

# Investing in Women Southeast Asia

Case Study Series: Patamar Capital

October 2019

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## Introduction

Since 2016, Investing in Women (“IW”), an Australian Government initiative has played a crucial role in expanding access and mobilising capital to women owned and/or led small and medium enterprises (“women’s SMEs”) in Southeast Asia, through the implementation of Outcome Pathway 2 (“P2”), which is a program aiming to increase impact investments in women’s SMEs. A key objective of P2 is women’s economic empowerment and addressing the significant funding gap faced by women’s SMEs in the region.

IW defines women’s SMEs as businesses which i) employ 10 – 300 full-time staff, ii) have total assets of USD100k - USD15m; and iii) generate total annual sales of USD100k - USD1.5m with the following characteristics:

- a. At least 51% of the entity is owned by one or more women (prior to any investment and excluding any institutional stakeholders), or
- b. All of the following:
  - i. At least 20% of the entity is owned by one or more women (prior to any investment and excluding any institutional stakeholders)
  - ii. The entity has at least 1 woman as CEO/COO (President/Vice President) or equivalent level (within 100 days of the investment), and
  - iii. At least 30% of the Board of Directors (or similar governance group) being women (within 100 days of the investment) where a formal board exists.

To mobilise capital towards women’s SMEs and build a case for gender lens investing (i.e. the incorporation of gender as a category of analysis in investment decisions), IW is promoting women and gender lens investing in the impact investing space and incentivising investment managers to adopt a gender lens mandate via its blended finance approach. To date, IW’s blended finance approach has incentivised and promoted the establishment and/or broadening of four new women’s SME focused fund partnerships within the region. This approach has to date achieved an average of 2.8x times leverage of IW’s capital that is now being invested, totalling investment of approximately AUD18.8m.

This case study is part of a series of case studies detailing IW’s blended finance structures, achievements and key learnings of IW and the investment vehicles established with four reputable global impact investors (Capital 4 Development Partners (“C4D Partners”), Patamar Capital (“Patamar”), Root Capital and Small Enterprise Assistance Fund (“SEAF”).

In particular, this document provides an overview, progress to date and key learnings of IW’s partnership with one of the four partners, Patamar.

Patamar is a social venture capital firm with a mission to unlock better economic opportunities for Asia’s low-income communities. The firm aims for superior returns for its partners by investing in and supporting early-stage, high-growth companies solving some of South and Southeast Asia’s most pervasive problems at scale.

Patamar’s global team, based in Bangalore, Colombo, Ho Chi Minh City, Jakarta and San Francisco, has completed investments across six countries and multiple sectors including agriculture, education, healthcare, financial services and employee benefits.

Prior to partnering with IW, the organisation had made 14 investments, primarily through its Livelihood Impact Fund (“LIF”) that features commitments from established impact investors such as Christian Super, the Rockefeller Foundation and the eBay Foundation.

Patamar had also already been interested in integrating gender into its processes for some time. The partnership with IW has provided the opportunity as well as the support and advice to develop a strategy to incorporate gender analysis into every aspect of the firm’s investment and management processes.

IW has provided program funding with a focus on both early stage investment and growth stage investment through the following activities:

- ▶ Women’s SMEs accelerator program for the expansion of early stage businesses (the “Accelerator Program”)
- ▶ Special purpose investment fund focused on growth stage investments, established to invest in six to eight highly scalable women’s SMEs with geographic focus in the target countries - Vietnam, Philippines and Indonesia over the next two years (the “Investing in Women Fund”), and

Proof of Concept investments into growth stage women’s SMEs. IW’s performance-based grant acts as catalytic capital to mobilise and accelerate capital investment towards women owned and led businesses

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In partnership with IW, Patamar Capital has invested in women’s SMEs and incorporated a gender lens through its Accelerator Program.

Patamar Capital / Kinara investment activities have been able to strengthen IW’s understanding and strategy to help women’s SMEs launch, grow, prepare for and receive investment capital.

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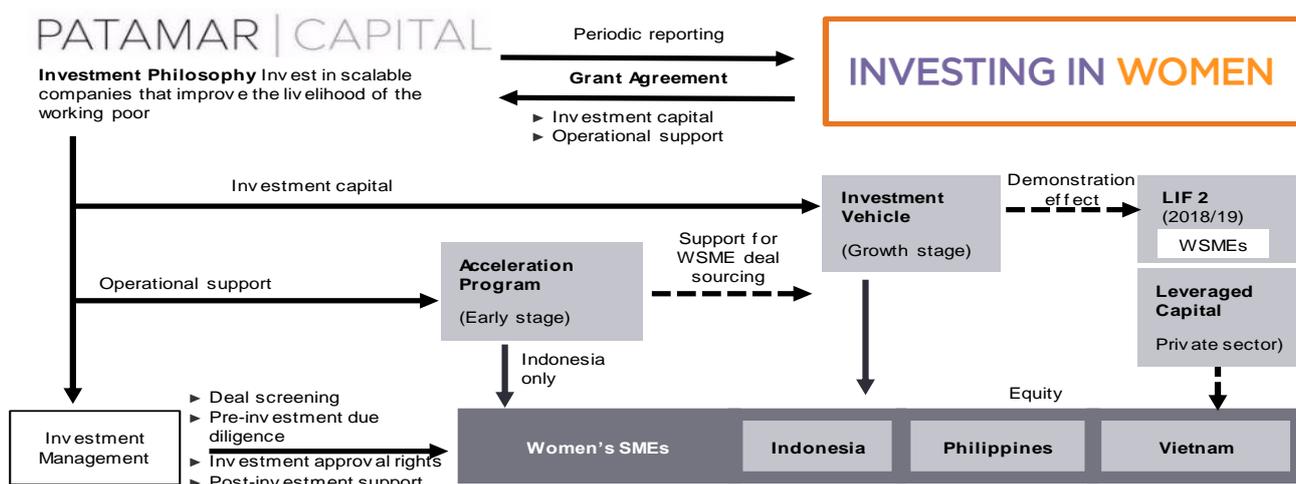
# IW - innovative blended finance structure with Patamar

Blended finance is defined by OECD as “the strategic use of development finance for the mobilisation of additional finance towards sustainable development in developing countries”<sup>1</sup>

To reduce the funding gap to women’s SMEs and mobilise capital flow to women’s SMEs, IW has established four different innovative blended finance structures with each of its impact investing partners via the provision of a performance-based grant.

