their predominant type of investees, whether they channel capital mostly to financial institutions or non-financial institutions, a clear trend emerges. Since 2019, funds with more than 50% exposure to financial institutions have maintained lower provision and write-off ratios. In contrast, funds primarily investing in non-financial SMEs, corporations, or projects have shown higher ratios, averaging 1.9% for provisions and 1.3% for write-offs in 2023.

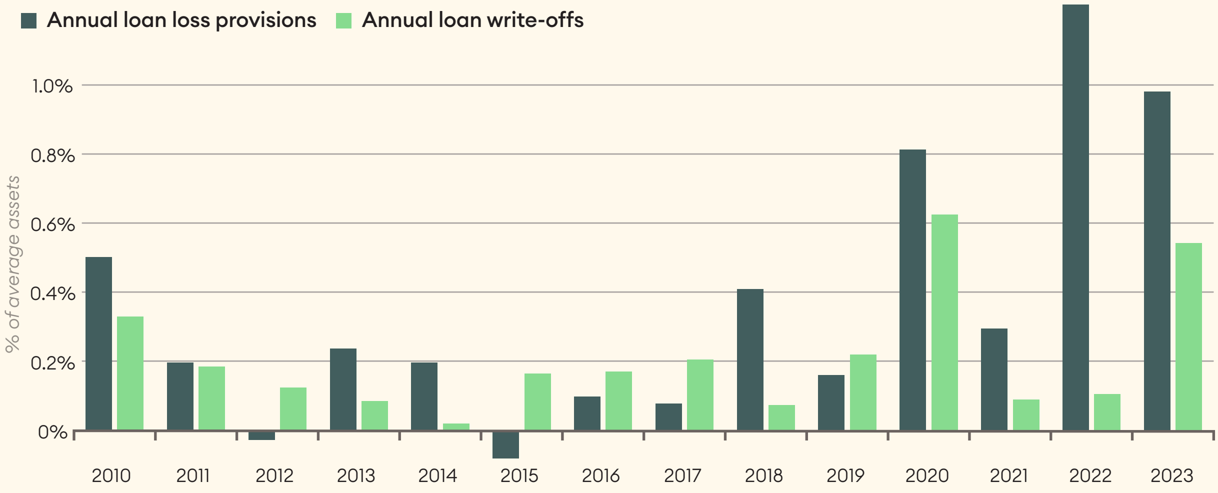
Figure 56 – Annual loan loss provisioning and write-offs by predominant type of investees
(n=86 funds, AUM = USD 20.8bn in 2023)



For microfinance funds, annual provisions have risen in recent years, peaking at 1.2% in 2022 before slightly declining to 1.0% in 2023[1], whereas write-offs were specifically high at 0.5% in 2023. These trends are largely attributed to the conflict in Ukraine, which began in early 2022, prompting funds to record loan loss provisions in line with market practices. Previous spikes in provisioning were linked to the COVID-19 pandemic in 2020, as well as country-specific microfinance crises in 2010 and 2018–stemming from the global financial crisis and a challenging environment across emerging markets, respectively.[2]

1 Annual loan loss provisions of microfinance funds calculated as yearly changes in outstanding loan loss reserves between 2010 and 2018.
2 Emerging market stocks and government bonds dropped by 14.6% and 5.2% respectively in 2018.

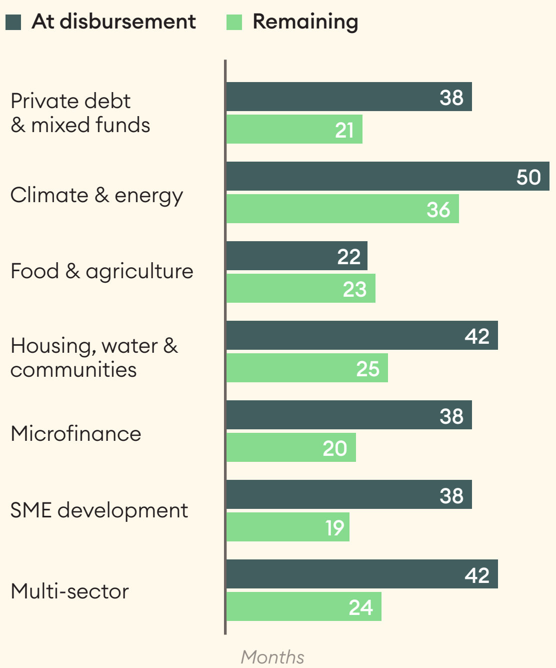
Figure 57 – Historical annual loan loss provisions and write-offs of microfinance funds
(n=61 funds, AUM = USD 14.37bn in 2023)



Maturity of private credit portfolio

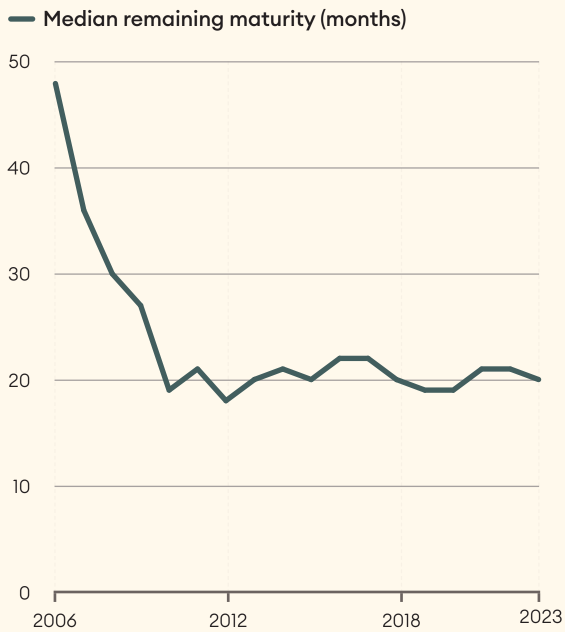
In our sample, private debt investments exhibited a wide range of maturities at disbursement, from 6 months to 107 months (approximately 9 years), with an average maturity of 41 months and a median of 38 months. By the end of 2023, the median remaining maturity stood at 21 months. Notably, funds with project-based portfolios, particularly climate and energy funds, had longer maturities, with a median of 50 months at disbursement and a remaining median maturity of 36 months.

Figure 58 – Maturity of debt portfolio (median)
(n=107 funds, AUM = USD 17.5bn)



Looking at microfinance funds, remaining maturity declined sharply in the early years before stabilizing between 18 and 22 months since 2010, with a median of 20 months by the end of 2023. This trend reflects fund practices within microfinance markets, particularly in portfolio diversification and risk management policies.

Figure 59 – Historical remaining maturity of microfinance funds
(n=57 funds, AUM = USD 14.30bn in 2023)

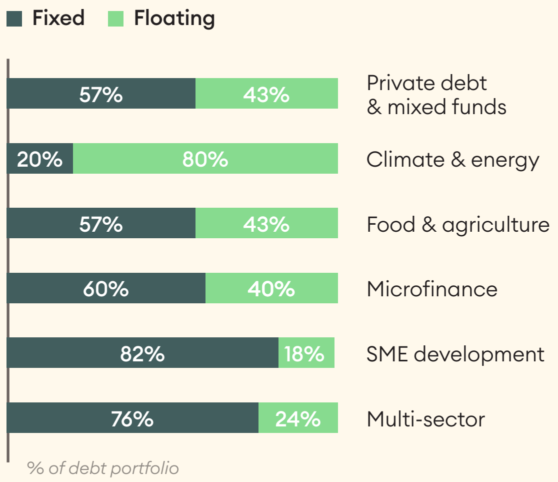


Singida, Tanzania
Riccardo Mayer © Shuttestock

Portfolio yields

In this section, we will analyse the yields generated from interest income in private debt funds, examining the different investment terms that influence them, such as interest rate types and currency hedging strategies. We will also present a brief overview of dividend yields in private equity portfolios.

Figure 60 – Interest type of debt portfolio
(n=127 funds, AUM = USD 21.7bn)



Private credit portfolio

Private debt instruments encompass term loans, both shorter term and longer term, which are either senior or subordinated, as well as secured and unsecured. They can also take the form of other fixed income instruments, such as promissory notes, deposits, certificates, guarantees, letters of credit, and more. The interest rates associated with these instruments may be either fixed or floating, and the maturity of the loan principal can vary in terms of months.

A fixed interest rate ensures that the same rate is applied to each interest payment, providing stability for borrowers. In contrast, floating rate loans are adjusted on each payment date, based on a benchmark money market rate plus a credit premium. Floating rates are generally preferred when interest rates are expected to rise, while borrowers often opt for fixed rates–particularly for long-term loans–to mitigate uncertainties in financial markets.

Between 2019 and 2022, fixed-rate loans accounted for 65% to 70% of the credit portfolios of private debt and mixed funds. However, this proportion declined to 57% in 2023, reflecting the global rise in interest rates. In the microfinance sector, floating rate loans increased from 30% at the end of 2022 to 40% by the end of 2023. Climate and energy funds have traditionally relied more on floating rate loans, with their share reaching 80% in 2023. Conversely, SME development funds have largely maintained a preference for fixed-rate loans over the past two years.

Within the private debt and mixed funds sample, portfolio yields[1] rose to 8.3% in 2023 (8.2% at the median), marking their highest level since 2019, and up from an average of 7.3% at the end of 2022. A deeper breakdown by investee type, sector, and currency hedging strategy provides further valuable insights into these trends. The rise in portfolio yields in 2023 was primarily driven by rising interest rates, and it was especially notable for funds investing through financial institutions, as more microfinance funds adopted floating rate loans.

Investments in financial institutions provide greater diversification at the end-borrower level, leading to lower risk and, consequently, lower funding costs on average. This has traditionally resulted in lower yields for PAIFs that primarily invest in financial institutions. However, in 2023, yields for financial institutions rose significantly, reaching a median of 8.3% (8.4% on a weighted average basis), up from 7.2% in 2022. This brought them in line with yields on non-financial institution investments, which remained stable at 8.2%.

1 We computed portfolio yields by dividing the interest income from the debt portfolio by the average debt portfolio of the PAIF over two years. Portfolio yields are gross of risk provisioning, currency fluctuations, cash drag costs, as well as fund expenses, and thus do not necessarily reflect an accurate net return to investors in the end.

Figure 61 – Yield of debt portfolio by predominant investee type (median)
(n=85 funds, AUM = USD 21.8bn)

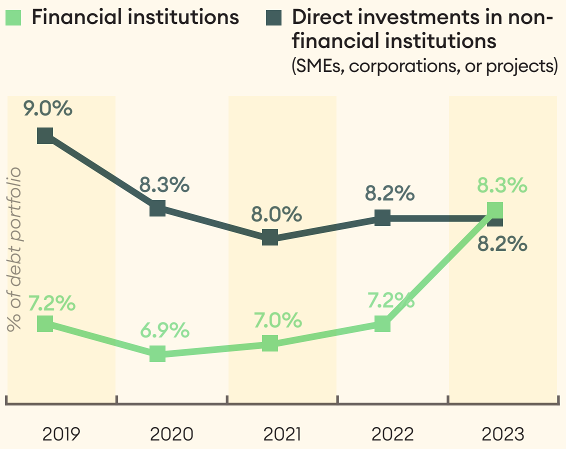
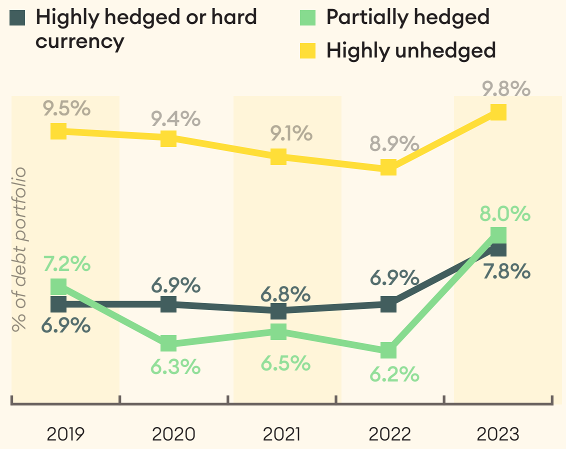


