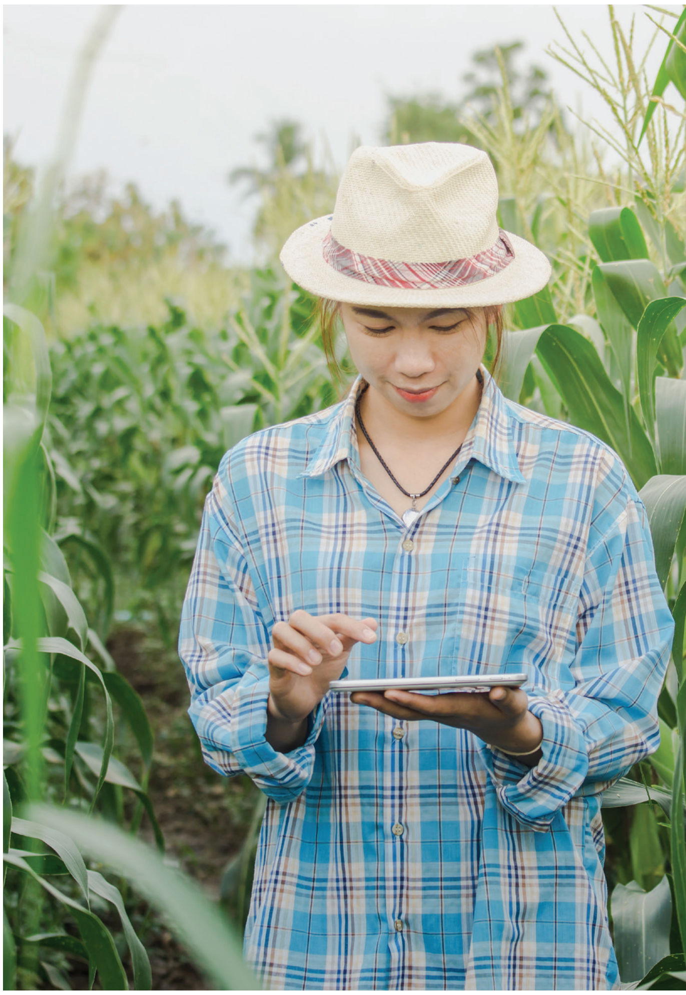
THE ADVANCE OF IMPACT INVESTING IN SOUTH EAST ASIA

2020 UPDATE



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INVESTING IN WOMEN
SMART ECONOMICS
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ACKNOWLEDGEMENTS

This study was carried out with support from Investing in Women, an initiative of the Australian Government. The report presents insights from impact investments and gender lens investments across South East Asia between 2017 and 2019, with focus on Indonesia, the Philippines and Vietnam. The report aims to assess impact investing and GLI activity in the region and compare it with the global impact investing space. Additionally, the report strives to evaluate the impact of COVID-19 on the space in South East Asia going forward.

We are grateful to Investing in Women team for supporting and guiding us in this endeavor. The team would also like to gratefully acknowledge and thank Andrew Rowell for his guidance and suggestions.

We would also like to thank all investors, ecosystem facilitators, accelerators and other stakeholders who provided useful insights on impact investing and GLI trends across the region as well as the three focus countries.

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Disclaimer: *Every effort has been made to identify relevant impact investors and deals from publicly available information at the time of data collection (May 2020). Any investors interested to ensure their work is reflected in future analysis by Investing in Women, including the planned 2022-23 update report, are encouraged to contact* program@investinginwomen.asia.

COMMON ACRONYMS

ADB	-	Asian Development Bank
ANGIN	-	Angel Investment Network Indonesia
AUD	-	Australian Dollar
DEG	-	Deutsche Investitions- und Entwicklungsgesellschaft
DFC	-	U.S. International Development Finance Corporation
DFI	-	Development Finance Institution
DKK	-	Danish Krone
EUR	-	Euro
FMO	-	Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (Dutch Development Bank)
GBF	-	Grassroots Business Fund
GLI	-	Gender Lens Investing
IDH	-	The Sustainable Trade Initiative
IDR	-	Indonesian Rupiah
IFC	-	International Finance Corporation
IFU	-	Investment Fund for Developing Countries
IIX	-	Impact Investment Exchange
MMK	-	Myanmar Kyat
MYR	-	Malaysian Ringgit
NOK	-	Norwegian Krone
OPIC	-	Overseas Private Investment Corporation
PII	-	Private Impact Investor
SEAF	-	Small Enterprise Assistance Funds
SGD	-	Singapore Dollar
THB	-	Thailand Baht
UNICEF	-	United Nations Children's Fund
USD	-	United States Dollar
USAID	-	United States Agency for International Development

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1. EXECUTIVE SUMMARY

This report provides updated analysis on trends in impact investing and gender lens investing (GLI) in South East Asia, based on updated data on impact investment deals for 2017-2019 and building on prior market research.

Impact investing in South East Asia has been on a growth trajectory over the last few years. The quantum of impact capital deployed in the last 3 years (2017-2019) in the region is more than half of that invested in the 10 years prior (from 2007-2016). Compared to just USD 11.3 billion of impact capital deployed in the region between 2007 and 2016 through 449 deals, USD 6.7 billion has been deployed through 298 deals from 2017 to 2019.

The investment landscape in South East Asia also seems to have evolved since 2017, with Private Impact Investors (PIIs) investing in an increasing number of smaller size deals, in contrast to the comparatively lower number of large ticket size deals by Development Finance Institutions (DFI).

USD 432.3 million

Impact capital deployed by 59 Private Impact Investors (PIIs) in 159 deals

USD 6.23 billion

Impact capital deployed by 9 Development Finance Institutions (DFIs) in 141 deals

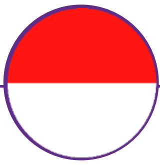
PII activity has increased in the region, as compared to 2007-2016, both in terms of number of deals as well as total capital deployed. More than one-third of the PII investments were in Indonesia, over 60% with ticket sizes above USD 10 million. However, a majority of the PII deals had ticket sizes below USD 5 million. Furthermore, over half of the PII capital was deployed in the financial services sector. Around 55% of the PIIs did not have a regional presence in SEA, which is expected to have a bearing on future capital deployment by these investors in light of the COVID-19 pandemic and resultant travel and other restrictions globally.

DFI deal activity over the last 3 years has also seen the emergence of other economies in attracting DFI capital. More than 20% of DFI deals were in Myanmar, while over 30% of the DFI impact capital was deployed in Indonesia. Over one-quarter of DFI deals are between ticket sizes USD 10-25 million. Similar to the findings from analysis of the prior decade, more than 70% of the DFI capital was deployed in the financial services and energy sector, with a majority of them being debt investments.

Impact capital deployed with a gender lens has also registered a sharp increase over the last 3 years. As compared to 33 GLI deals in the 10 years from 2007-2016 deploying USD 43.3 million, the region registered 39 GLI deals deploying USD 350.0 million. From a geographic perspective, IW focus countries registered the greatest number of GLI deals by volume, while financial services and agriculture were the leading sectors for GLI investments.

Between 2017 and 2019, DFIs closed 5 big ticket size deals, accounting for ~95% of the total GLI capital deployed in the region (DFIs did not close any deal with an explicit gender lens from 2007-2016). 80% of the DFI-led GLI deals were in financial services. However, PIIs account for over 85% of the deals by volume and were primarily made through the woman ownership/leadership strategy. Gender equity as an investment strategy is used in over 65% of the deals, but in conjunction with gender ownership. Investments in enterprises offering gender-focused products/services remain low, comprising less than 30% of the GLI deals.

Nonetheless, GLI investors continue to face challenges and indicated the need for additional support in order to scale up investments in the region, including technical assistance for investees, gender sensitivity trainings for investor teams, alternate financing (such as first loss guarantee), alignment of investor and investee gender objectives, and standardised metrics for evaluation with a gender lens, among others. The COVID-19 situation may well result in further moves such as partnerships with regional or in-country stakeholders for physical due diligence of investees, and greater co-investment with regional investors.



INDONESIA

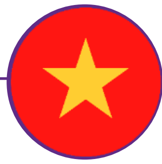
PIIs: USD 138.5 million in 61 deals
DFIs: USD 1.9 billion in 25 deals
GLI:
- 19 GLI deals; Average deal size USD 0.5 million
- 95% applied gender ownership strategy

Trends:
- Key sectors are energy and financial services
- 72% deals under USD 10 million
- 3/4 deals are debt investments

THE PHILIPPINES

PIIs: USD 105 million in 27 deals
DFIs: USD 522 million in 16 deals
GLI:
- 8 GLI deals; Average deal size USD 1.75 million
- All 3 GLI strategies applied equally

Trends:
- Key sectors are energy and financial services
- 67% deals under USD 5 million
- Equity used more by PIIs; debt deployed equally by PII and DFI



VIETNAM

PIIs: USD 7.7 million in 11 deals
DFIs: USD 1.2 billion in 25 deals
GLI:
- 7 GLI deals; Average deal size USD 6.1 million
- Majority use gender ownership strategy

Trends:
- Key sectors are energy and financial services
- 45% deals under USD 25 million
- 2/3 deals are debt investments

More than 55% of all deals and 58% of the impact capital is deployed in these three countries

With respect to IW focus countries, Indonesia remains the largest market for impact investing activity in the region. Across the three countries, financial services and energy are the key sectors for impact investing, with most deals deploying debt capital. While both Indonesia and the Philippines registered a greater number of smaller size deals, impact deals in Vietnam are spread across enterprise growth stages.

Indonesia alone recorded almost half of all the GLI deals (19 out of 39) in the region over the last 3 years. Over 75% of these GLI deals have been done by two investors and are mainly concentrated in the agriculture sector. The Philippines saw 8 deals with an explicit gender lens spread across sectors, while 20% of impact deals in the country also apply an unintentional gender lens. Vietnam had 7 GLI deals, primarily in the financial services and agriculture sectors.

Compared to the global impact investing space, South East Asia is still in a development phase. Even though investments in developed markets have registered a growing trend over the last 3 years, South East Asia has remained consistent in terms of deal value and volume. While a large number of global investors (~70% out of 294 investors in the global survey) have been investing with an explicit gender lens, South East Asia has only 6 investors deploying capital with an explicit gender lens. Nonetheless, stakeholders expect the market to grow rapidly on the back of new market entrants, growing investee pipeline, and an increasing number of GLI funds.

However, with the global economy still reeling under the impact of COVID-19, investors are still unsure of the future market outlook. It is expected that the future need for impact capital will increase to address various social and economic changes catalysed by COVID-19. Investments with an impact/GLI focus may slow down, as investors may take more time to close the lower ticket size deals. Investors looking to foray into new markets may also be relying on co-investments with in-country investors. Investors, even those still deploying impact capital in the region, are only moving ahead with caution as the full impact of the pandemic on the impact investing industry is still unclear.

2. INTRODUCTION

At the core of impact investing is the intent of the investor to invest in enterprises that generate positive social and environmental impact alongside providing a financial return. Over the last decade or so, impact investments have proliferated across the globe including in developing economies that provide ample opportunities for market-based solutions to address developmental gaps and need investment capital to address social and environmental challenges.