This unique blended finance approach is the first of its kind in Southeast Asia which mobilises as well as accelerates capital flow to women’s SMEs (by providing both direct investment as well as operational support to its impact investment partners).

Presented below is a schematic overview of IW’s innovative blended finance structure with Patamar:



Objective: IW’s innovative blended finance structure aims to incentivise, through financial and other support, impact investors such as Patamar Capital to focus their services on women’s SMEs, thereby having a positive impact on women’s economic empowerment. To achieve this, IW has provided Patamar Capital with a AUD4.1m performance based grant to be invested as follows:

Use of Funds	AUD
a. Women’s SME Accelerator Program	216,500
b. Women’s SME Investing in Women Fund	2,724,500
c. IW Strategy Development	1,179,000
<b>Total IW Funding</b>	<b>4,100,000</b>

**Investment structure and governance:** IW’s performance-based grant provides a source of catalytic capital aimed at encouraging co-investments from private investors adopting gender lens investing. The grant also provides funding to support important components of operations such as an accelerator program, technical assistance for the growth of women’s SMEs and advice on developing a gender lens investment strategy for the target regions.

The performance-based grant requires the impact investing partners’ to invest funds in line with the program objectives. At a summary level these are a) to invest in women’s SMEs; b) to support businesses with sufficient nexus to the IW target countries, Vietnam, Philippines and Indonesia; and c) to promote positive social and environmental impact. Patamar is aiming to fulfil these requirements through the Accelerator Program and the Investing in Women Fund (the “Fund”). The current scope of the accelerator program is confined to Indonesia due to the nature of the program (grouping similar businesses so that they can learn from each other as well as the facilitators) and capacity of its sole local partner, Kinara (“Accelerator Program”). Identifying appropriate partners in other countries to widen the reach of the Accelerator Program is now being investigated as part of the program activities. The Investing in Women Fund is currently operational in all three target countries.

<sup>1</sup> OECD, “OCED DAC Blended Finance Principles for Unlocking Commercial Finance for the Sustainable Development Goals, January 2018

# Patamar Investing in Women Fund

Patamar established a special purpose Investing in Women Fund investment vehicle to focus on growth stage investments. The purpose of this vehicle is to undertake a range of “proof of concept” investments that may be leveraged to demonstrate the merits of gender lens investing. Patamar aspires to build an investment market around female entrepreneurs by creating more success stories which demonstrate to other investors the value of applying a gender lens to their investment strategy.

Presented below is an overview of some of the key features of the Investing in Women Fund:

Terms	Investing in Women Fund
Grant	AUD4.1m
Leverage target	Targeting private investment of 2.0x to 5.0x (AUD4.0m)
Instrument	Focus on equity investments
Investee companies	Growth stage, women’s SMEs in Indonesia, Philippines and Vietnam
Fund term	Five to eight years, including two-year investment period
Ticket size	AUD250k to AUD350k
Target return (p.a.)	Target return will be an IRR of 10-20% p.a.
Social impact focus	Gender equality and businesses that build distribution platforms to better serve low-income communities, businesses that develop life-enhancing products and services for low-income communities and businesses that reconfigure supply chains to better serve low-income producers.
Post-investment services	Various, including financial and cash flow management and strategic planning

## Investment financing

The focus of the Fund is to deliver equity investments. However, Patamar may also utilise convertible debt structures should this be more appropriate to the requirements of the target business.

As is common with equity investments, Patamar seeks to occupy a board seat, not only to manage its interest but also to provide any general business or technical assistance that the women’s SME may require. With this board seat, Patamar is well placed to advocate for a gender lens investing approach to other board members, co-investors and the entrepreneur.

Patamar also targets co-investment from other financing providers, through debt or equity.

## Internal governance procedures

Patamar has adapted its typical policies and procedures for investment identification, negotiation and investment decision-making through its Gender Lens Action Plan (“GLAP”), detailed later in this paper.

To improve gender equality within the investment committee, Patamar established a separate investment committee for the Investing in Women Fund. This has enabled a better gender balance in decision making for the fund.

## Oversight by IW

IW has implemented an approval process to track how investments are being made by investment managers. This can be based on the application of the criteria (for example, ensuring that the proposed investment is a women’s SME) or based on the social and ethical impact.

## Exit

The purpose of the Fund is to complete discrete investments with a view to exit within five to eight years. Over this period, the Fund aims to establish a sustainable business which may then continue operations without Patamar’s support. Furthermore, a successful exit will solidify the financial return of the investment creating a data point to demonstrate to other investors the financial returns that can be achieved, by investing with a gender lens. At the end of the Fund’s lifecycle (ten years), all investments are to be exited and the special investment vehicle is to be liquidated. An implementation plan of how this will work will be developed towards the end of the program.