Figure 62 – Yield of debt portfolio by currency hedging strategy (median)
(n=107 funds, AUM = USD 21.7bn)

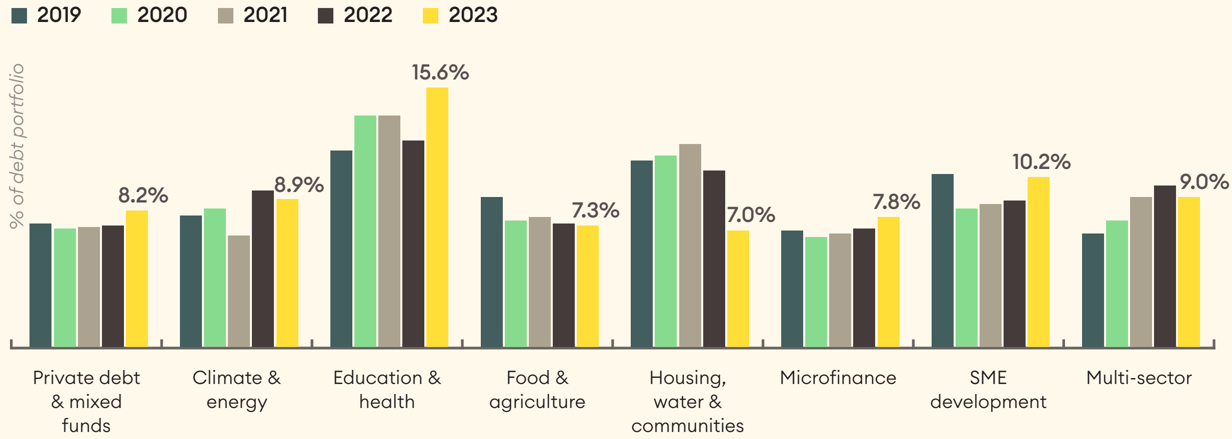


On a weighted average basis, yields for non-financial institutions have been on a downward trend, gradually declining from 10.7% in 2019 to 7.2% by the end of 2023.

In 2023, the median yield of highly unhedged portfolios remained significantly higher at 9.8%, compared to 7.8% for highly hedged funds.[2] As noted earlier, private debt and mixed funds keep, on average, only 12% of their credit portfolios unhedged, with the remainder either fully hedged or invested in hard currency. The majority of surveyed funds fall into the highly hedged or hard currency-only category.

Within sector peer groups, yield fluctuations over the years are partly driven by sampling effects, while broader trends can be explained by the types of investees targeted, loan maturities, and currency hedging strategies. Climate & energy funds typically invest more directly into non-financial institutions and extend longer-term loans. Multi-sector funds share these characteristics but also have a higher proportion of unhedged portfolios. Despite mainly targeting direct investments, food & agriculture funds had lower yields than most sectors in 2023, at 7.3%.

Figure 63 – Yield of debt portfolio by primary impact sector (median)
(n=115 funds, AUM = USD 24.1bn)



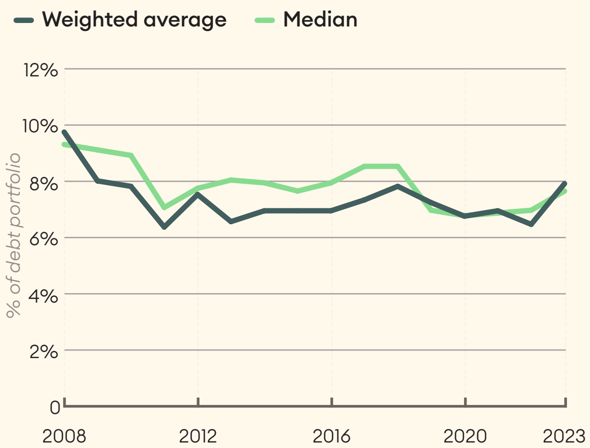
2 Highly hedged funds: those with an unhedged proportion of their local currency portfolio of 5% or less. Highly unhedged funds: those with an unhedged proportion of their local currency portfolio of more than 85%. Partially hedged funds: those with an unhedged proportion of their local currency portfolio of more than 5% and less than 85%.

Historical data on microfinance funds shows a downward trend in yields in the years following the 2008 global financial crisis, driven in part by a sharp decline in interbank rates from 5% to below 1% between 2008 and 2011. Additionally, growing competition in the microfinance funds sector, fuelled by substantial capital inflows and rapid growth, led to an upmarket shift. As a result, microfinance fixed-income funds began extending larger loans to bigger MFIs, typically at lower interest rates.

By 2016, average yields had stabilized around 7.0%, reflecting lower volatility and increased maturity in both microfinance markets and funds. These funds aligned their portfolios with investors' yield expectations, benefiting from the depth and breadth of their markets. This strategic adaptation strengthened their investment pipeline and enhanced portfolio diversification.

As interbank rates rose to 3% between 2016 and 2018, portfolio yields followed a slight upward trend before declining in recent years, reaching 6.4% in 2022. Falling money market rates and slightly lower credit premiums influenced how microfinance funds priced their loans during this period. However, with the sharp rise in interest rates in 2022 and 2023 to curb inflation, yields rebounded to 7.9% in 2023. Notably, PAIFs face a time lag in adjusting their lending rates, when possible, to reflect these increases.

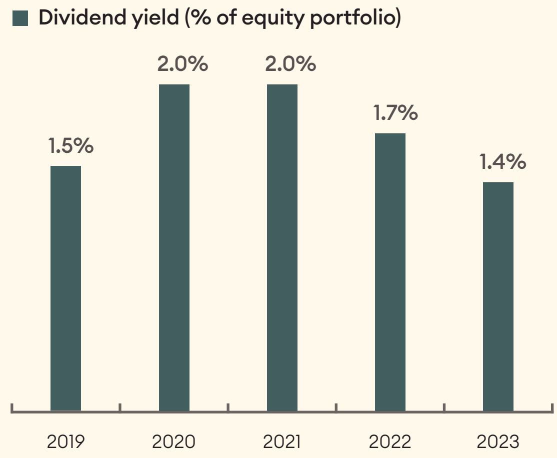
Figure 64 – Historical debt portfolio yield of microfinance private debt funds
(n=52 funds, AUM = USD 13.5bn in 2023)



Private equity portfolio

Calculated as the dividend income from portfolio companies divided by the equity portfolio, the average dividend yield of private equity and mixed funds declined to 1.4% in 2023, down from 2.0% in 2021. This gradual decrease was primarily driven by lower dividend yields in private equity and mixed microfinance funds, which fell from 2.2% in 2021 to 1.2% in 2023. In contrast, food & agriculture funds reported a slightly higher dividend yield of 2.3% in 2023.

Figure 65 – Dividend income of equity portfolio
(n=20 funds, AUM = USD 4.3bn in 2023)



Santiago, Chile
Alexey Stiop © Shuttestock

Fees & costs

Management fees incurred by PAIFs will vary depending on the type of product sold to investors, with retail investment products generally costing more to administer compared to institutional share classes that cost marginally less due to their larger subscription volumes per investor.

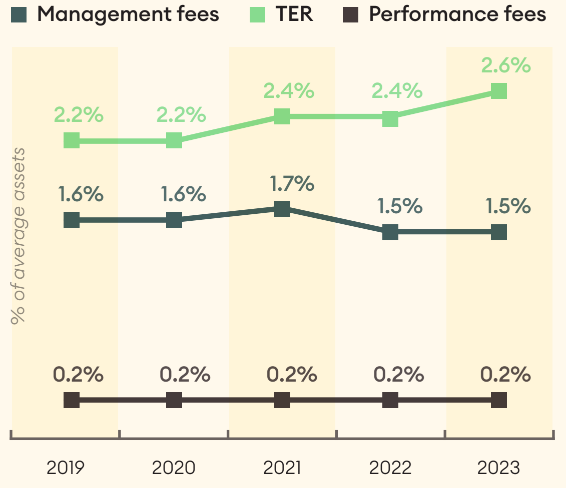
For the purposes of this study, we calculated management fees and overall operating expenses at the fund level, without disaggregating between retail or institutional investment tranches. Both these ratios are proxies derived by dividing the yearly amount of management fees and operating expenses incurred by the PAIF as a percentage of its average assets over two years.

Management fees, covering all management, investor relations, and distribution costs, were 1.5% of average assets for the median observation in 2023. These fees were slightly lower in both 2022 and 2023 compared to previous years.

Operating expenses, which include management fees as well as accounting, audit, custodian, transfer agent, legal, marketing, and general administration costs, were used to estimate the total expense ratio (TER). We proxied the TER as operating expenses divided by average assets over two consecutive years. In 2023, this proxy stood at 2.6%, continuing a gradual upward trend from 2.2% in 2019.

Performance fees, added to determine total investor costs, are typically associated with private equity strategies but can also appear in other cases. In 2023, these fees amounted to 0.2% for the median observation, a level that has remained stable since 2019. They are linked to the median carried interest and hurdle rates observed for equity funds, set at 20% and 8%, respectively. Among the sample, 26 out of 122 funds (21% of surveyed funds) reported that performance fees were tied to both financial and impact targets.

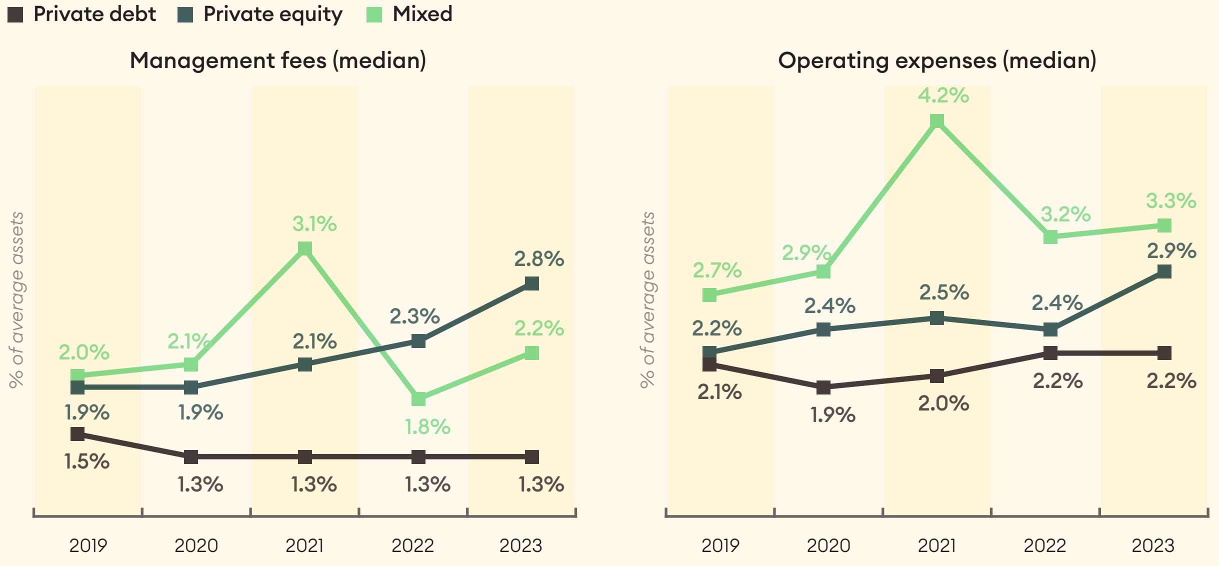
Figure 66 – Fees and costs (median)
(n=143 funds, AUM = USD 23.6bn in 2023)



These overall costs vary depending on the impact sector and, naturally, the asset class. However, comparing fee levels of private debt and mixed strategies with equity funds warrants caution because equity funds typically assess fees based on the level of committed capital, especially in the initial years following the fund's vintage, rather than the actual asset size of the vehicle, which is used as our denominator to compute these fees.