In 2018, the Global Impact Investing Network (GIIN), in partnership with Intellecap Advisory Services and with funding from Investing in Women, published *The Landscape of Impact Investing in Southeast Asia (the "SEAL report")*, the first-ever detailed analysis of impact investing activity across South East Asia. The report highlighted that between 2007 and 2016, close to USD 11.2 billion was deployed through over 449 impact investment deals.[1] However, it was seen that more than 92% of the capital was deployed by Development Finance Institutions (DFIs) and that Private Impact Investor (PII) investments had grown only in the latter part of the decade. The report pointed out that even though some investors apply a gender lens to their investments, the broader concept of GLI remains limited.

The objective of this report, *The Advance of Impact Investing in South East Asia – 2020 Update*, is to build further on previous research in the region by compiling updated data on impact investment deals for 2017-2019, and providing updated analysis on the evolution of impact investing and gender-lens investing (GLI) in South East Asia. The report aims to complement other recent and upcoming research in the market, including the *Gender Lens Investing Landscape – East and South East Asia* report published by the Sasakawa Peace Foundation[2]; the *Project Sage 3.0: Tracking Venture Capital, Private Equity, and Private Debt with a Gender Lens*, produced by Wharton Social Impact Initiative and Catalyst at Large[3]; the GIIN's *2020 Annual Impact Investor Survey*[4]; and upcoming qualitative research on GLI by Value For Women.

2.1. Definitions

The report only includes impact and gender lens investments that meet the following widely accepted definitions. The research team used these definitions to identify impact and gender lens investors to map deal activity and disaggregate investments across GLI strategies for further analysis.

- **IMPACT INVESTING**

  Impact investments are defined as "investments made into companies, organisations and funds with the intention to generate social and environmental impact alongside a financial return."[5] Impact investors must meet three definitional criteria:

  1. The investor should have the intention to create positive social or environmental impact through their investments
  2. The investor should expect some financial return

[1] https://thegiin.org/research/publication/landscape-southeast-asia

[2] https://www.spf.org/en/gender/publications/gliasialandscape.html

[3] https://socialimpact.wharton.upenn.edu/research-reports/reports-2/project-sage-3/

[4] https://thegiin.org/research/publication/impinv-survey-2020

[5] The Global Impact Investing Network, http://www.thegiin.org/

3. The investor should have a commitment to measure the social or environmental impact created through their investments.

- **GENDER LENS INVESTING**

Gender lens investments are "investments made into companies, organisations, and funds with the explicit intent to create a positive impact on gender". The GIIN defines GLI within two broad categories:

Investing with the intent to address gender issues or promote gender equity, including by:

- Investing in women-owned or -led enterprises;
- Investing in enterprises that promote workplace equity (in staffing, management, boardroom representation, and along their supply chains); or
- Investing in enterprises that offer products or services that substantially improve the lives of women and girls.

And/or investing with the following approaches to inform investment decisions:

- a process that focuses on gender, from pre-investment activities (e.g., sourcing and due diligence) to post-deal monitoring (e.g., strategic advisory and exiting); or
- a strategy that examines, with respect to the investee enterprises:
  - ✓ Their vision or mission to address gender issues;
  - ✓ Their organisational structure, culture, internal policies, and workplace environment;
  - ✓ Their use of data and metrics for the gender-equitable management of performance and to incentivise behavioural change and accountability; and
  - ✓ How their financial and human resources signify overall commitment to gender equality.

- **INVESTORS**

The analysis in this report is separated into two broad investor categories: Private Impact Investors (PIIs) and Development Finance Institutions (DFIs).

- **Private Impact Investors (PIIs)** encompass a range of investor types, including fund managers, family offices, foundations, banks, pension funds and others that channel private capital into impact investments.
- **Development Finance Institutions (DFIs)** are government-backed financial institutions that provide finance to the private sector for investments promoting development. DFIs are important actors in the impact investing landscape, providing large amounts of capital both through direct impact investments and through indirect investments, such as impact investment funds. Because of the large size and unique characteristics of DFIs, this report analyses DFI activity separately from the activity of other types of impact investors. Indirect investments by DFIs are excluded to avoid double counting. For the purposes of this report, bilateral or multilateral assistance provided directly to governments is not considered an impact investment.

2.2. Report scope

This report is based on a deal database update of impact investing and GLI activity across 11 countries in South East Asia: Brunei, Cambodia, East Timor, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. It analyses the trends in impact investing and GLI with a focus on three countries: Indonesia, Vietnam and the Philippines. A comparison of global impact investing activity with that in South East Asia is also provided to uncover evolving trends and opportunities in the region's impact investing space.

Intellecap has updated the deal database of impact investment and GLI in South East Asia for the period 2017 to 2019. This report leverages this updated deal database to derive insights into the evolution of impact investing and GLI over 2017-2019, as compared to 10 years prior (2007-2016). We would also like to highlight that the deal information for 2017 in this report includes a significant update to the deal database for 2017 under the SEAL report. Given that the SEAL study was conducted in late 2017, not all impact deals for 2017 would have been reported in the public domain.[6] Hence, the current report undertakes a comparison of the impact investing activity from 2017-2019 in the updated deal database, with that of the prior 10 years (2007-2016) from the GIIN SEAL database.

We have also benefitted from insights of certain key stakeholders on impact investing and GLI while drafting the report. Finally, we have compared the investment activity in the first 5 months of 2020 with similar time periods in previous years to carry out a preliminary analysis of whether the global COVID-19 crisis has impacted investment flows.

Findings are based on an aggregate analysis of the 298 impact deals concluded between 2017 and 2019, as well as primary interactions with local investors in the 3 IW focus countries, regional investors and ecosystem intermediaries. The research methodology adopted for deal data collection has been similar to that used for the SEAL study. Only investments carried out by investors who explicitly identified themselves as impact investors have been included; so, any capital raised by impact enterprises from non-impact investors are not part of the deal database and the subsequent analysis. Similarly, deals classified as GLI are based on the investor's expressed intent to invest with a gender focus as per information available in the public domain or feedback from the investor. Only direct capital deployments made into enterprises or projects have been included; commitments by limited partners into impact funds have been excluded since part of these flows may not yet have been deployed into impact enterprises.

Our research relied on publicly available information to identify impact and GLI deals for the period under consideration. The process adopted entails one or more of the following limitations:

- Some deals may have been reported after a significant delay post the actual investment
- Among the deals reported in the public domain, certain quantitative (amount of capital invested, equity stake diluted, etc.) and qualitative data (type of capital invested, terms of investment, etc.) may not be available publicly in the case of some deal announcement
- Some deals are not reported in the public domain.

[6] Refer to annexure for details on 2017 deals, in addition to those reported in the GIIN SEAL database.

3. IMPACT INVESTMENT ACTIVITY IN THE REGION

3.1. Methodology

The research team relied on quantitative and qualitative data primarily from secondary sources to map the impact investing activity in the region. Desk research was conducted to identify existing impact and GLI deals in South East Asia from 2017 to 2019. The deal information is collated from multiple sources such as the official websites of the PIIs and DFIs, deal aggregation platforms (like AVCJ, Pitchbook and Crunchbase), as well as news articles announcing deal activity. In addition, deal information was collected directly from IW-supported gender lens investors. The team gathered data on the gender lens strategy deployed for individual deals from investee websites and other secondary sources.

Second, the research team conducted primary interviews with ecosystem stakeholders, including local impact investors in the 3 focus countries, regional impact investors and support providers like incubators/accelerators.

FIGURE 1: OVERVIEW OF PII AND DFI IMPACT INVESTING ACTIVITY IN SOUTH EAST ASIA

59 PIIs have deployed USD 432 million through 159 deals
9 DFIs deployed USD 6.23 billion through 141 deals

GENDER LENS INVESTING

- PIIs invested USD 15 million in 34 GLI deals, mainly through gender ownership strategy
- DFIs deployed USD 335 million in 5 GLI deals

DEAL SIZE

- 85% of PII deals under USD 5million
- More than 1/4 DFI deals between USD 10-25million

SECTORS

- More than 50% of PII capital deployed in financial services, mainly fintech enterprises
- Energy and financial services together constitute over 70% of DFI capital deployed

LOCAL PRESENCE

- PIIs with a regional presence made over 50% of deals
- PIIs with regional presence mostly make more and smaller deals
- South East Asia Myanmar registered most numbers (20%) of DFI deals while Indonesia saw highest number (38%) of PII deals

INSTRUMENT

- Equity constitutes over 63% of PII deals and capital deployed
- 70% of DFI deals and 85% of capital deployed through debt

3.2. Impacting investing trends

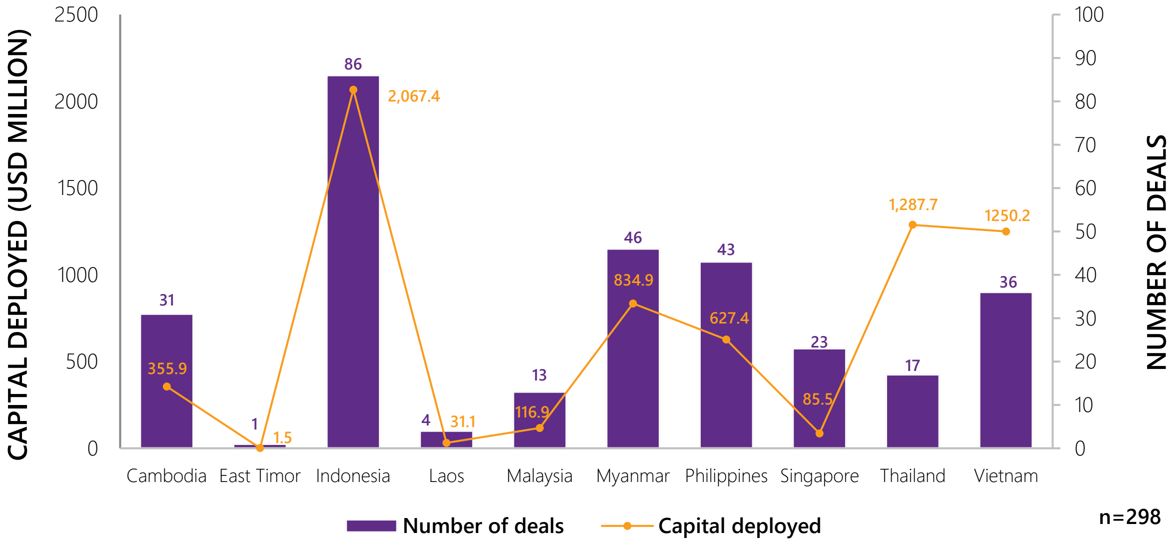
Impact investing has grown significantly in South East Asia over the last 3 years. The quantum of impact capital deployed in the last 3 years (2017-2019) in the region is more than half of that invested in the 10 years prior (from 2007-2016). Compared to USD 11.3 billion of impact capital deployed in the region in the 10-year period between 2007 and 2016 through 449 deals, USD 6.7 billion has been deployed through 298 deals from 2017 to 2019. Impact investors have also catalysed a further ~USD 736 million (or just over 10% of the impact capital) through co-investment by non-impact investors.