# Kinara Accelerator Program

IW's partnership with Patamar also featured a partnership with Jakarta-based Kinara, which was engaged to manage the women's SME Accelerator Program in Indonesia. The program was executed over a two-year period (2017 and 2018), with a key focus on the following two areas:

- ▶ **Agriculture and food security** (sustainable production and consumption in line with UN Sustainable Development Goal 12), supporting businesses working in upstream agricultural sectors, food/raw material production and retail food and beverage
- ▶ **Innovative and ethical fashion**, supporting businesses which have or aspire to source, process, produce, distribute or sell fashion products using inventive and ethical approaches, which benefit the community and environment at scale.

This Accelerator Program adopted the **Village Capital curriculum**, which concentrates heavily on peer-learning. Participants learn and obtain feedback from other participants and, at the end of the program, a peer-selection process determines the recipient of investment capital.

## Village Capital

Village Capital is a Washington, DC-based early-stage venture capital firm. Instead of requesting entrepreneurs to make a pitch for funding before an investment committee, Village Capital identifies its preferred entrepreneurs and provides training in the form of an accelerator program, prior to investing in their ventures. The accelerator program is offered to 12-15 entrepreneurs at a time, and utilises a peer-selection method to determine the ventures who will receive seed capital. Peer-selection includes entrepreneurs ranking each other on a set of variables that includes team, value proposition, vision and problem statement, product and market fit. The ranking is shared among the entrepreneurs and the top ranked entrepreneurs receive seed capital.

For each cohort, Kinara's program included a group of up to 12 entrepreneurs undertaking a 12-week program whereby participants complete a course to improve business models, create and organise effective teams, interact with customers, connect with investors, and strengthen their networks. The program was delivered through a mix of intensive workshops and webinars, active discussions aimed at encouraging participants to analyse their own businesses and improving business performance.

The process of selecting, training and funding entrepreneurs provided a unique peer-review model for investment decision. One of the key components of the curriculum was the 'Lens of the Investor', whereby entrepreneurs were put in the role of investors to learn to see themselves from an investor's perspective. At the end of the program, entrepreneurs voted as the top ventures receive pre-committed capital. Through this process the top four businesses from each cohort were selected to receive seed capital of AUD32,750 (USD25,000) each.

The seed capital was provided in the form of a convertible debt instrument - a loan made by investors to a company with the option to convert the debt to a future equity stake in the company, at a specified time and a specified value (% of the

company). In addition, Patamar may seek to provide follow-on investments for promising entrepreneurs and make introductions to investors in its Indonesian network for additional investment capital.

By incorporating a gender lens through the Accelerator Program and investment activities, Kinara and Patamar have been able to strengthen IW's understanding and strategy to help women's SMEs launch, grow, prepare for and receive investment capital.

## About Kinara, Indonesia

Established in 2011, Kinara operates as a venture capital firm and capacity builder focused on early-stage enterprises in growing sectors across the country, supports entrepreneurs with improvements to product management, financial management, corporate governance, marketing and strategic management and, importantly, their access to markets and alternative business financing. Kinara has been managing Indonesia's first impact business accelerator program since 2016, which has supported the growth of eleven businesses working in the food security sector. Kinara is a Village Capital Community Licensee.

## Investment activity to date

The following provides an overview of Patamar's investments in growth women's SMEs:

Company	Business overview	Deal structure and investment focus
Sayurbox	Based in Jakarta, Indonesia, Sayurbox believes that compressing the long and complex supply chain of fresh produce can help to improve the welfare of local producers in Indonesia. The Sayurbox app directly connects suppliers – farmers and other food producers – to their customers. As their name suggests, Sayurbox will pack fresh vegetables (“sayur” in Bahasa Indonesia), fruits and other healthy products when customers order on the app and arrange delivery.	<p><b>Transaction structure</b></p> <p>Total investment from Patamar is AUD497,000, including:</p> <ul style="list-style-type: none"> <li>▶ Patamar Capital: AUD255,000 for running costs and market expansion</li> <li>▶ Patamar Follow-on investment: AUD213,000</li> <li>▶ Co-investment: undisclosed</li> </ul> <p><b>Development outcomes</b></p> <p>Sayurbox's has grown 50x in monthly revenue since Patamar's investment. It has been partnering with 300 farms, serves 50,000 customers and makes 1,000 deliveries a day. The founders were also selected in the list of Forbes Asia 30 under 30.</p>
JupViec (VN):	A platform for cleaning services, JupViec applies technology to the traditional service agency model to enable better service for customers while increasing incomes and improving working conditions for cleaners. Customers (typically individual households) place their cleaning request via an app (most common), online or via a call centre. The COO (Phuong Anh) and key advisor (Le Ho) are female and about 85% of the company's office staff are female.	<p><b>Transaction structure</b></p> <p>Total investment of AUD710,000, including</p> <ul style="list-style-type: none"> <li>▶ Patamar Capital: AUD426,000 for running costs and market expansion</li> <li>▶ Co-investment: AUD284,000</li> </ul> <p><b>Development outcomes</b></p> <p>JupViec enables the cleaners on its platform (92% women) to achieve a significant, measurable income increase. By 2019, JupViec hopes to have over 5,000 cleaners on its platform.</p>
Dana Cita (ID):	Dana Cita, a graduate of Y-Combinator <sup>1</sup> , provides loans for tertiary education. What differentiates Dana Cita from common student loan providers is that the repayment of the loans commences from the beginning of the education program, paid by the student (if they have a part-time job) and/or co-borrower (usually a family member).	<p><b>Transaction structure</b></p> <p>Total investment is undisclosed</p> <ul style="list-style-type: none"> <li>▶ Patamar Capital: AUD284,000</li> <li>▶ Co-investment: undisclosed</li> </ul> <p><b>Development outcomes</b></p> <p>Dana Cita focuses on the unbanked (people who do not typically have access to traditional sources of funding) and more than 50% of their students are going to vocational schools or for associate diplomas. 60% of the students are women. Susli, the CEO of Dana Cita, is a very strong female entrepreneur with an impressive track record in education, finance and consulting.</p>
Innovantage (PH):	Innovantage (IV) helps businesses to automate their processes for interacting with customers or employees. IV provides this service through a combination of business process automation and chatbot interaction with users over multiple messaging applications. One example was for a pharmaceutical client, where the IV solution helped Customer Service agents to retrieve recommendations for drug usage and dosage calculation.	<p><b>Transaction structure</b></p> <p>Total investment of AUD639,000, including:</p> <ul style="list-style-type: none"> <li>▶ Patamar Capital: AUD284,000</li> <li>▶ Co-investment: AUD355,000</li> </ul> <p><b>Development outcomes</b></p> <p>Innovantage provides business automation performing heavy lifting components of manual workload to improve employee productivity, especially for BPO workers. Innovantage also allocate a significant number of shares to their women C- levels.</p>