However, when using the same denominator across all surveyed funds, mixed funds stand out with the highest TER over the past 5 years, reporting a median of 3.3% in 2023, compared to 2.9% for private equity funds and 2.2% for private debt funds. It is important to note that private equity funds within the surveyed sample reported lower average fund sizes (USD 78 million) compared to private debt funds (USD 174 million), and larger funds typically have lower operating expenses as a percentage of total assets. Within the PAIF universe, however, private equity funds tend to be larger, with an average fund size of USD 138 million, compared to USD 132 million for private debt funds.

Figure 67 – Fees and costs by primary asset class (median)
(n=143 funds, AUM = USD 23.6bn in 2023)

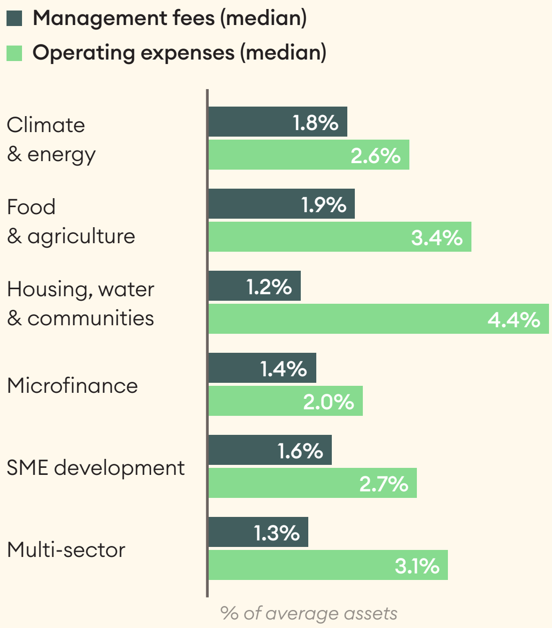


Median management fees and operating expenses remained stable for private debt funds in 2023, while they increased significantly for private equity and mixed funds.

In 2023, median management fees were slightly higher for climate & energy and food & agriculture funds, at 1.8% and 1.9%, respectively. However, greater variations were observed in the TER proxy, with funds focused on housing, water & communities (4.4%) and food & agriculture (3.4%) reporting higher operating expenses. Multi-sector funds also had a median TER of 3.1%. Interestingly, these funds reported lower average fund sizes within the surveyed sample, with USD 59 million for housing, water & communities funds, USD 80 million for food & agriculture funds, and USD 86 million for multi-sector funds, compared to the overall average fund size of USD 142 million across all surveyed funds.

Additionally, microfinance funds, which primarily invest through financial institutions, tend to have a less costly business model, with a median TER of 2.0% in 2023.

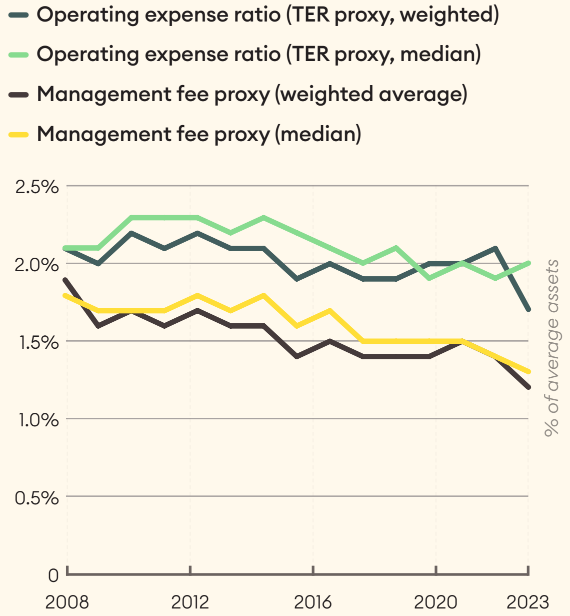
Figure 68 – Fees and costs by primary impact sector (median)
(n=143 funds, AUM = USD 23.6bn)



Since 2009, management fees for microfinance funds have followed a downward trend, declining by 70 basis points from 1.9% to 1.2% in 2023 on a weighted average basis. This relatively steady decline, followed by a stabilization of fees levels in the last decade at around 1.5%, reflects the sector's growth, maturity, and increasing competition among microfinance funds.

While the median TER remained relatively stable at 2.0% in 2023, it declined to 1.7% on a weighted average basis, highlighting the presence of larger funds in the sample, which typically have lower costs as a percentage of average assets.

Figure 69 – Historical fee proxies of microfinance funds
(n=67 funds, AUM = USD 14.6bn in 2023)



Chichicastenango, Guatemala
Seyhan Ahen © Shuttestock

Financial performance

Stakeholders across the investment value chain of PAIFs, including investment managers, portfolio companies, and end-beneficiaries, navigated a complex geopolitical, macroeconomic, and financial landscape in 2023 and 2024. This period was marked by shifting monetary policies, uneven regional growth patterns, and pressing development challenges, including rising inequality, persistent geopolitical conflicts, and climate shocks.

Inflation remained a central concern in 2023. While declining from peak levels, it stayed well above targets in many markets. In response, central banks maintained a tight policy stance, continuing the rate hikes that began in 2022. The Federal Reserve (Fed) raised its target rate to 5.25 to 5.50%, its highest since 2001, while the European Central Bank (ECB) pushed its deposit rate to a record 4%. Both banks paused further hikes later in the year.[1] By 2024, moderating inflation and slowing economic growth led to a shift in policy. The ECB cut rates four times, bringing its deposit rate down to 3%, while the Fed moved more aggressively during a shorter window timeframe, initiating its easing cycle in September with a total reduction of 100 basis points to a target range of 4.25 to 4.50%. However, in late 2024, core inflation in the United States stalled in its decline, prompting the Federal Reserve to adopt a more cautious approach to further rate cuts.

Economic growth during this period varied significantly across regions. Global GDP expanded by 3.3% in 2023, with estimates of 3.2% for 2024 and projections of 3.3% for 2025 and 2026. Advanced economies grew at a slower pace, between 1.7% and 1.9%, with the United States faring better at 2.9% in 2023 and 2.8% in 2024, though expected to slow to 2.7% and 2.1% in the following years.[2] Meanwhile, emerging markets continued to drive global growth at an average of 4.3%, largely propelled by India, which solidified its role as a key global growth engine despite persistent inflation concerns. Nonetheless, growth rates across all markets remained below the pre-COVID decade average from 2010 to 2019.[3]

The recent United States elections also had a notable impact on markets, triggering strong gains in United States equities and an appreciation of the dollar in late 2024. However, the administration's decision to halt major international aid programs and its known pushback against ESG factors and climate finance is raising concerns within the development finance and impact investing communities, both domestically and globally.

Financial markets reflected these broader dynamics. Developed market (DM) stocks, as measured by the MSCI World Net Total Return USD Index, delivered strong gains, returning 23.79% in 2023 and 18.67% in 2024, driven largely by United States equities. Emerging and frontier markets experienced more mixed results, with performance varying by region. However, when excluding United States stocks from the MSCI World Index, emerging and frontier markets outperformed developed markets in 2024. In fixed income, bond markets remained volatile, adjusting to changing central bank policies. Global and emerging market bond indices posted respective returns of 6.42% and 10.45% in 2023, followed by 2.37% and 5.73% in 2024, rebounding from negative growth in 2022.

In the private debt space within impact funds, the interest rate hikes initiated in 2022 continued to influence fundraising dynamics for such products focused on developing economies, particularly as those remain perceived as high-risk by investors in the industry, who generally require spreads above money market rates to align for the risk perception. Impact debt funds have fared well to adjust their lending rates to portfolio companies, as highlighted previously with portfolio yields having increased in 2023, and funds having increased the usage of floating rate instruments to enable better alignment with broader interest rate trends of 2023.

1 Financial Times (2025). Inflation and interest rates tracker, available at: https://www.ft.com/content/088d3368-bb8b-4ff3-9df7-a7680d4d81b2
2 International Monetary Fund (2025). World Economic Outlook, Global Growth: Divergent and Uncertain, January 2025.
3 World Bank (2024). 2024 Key Development Challenges in Nine Charts, December 2024.

Against this backdrop, it is valuable to contextualize the returns of impact funds by analysing 2023 data from our PAIF Survey, while incorporating forecasts from investment managers regarding return expectations for 2024. In addition, we will also assess how microfinance debt funds have performed in 2024, using Tameo's monitoring of the market through the Tameo Microfinance Private Debt Index (TX-MFD).[4] This index provides monthly updates on financial performance, allowing for a timely evaluation of returns already available for 2024.

As in previous reports, we present return data from an investor perspective, net of fees, and based on whether investors contributing to the capital structure of PAIFs are unitholders or shareholders who benefit from periodic dividends and capital appreciation, or noteholders who provide credit to the funds in exchange for fixed or floating interest.

Net returns for PAIF investors are shaped by multiple factors. For private debt funds, net returns primarily depend on portfolio yield or interest income, from which management fees, operational expenses, and provisioning expenses are deducted. These elements are closely linked to liquidity management, cash drag dynamics, and fluctuations in international money markets. By the end of 2023, cash levels for private debt funds had dropped to 9.3% of total assets, with portfolio yields averaging 8.0%, operating expenses at 1.8% of total assets (median of 2.2%), and provisioning levels reaching 1.2% (median of 0.6%). For equity funds, net returns are determined by dividend income and valuations, minus total expenses and performance fees.

Across asset classes, these factors vary depending on a fund's impact sector focus and broader investment strategy, including currency exposure, investee type, and country allocation.

The next section examines these net return pools by distinguishing between unleveraged and leveraged funds. This approach enables a clear disaggregation of noteholder interest payments and equity tranche returns for leveraged funds, as well as shareholders net returns for unleveraged funds. The analysis is further structured by strategy, covering private debt funds, mixed funds, and equity funds.

2023 sees record financial returns

In 2023, financial returns reached their highest levels since the survey began in 2019[5]. The majority of funds, representing 56% of total assets, did not use borrowings to leverage their equity. The median return for unleveraged private debt funds for USD share classes was 4.6%, while unleveraged private equity funds achieved 6.3%.

Returns were lower for the EUR share classes, with unleveraged private debt funds at 3.1% and unleveraged private equity funds at 2.6%.

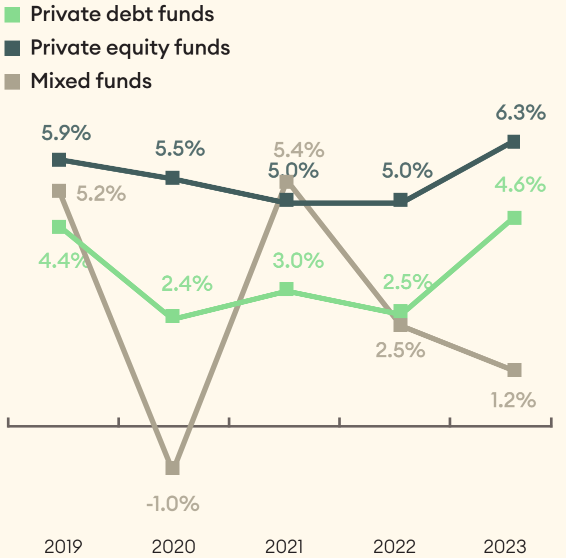
Leveraged funds saw median returns of 5.1% for noteholders and 5.2% for shareholders. By the end of 2023, borrowings of leveraged funds accounted for an average of 34% of total assets. The average debt-to-equity (D/E) ratio for leveraged funds stood at 0.75 at the end of 2023, down significantly from its 2021 peak of 1.54 and returning to levels seen in 2019 and 2020. Most leveraged funds were private debt funds, while leveraged private equity funds were much less common. Notably, the D/E ratio for leveraged private equity funds remained very low at 0.17.

4 The TX-MFD in USD, EUR and CHF are indexes managed by Tameo that track, monthly, the NAV per share of a selection of microfinance funds with a majority of assets invested in fixed income instruments. The funds are equally weighted. The indexes are available on Tameo Analytics, the market intelligence platform of Tameo: https://app.tameo.solutions.