TABLE 1: OVERVIEW OF IMPACT INVESTING ACTIVITY IN SEA

	CAPITAL DEPLOYED (IN USD BILLION)				NUMBER OF DEALS			
	2007-2016	2017	2018	2019	2007-2016	2017	2018	2019
DFIs	10.5	1.4	2.5	2.2	255	53	44	44
PIIs	0.7	0.2	0.07	0.1	197	62	49	48
TOTAL	11.3	1.7	2.6	2.4	449	115	91	92

Note: *Between 2007 and 2016, 22 deals had co-investment from both DFIs and PIIs. In 2018, DFI and PII co-invested in 2 impact deals.*

FIGURE 2: OVERALL REGIONAL INVESTMENT ACTIVITY, 2017-2019



Since 2017, PIIs have invested around USD 432.3 million impact capital through 159 direct deals, and DFIs have deployed USD 6.23 billion through 141 direct deals.[7] The amount of impact capital invested however varies widely by country. (See figures 3 and 4)

[7] Of the 298 impact deals between 2017 and 2019, DFIs and PIIs co-invested in 2 deals

FIGURE 3: PII ACTIVITY BETWEEN 2017 AND 2019 BY COUNTRY, USD 432.3 MILLION IN 159 DEALS

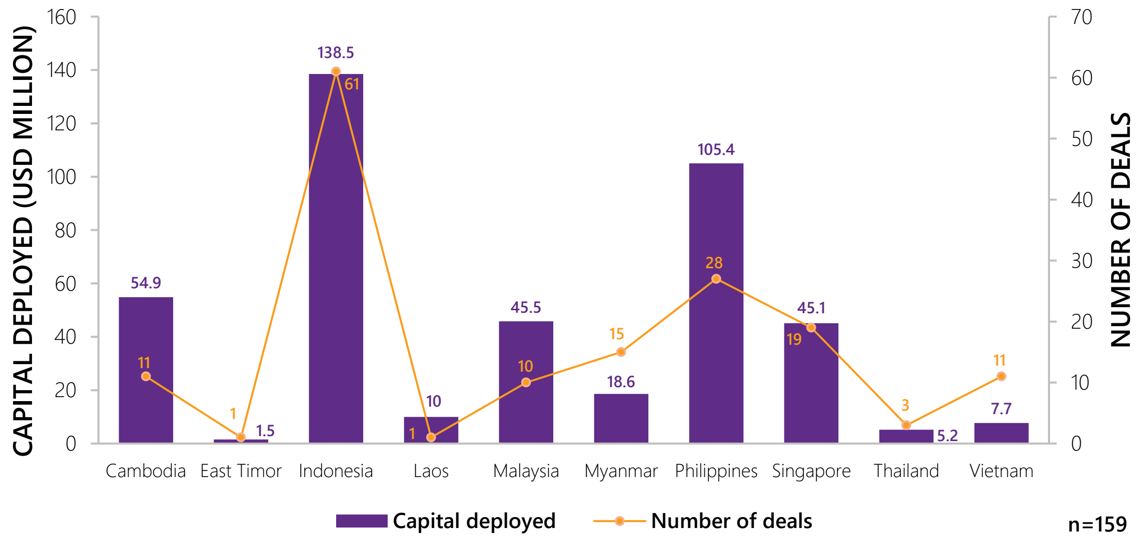
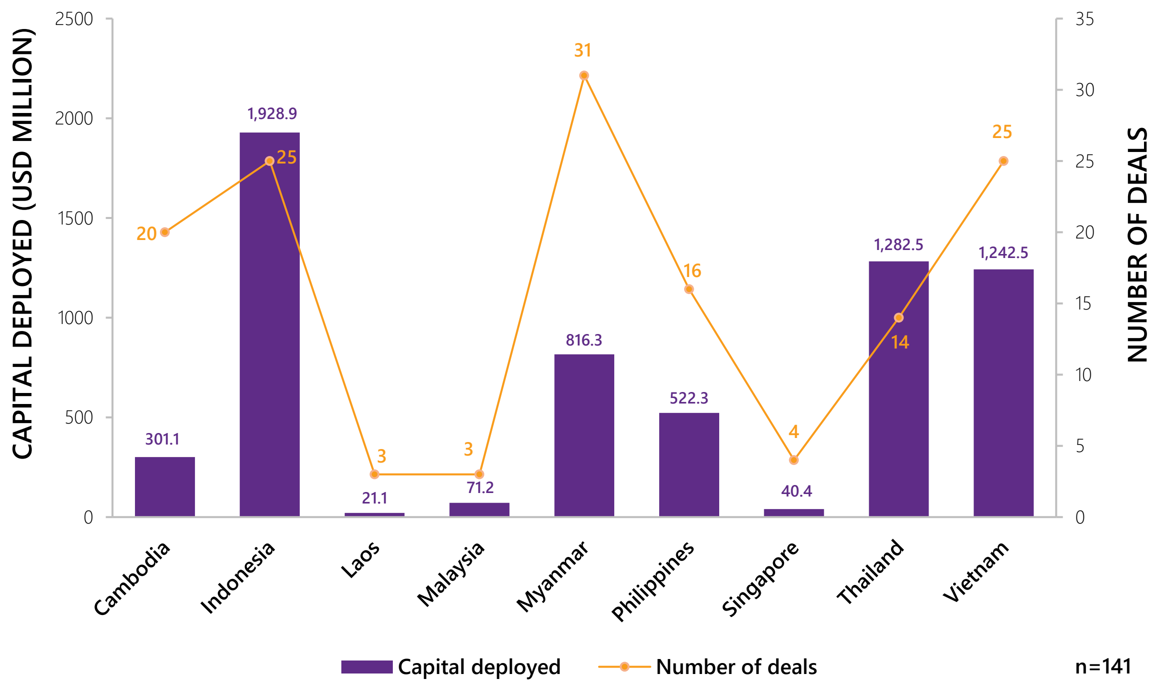


FIGURE 4: DFI ACTIVITY BETWEEN 2017 AND 2019 BY COUNTRY, USD 6.23 BILLION IN 141 DEALS

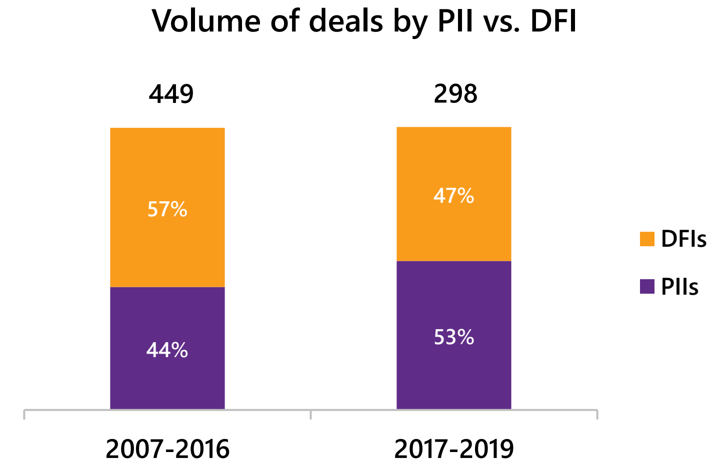


Indonesia continues to attract the most amount of impact capital from both DFIs and PIIs. Between 2017 and 2019, Indonesia accounts for around 28% of the total deals in the region by volume and 31% by value. Apart from Indonesia, DFIs have invested in Thailand, Vietnam and Myanmar, while PIIs have channelled more capital into the Philippines, Cambodia and Malaysia.

Impact capital from DFIs is primarily deployed into the financial services, energy and healthcare sectors, with only 30% of DFI investments flowing into other sectors including agriculture, infrastructure, services, retail, etc.

While the total value of investments by DFIs is much higher than PII investments, it is interesting to note that the number of PII deals in the last 3 years is higher than the number of DFI deals.

FIGURE 5: DEAL SPLIT FOR PII AND DFI, AS COMPARED WITH LAST 10 YEARS DATA



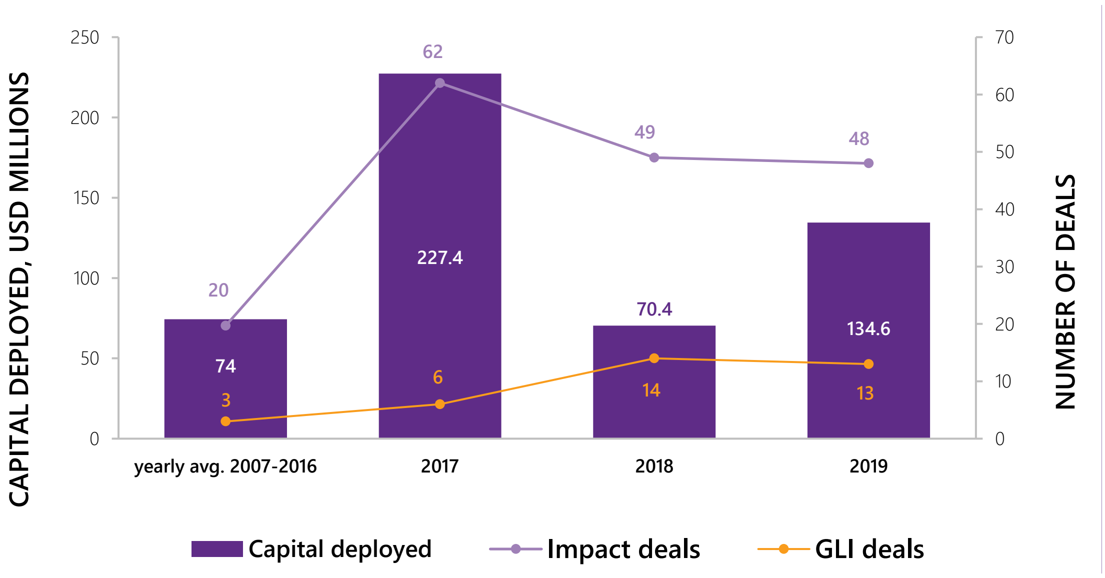
***Note**: A few deals in both deal periods had co-investment from DFIs and PIIs*

3.3. Private impact investors

Indonesia accounts for about a third of the capital deployed, while the Philippines and Cambodia combined attracted about the same amount of capital as Indonesia. Over 60% of deals have been done by single impact investors investing alone, with only 3% of deals receiving co-investments from multiple impact investors. Around 35% of the deals received co-investment from non-impact focused regional as well as global investors.

3.3.1. PII investment activity

FIGURE 6: IMPACT CAPITAL DEPLOYED BY PIIs, BY YEAR



Ave. ticket size	3.8	3.7	1.4	2.8	n=157

From a capital deployment perspective, in comparison to the prior 10 years (2007-2016), impact investing activity by PIIs in the region has increased both in terms of annual value as well as volume of deals. PIIs have been investing in an increasing number of deals in the region, with the highest number of deals (62) and most capital deployed (USD 227.4 million) in 2017. While the number of deals remained consistent in 2018 and 2019, the amount of capital deployed in 2018 saw a sharp decrease; primarily due to ~66% of the deals being very early stage transactions (average ticket size in 2018-2019 was USD 1.5-2.9 million) as well as a number of seed investments into enterprises completing accelerator programs.