<sup>1</sup> Y-combinator is an American seed funding accelerator focussed on technology start-ups <https://www.ycombinator.com/>

Company	Business overview	Deal structure and investment focus
Supahands (PH):	Supahands is an outsourced business process solution specialising in training datasets for companies operating in the Artificial Intelligence, Machine Learning and Computer Vision sectors. Supahands, through its remote, on-demand workforce, primarily based in Philippines and proprietary technology platform, can provide clients with image annotation, data tagging and verification and data transcription services.	<p><b>Transaction structure</b></p> <p>Total investment of AUD1,692,369 including</p> <ul style="list-style-type: none"> <li>▶ Patamar Capital: AUD425,301</li> <li>▶ Co-investment: AUD992,369</li> </ul> <p><b>Development outcomes</b></p> <p>Through project-based employment serving global clients in high-tech fields, Supahands provides flexible, remote, supplemental income opportunities for its crowdsourced workforce. Workers are predominantly female and based throughout Philippines.</p>
Canal Circle (VN)	Based in Vietnam, Canal Circle is an early-stage startup that provides software-as-a-service (SaaS) core-banking solutions to micro-finance institutions and rural financial institutions with the hope to tap into their end-borrowers to then provide them with products and services that improve their livelihoods.	<p><b>Transaction structure</b></p> <p>Total investment of AUD1,704,000 including</p> <ul style="list-style-type: none"> <li>▶ Patamar Capital: AUD284,000</li> <li>▶ Co-investment: AUD1,420,000</li> </ul> <p><b>Development outcomes</b></p> <p>Canal Circle's SaaS product serves micro-finance institutions and rural financial institutions whose end-customers are the unbanked population of Vietnam. Canal Circle wants to leverage those institution as a gateway to distribute life-enhancing products (i.e. agricultural inputs, insurance, etc.) and services (i.e. online education, health consultancy) to the end-customers. Evelyn Nguyen, the female founder &amp; CEO, graduated from MIT and has experiences building ventures.</p>

## Accelerator Program

The following provides an overview of Patamar's investments in Early women's SMEs.

### Winners from the Innovative and Ethical Fashion cohort:

Company	Business overview
Kostoom	Online on-demand tailor platform connecting customers with home-based tailors. Kostoom empowers small tailors to have better income and welfare.
Minikiniz	Designs and manufactures various kinds of cloth diapers, swim diapers and training pants. The focus is on reducing the environmental impact of single-use baby diapers.
Astungkara Indonesia	Manufactures and markets fashion products connecting fashion business owners or designers to the craftsmen and facilitating quality assurance and capacity building. All products from Astungkara Indonesia exhibit international standards of quality and are exported to Europe.
HeySTARTIC, Artistic Eco-Fashion	Upcycled fashion products. One of the distinguished products is artificial leather made from upcycled cement paper. This product has been marketed through both business-to-business (B2B) and business-to-consumer (B2C) channels (available in Carrefour hypermarkets, souvenir shops, cafes, exhibitions)

### Winners from the Agriculture and Food Security cohort:

Company	Business overview
Hello Sunshine	Working alongside community organic farmers, Hello Sunshine aims to help people living in big cities to access highly nutritious, gluten-free and healthy snacks in convenient and fun packaging. Currently, Hello Sunshine is available in 12 online shops across Indonesia.
Ladang Lima	Ladang Lima aims to promote a healthier lifestyle for Indonesian families by offering high quality and healthy local products. Its target market primarily comprises housewives, offering products such as flour, snacks and noodles, all made from cassava as the main ingredient, which is gluten-free with a natural taste. Ladang Lima also offers an opportunity to become a reseller, targeting housewives who would like to earn extra income.
Panen ID	Panen ID was founded from the idea of fair trading and aims to achieve this by facilitating a direct channel for farmers to sell their fresh produce. It gives farmers direct access to the end users such as hotels, restaurants and catering companies. By using Panen ID, farmers are able sell their produce at a fair market price, thus optimising their profit.
Rahsa Nusantara	With its main mission to preserve local wisdom for a healthier generation, Rahsa Nusantara produces and distributes traditional Indonesian drinks such as jamu and bir plethok, through sustainable production and modern packaging. The ready-to-drink specialty beverages lasts up to two weeks after production and is made from natural herbs such as turmeric, tamarind and other spices/herbs. The beverages are currently distributed through online retailers and selected supermarkets in Bandung.