5 Tameo's research team has refined its methodology for aggregating financial returns, leading to differences from previous reports. In past editions, returns were aggregated from individual share classes or tranches. This year, we first calculate a simple average of a fund's share class returns within the same currency (USD, EUR), then use this single data point per fund. While this approach results in fewer observations, it provides a more accurate representation of the market.

Figure 70 – Financial returns trends
(n=53 unleveraged funds and 10 leveraged funds in 2023)

Unleveraged funds (USD share classes)



Leveraged funds (USD share classes)

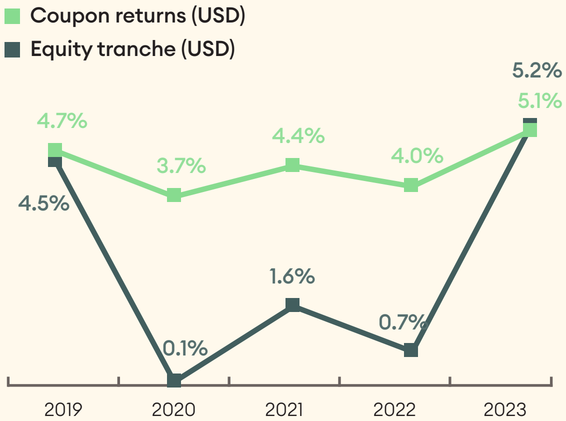
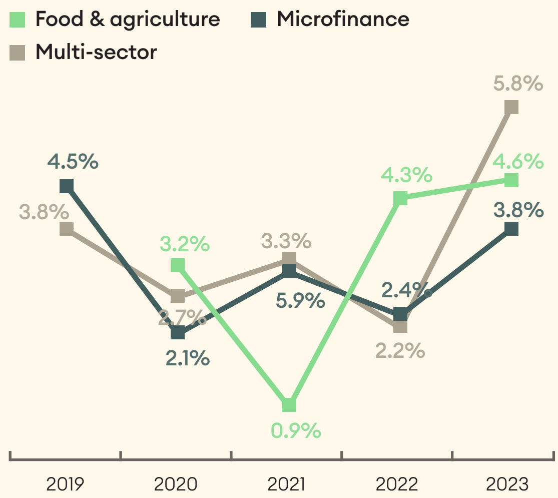


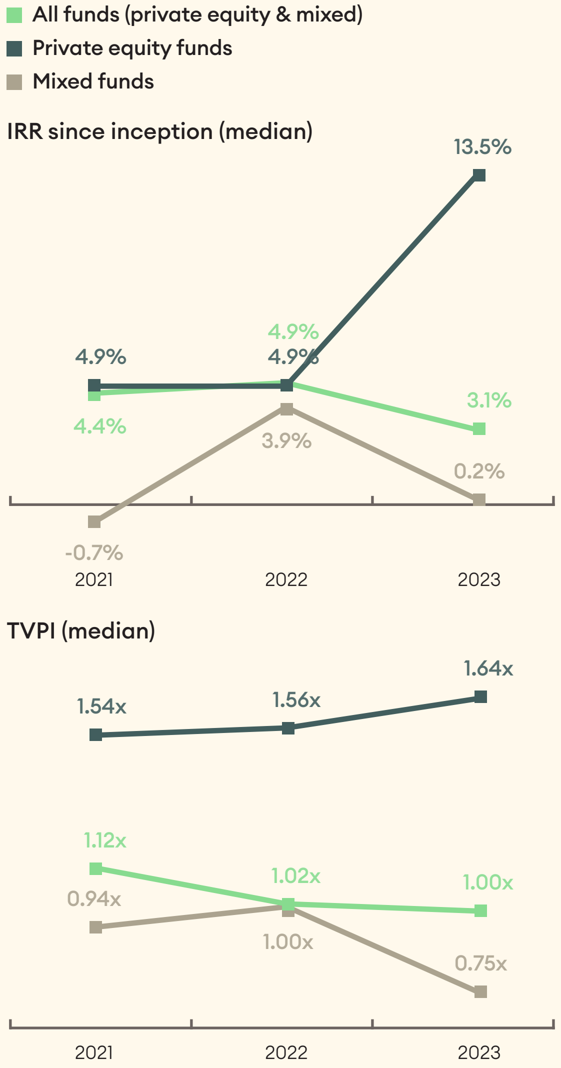
Figure 71 – Performance of unleveraged private debt funds (median, by impact sector peer group
(n=36 funds, AUM = USD 8.7n in 2023)



Among unleveraged private debt funds, multi-sector funds were a key driver of positive returns in USD, with a median return of 5.8% in 2023, up from 2.2% in 2022. The median return for food & agriculture private debt funds also saw a slight increase, reaching 4.6%. Microfinance strategies had a median return of 3.8%, lower than other categories but still an improvement from 2.4% in 2022. Due to limited data, returns for other impact sectors could not be assessed.

For equity and mixed funds denominated in USD, the median internal rate of return (IRR) since inception was 3.1%, with a total value to paid-in (TVPI) multiple of 1.00x. However, when excluding mixed funds and considering only equity funds, the median IRR rose to 13.5%, with a TVPI multiple of 1.64x by the end of 2023, reflecting a significant increase in IRR compared to 2022 and 2021.

Figure 72 – IRR since inception and TVPI
(n=16 funds, AUM = USD 1.8bn in 2023)



Maximum drawdown

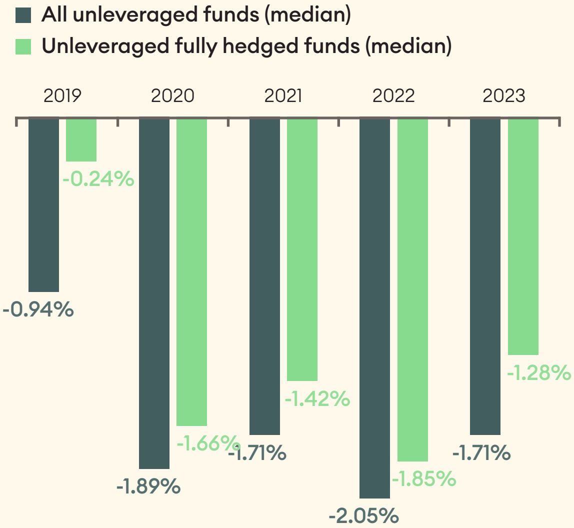
Assessing maximum drawdown figures[6] provides valuable insights into the stability of the PAIF market. For unleveraged funds across all sectors, the median maximum drawdowns over the past five years were -1.7% for USD and -2.3% for EUR share classes as of the end of 2023. In comparison, pre-pandemic numbers show that by the end of 2019, these figures stood at -0.9% and -1.2%, reflecting the increased volatility caused by the COVID-19.

Funds employing FX hedging instruments to mitigate swings related to local currency exposures (highly hedged funds) experienced lower drawdowns, with figures of -1.3% for USD share classes and -2.1% for EUR share classes at the end of 2023.

This indicates reduced fluctuations in negative returns compared to partially hedged or fully unhedged FX strategies.

Overall, these modest drawdowns highlight the resilience of private asset impact investing, even during periods of financial market stress.

Figure 73 – Maximum drawdown, last five years (USD share classes, median)
(n=23 USD share classes)



6 Maximum drawdown should be understood as the maximum observed loss from a peak to a trough of a fund share class net asset value (NAV) per unit, before a new peak is reached.

Historical median returns for microfinance funds

Since initial observations in 2006, annual net returns of microfinance funds have shown fluctuations.[7] After strong performance in the early years, returns for unleveraged private debt funds with USD-denominated share classes somewhat stabilized within a range of 2.0% to 4.5% (at the median). More specifically, following a challenging period from 2014 to 2016, with annual returns dropping to a low of 2.0%, they rebounded to 4.5% in 2019 before facing renewed downward pressure due to the global pandemic in 2020. In 2023, returns had climbed again to 3.8%. In comparison, the Tameo Microfinance Private Debt Index (TX-MFD) in USD stood slightly higher at 4.2% in 2023.

Private equity microfinance funds with USD-denominated share classes saw their returns fluctuate between 5.0% and 7.6% from 2016 to 2023. In 2023, they reached 6.3%, marking their highest level since 2018.

For unleveraged private debt funds with EUR-denominated share classes, returns hit their lowest point at 0.0% in 2017. Their trajectory mirrored that of USD-denominated funds but remained at a lower level, reaching 2.9% in 2023, outperforming the TX-MFD index in EUR, which stood at 2.1%. Notably, the TX-MFD index dipped into negative territory in both 2017 (-0.2%) and 2022 (-0.1%).

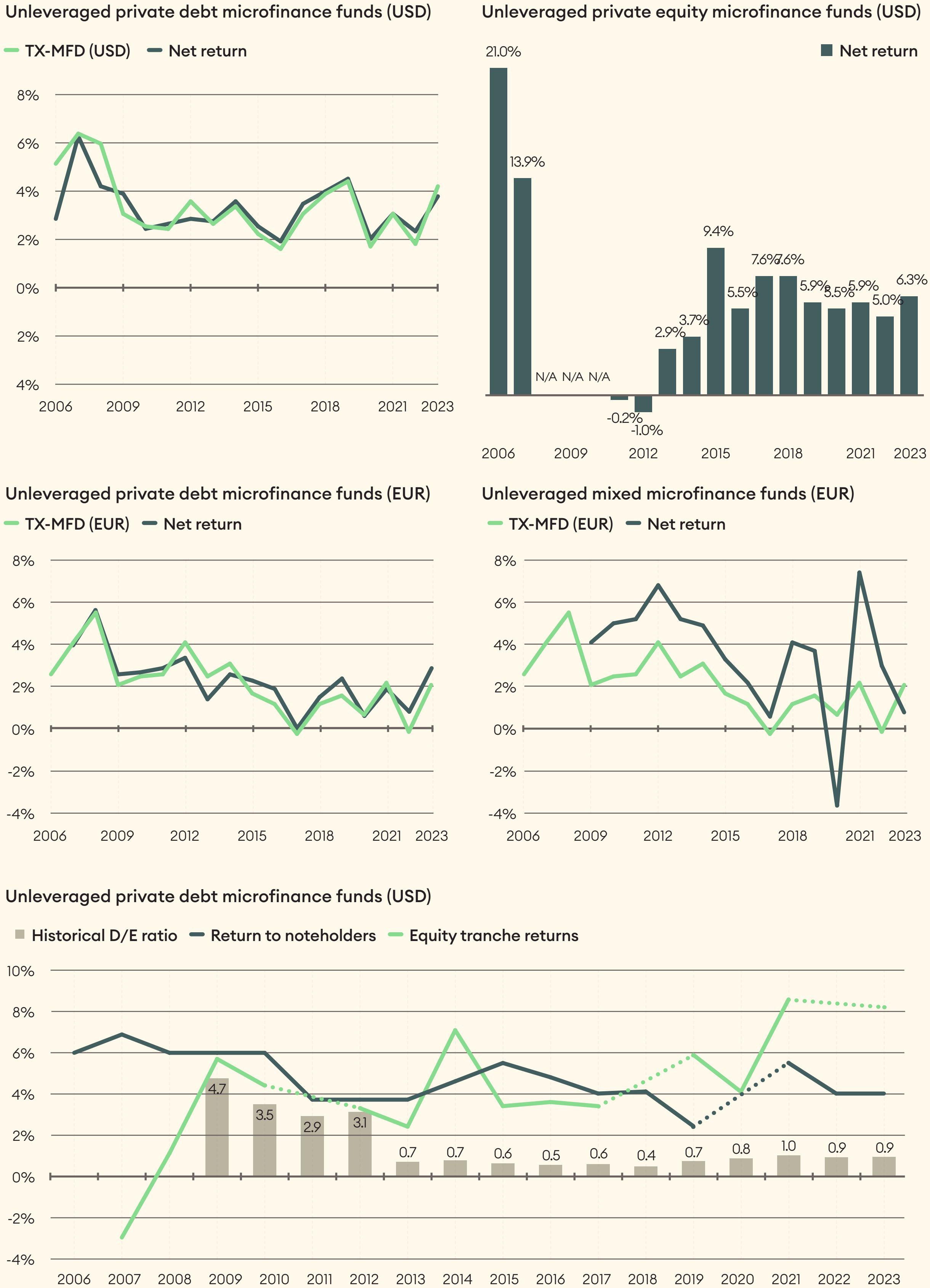
Returns for unleveraged mixed funds with EUR-denominated share classes were more volatile, in part due to the smaller number of observations available. They turned negative in 2020 (-3.6%), peaked at 7.4% in 2021, and settled at 0.8% in 2023. Due to limited data availability, unleveraged mixed funds with USD-denominated share classes are not presented here.