TABLE 2: PII INVESTMENT ACTIVITY IN DIFFERENT COUNTRIES

PII	Number of investors	Number of investments	Capital invested	Maximum investment	Minimum investment	Average investment	Standard deviation	
Vietnam	8	11	7.7	3.5	0.03	0.8	1.0	Low SD
Myanmar	13	15	18.6	5.0	0.1	1.2	1.3	
Thailand	3	3	5.2	4.0	0.2	1.7	2.0	
Singapore	16	19	45.1	8.0	0.2	2.5	2.3	
Indonesia	28	61	138.5	19.2	0.03	2.3	3.7	
Malaysia	5	9	45.5	15.0	0.24	5.1	6.4	High SD
Philippines	18	28	105.3	50.0	0.08	3.9	9.9	
Cambodia	8	11	54.8	40.0	0.1	5.5	12.2	
East Timor	2	1	1.5	1.5	1.5	1.5	NA	
Laos	1	1	10.0	10.0	10.0	10.0	NA	
All countries		159	432.2	50.0	0.03	2.9	6.0	

59 PIIs carried out 157 deals between 2017 and 2019 across 10 countries in South East Asia. The low standard deviation in the quantum of investment carried out indicates that Vietnam and Myanmar primarily saw a number of low-ticket size deals. Interestingly, just one investment in Vietnam was above USD 1 million in value and 8 different investors participated in 11 investments probably indicating investor interest in an emerging market for impact investing. Indonesia, Myanmar, the Philippines and Vietnam account for more than 75% of the deals below USD 1 million.

Indonesia has remained the leading country for PII investments in the region. Between 2017 and 2019, Indonesia attracted almost 38% of the deals by volume and 32% of the PII capital. Indonesia's share has substantially gone up as compared to the previous 10 years (2007-2016) when Indonesia accounted for 23% of the deals by volume and 16% of the PII capital deployed, reinforcing Indonesia's reputation as the regional impact investing powerhouse.

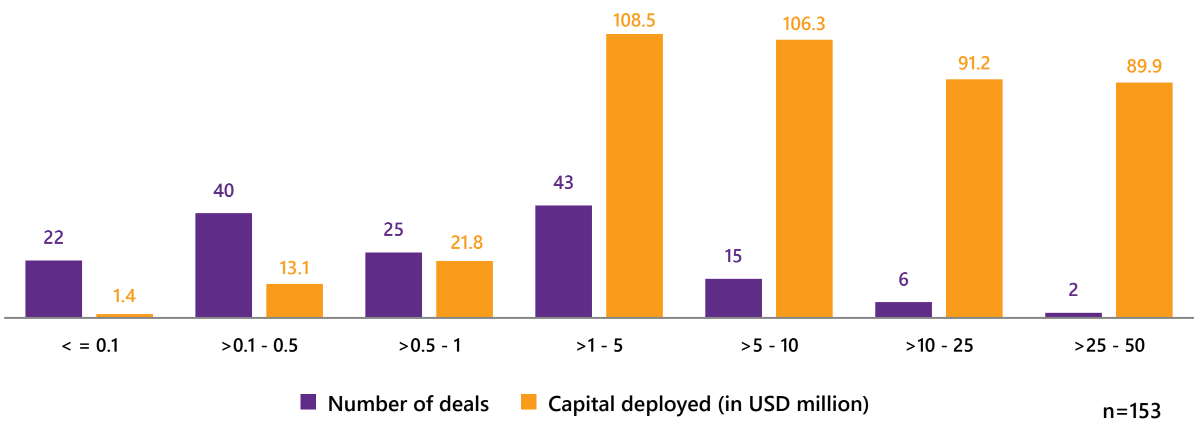
Indonesia also attracted a number of early stage investments and has over 50% of its investments with a deal value below USD 1 million. The top 20% of the deals by size accounted for about 70% of total PII investments in the country. Indonesia also had investments from the maximum number of unique PIIs, with over 50% of all PIIs active in the country. This indicates that Indonesia has remained an attractive market for impact entrepreneurship and investing.

The Philippines attracted the second highest amount of PII capital – however just one investee company in the financial services sector has attracted two-thirds of total PII investment in the country. Over 60% of the deals with ticket size more than USD 10 million were made in Indonesia and the Philippines. These countries accounted for about 55% of the number of deals as well as PII capital deployed in the region.

3.3.2. PII deal sizes

Majority of the impact investment deals by PIIs in the region have ticket sizes under USD 5 million. Over 85% of the impact capital deals have been directed to a growing number of startups and SMEs raising capital from PIIs for the first time. A comparatively smaller pipeline of growth and mature stage enterprises has absorbed larger Series B and C rounds of capital.

FIGURE 7: IMPACT CAPITAL DEPLOYED BY PIIs, BY DEAL SIZE FROM 2017-2019



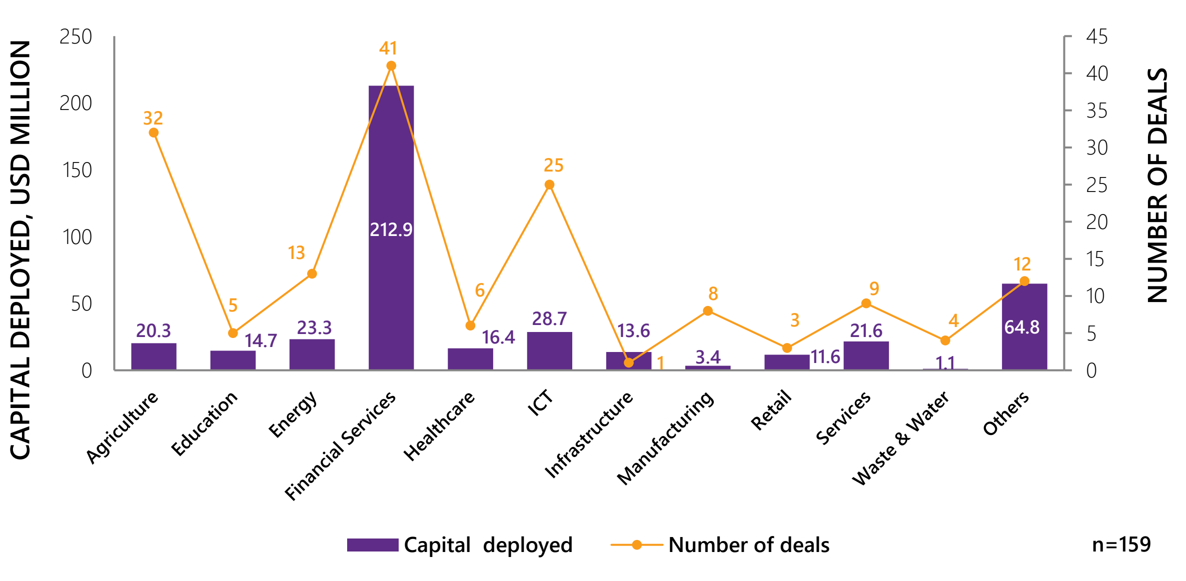
Note: *Deal size was not disclosed for 6 of the 159 PII deals in the region.*

Between 2017 and 2019, average ticket size of PIIs is USD 2.8 million while the median deal value is about USD 1 million. Average deal size for PIIs from 2007-2016 was USD 3.7 million, while the median deal value was USD 0.6 million. The dispersion between average and median values has reduced in the period 2017-2019 as compared to 2007-2016 indicating that PII investments are more equally distributed across various ticket sizes. In 2017-2019, deals with ticket sizes between USD 1 million to USD 10 million account for 50% of the total capital deployed by PIIs. In comparison, close to 65% of PII investments from 2007-2016 were with a ticket size below USD 1 million.

3.3.3. Sectors of investment by PIIs

Financial service is the leading sector of PII in the region. The financial services sector has received almost 50% (~USD 213 million) of the private impact capital deployed and is also the sector recording the highest number of impact deals by PIIs in the region. Equity investments comprise over 60% of the financial service investment both in terms of the number of deals as well as the value of investment.

FIGURE 8: IMPACT CAPITAL DEPLOYED BY PIIs, BY SECTOR FROM 2017-2019



Compared to the impact investment activity from 2007-2016 when microfinance institutions accounted for over 80% of the investment in the sector, the investment focus for PIIs has shifted more towards fintech. Around 50% of the investments flowed into online financing/insurance marketplaces, crowd funding and P2P lending platforms, digital payments and credit scoring solutions.

Fifteen percent of PII capital has been deployed into other sectors, which include forestry, industrial trading and logistics, among others. The agriculture sector saw the second highest number of impact deals, with over 70% of deals in Indonesia and remaining primarily in the Philippines and Vietnam. However, about 85% of the agriculture deals are less than or equal to USD 1 million ticket size. The agriculture sector also reported the most deals with a gender lens by PIIs, integrating women ownership as well as gender equity strategies for capital deployment.

3.3.4. Trends in GLI

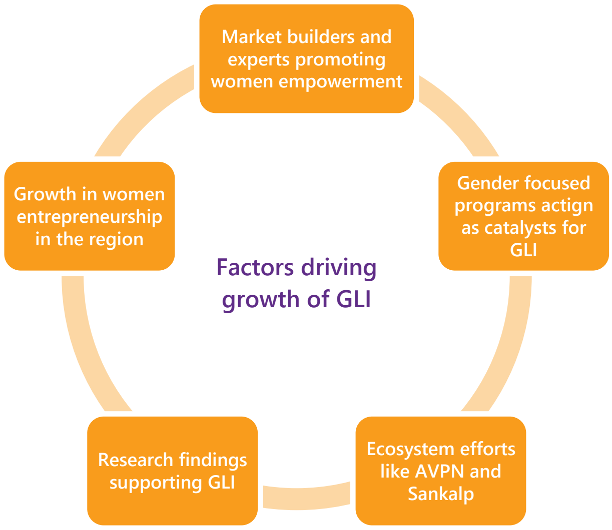
Gender lens deals by PIIs have shown an increasing trend over the last 3 years. PIIs invested into 14 and 14 enterprises with a gender lens in 2018 and 2019, respectively. GLI deals between 2017 and 2019 were primarily made through woman ownership/leadership strategy, with 65% of the deals using gender equity strategy in conjunction with gender ownership. Investments in enterprises offering gender-focused products/services remain low; comprising less than 30% of the GLI deals.

TABLE 3: GLI DEALS MADE BY PIIs IN THE REGION

	NUMBER OF DEALS	CAPITAL DEPLOYED (IN USD MILLION)	GLI STRATEGIES FOR DEALS		
			GENDER OWNERSHIP	GENDER PRODUCTS/ SERVICES	GENDER EQUITY
2007-2016	33	43.3	10	12	25
2017	6	1.63	6	1	2
2018	14	5.99	10	4	6
2019	14	7.40	10	3	9

In comparison, PIIs invested in only 33 deals with an explicit gender lens in the 10 years between 2007 and 2016. However, during this period, a whopping 75% of the GLI deals were made with a gender equity strategy, with less than 30% of the deals with a woman ownership lens.