# Gender Lens Action Plan

Patamar has explicitly expressed its rationale for adopting a gender lens in its investment approach – by applying a gender lens to its investment and management processes, the team seeks to unlock better economic opportunities and make better investment decisions.

Based on the directive provided from IW, Patamar has sought to incorporate gender lens analysis into every aspect of its investing process. This has been achieved through the development of a GLAP. This plan covers pipeline development, screening, pre-investment due diligence, structuring, investment committee decision making, post deal engagement and exits and fundraising/investor relations.

## Pipeline development

As with most venture capital firms, Patamar's traditional model for pipeline development has relied upon informal referrals or recommendations through networks, attending business-related events and relationships with others in the broader entrepreneurship ecosystem including incubators, accelerators and other investors. This process is perceived to be 'gendered', as many networks (particularly in tech industries) are male-dominated, which poses a challenge for finding women's SMEs to invest in.

Patamar has reviewed the ways it develops its pipeline. It pro-actively attends women-focused groups, which target women entrepreneurs and uses these as gateways to further networking activities. This requires a high amount of engagement with women entrepreneurs to build trust and rapport.

## Due diligence

Gathering information on the types of target growth businesses can be a challenge and requires information to be gathered through meeting with the entrepreneur. A key challenge includes understanding the differences between the styles of women and men when presenting their business.

Patamar also seeks to incorporate gender lens analysis of opportunities as markers for a successful business, such as interactions with suppliers and customers, particularly if it is a service or product that is targeted to women. This also assists understanding of the social and development impact of the investment.

## Structuring

Patamar seeks to utilise a deal structure that is supportive of women entrepreneurs, such as targeting a capital structure which maintains sufficient ownership, control and leadership by women, as well as considering additional terms and incorporating planning through negotiation on

matters such as parental leave, child care and marriage. This has at times put Patamar in a position of broker or advocate on behalf of the entrepreneur for these terms when negotiating with co-investors or follow-on investors.

## Post-deal support

Post-investment, members of the management team leverage their role as Board Directors, Board Observers and/or significant minority investors to encourage companies to establish gender-friendly internal policies and think about gender dynamics when making key decisions. The team uses the same gender analysis tool mentioned above to inform its questions and recommendations.

## Gender Lens Tool

In conjunction with the Criterion Institute, Patamar has developed a Gender Lens Tool to conduct gender analysis on target companies. The tool incorporates core elements of Patamar's investment thesis and considers the gender implications for each element. This outlines key questions for the deal team to keep in mind when conducting due diligence and identifies potential data sets and data sources that could inform analysis. The first prototype of the tool has been workshopped with Patamar's global team to understand the practicality of incorporating it into investment analysis for all investing activities. The tool was intended to help the team consider the gender aspects of investing activities and will continuously be improved to form part of the broader due diligence process for investments.

## Gender Lens Action Plan

Implementation of the GLAP has required extensive effort. For instance, Patamar requested quarterly coaching calls with the Criterion Institute and additional data on gender patterns in the Southeast Asian markets where IW operates. This highlighted that successful implementation of a gender lens investing strategy requires active support from all investment partners and team members to facilitate the internal alignment required. All team members were encouraged to learn about gender lens investing, women's economic empowerment and be conscious of potential gender biases through various outlets.

## Organisational strategies to embed gender lens investing

Across the firm more broadly, Patamar has updated or implemented new policies (e.g. parental/carer leave, sexual harassment, hiring, professional development, flexible work arrangement, safety) and structures (e.g. internal HR committee chaired by senior staff) to promote gender equity and inclusive work culture

## Patamar Gender Lens Investing - Key learnings to date

- ▶ Patamar have made outstanding progress in developing a pipeline of eligible women's SMEs and closing deals. This provides evidence that there is an investable pipeline of women's SMEs for investors that are wishing to adopt a gender lens in their investing approach.
- ▶ Women entrepreneurs in early-stage businesses have found the access to technical assistance a key differentiating factor from other sources of capital, which may include advice on capital structure, improving gender equality within the business and general operational advice. Use of the Village Capital model in delivery of the accelerator program to women's SMEs has been very useful. There has been great demand for this accelerator program and there is a lack of comparable competitors that have the same women's SME focus.
- ▶ Successful implementation of a gender lens investing strategy requires active support from all investment partners and team members to facilitate the internal alignment required. Patamar have developed a GLAP to promote an awareness of gender bias and a focus on gender equality across their organisation. The tool is used to apply gender analysis across their deal processes and is to be adapted into due diligence procedures. The aim of the GLAP is to improve both the financial and impact performance of investments. The GLAP also involved establishing a separate Investment Committee to improve the gender diversity of investment committee members.
- ▶ Women's SMEs are only one angle of gender lens investing; adopting a broader definition was critical to Patamar's approach, such as the consideration of all businesses which have a high impact on women's economic empowerment, which may or may not be women-led.
- ▶ It can be challenging to simplify communications around and implementation of gender lens investing whilst addressing complex nature of the barriers to success for women's SMEs. As an emerging field, it is not universally understood and determining effective communication styles and methods is still within a trial phase.