For leveraged microfinance funds with USD-denominated share classes, returns to noteholders peaked at 5.5% in 2015 before declining to a low of 2.4% in 2019. After reaching a new peak in 2021, returns stabilized at 4.0% in both 2022 and 2023. Annual net returns for shareholders were more volatile, surging to a high of 8.6% in 2021 and remaining elevated at 8.2% in 2023.

Notably, the D/E ratio of leveraged microfinance funds with reporting currency in USD increased from 0.4 in 2018 to a peak of 1.0 in 2021. By the end of 2023, the ratio remained relatively high, with debt funding reaching 0.9 times equity. In the early years, many of the leveraged microfinance funds were structured as collateralized loan obligations (CLOs) that financed their capital structure mainly through borrowings, which explains the high D/E ratios.

7 Tameo's research team has refined its methodology for aggregating financial returns, leading to differences from previous reports.

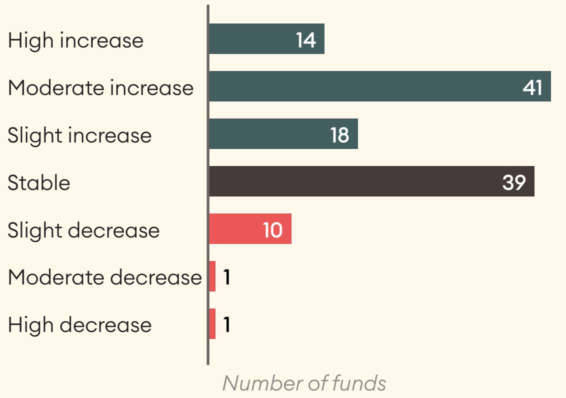
Figure 74 – Historical returns for microfinance funds (median)
(n=27 unleveraged funds and 4 leveraged funds in 2023)



Positive outlook for 2024 financial performance

While 2024 return data will be included in the next edition of the survey, respondents expressed optimism for the past year. Overall, 59% of survey respondents expect an increase in financial performance compared to 2023. This sentiment is particularly strong among food & agriculture funds, where 84% anticipate a moderate or high increase. Meanwhile, 31% foresee stable returns, and 8% predict a slight decline. Only 2% expect a high or moderate decrease.

Figure 75 – 2024 financial performance outlook
(n=124 funds, AUM = USD 24.6bn)



Like the broader market consensus across most sectors, microfinance funds were also optimistic about their 2024 financial returns, with 55% of respondents (out of 60 funds) predicting an increase in performance, whether slight, moderate, or high. While these funds employ diverse investment strategies in terms of regional allocation, asset class, FX hedging, and liquidity management, we can already assess the actual performance for a specific subset of these funds: open-ended, multi-regional funds marketed to multiple investors, investing primarily in private debt, employing a fully hedged local currency strategy, maintaining reasonable liquidity, and offering monthly NAV valuations.

Net return data for this subset of microfinance funds has historically been captured by the TX-MFD index, which tracks monthly growth in NAV per share. With over 20 years of monthly data, the index has become a widely recognized industry benchmark, used extensively by fund managers to guide and compare their performance, and by institutional investors wishing to position microfinance investments within global portfolio allocation strategy.

In 2024, the TX-MFD index returned 3.89% in USD, extending the positive momentum seen in 2023 (4.18%). In EUR terms, the index delivered a 3.13% return, marking its highest yearly performance since 2012. These results align closely with the optimistic outlook expressed by the broader set of microfinance funds in our survey.

Looking back at 20+ years of financial performance data

The end of 2023 marked the 20-year anniversary of the TX-MFD index, which was established with a base value of 100 in December 2003. Given this milestone, we next take a retrospective look at the index's track record, highlighting its resilience through macroeconomic and financial market disruptions. Its stability and predictable financial returns, combined with low volatility and low correlation to mainstream markets, underscore the robustness of the underlying investment strategy, i.e. targeting MSMEs in developing countries.

Over its 252-month history, the index in USD has recorded only eight negative months, with an average monthly loss of -0.21% for those months. The index has more than doubled in value through a cumulative return of 104% from December 2003 to December 2024. This translates to a compound annual growth rate (CAGR) of 3.45%. Moreover, its volatility has remained exceptionally low, with an annualized volatility of just 0.58% over the 21-year period.

The strong risk-adjusted performance of the index can be attributed to microfinance funds' focus on financing the real economy, maintaining well-diversified portfolios, generating predictable cash flows, and experiencing low default rates. As a result, the index boasts a Sharpe Ratio of 2.51, measured against the performance of the money market index used as the risk-free rate, and which is higher than the other indices used for this comparative analysis.[8]

8 Market indices for each category:
- Global government bonds: FTSE World Government Bond Index (Hedged)
- Emerging market government bonds: J.P. Morgan Emerging Markets Bond Index Global Total Return Index
- Developed market stocks: MSCI World Net Total Return Index
- Emerging/Frontier market stocks: MSCI Frontier Emerging Markets Net Total Return Index
- Commodities: Bloomberg Commodity Index Total Return
- Money market: USD Libor 3M until June 2023, and then the SOFR 90-day average from July 2023

Figure 76 – TX-MFD index vs. mainstream financial market indices (2004-2024): Historical performance in USD

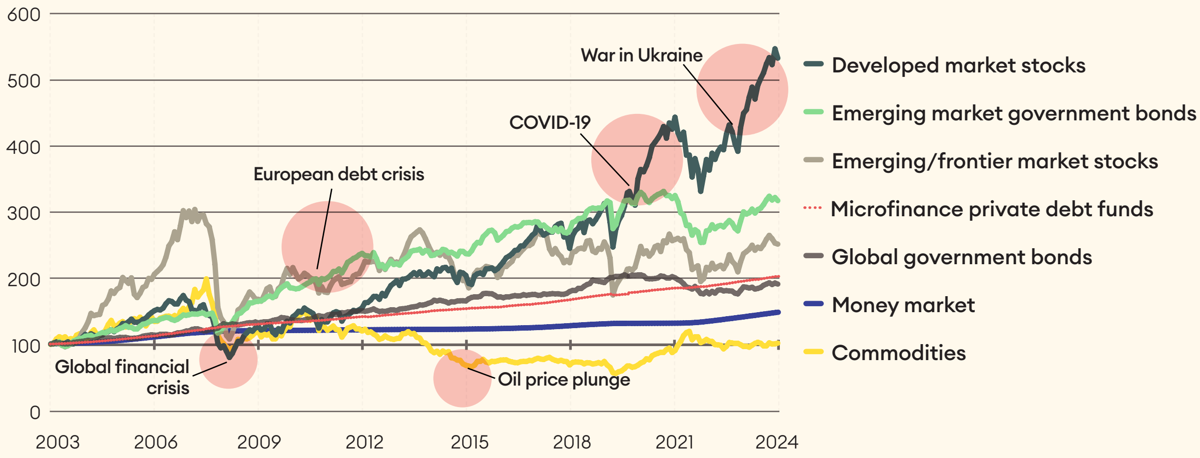
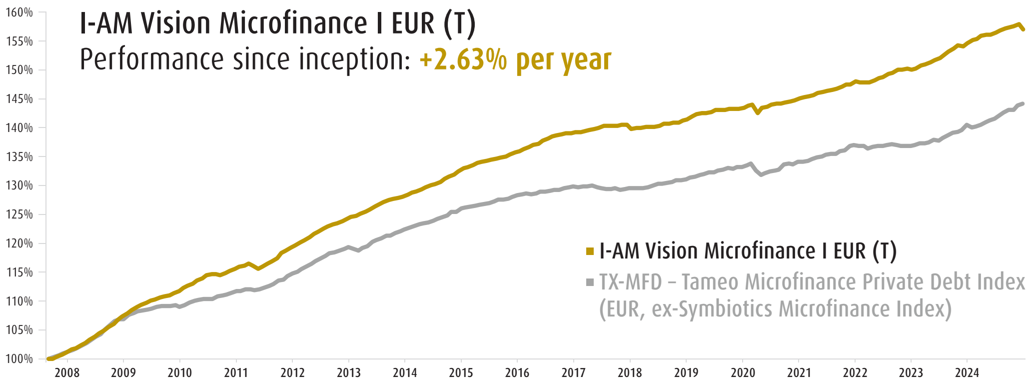


Table 12 – Risk-return-correlation analysis (2004-2024)

	Microfinance private debt funds	Global government bonds	Emerging market government bonds	Developed market stocks	Emerging / Frontier market stocks	Commodities	Money market
Period Return	103.8%	91.2%	217.2%	431.7%	151.8%	2.7%	51.6%
CAGR	3.45%	3.13%	5.65%	8.28%	4.50%	0.13%	2.00%
Annualized volatility	0.58%	3.60%	8.72%	15.23%	17.79%	15.95%	0.55%
Sharpe Ratio	2.51	0.31	0.42	0.41	0.14	-0.12	0.00
Correlation with Microfinance private debt funds	1.00	0.12	0.11	-0.02	0.07	0.03	0.43

The historical performance chart reinforces microfinance as a resilient and investable sector, demonstrating its ability to withstand market downturns over the past two decades while providing investors with impactful exposures to an untapped, high-growth, and value-generating industry.

The I-AM Vision Microfinance contributes to sustainable development by working towards a positive impact on several of the 17 United Nations Sustainability Goals (SDGs). Since its inception in 2006, the fund focuses not only on financial inclusion, but also on gender equality, education, and access to clean water and energy. Through its investments in 69 emerging and frontier markets, it empowers micro-entrepreneurs and helps them get closer to their goals to improve their living standards.



Source: Cyberfinancials Datenkommunikation GmbH

Past performance is not a reliable indicator of future performance. Every capital investment is associated with a risk. Issue and redemption fees are not included in the calculation of the performance results. The performance was calculated using the OeKB/BVI method. For an investment amount of EUR 1,000, a subscription fee of EUR 10 is charged. Any custody fees may additionally reduce the investor's return. This marketing document is provided for non-binding information purposes only and does not represent any offering or invitation to purchase or sell units in an investment fund, and nor should it be deemed an invitation to submit an offer for conclusion of any contract on investment services or collateral performance. The basis for an investment in the fund is the current sales prospectus, the key investor information document (PRIIPs - KID), the fund's articles of association and the annual report or semi-annual report. These documents are available free of charge in German at the Investment Company Axxion S.A., 15, rue de Flaxweiler, LU-6776 Grevenmacher, and on the Internet at www.axxion.de. State of the date: 31.12.2024

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Impact results

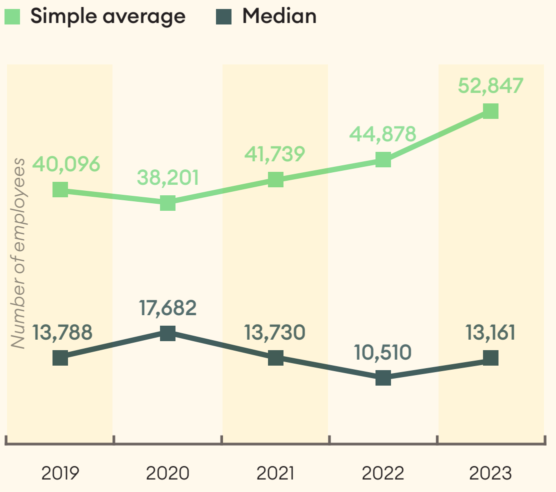
Assessing the impact of their investments is essential for PAIFs to measure their effectiveness in identifying and supporting companies and projects that drive meaningful solutions. In this chapter, we explore their contributions to employment and end-client outreach across surveyed participants. We then take a deeper look at each impact sector, analysing sector-specific indicators and examining how capital is allocated across subsectors and activities.