The growth in GLI deals in the region over the last 3 years may be attributed to increased awareness around women's empowerment and gender lens investing, driven by both institutional efforts as well individual champions. This has led to wider understanding and acceptance of GLI as an investment concept and sparked investor interest in the subject. Other ecosystem level efforts such as Sankalp and AVPN have been promoting dialogues on gender empowerment with a focus on gender lens investing and gender-focused capacity building for stakeholders. Additionally, market builders such as IW have played the role of a catalyst by supporting impact investors deploy capital with a gender lens in the region, thus establishing the business case for GLI. This coupled with research findings (GIIN global impact investor survey with a dedicated section on GLI) that support the growing relevance of GLI for both investors and enterprises in the region has supported a growing number of impact deals with a gender lens.



Moreover, a growing pipeline of women-founded enterprises in the region demand for highly specialised products/services by women customers who are more aware of their needs, established enterprises recognising and integrating gender equity principles as a way of financial growth, have been driving GLI in the region.

About one-quarter of the investments below USD 5 million were made with an explicit gender lens, primarily with a woman ownership/leadership focus. However, GLI investments by PIIs above USD 1 million deal size are minimal.

The financial services sector accounts for 15% of PII-led GLI deals, but over 33% of the capital deployed with a gender lens (average deal size USD 0.9 million). Investment sectors for GLI deals follow the same trends as the overall PII investing activity in the region, with the most capital flowing into the financial services sector. However, average deal size for PII-led impact deals in financial services was about USD 5.2 million. More than 40% of the GLI deals, accounting for less than 30% of the PII-led GLI capital, were in the agriculture sector; mostly in Indonesia in traditional coffee and other organic agri/food products (average deal size USD 0.3 million).

3.3.5. Impact of investor location

Over 45% of the PIIs in the ten countries have a regional presence. Although most PII investors are not headquartered in their country of investment, many are headquartered in Singapore–the region's financial capital. Investors with either a regional or in-country presence have invested close to 50% of the total impact capital deployed in the region by PIIs. The ability to maintain a presence in the investee country is expected to assume greater importance in light of the current COVID-19 pandemic globally.

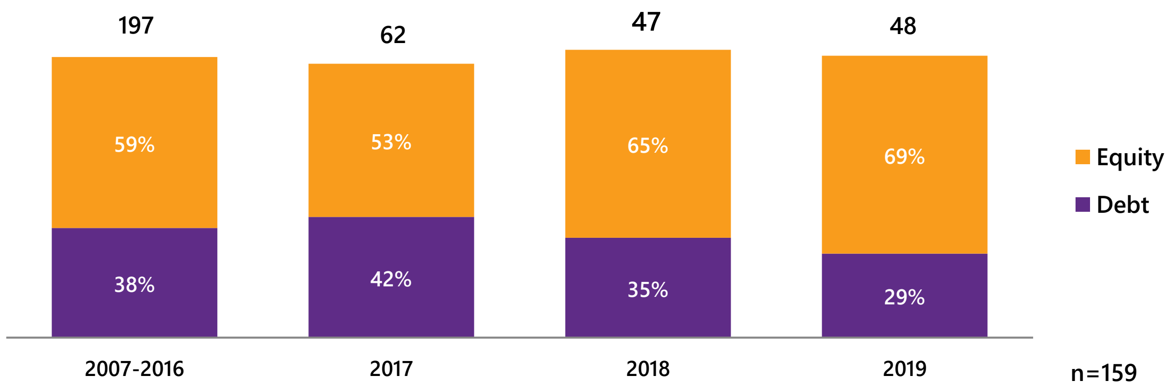
	PIIs WITH A LOCAL PRESENCE	PIIs WITHOUT A LOCAL PRESENCE
NUMBER OF INVESTORS	27	32
PERCENTAGE OF DEALS	52%	48%
PERCENTAGE OF CAPITAL DEPLOYED	49%	51%
AVERAGE DEAL SIZE (USD MILLIONS)	2.5	3
AVERAGE NUMBER OF DEALS	3	2.3

TABLE 4: COMPARISON OF DEAL ACTIVITY BASIS LOCATION OF INVESTORS

More than 40% of the 27 investors with a regional presence have deployed capital in Indonesia, as compared to the impact investments in 2007-2016, when regional investors concluded more deals in Indonesia and the Philippines. Data indicates that even though PIIs with a regional presence made more number of deals in the region, foreign investors had a higher ticket size per investee. This also highlights that non-regional investors invest larger ticket sizes to offset the higher cost of their investment process and emphasises the understanding that early stage investments need to be supported by investors/angel networks in the investee country.

3.3.6. Instruments used for investing

FIGURE 9: IMPACT DEALS BY PIIs, BY INSTRUMENT



Note: *The investment instrument was not disclosed publicly for some of the deals.*

PIIs have gradually increased equity deals over the years, owing in part to the shift in the sectors and sub-sectors of investments. A large number of PII deals from 2017-2019 have been in the ICT and fintech sectors where there is potential for outsized returns. Another contributing factor is the higher share of low ticket size deals in 2018 and 2019 as compared to 2017 (in 2017 under 50% of PII deals were with ticket size < USD 1 million while in 2018 and 2019 the share was more than 50%.

Between 2007 and 2010, almost 65% of PII deals used debt to invest in the financial inclusion and agricultural sectors. However, after 2010 and up to 2019, deployment of equity capital has increased considerably, with debt only accounting for one-third of the deals.

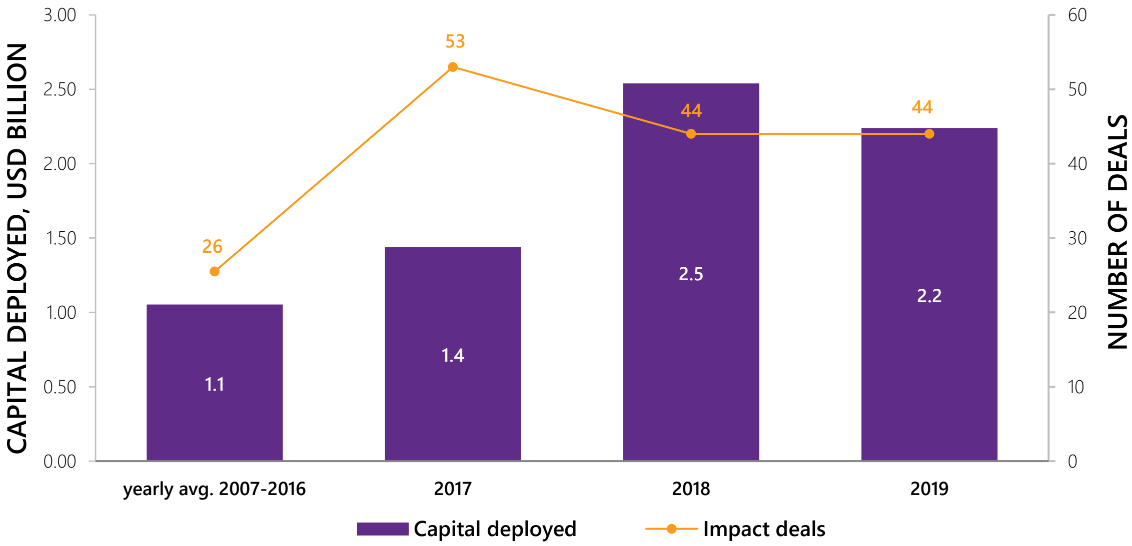
For deals with an explicit gender lens, debt and equity constitute roughly fifty-fifty of the deals by volume between 2017 and 2019. On the other hand, more than 80% of the GLI deals from 2007-2016 were debt investments primarily into microfinance institutions.

3.4. Development finance institutions

Nine development finance institutions have deployed impact capital in the region. These DFIs have invested USD 6.23 billion through 141 deals in South East Asia. Asian Development Bank (ADB) alone invested around USD 2.9 billion in 25 deals, while International Finance Corporation (IFC) invested a close USD 2.7 billion in 63 deals. Together, they represent 90% of the total capital deployed, and account for over 60% of all impact deals undertaken by DFIs in the region. FMO is another investor which invested in close to 20% of the deals in the region, although its ticket size is considerably small (~USD 8 million) as compared to IFC and ADB.

3.4.1. DFI investment activity

FIGURE 10: IMPACT CAPITAL DEPLOYED DFIs, BY YEAR



Ave. ticket size	41.3	27.2	57.7	50.9

Unlike the marked change in PII investing, DFI investing activity follows the historical trend. Capital deployment by DFIs remained on a gradual growth path between 2007 and 2016, a trend which continues from 2017 to 2019 as well as with deal volumes remaining steady for DFIs over the years. However, from a deal volume perspective, DFIs focused on emerging markets like Myanmar, Cambodia and Vietnam.

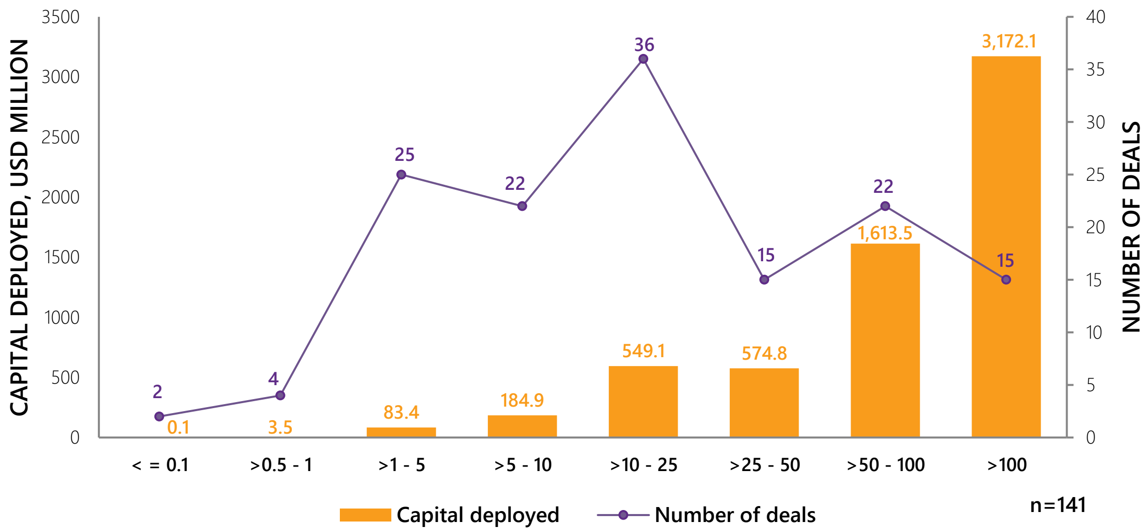
From the perspective of number of investments, Myanmar has emerged as a key focus area for DFI investments. More than 20% of the DFI deals by volume (and 13% by value) were in Myanmar, underlining its status as a frontier market. Myanmar, Vietnam, Cambodia and the Philippines accounted for about 75% of the deals below USD 50 million and over 50% of the overall deals. However, the corresponding quantum of capital deployed is just over 15%.