# IW's key insights on gender lens investing



IW's Monitoring, Evaluation and Learning ("MEL") unit has identified a number of key learnings from IW's Phase 1 of gender lens investing work to date<sup>2 3</sup>. Consistent with IW's knowledge sharing agenda, to assist with enhancing gender equality and women's economic empowerment work undertaken by other market participants, presented below is a summary of four key learnings identified by IW as follows:

## Deliberate approach to Gender Lens Investing

IW's research has found that since 2007, private impact investors have invested USD43.3m in the Target Countries, of which ~90% of capital invested using gender lens targeted microfinance institutions, and less than 5% was intentionally directed to women's SMEs. The minimal portion of capital being intentionally directed with a gender lens highlights the need for a deliberate approach to gender lens investing including the measurement of such investments in order to a) build a case for gender lens investing and b) counter adverse misconceptions in the market which are limiting the flow of capital to women and women's SMEs.

One deliberate approach undertaken by IW and IW's Impact Investment Partners is the implementation, execution and monitoring of a GLAP (as outlined previously herein) which entails varying degrees of organisational change.

## Technical support for investee companies

In addition to making direct capital investment in women's SME's, one of the key value adds of IW's Impact Investing Partners is their ability to provide specialised needs based technical support to investee companies, as well as potential investees which may require this support to meet the impact investors' lending/investing guidelines. IW recognises that post-investment support and strategic partnerships with portfolio companies are crucial to value creation for investor/investee with many entrepreneurs requiring support with building business/professional capabilities.

## Local investment networks

IW considers local presence to be a key success factor in helping investors develop networks, business relationships, and transaction pipelines. In recognition of this fact and to increase IW's focus

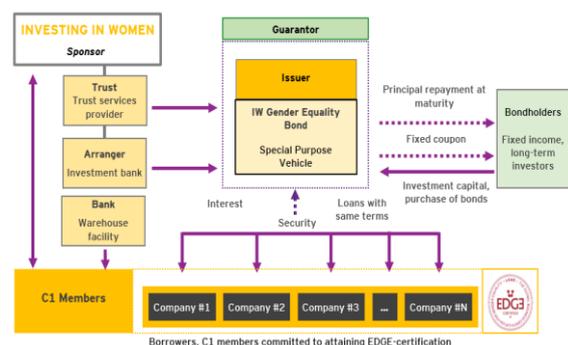
on localised investment support (in this case mobilise Asian capital towards women's SMEs), IW intends to partner with local investor networks in Phase 2 of the program (2019-2023).

## Tailoring blended finance models at scale

IW's Impact Investing Partners collectively invest across the capital spectrum (from debt to equity) and offer a variety of debt, equity, and mezzanine instruments. To expand the types of financial instruments available to women's SMEs, IW also intends to partner with organisations offering more financing options (such as receivables and trade investment funds, crowd source funding etc.). By partnering with Impact Investment Partners which provide a variety of funding solutions to women's SME's, IW contributes to the expansion of volume and types of capital available to women's SMEs thereby also providing learnings on which types of financial instruments may potentially better suit women's SMEs in IW's Target Countries.

In addition to IW's work on P2, IW also worked with EY to explore the establishment of Gender Bond to improve workplace gender equality practices by providing value to IW's corporate partner members in the form of lower funding costs (or other funding advantages), a benefit which is subject to the corporate partners achieving independent gender equality accreditation (EDGE) to be eligible.

Given the diverse set of IW's corporate members with disparate credit profiles and sector focus, to reduce the complexity of the structure, EY recommended the establishment of an aggregated gender bond structure. The proposed structure involves the establishment of a special purpose vehicle which aggregates the borrowing requirements of IW's EDGE Certified corporate partners and acts as the conduit which accesses the debt capital markets to obtain optimal pricing and tenor on behalf of the corporate members. Below is a schematic overview of the proposed aggregated gender bond structure.



2 IW, "Overview and Lessons Learned - Outcome Pathway 2: Impact Investment for Women's SMEs", June 2018  
 3 MW, "Impact Investing: Component 2 Mid Phase 1 | Monitoring, Evaluation and Learning Report", June 2018

# EY insights on gender lens investing

## EY commitment to Gender Equality

At EY, we are committed to empowering and advancing women throughout our ranks into leadership positions and have also successfully retained the accolade of Workplace Gender Equality Agency (“WGEA”) Employer of Choice for Gender Equality for the past 15 years.

Given our commitment to gender equality, we are proud of our role and continued work with IW and are pleased to share some of our institutional learnings around four core principles which highlight the significance of gender lens investing, in the context of the wealth and asset management industry<sup>4</sup> (please see below) and workplace gender equality more broadly.

## Understanding the power of women as an investor class

The CFA Institute has projected women’s global income to increase to USD18 trillion by 2021, exceeding the combined GDP growth of China and India during the same period<sup>5</sup>. To accommodate this growth, it makes business sense for wealth and asset managers to adapt their approaches accordingly with unique goals, strategies and needs through tailored products and services.

## Increasing women’s leadership and representation

Finance focussed on gender can facilitate positive change and generate strong returns. For example, the Women’s Equity Fund was launched in 1993 as one of the first public market mutual funds focused on pairing gender lens investing strategies with strong financial returns<sup>6</sup>. The fund’s main positive screens for investment have paved the foundation for gender equality criteria such as i) active advancement of women to top executive positions; and ii) female representation on the board of directors and in senior management to increase women’s representation in leadership roles.

## Improving the quality of employment opportunities for women

Beyond senior leadership, a complete picture of the growing female workforce is important for building gender-conscious investment strategies. As of 2017, women accounted for 45.4% of the global workforce<sup>7</sup>. As the operational impact of gender lens investing grows, so does the need for better-defined due-diligence questions from gender lens investors – e.g. how many women are in the pipeline to take up leadership roles?

## Diversifying products to positively impact gender equality

There are a vast range of products and industries that investors can use to positively impact gender balance. Gender lens investing can begin to distinguish itself across an extensive range of investment criteria and industry sectors through public and private market products. Current gender lens investing products include debt funds, mutual funds, exchange-traded funds, separately managed accounts, proprietary strategies and private equity funds. The range of product options is constantly expanding in response to investor needs and demands.