Contribution to investee employment

When PAIFs allocate capital to portfolio companies, whether through debt or equity, it supports internal growth within the investee entities. A key focus for many impact funds is assessing the employment impact of their investments. This is particularly relevant for PAIFs targeting non-financial SMEs, which serve as key drivers of employment and economic growth in their domestic markets.

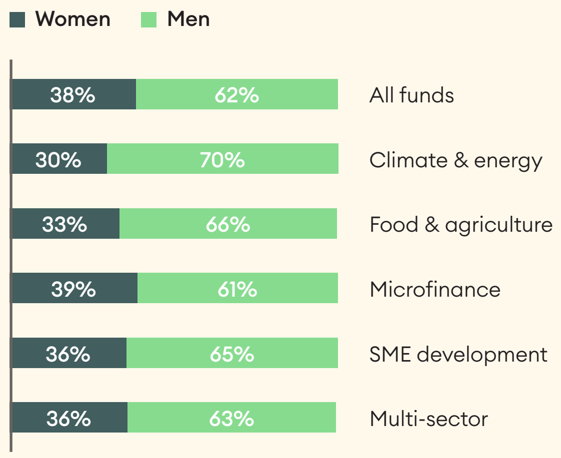
In 2023, each PAIF supported an average of over 50,000 jobs through its investments, with a median of 13,161 employees. Notably, microfinance funds supported the largest workforce at the investee level, averaging 76,051 employees with a median of 31,568, reflecting the labour-intensive nature of microfinance institutions.

Figure 77 – Contribution to employment
(n=149 funds, AUM = USD 23.7bn in 2023)



An analysis of gender parity among employees supported by PAIF investments shows that women make up just over one third of the workforce, a proportion that has remained relatively stable over time. Gender distribution is fairly consistent across impact sectors, with microfinance fund investees employing an average of 39% women, a slightly higher share than in other sectors. In contrast, investees of climate & energy funds have a lower proportion of female employees, averaging 30%.

Figure 78 – Gender profile of investee employees by impact sector
(n=127 funds, AUM = USD 17.1bn)



End-client outreach

On average, PAIFs support approximately 1.4 million end-clients, calculated based on their proportional investment in portfolio companies, using the percentage of investment value relative to total assets for private debt investments and ownership percentage for equity investments. In 2023, the median observation stood at around 143,000 end-clients.

This discrepancy highlights notable outliers, primarily driven by equity funds, which financed an average of 3.9 million end-clients, with a median of approximately 1.8 million. In contrast, private debt funds reported an average outreach of around 120,000 end-clients, with a median of 111,368.

Table 13 – Number of end clients financed (median)
(n=111 funds, AUM = USD 22.0bn)

Peer group	Median number of end-clients financed
All funds	142,963
Private debt	111,368
Private equity	1,764,669
Mixed	79,608
Climate & energy	153,836
Food & agriculture	94,174
Microfinance	143,614
SME development	251,494
Multi-sector	72,623

An analysis of end-clients by location and gender shows that 55% are based in rural areas, and 62% are women. Notably, climate & energy and food & agriculture funds have a stronger rural focus, with 72% of their outreach targeting rural communities. Outreach to women is highest among housing, water & communities funds (93%).

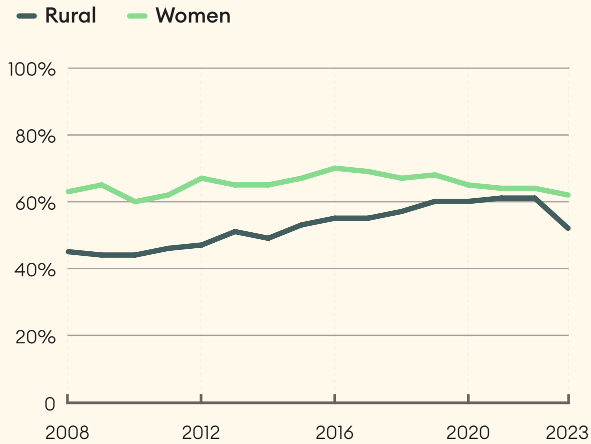
Youth inclusion and well-being is also a key factor in advancing development goals. Among funds reporting this data, youth end-clients account for an average of 13% of portfolios. However, only 27 observations were available for this indicator in 2023.

Table 14 – Location and gender of end clients financed (median)
(n=111 funds, AUM = USD 22.0bn)

Peer group	Rural	Urban & peri-urban	Women	Men & legal entities
All funds	55%	45%	62%	38%
Private debt	72%	28%	46%	54%
Private equity	-	-	46%	54%
Mixed	72%	28%	52%	48%
Climate & energy	-	-	93%	8%
Food & agriculture	52%	48%	62%	38%
Microfinance	52%	48%	62%	38%
SME development	50%	50%	60%	40%
Multi-sector	54%	46%	68%	32%

Looking at historical trends within microfinance funds, data indicate a bias toward collaborating with microfinance institutions that have consistently served a higher number of rural and women borrowers over the years. However, both the percentage of rural and women end-borrowers decreased in 2023.

Figure 79 – Historical profile of microfinance funds' end-borrowers
(n=72 funds, AUM = USD 16.5bn in 2023)



Climate & energy indicators

The reporting frameworks and measurement protocols utilized by impact funds investing in climate & energy demonstrate a notable level of sophistication compared to most other sector peer groups. These funds commonly employ precise guidelines for capturing key metrics, such as energy savings, carbon dioxide (CO2) emissions reductions, and renewable energy production in their invested companies and projects. These indicators should be calculated proportionally to the fund's investments. However, we cannot guarantee full alignment. Presenting median figures helps mitigate the impact of outliers.

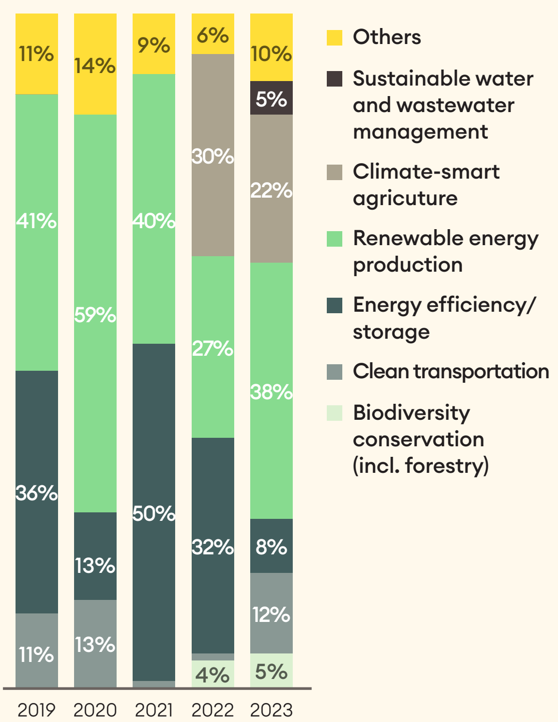
Despite the limited number of data points for some metrics, we believe it is still important to include them to provide insights into impact results. In 2023, the median annual renewable energy production from funded projects was 101,653 megawatt hours (MWh) per year per fund, based on 10 observations. Additionally, these projects achieved annual energy savings of 63,438 MWh per fund (4 observations) and water savings or treatment of 1,508,800 cubic meters (3 observations).

The annual reduction, avoidance, or capture of CO2 emissions from funded projects amounted to 171,963 tons per year per fund, based on the median (18 observations). Notably, this metric has fluctuated between 85,000 and 300,000 tons of CO2 annually since 2019, depending on the year.

Among surveyed funds investing in climate & energy, climate mitigation was the primary focus, accounting for 91% of their portfolios, while 8% was allocated to climate adaptation and 1% targeted both objectives. Breaking down financial flows within climate & energy subsectors, the largest share of investments went to renewable energy production (38%), followed by climate-smart agriculture (22%), clean transportation (12%), and energy efficiency and storage (8%). Year-over-year variations in subsector financing can partly be attributed to changes in the survey sample.

Notably, biodiversity conservation and sustainable water and wastewater management received some financing in 2023. However, since 2019, renewable energy and energy efficiency and storage have consistently attracted the majority of funding.

Figure 80 – Climate & energy subsectors financed
(n=28 funds, AUM = USD 4.4bn in 2023)



While these analyses focus on climate & energy portfolios, PAIFs also address climate change through investments in other primary impact sectors. As noted, climate & energy investments often overlap with climate-smart agriculture. Notably, food and agriculture funds reported that, on average, 51% of their portfolios integrate a climate objective, targeting both mitigation and adaptation. Transforming food systems is essential for tackling climate change and protecting biodiversity. In contrast, among a sample of 31 surveyed microfinance funds, only 4% of their portfolios, on average, incorporated a climate focus.

Education & health indicators

Due to limited data on education and health funds, a more comprehensive impact analysis is not possible. However, some insights can be highlighted regarding the types of investees financed.

In 2023, across seven surveyed funds, clinics and healthcare professionals accounted for 46% of healthcare portfolios, followed by pharmaceutical and biotechnology companies at 8%, with the remainder falling outside these categories. On average, across six observations, investees of a fund screened 327,292 patients in 2023.

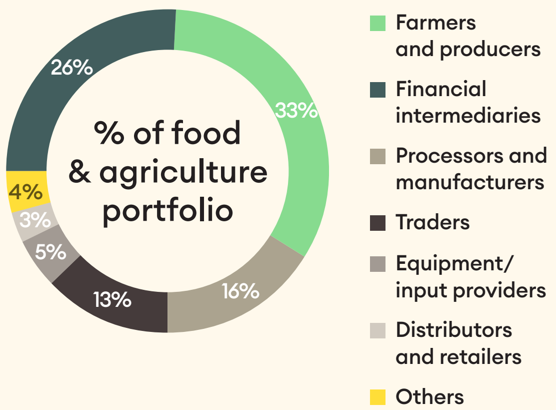
Regarding education portfolios, and across six surveyed funds, 53% of fundings targeted students, while 36% was received by education providers, the remainder falling outside these categories. The average school enrolment was over 1,400,000 students per fund. The number of patients screened, and students enrolled were not calculated proportionally to the fund's investments.

Food & agriculture indicators

Funds investing in food and agriculture reached an average of 272,373 farmers per fund in 2023 (median of 68,297), with women accounting for 34% of the total.[1] When evaluating ex-post outcomes, funds often consider the average area under management, which stood at 493,786 hectares per fund on average (median of 75,201), with 76% under sustainable management.[2] Additionally, average annual production reached 3.3 million tons per fund (median of 415.3 kilotons), with 27% certified.[3] While these two indicators are calculated proportionally to a fund's investments, farmer outreach is not.

Food & agriculture portfolios can typically be split in terms of the segment of the value chain they target. The majority of investments go to farmers and producers (33%), followed by financial intermediaries (26%), processors and manufacturers (16%), and traders (13%). Notably, equipment and input providers received just 5% of financing, while distributors and retailers accounted for only 3%

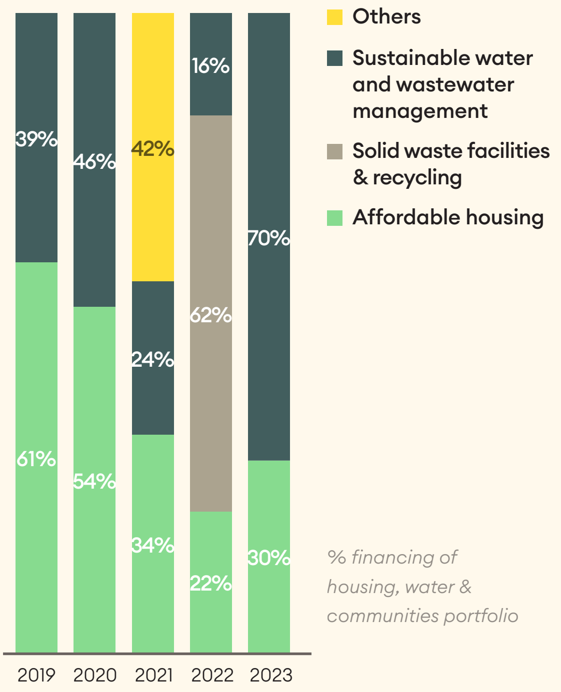
Figure 81 – Segments of agricultural value chain financed
(n=20 funds, AUM = USD 1.4bn in 2023)



Housing, water & communities indicators

In 2023, surveyed funds' housing, water, and community portfolios were primarily allocated to sustainable water and wastewater management, which accounted for an average of 70% of financing. The remaining 30% was directed toward affordable housing. Year-over-year variations in subsector financing are largely driven by changes in the survey sample.