In terms of deal value, more than 30% of the capital deployed by DFIs is invested in Indonesia. Almost 85% of the deals with a ticket size larger than USD 50 million were made in Indonesia, Thailand and Vietnam. While these countries accounted for less than 50% of deals by volume, they also accounted for over 70% of value of capital invested.

In contrast, between 2007 and 2016, more than 25% of the DFI deals by volume were in Indonesia, which also accounted for 33% of the total capital deployed by DFIs in the region.

3.4.2. DFI deal sizes

FIGURE 11: IMPACT CAPITAL DEPLOYED BY DFIs, BY TICKET SIZE FROM 2017-2019



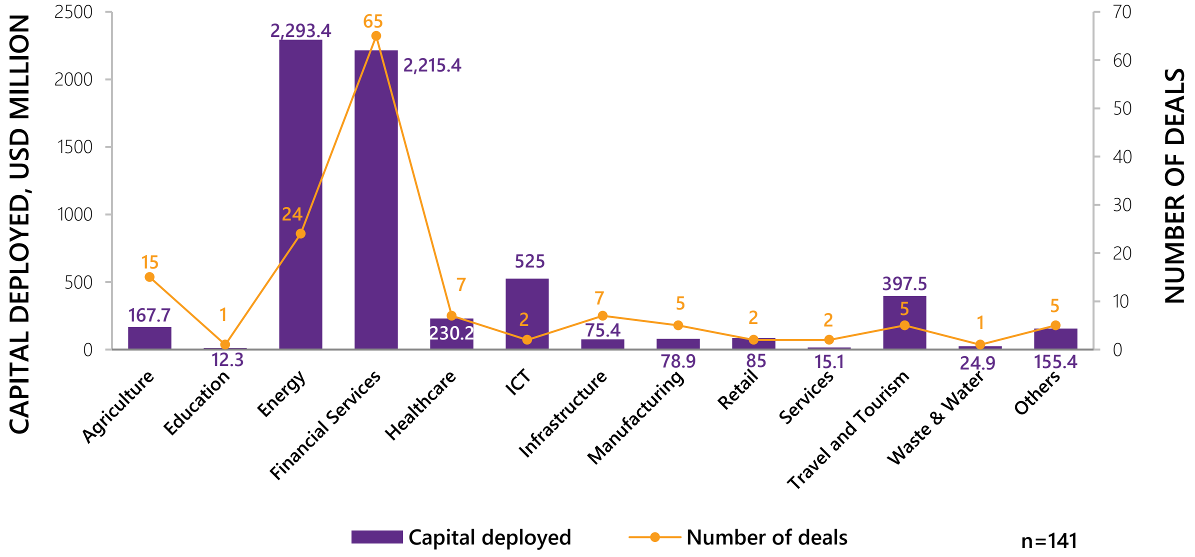
The average deal value has increased considerably for DFIs. Average deal size since 2012 has been in the range of USD 27-44 million, while deal values in 2018 and 2019 are over USD 50 million. Overall, the average ticket size of DFIs is around USD 44.2 million while the median deal value is around USD 15 million, indicating that while there is a skew towards very large deals, the majority of the deals are relatively small.

There is a clear correlation between the amount of capital deployed and ticket size of investment – larger ticket size deals account for the majority of DFI investment. For instance, though the highest number of deals are between USD 10 million and USD 25 million (> 25% of the deals), this ticket size accounts for less than 10% of the capital deployed by DFIs. On the other hand, the 15 deals over USD 100 million in size constitute over half of the capital injected by DFIs into the region. These investments are undertaken by IFC and ADB.

Similarly, about 45% of all DFI deals over 50 million have been in the energy sector, with another 35% going into financial services. This is similar to the DFI impact investment trend between 2007 and 2016, when majority of large ticket size deals (over USD 50 million) were in the financial services and energy sector, with some investment flowing into ICT and infrastructure as well.

3.4.3. Sectors of investment by DFIs

FIGURE 12: IMPACT CAPITAL DEPLOYED BY DFIs, BY SECTOR FROM 2017-2019



From a sectoral perspective, financial services and energy account for over 70% of the capital deployed and around 63% of the deals made by DFIs in the region. Almost all the deals with ticket sizes over USD 100 million were channeled to the energy and financial services sectors.

DFIs deployed USD 2.3 billion through 24 deals in the energy sector, with an average ticket size of roughly USD 95 million. Most of the capital deployed in the energy sector has been in Thailand and Indonesia, and in non-solar renewable energy. In comparison, energy sector investments between 2007 and 2016 focused on solar energy and traditional power generation and supply.

The financial services sector attracted USD 2.2 billion deployed through 65 deals, with an average deal size of USD 34 million. Around 45% of the deals were made in Myanmar and Cambodia, mostly by IFC, ADB and FMO. Roughly 35% of the investment in the sector went into banking and insurance, 40% in microfinance, and 18% targeted improved access to finance for small and medium-sized enterprises (SMEs). Close to 10% was invested in the growing fintech sectors such as payment solutions and financial marketplaces.

The ICT sector saw only 2 deals, but with the highest average ticket size across sectors of about USD 262 million. DFIs have also made few investments in other sectors such as education, waste and water or consumer goods.

3.4.4. Trends in GLI

From the perspective of capital deployed with a gender lens between 2007 and 2016, DFIs did not deploy capital with an explicit gender lens. However, over the last 3 years DFIs have invested in 5 enterprises with an explicit gender lens. The GLI deals were carried out by IFC and ADB, with co-investment by DEG in one deal. Four of the 5 GLI deals were made in the financial services (commercial banking, inclusive finance) sector and one in agro-processing and trading. Even so, most DFIs still continue to only be gender-sensitive and not gender explicit in their investments.

3.4.5. Instruments used for investing

Almost 70% of the total number of DFI deals and over 85% of the capital were deployed as debt. Equity investments picked up after 2015, but the investment trend for DFI has remained constant over the years, with majority of the capital deployment being done through debt. Even between 2007 and 2016, more than three-quarters of the DFI deals by volume were invested as debt capital.

This is because a large part of DFI investments flow into on-lending institutions such as banks or MFIs, large scale energy projects, traditional agriculture businesses, etc., where debt is better suited for investment.

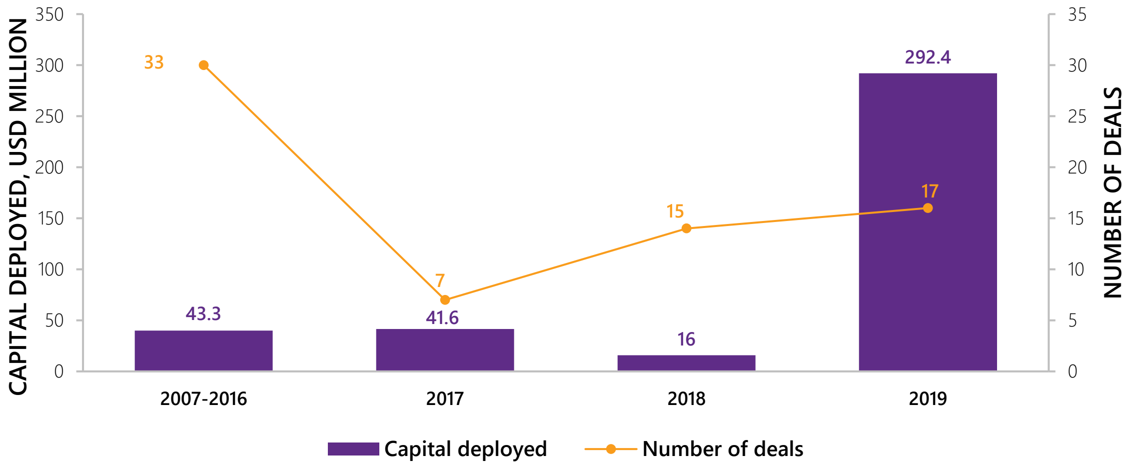
Most of the debt deals by volume (63%) were in Myanmar and Vietnam, followed by Indonesia and Cambodia. DFIs use debt primarily for investments in the financial services (35%), energy (11%) and agriculture sectors (9%), in terms of deal volume. The financial services sector also reported the most number (40%) of equity deals by DFIs.

4. GENDER LENS INVESTING

GLI deals in the region are primarily driven by 6 investors–Patamar Capital, Root Capital, ANGIN, SEAF, C4D Partners and Thriive. Impact Investment Exchange (IIX), through its Impact Growth Fund has also been deploying capital with a gender lens into women-owned enterprises as well as enterprises integrating gender equity in operations.

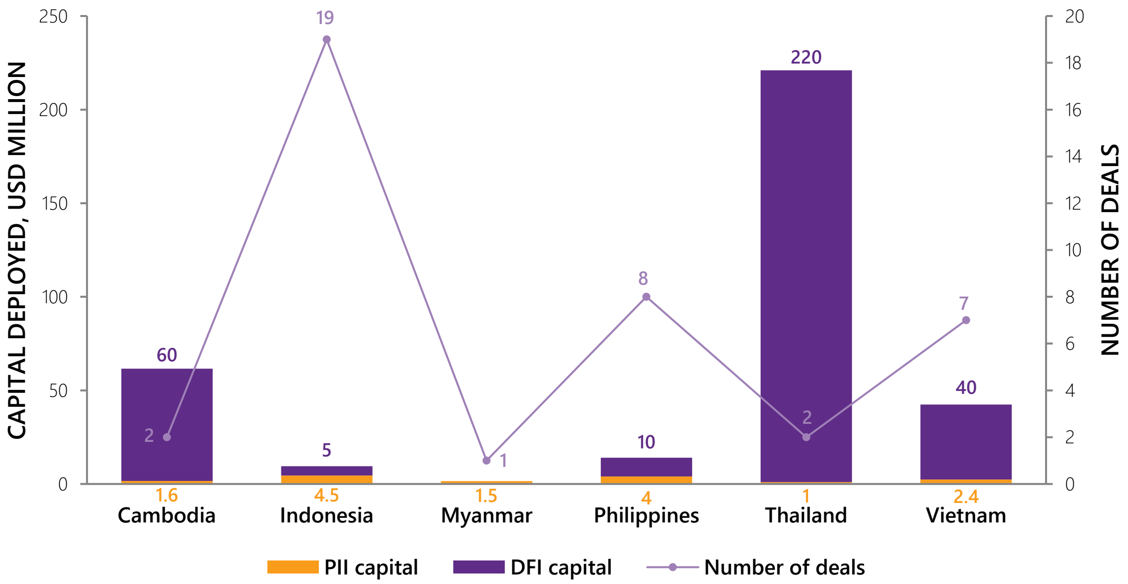
4.1. GLI investment activity

FIGURE 13: CAPITAL DEPLOYED BY GLI INVESTORS, BY YEAR



Gender lens investing has increased considerably in the region, mainly driven by PIIs over the last 3 years. As compared to 33 deals with an explicit gender lens over 10 years from 2007-2016, the last 3 years alone have reported 39 deals with an explicit gender lens. Around 9 different GLI focused investors (and 2 DFIs) have deployed USD 350.0 million in the region.