Gender lens investing products are most prevalent in the following industries: technology, health care, clean tech, and environmental. These diversified products and industries are supported by considerations for women’s leadership, services and capital for women, and enhanced gender equity criteria, such as health care policies, educational services, and pay gaps – thus forming the foundation of gender lens investing.

In addition to the above GLI principles, EY and UN Women’s Global Innovation Coalition for Change (GICC) also co-created innovation principles to help companies foster greater innovation by identifying specific improvements to accelerate gender equality.

The principles are designed to help companies deliver the UN Sustainable Development Goals to reduce inequality and foster innovation, and improve female representation across the management level, as well as build a more inclusive society. For details of the innovation principles, please refer to [www.ey.com](http://www.ey.com).



<sup>4</sup> McCarthy, Seelan and Smith, “Gender lens investing: More than women on the board”, March 2019

<sup>5</sup> EY, “Harnessing the power of women investors in wealth management”, 2016

<sup>6</sup> Business Wire, “Pax World Acquires Women’s Equity Fund”, October 2007

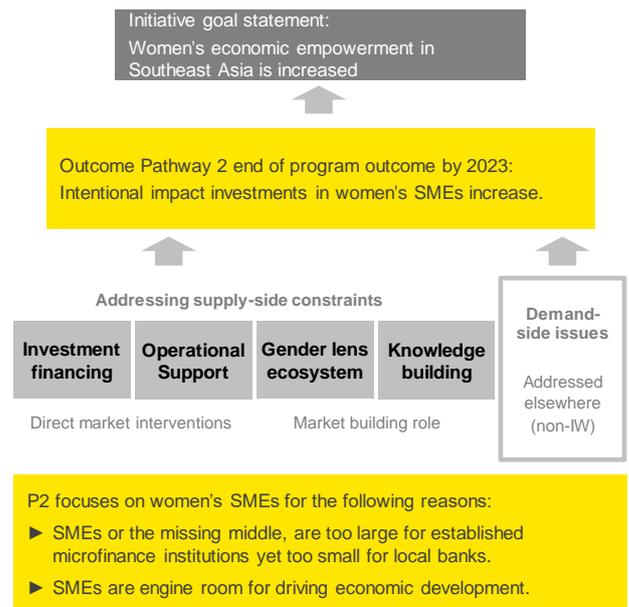
<sup>7</sup> Pew Research Center, “In many countries, at least four-in-ten in the labor force are women”, 2017

# Investing in Women's achievements to date

IW plays a crucial role in expanding access and mobilising capital to women's SMEs in Southeast Asia by promoting women and gender lens investing in the impact investing space.

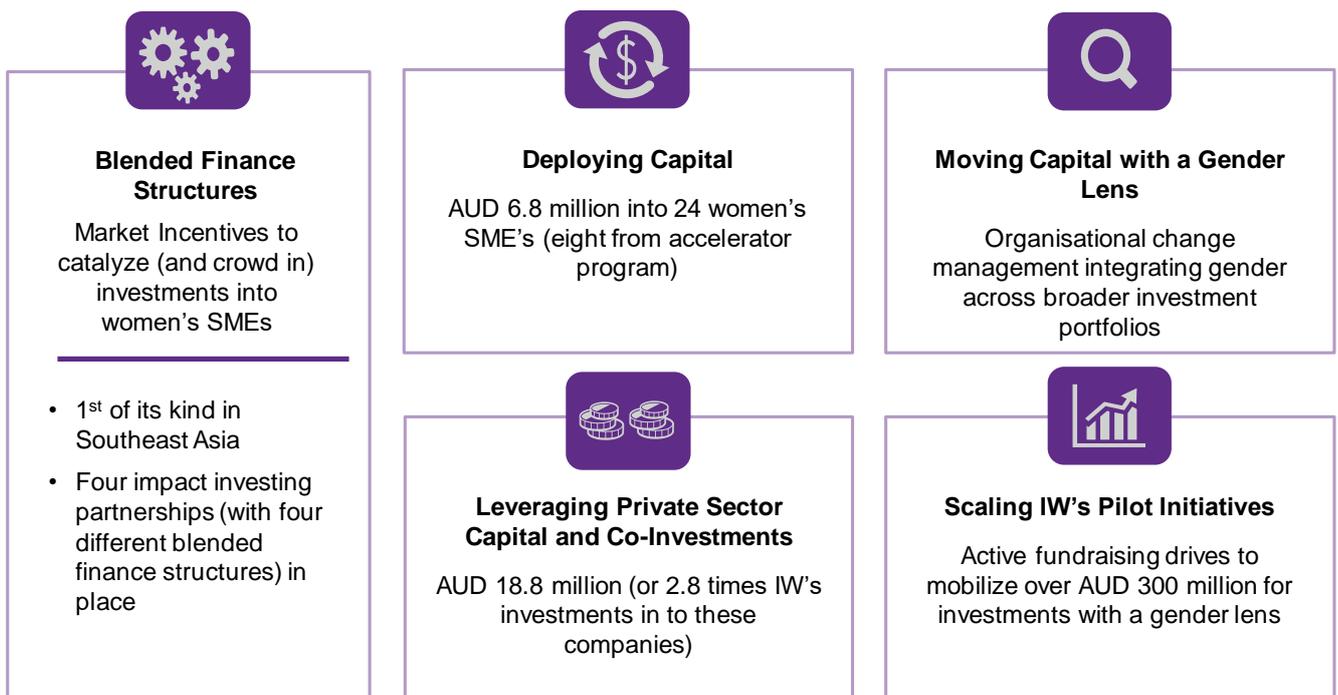
In order to incentivise and catalyse investments into women's SMEs, IW's P2 focuses on the supply-side constraints of capital by either (i) intervening directly in the market to support impact investors with blended finance instruments or (ii) performing a market building role and advocating with the broader impact investing industry to deploy capital with a gender lens.