Figure 82 – Housing, water & communities subsectors financed
(n=11 funds, AUM = USD 0.5bn in 2023)



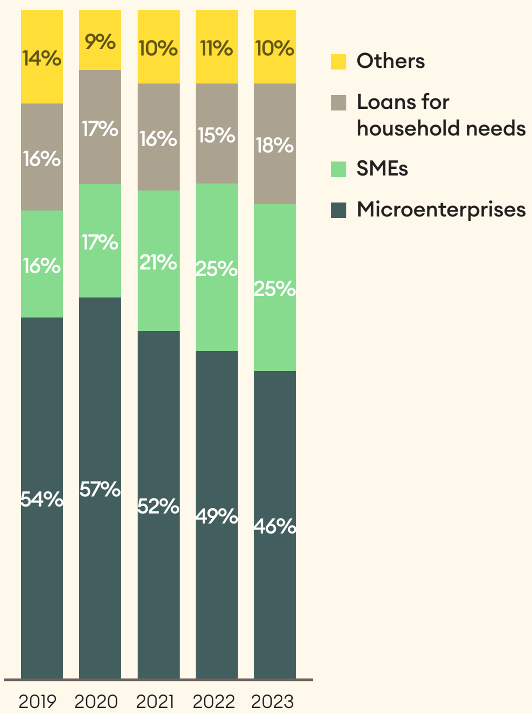
1 Based on a sample of 40 surveyed funds for the total outreach to farmers and 27 surveyed funds for the outreach to women farmers.
2 Based on a sample of 20 surveyed funds for the total area under management and 15 surveyed funds for the area under sustainable management.
3 Based on a sample of 13 surveyed funds for the total annual production and 9 surveyed funds for the annual production under certification.

Microfinance indicators

The following indicators specifically focus on microfinance investees, covering their different end-clients, product and service offerings, as well their average loan size to end-clients.

An analysis of the portfolio breakdown of microfinance investees shows that nearly half (46%) of their gross loan portfolio is allocated to microenterprise loans. SME loans account for 25%, while 18% is directed toward household consumption needs, and the remaining 10% is allocated to corporate loans and other consumer products. The share of loans for microenterprises has declined slightly from 57% in 2020, while SME lending has gradually increased from 17% over the same period.

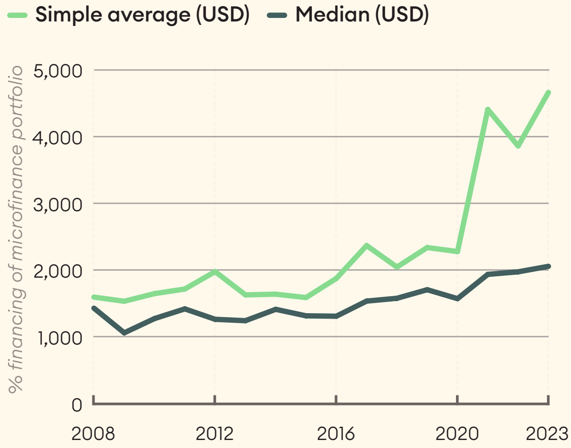
Figure 83 – Breakdown of microfinance portfolios
(n=62 funds, AUM = USD 15.8bn in 2023)



Nearly half of microfinance investees offer products beyond credit, with 43% providing savings and 45% offering insurance. Additionally, most microfinance investees provide additional financial (60%) and non-financial (62%) services. These products are essential in enhancing the financial security of households, helping them build resilience against shocks to their cash flows.

When assessing the depth of outreach by microfinance funds, a commonly used indicator is the average loan size to end-clients, which reached USD 4,666 in 2023, its highest level since 2008. However, the median loan size has increased more gradually over the years, reaching USD 2,064 in 2023. This modest upward trend indicates that microfinance funds continue to maintain a strong presence in their markets while staying committed to serving the lower end of their target clientele.

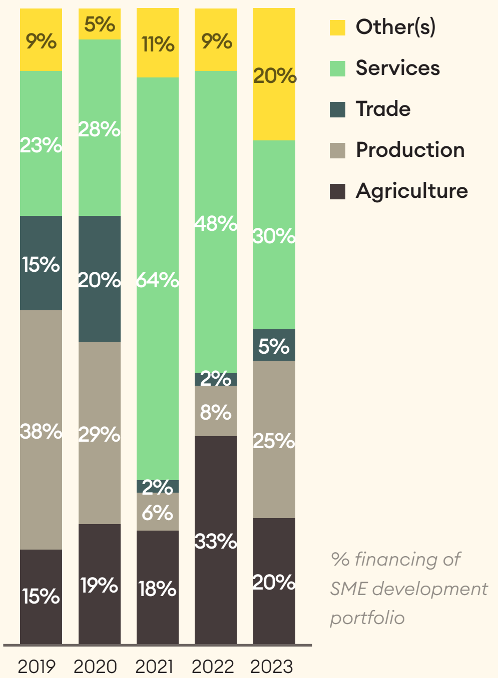
Figure 84 – Historical average loan size of microfinance funds
(n=60 funds, AUM = USD 15.5bn in 2023)



SME development indicators

As previously noted, SME development portfolios flow to SMEs either directly or through financial institutions. For the latter, surveyed funds indicated that SMEs active in services (30% of financing), production (25%) and agriculture (20%) are the primary recipients of financing in 2023.

Figure 85 – Activity sector of SMEs financed by SME development funds
(n=5 funds, AUM = USD 0.6bn in 2023)



As for microfinance portfolios, the depth of outreach of SME development portfolios is reflected in the average loan size to end clients. In 2023, SME development portfolios had an average loan size of USD 14,468, with a median of USD 15,538. Funds focused on SME development investing through financial institutions typically target the lower end of the market, while loan sizes can reach millions of dollars when financing more established SMEs.

Essaouira, Morocco
Angela N. Perryman © Shuttestock

Appendices

1. Acronyms

AUM	assets under management
BOP	base of the pyramid
CAGR	compound annual growth rate
CGAP	Consultative Group to Assist the Poor
CHF	Swiss franc
CO2	carbon dioxide
COVID-19	coronavirus disease 2019
D/E	debt-to-equity
DFI	development finance institution
ESG	environmental, social and governance
EUR	euros
FX	foreign exchange
GDP	gross domestic product
GIIN	Global Impact Investing Network
GNI	gross national income
HNWI	high-net-worth individuals
IG	investment grade
IMF	International Monetary Fund
JPM	J.P. Morgan
MFI	microfinance institution
MIV	microfinance investment vehicle
MSCI	Morgan Stanley Capital International
MWh	megawatt hour
NAV	net asset value
NGO	non-governmental organization
P/B	price-to-book
PAIF	private asset impact fund
ROE	return on equity
SDG	Sustainable Development Goal
SECO	Swiss State Secretariat for Economic Affairs
SME	small and medium enterprise
TX-MFD	Tameo Microfinance Private Debt Index
TER	total expense ratio
USD	U.S. dollars

2. Index of figures

3. Index of tables

4. Inclusion criteria and peer group definitions

In terms of survey inclusion criteria, all PAIFs composing the sample need to:

1. Be a stand-alone investment vehicle (asset owners, funds of funds, holding companies and networks do not qualify);
2. Have an impact bias inscribed at the core of their strategy, defined as having a clear intention to generate social or environmental impact alongside a financial return, and measuring it;
3. Invest more than 85% of their portfolio in private assets (debt or equity);
4. Invest more than 85% of their portfolio in emerging and frontier markets.

Inclusion criteria

Included

- **Impact intentionality:** Intention/mission to generate social, and/or environmental impact alongside a financial return.
- **Asset Type:** Private assets
- **Prime geogrpahical focus:** Emerging and/or frontier markets
- **Vehicle type:** Investment funds, investment companies, structured finance vehicles, as well as dedicated non-governmental organizations (NGOs), cooperatives, or foundations.

Excluded

- **Impact intentionality:** No clear intention/ mission to generate social or environmental impact alongside a financial return.
- **Asset Type:** Listed assets
- **Prime geogrpahical focus:** Developed markets
- **Vehicle type:** Asset owners, government agencies, development finance institutions (DFIs), funds of funds, holdings/networks.

We have segregated the statistics by peer groups to facilitate fund managers' market positioning exercises. The peer groups relate to fund asset class and primary impact sector of focus.

Peer group classification according to asset class:

- **Private debt funds:** Investment vehicles of which the core activity, defined as more than 85% of their total non-cash assets, is to invest in debt instruments.
- **Private equity funds:** Investment vehicles of which the core activity, defined as more than 65% of their total non-cash assets, is to invest in equity instruments.
- **Mixed funds:** Investment vehicles that invest in both debt and equity, with more than 15% and less than 65% of their total non-cash assets invested in equity investments.

We made this peer group classification in accordance with the Consultative Group to Assist the Poor (CGAP) Microfinance Investment Vehicle (MIV) Disclosure Guidelines, whose categorization still extends well to the whole universe of private asset impact funds. Our internal classification could result in a different classification compared to the vehicle's mission statement.

Peer group classification according to primary impact sector of focus:

- We define the primary impact sector of the survey participant at the 50% mark in terms of its impact portfolio. For instance, if a fund has 65% of investments in climate & energy, while it spreads the rest of its impact portfolio across other sectors, we categorize the fund under the climate & energy peer group.
- We classify a fund as multi-sector only in cases where not a single sector accounts for 50% or more of its impact portfolio

Definitions of impact sectors used to classify PAIFs and related sustainable development goals (SDGs)

- **Climate & energy funds:** Energy financing with a sustainable bias includes strategies to reduce energy use and save energy in a more efficient manner as well as to use renewable energy and clean technologies for alternative production and consumption schemes, or a combination of both. On the climate & biodiversity side, including nature-based solutions, investments can extend to climate change mitigation (other than energy systems) and adaptation, as well as ecosystems conservation and restoration. These include green transportation, buildings and infrastructure, as well as water or waste collection and treatment systems. Overall, the multiplicity of models and businesses in this segment best address SDG 7 (Affordable and Clean Energy) and SDG 13 (Climate Action).
- **Education & health funds:** Financing hospitals and clinics, healthcare plans, services and insurance, as well as the production and distribution of health products contribute to SDG 3 (Good Health and Well-being). Providing student and school loans or financing innovative digital learning solutions or, more generally, knowledge transfer and management contribute to SDG 4 (Quality Education).
- **Food & agriculture funds:** Agricultural value chain financing, whether production, trade, distribution or other models, focuses on businesses that increasingly adopt a sustainable approach to the extraction and harvesting of natural products from the planet, whether crops, cattle, fisheries or other plants and animals, extendable to forestry. With a sustainability intentionality attached to it, the businesses engaged in these sectors address SDG 2 (Zero Hunger), SDG 14 (Life below Water) and SDG 15 (Life on Land).
- **Housing, water & communities funds:** This category groups the financing of accessible, safe and affordable housing and basic utilities, such as water and sanitation, for the base of the pyramid. They can be linked with SDG 6 (Clean Water and Sanitation), SDG 9 (Industry, Innovation and Infrastructure) and SDG 11 (Sustainable Cities and Communities).
- **Microfinance funds:** This category refers to the provision of and access to financial services at the base of the pyramid in underserved economies, through investments in financial institutions including microfinance, commercial banks and fintechs. It primarily addresses a household finance need, either in terms of financial security (credit lines, savings, insurance, payments) or in terms of household consumption (loans and targeted savings programs). It also contributes to financing small household income streams (working capital loans for small entrepreneurial or employment activities). These models tend to be positively biased towards women. They are typically linked to SDG 1 (No Poverty), SDG 5 (Gender Equality) and SDG 10 (Reduced Inequalities).
- **SME development funds:** Refers to the financing of small and medium enterprises (SMEs), broadly defined as employing respectively 5 to 50 and 50 to 250 employees.[1] SME development is principally about employment and entrepreneurship as vehicles for growth and economic development. SMEs typically represent the vast majority of formalized companies in a given country, as well as both the largest share of employment and the largest contributions to its gross domestic product (GDP). They are thus the most valuable means to address normative, behavioural and practical changes when it comes to responsibly producing and consuming the goods and services put forth to the public. The funds in this sector are typically linked to SDG 8 (Decent Work and Economic Growth) and SDG 12 (Responsible Consumption and Production).