FIGURE 14: CAPITAL DEPLOYED BY GENDER LENS INVESTORS, BY COUNTRY (2017-2019)



From a geographic perspective, IW focus countries dominate GLI (by number of deals). Indonesia, Vietnam and the Philippines combined account for over 80% of the GLI deals by volume in the region, highlighting the focus of GLI investors in these geographies. About half of the GLI deals were made in Indonesia.

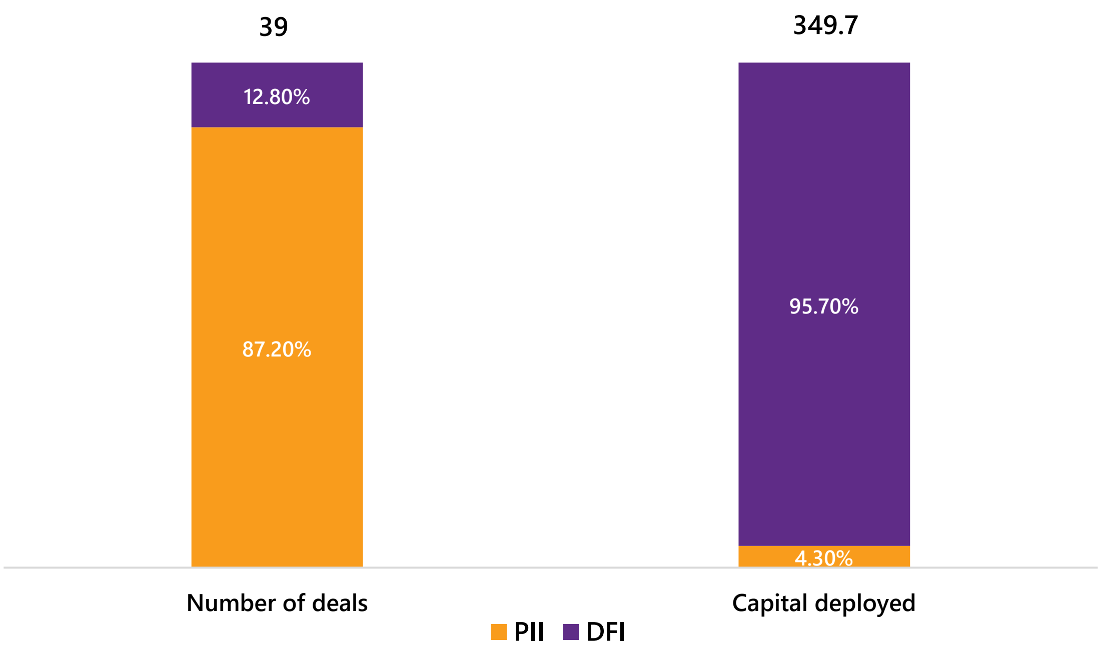
Thailand and Cambodia, with only 2 GLI deals, account for the majority of GLI deal value in the region since the two deals are also by far the two largest deals by ticket size.

4.2. GLI deal sizes

Median PII GLI deal size (USD 0.3 million) is still only 20% of the median non-GLI investment by PII. This indicates that most GLI deals are still happening at early stages of business and/or receive small ticket size investments from accelerator programs. Moreover, the fund size managed by GLI investors is still very small, which entails that the investors seek to make smaller investments. Investors also point out that additional capital flowing into the space is still slow.[8]

Capital deployed is disproportionately high in 2019, owing to 2 large-size gender-focused DFI deals in Thailand and Cambodia. DFIs account for over 95% of the capital invested with a gender lens, but PIIs contribute more than 85% of the deals by volume in the region (34 GLI deals by PIIs, and 5 by DFIs). DFI deals in the space are led by IFC and ADB with IFC disbursing larger ticket sizes.

FIGURE 15: DEAL VOLUME AND CAPITAL DEPLOYED BY TYPE OF GLI INVESTORS, USD MILLION (2017-2019)



[8] Insights from IW partners in the region

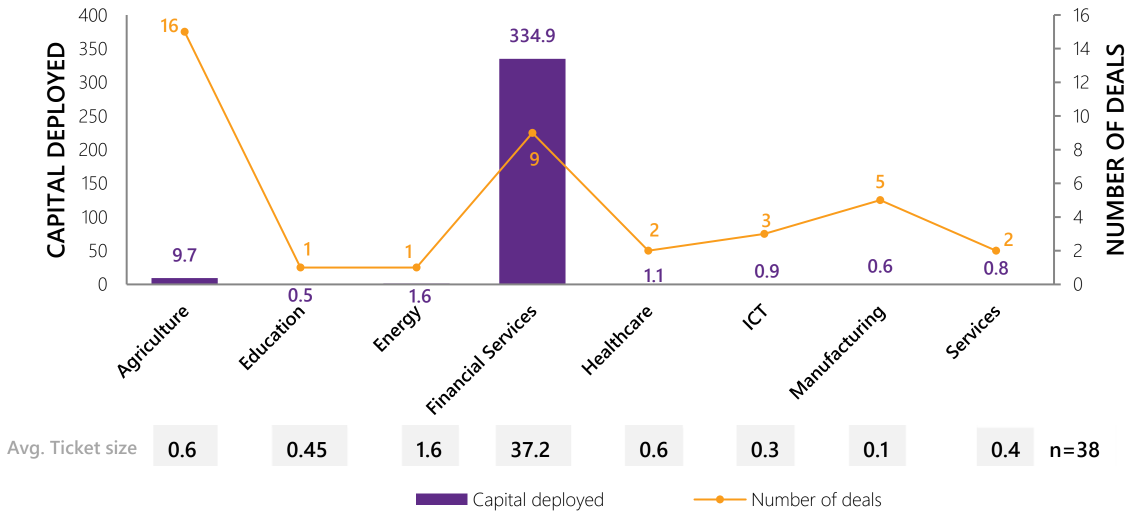
4.3. Sectors of investment by GLI

Financial services companies attract the most amount of capital with a gender lens while agriculture enterprises constitute the greatest number of deals. 13 of the 15 agriculture GLI deals are of Indonesian origin and one investor has participated in 6 of them.

Almost 90% of the capital invested using a gender lens has targeted commercial banking for SMEs and microfinance, and P2P/lending platforms. The objective of financing platforms was to promote inclusive finance and hence, increase access to capital for women. The ticket size for GLI deals in the financial services sectors is higher than other sectors, due to the vast majority of the gender-focused DFI deals happening in this sector.

Apart from financial services, investments across other sectors indicate a focus on early stage investments when a gender lens is applied by investors.

FIGURE 16: CAPITAL DEPLOYED BY GENDER LENS INVESTORS, BY SECTORS (2017-2019)



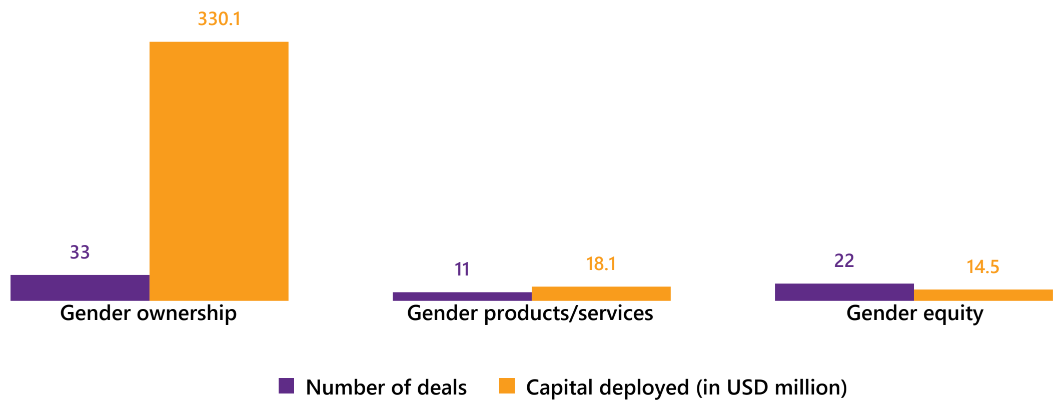
4.4. GLI investment strategies

GLI investors look at enterprises that adopt at least one of the 3 strategies since even enterprises not led by women may impact women by providing opportunities to women as employees or suppliers or by offering critical products and services that meet women's and girls' needs.

Gender ownership/leadership of the enterprise is the most commonly used GLI strategy. This strategy accounts for over 85% of the GLI deals and received around USD 330 million GLI capital. Several PIIs have been integrating gender equity in terms of women's representation on boards and in senior management, along with women's ownership to invest with a gender lens.

Support to enterprises offering products/services for women and girls is the least utilised GLI strategy, owing to the limited understanding of how different businesses may or may not impact the lives of women in the region. But investors such as SEAF, Patamar and Root Capital are striving to gradually increase capital deployment through this strategy, by investing into maternal health or inclusive financing services where the value proposition for women customers is well understood.

FIGURE 17: GLI STRATEGY USED FOR DEALS WITH AN EXPLICIT GENDER LENS (2017-2019)



Note: *Most deals with an explicit gender lens are seen to utilise more than one GLI strategies, either intentionally or unintentionally.*

GLI investors are integrating a gender lens in their pre-investment due diligence process. Between 2007 and 2016, most GLI investors considered gender impact only after investment and only in very few cases did investors use a gender lens to inform investment decisions.

However, from 2017-2019 many GLI investors (like Root Capital, SEAF, Patamar, etc.) are seen to evaluate financial performance along with social and gender impact opportunities to finalise an investee company. SEAF, for example, has developed a Gender Equality Scorecard and uses it for multiple purposes, including as a screening tool to identify companies already demonstrating a commitment to gender equality; as a mechanism to work with investees to highlight areas for gender equality and integration, to help improve gender and business performance; and as a guideline to develop SEAF's best practices in the implementation of its gender improvement plans.[9]

Other investors are also aligning an ESG view into their due diligence, scoring potential investees on the percentage of women in their management; investees having women as a percentage of senior management above a certain threshold receive extra points. Scoring also considers inclusion of women in the enterprise value chain and making sure companies have gender sensitive policies.[10]

Nonetheless, investors indicated that it is easier to work with investee companies that have an existing focus on gender and looking to improve on their gender objectives.

Some investors have also deployed capital without an explicit focus on gender impact. Around 38 deals were made with an unintentional gender lens in the region, which accounted for USD 245 million, or 4% of the total capital deployed.

This means that even though the PIIs and DFIs do not evaluate and monitor gender-disaggregated data before/after investment, the investment still impacts women and girls disproportionately, owing to the type of business operations of the investee company. Interestingly, over 40% of the unintentional GLI deals are into **enterprises that provide products/services that improve the lives of women.** This suggests that investors who do not have to justify the gender perspective may find it easier to support such businesses.

[9] See https://www.seaf.com/ges-manual/ for further detail

[10] Intellecap's interactions with investors in South East Asia

4.5. Instruments used for investing

Investors highlighted that instruments used for GLI remain the same as for other SMEs; the choice of equity/debt or other instruments depends on what suits the investee company regardless of male or female ownership/focus.