As part of P2, IW has formed strategic collaborations with four reputable global impact investors who have deep and growing roots in the region: C4D Partners, Patamar Capital, Root Capital and SEAF (via the provision of performance-based grants (please refer to the "IW - innovative blended finance structure with Patamar" section herein).



## Achievements to date:

As a result of these partnerships, IW has accomplished a number of important achievements in the areas of i) developing the Southeast Asia blended finance market, ii) deploying capital to women's SMEs, iii) moving capital with a gender lens, iv) leveraging private sector capital towards women's SME investments and v) scaling IW's initiatives. A summary of IW's key Phase 1 achievements to date are presented in the diagram below:



**Mobilising further capital to women's SMEs:** In the coming years, IW will continue to expand its support to new partners, including angel investors and localised funds in order to strengthen the financial ecosystem, help bridge the funding gap and build the overall case for investing in women's SMEs.

# EY as Advisor to IW

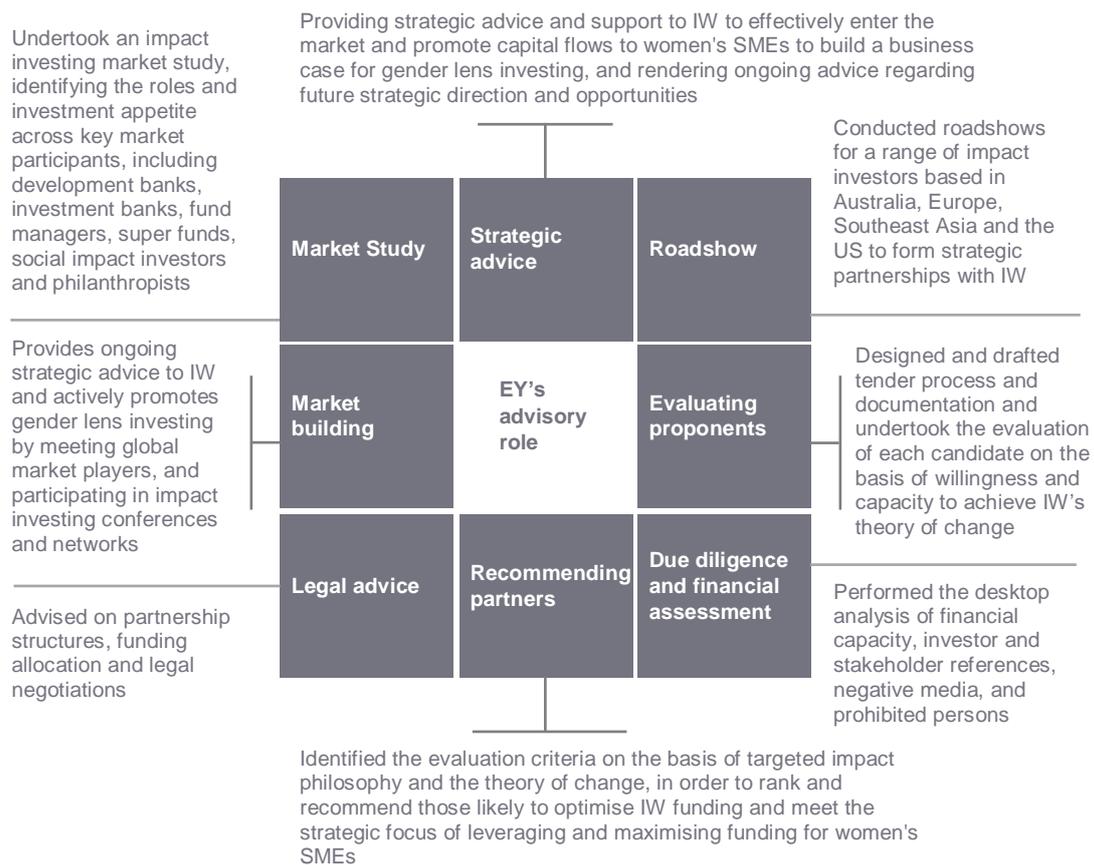
EY plays a critical role as the advisor for IW by undertaking market studies, advising on tender processes, evaluating and recommending impact investing partners and providing general, strategic and legal advice. EY is also assisting IW in its role as a regional market builder for gender lens investing in Southeast Asia.

As an organisation, EY places gender parity as a key imperative and we are determined to do our part to accelerate women’s progress in the workplace. Our commitment to advancing women throughout our ranks and into leadership positions has contributed to our reputation as one of Fortune magazine’s 100 Best Companies to Work For in the US. In addition, we are ranked among the top 10 on the 2018 Working Mother 100 Best Companies list in the US, making it the 12th year in a row and our 21st appearance on the list.

We have also successfully retained the accolade of Workplace Gender Equality Agency (“WGEA”) Employer of Choice for Gender Equality for the past 15 years.

Given our commitment to gender, we are proud of our role and continued work with IW.

Presented below is an overview of EY’s business relationship with IW to date:



EY looks forward to continuing its work with IW and supporting IW as it continues to expand its partnerships with impact investors, directs blended finance towards women’s SMEs and builds the overall case for gender lens investing.

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