1 The European Union defines a small enterprise as less than 50 employees, EUR 10 million in turnover or assets, and a medium enterprise as less than 250 employees, EUR 50 million in turnover or assets. Financing of SMEs might vary widely in size, for instance from EUR 10,000 to EUR 10 million. These metrics might differ significantly in emerging or frontier markets.

Primary SDGs by impact sector

5. Business model

PAIFs are stand-alone investment vehicles with a dedicated balance sheet; in most cases they are set up as a registered investment fund in a given jurisdiction, pooling money from multiple investors and investing it on their behalf in a diversified set of private assets, either debt or equity, or a mix of both. Their specific legal status, and the needs, rights and obligations that go with them, vary from one jurisdiction to another. The way they are managed, and their governance setup also vary from one another.

A breakdown of their key functions will include: (1) fund management (holding the regulatory license for running the fund, overseeing other functions, and usually managing the risk and compliance requirements); (2) fund administration (running the administrative, accounting, legal, tax and audit functions); (3) fund distribution (selling the fund to investors and managing those relations); (4) investment management (portfolio construction and monitoring, either as a delegated discretionary portfolio manager or as an adviser to the fund manager); and (5) other sub-advisory functions (market research and access, sourcing and origination, investee due diligence, credit risk analysis, impact assessments, deal structuring, deal valuations, brokerage, etc.).

Historically, the same company assumed most roles, with the fund manager vertically integrating all investment value chain functions. But over the years, and especially more recently, as well as in more mature market segments, companies are gradually spreading these functions across specialized firms and actors. The fund governance and management will thus vary greatly based on the segmentation of the roles and functions along the investment value chain.

Whatever the setup, PAIFs and fund managers sit at the center of the value chain, pooling investor money and injecting it with an impact bias in underserved emerging and frontier economies.

Their target market segment can vary according to their impact aspirations and goals. In most cases, and whatever the impact sector of focus, end-beneficiaries will typically include:

1. low- and middle-income households; and/or
2. micro enterprises in low- and middle-income economies;
3. small and medium sized enterprises (SMEs) in low- and middle-income economies;
4. larger corporations in low- and middle-income economies.

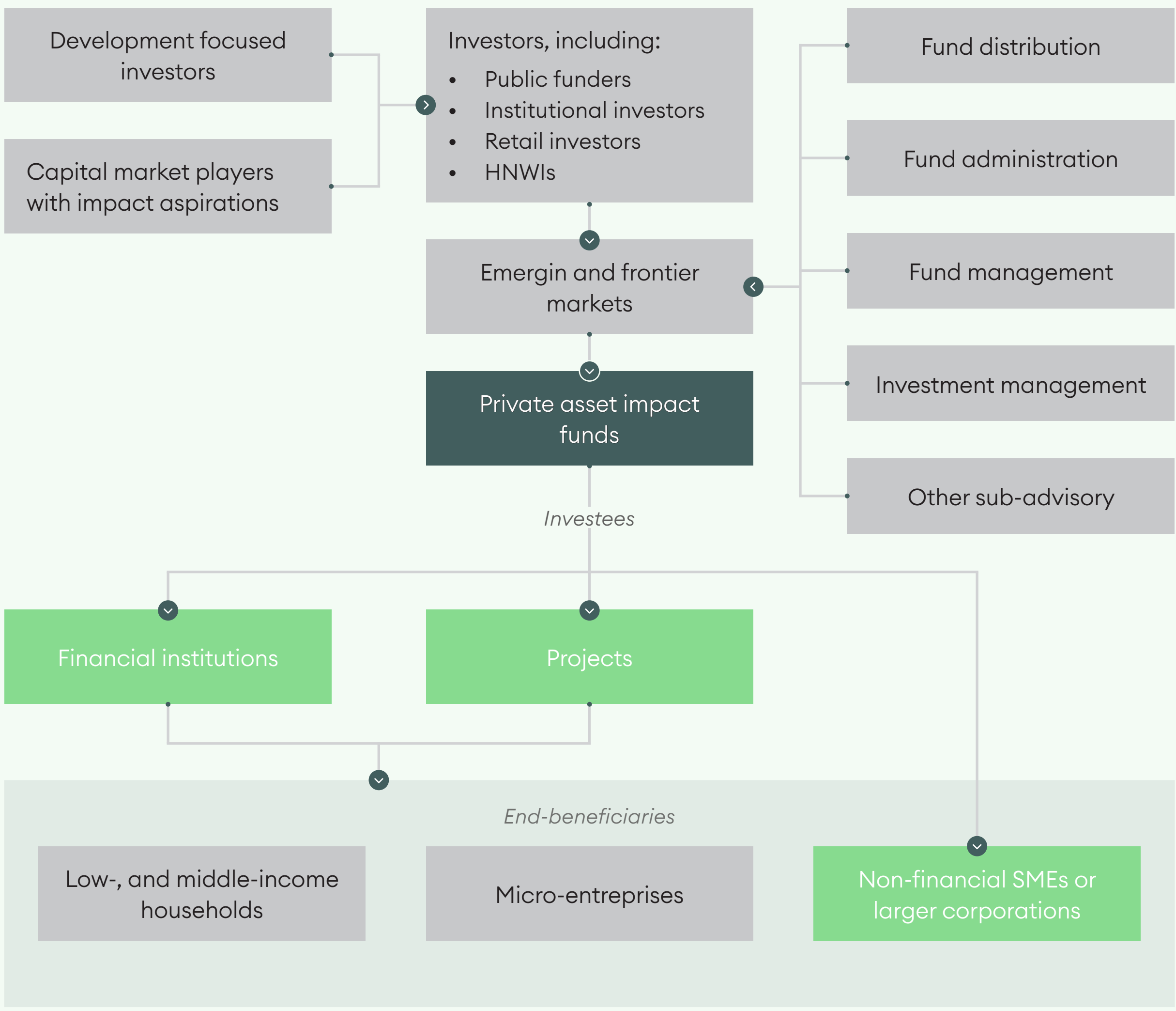
These final recipients of the capital will include a population that is in most cases financially underserved. Such target recipients will be living or operating in both urban and rural areas of the countries. They will also be drivers of the local economies through a variety of different activities. For MSMEs, this can include trade, services, agriculture, transportation, and production to name a few. For individuals (low- and middle-income households), the capital will generally be used for productive consumption, including education, housing, and other immediate necessities.

To reach their targeted impact/apply their theory of change, PAIFs will typically provide debt and/or equity financing to portfolio companies, i.e., investees that will cater to these end-beneficiaries, such as local financial institutions. While most PAIFs investments still f low today through financial institutions (please refer to chapter on investee types), in recent years PAIFs have also increasingly channelled capital directly towards end-beneficiaries when it comes to non-financial companies.

Therefore, investees can be categorized as:

- financial institutions, such as microfinance institutions (MFIs), SME banks, fintechs, or commercial banks (to a lesser extent) to name a few;
- projects or project finance transactions, namely related to infrastructure development;
- non-financial SMEs, or larger non-financial corporations, including embedded finance companies which are gaining traction within the impact investing community.

Investment value chain



Defining the investment universe and value chain

Stakeholder	Definition	Type/role
Public funders	Including multilateral banks, development finance institutions and other government and policy investors.	Capital providers
Institutional investors	Pension funds, financial institutions (such as insurance companies, banks and asset management companies), treasury departments of companies, funds of funds, NGOs and foundations.	Capital providers
Private investors	Typically defined in the private banking world as high net worth individuals (HNWIs), having investable assets in excess of a certain amount of money (e.g., USD 1 million).	Capital providers
Retail investors	Private investors with smaller amounts of available cash to invest than HNWIs. Funds targeting retail investors typically need to register for a public distribution license with their regulators.	Capital providers
Private asset impact funds (PAIFs)	Investment funds with more than 50% of non-cash assets allocated to impact investments through private instruments (debt and/or equity), targeting in majority emerging and frontier markets.	Pooling capital and investing
Emerging and frontier markets	Upper middle, lower middle and low-income countries, as defined by the World Bank.	Target geographies
Financial institutions	Any type of financial institutions (banks, non-bank financial institutions, credit cooperatives, savings houses, leasing schemes, insurance plans, etc.) addressing the base of the pyramid (BOP).	Investees
Projects	A project finance transaction, usually for larger infrastructure or industrial financings, outside of the balance sheet of their sponsors, in the sense of relying solely on the project's cash flows for repayment, with the project's assets held as collateral.	Investees
Corporations	Any larger company, outside of the SME sector with relation to both number of employees and asset size, which for the purpose and context of PAIFs may typically have financing needs in excess of USD 10 million.	Investees / End-beneficiaries
Small and medium enterprises (SMEs)	Businesses which employ between 50 and 250 employees (medium), or between 5 and 50 employees (small).	Investees / End-beneficiaries
Micro-enterprises	Small-scale businesses which generally operate with less than 5 employees, and in most cases have no employee at all besides the owner. In developing countries, they are the drivers of the domestic economy alongside SMEs.	End-beneficiaries
Low- and middle-income households	Households with a net disposable income that is average or below average, ranging from extremely poor to moderately poor and vulnerable non-poor levels, as defined by the World Bank.	End-beneficiaries

6. Impact intentionality

Within the spectrum of sustainable finance, the intentional drive to effect positive change stands out as a defining characteristic of PAIFs' investment philosophy. As delineated by Impact Frontiers, investors can gauge the impact of their portfolios through a dual lens, encompassing both the social and environmental effects of their investees, as well as their own proactive contributions to fostering impact. [1]

In addressing the first dimension, namely the impact of portfolio companies, PAIFs' strategies extend beyond mere avoidance of harm, actively seeking investees committed to sustainable outcomes. This holistic approach not only considers the current impact of investees on society and the environment, but also emphasizes a forward-looking perspective. In affirming their dedication and active contribution to impact, PAIFs consistently signal the paramount importance of driving positive changes to investees while reiterating their commitment to investors regularly. This commitment is evident through their active participation in decision-making processes, facilitation of impact-centric discussions with investees, and the insistence on comprehensive impact reporting.

With a specific focus on emerging and frontier markets, PAIFs in the sample play a pivotal role in cultivating nascent or undersupplied capital markets. Their engagement extends beyond mere financial transactions; they may opt for active involvement at the investee- or industry-level, further amplifying their impact. These multifaceted strategies underscore a dual or even triple bottom line objective, seamlessly integrating considerations of social, environmental, and financial returns. Notably, PAIFs may or may not factor in below-market risk-adjusted returns, underscoring the nuanced nature of their investment decisions

1 Impact Frontiers, Investor Contribution Strategies, https://impactfrontiers.org/norms/investor-contribution/

7. About Tameo

About Tameo

Tameo is a trusted provider of independent data-driven solutions for the impact investing ecosystem. Based in Switzerland, Tameo specializes in impact fund data, research and reporting, impact verification and benchmarking, and advisory services that provide tailored market intelligence and support for impact management needs. Tameo empowers impact fund managers, catalytic investors and institutional investors with reliable insights and solutions to optimise their strategies and drive impact capital flows.

Tameo acts as the business services manager of the Swiss Investment Fund for Emerging Markets (SIFEM).

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