DFI GLI deals are mainly in the form of debt as the investment instrument, while for PIIs debt and equity have been used equally for gender lens investments.

PIIs use debt primarily for investments in the manufacturing and agriculture sectors. Equity investments, on the other hand, are spread across sectors like ICT, education, services, as well as financial technology and agro distribution. Some investors have also been using quasi-equity, convertible debt and green bonds for investment. Other investors feel that equity investments tend to create larger impact for women entrepreneurs as compared to debt.

4.6. Support needed to promote GLI

GLI investors indicated that additional support is required to promote investments. Support required can be broadly classified into three areas:

- **CAPACITY BUILDING AND TECHNICAL SUPPORT**

  A key area where support is needed is in the adoption of GLI strategies other than women ownership and the need for capacity building for fund managers in the area of GLI[11] and in gender sensitisation of fund managers.[5]

  A few investors also pointed out the importance of creating mechanisms to promote entrepreneur alignment and commitment to gender equality. Since metrics to measure gender impact have not yet been fully defined, it is difficult for investors to measure and report such impact.[5] To this end, C4D Partners is developing a gender self-assessment tool kit for investee companies, which will help identify areas of improvement for enterprises towards their gender integration goals.

- **FUND RAISING SUPPORT**

  LP intent and advocacy are critical to channelling capital with a gender lens and also to incentivise fund managers to adopt gender lens strategies and associated impact reporting. DFIs and other key LPs may also look at diversification to move beyond microfinance and anchor new investors for GLI focused funds.[6]

  LP support is needed both at the regional/country level as well as at the global level to establish GLI vehicles of different sizes and sectoral areas of focus. For instance, the ANGIN Women Fund was established by 15 Indonesian women HNWIs to support and invest in businesses led or owned by female entrepreneurs or that have business models that positively impact women.

[11] Insights from IW partners in the region

- **DEAL SOURCING SUPPORT**

  Many investors reportedly find it difficult to source investable enterprises that are owned or led by women amid an already sparse pipeline, adding to sourcing costs.[12] Others reported the need for pre-investment TA facilities to reduce the time required to develop investible business plans.[13]

  Pipeline building for enterprises promoting gender equity or offering critical products/services for women is impacted by the limited understanding of decision making processes at household level (mainly farming communities) as it guides the types of potential investible enterprises in the country.[14]

[12] 'Mainstreaming GLI: An assessment of women-owned enterprises in developing countries', Intellecap, 2020 https://www.intellecap.com/publications/mainstreaming-gli-an-assessment-of-women-owned-enterprises-in-developing-countries/

[13] Insights from IW partners in the region

[14] Inputs from Gender lens investors active in South East Asia

5. COUNTRY-WISE IMPACT INVESTING ACTIVITY

5.1. Indonesia

FIGURE 18: OVERVIEW OF IMPACT INVESTING IN INDONESIA, 2017-2019

28 PIIs deployed USD 138.5 million in 61 deals and 5 DFIs invested USD 1.9 billion in 25 deals in Indonesia

DEAL SIZE

- 72% of deals under USD 10 million
- Average ticket size for PII impact deals is USD 2.4 million

SECTORS

- Key sectors include energy and financial services, accounting for 65% of impact capital in the country
- Other sectors include agriculture, infrastructure and tourism

GENDER LENS INVESTING

- Indonesia registered 19 deals with an average deal size of USD 0.5 million
- 95% deals through gender ownership strategy and 58% through gender equity and ownership

INSTRUMENT

- 34% of DFI deals are debt instruments
- 60% of PII deals use equity

5.1.1. Impact capital invested in Indonesia

Indonesia is the largest market for impact investing in the region in terms of the number of active investors, amount of impact capital deployed and number of impact deals. Private Impact Investors (PIIs), including at least 28 fund managers and one impact-focused angel network, have deployed USD 138.5 million across 61 deals, and five Development Finance Institutions (DFIs) have deployed over USD 1.9 billion in impact capital through 25 direct deals.

TABLE 5: IMPACT INVESTING ACTIVITY IN INDONESIA, 2007-2019

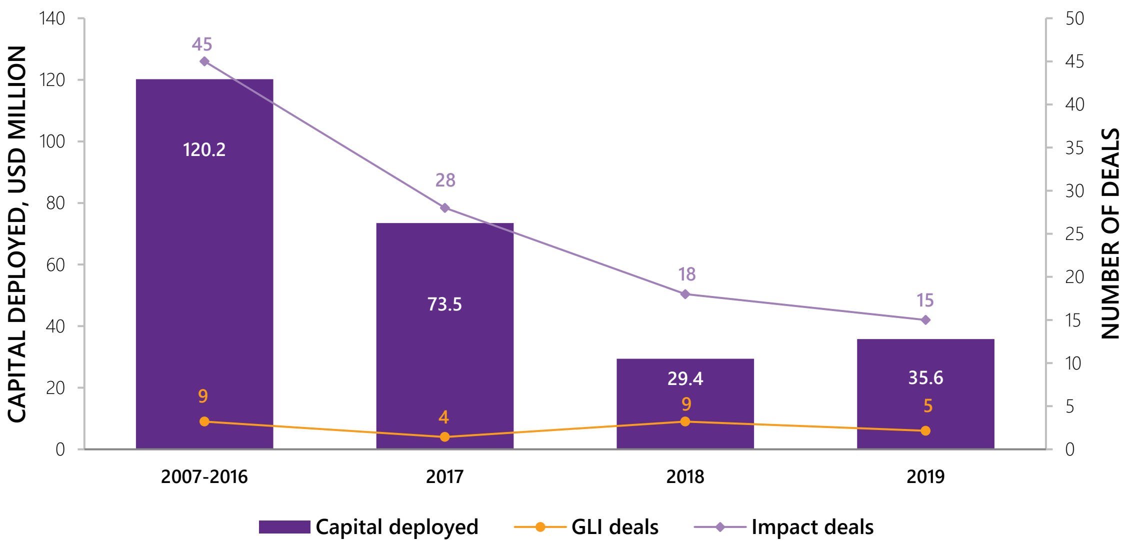
	CAPITAL DEPLOYED (IN USD BILLION)				NUMBER OF DEALS			
	2007-2016	2017	2018	2019	2007-2016	2017	2018	2019
DFIs	3.5	0.27	1.27	0.39	65	5	11	9
PIIs	0.12	0.07	0.03	0.04	45	28	18	15
TOTAL	3.64	0.34	1.3	0.43	110	33	29	24

Note: *Between 2007 and 2016, DFIs and PIIs co-invested in 8 deals.*

Almost 72% of the deals have ticket sizes under USD 10 million. Most of these are early to growth stage investments, with approximately 35% of the deals being pre-seed or seed stage investments in Indonesia.

The mature stage investments comprised less than 20% of the deals but constituted more than 85% of the total capital deployed in the country.

FIGURE 19: IMPACT CAPITAL DEPLOYED BY PIIS IN INDONESIA, BY YEAR



PII activity in Indonesia has been riding on the back of a growing startup ecosystem in the country along with the presence of several impact investors in Indonesia as well as across the SEA region. Between 2007 and 2016, PIIs had fewer deals in the country as compared to DFIs. However, the number of impact deals by PIIs has increased considerably over the last 3 years and PII deals are about 2.5 times the number of DFI deals. On average, PIIs have undertaken 20 impact deals per year from 2017-2019, which is the highest deal volume in the region.

Indonesia also has the highest number of GLI deals in the region. From 2017 to 2019, Indonesia received 19 out of the 38 GLI deals in the region. Five GLI investors–Patamar, Root Capital, C4D, IIX and SEAF have invested in Indonesia with an explicit gender lens, along with one DFI-led GLI deal by ADB. Almost 95% of the GLI deals use the gender ownership strategy, while over 58% use gender equity integrated with gender ownership. Only 3 investments have gone into enterprises offering gender-focused products and services.

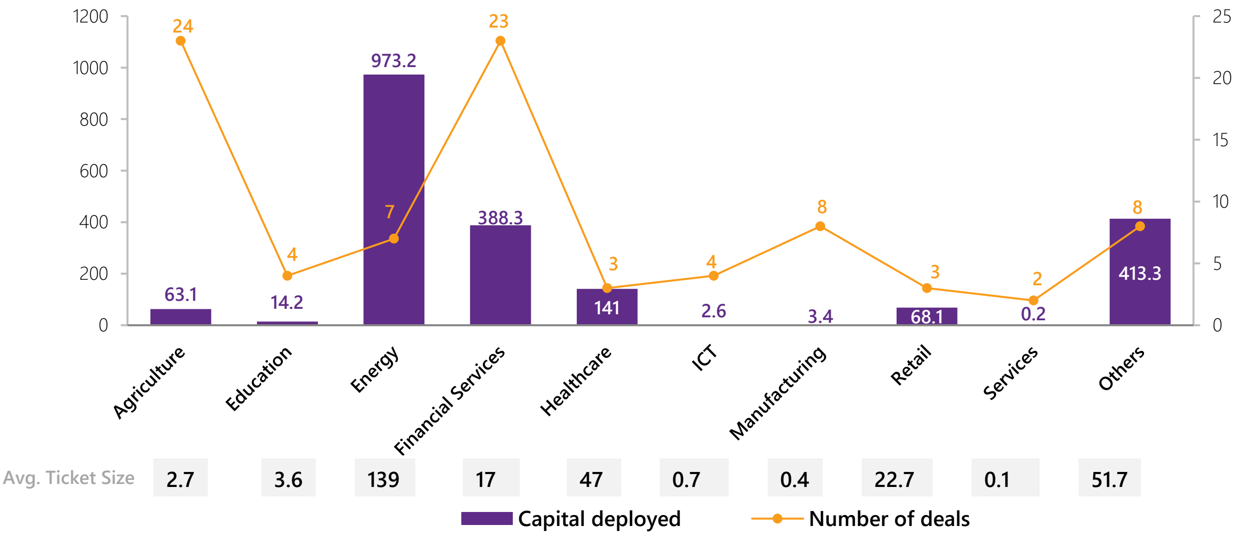
For both DFIs and PIIs, the capital deployment in the country as a percentage of the overall impact capital deployed in the region has been going down over the last 3 years mostly due to investors moving to other emerging markets in the region. Nonetheless, Indonesia still reports the highest number of impact deals and deal value compared to any other country in the region.

5.1.2. Sectors of investment

Energy and financial services are the leading sectors in terms of impact capital deployment in Indonesia. All the deals in the energy sector have been executed by DFIs with very high average ticket sizes (~USD 130 million) with all being debt investments. Energy investments in Indonesia have seen a major shift – from traditional power generation and solar/geothermal accounting for a majority of deals between 2007 and 2016, to investments into hydro, wind and waste to energy enterprises over the last 3 years.

Deals in the financial services sector were also largely concentrated in the financial technology space – comprising P2P and crowd funding platforms, online marketplaces and digital credit scoring. Even the healthcare sector saw more investments from DFIs, leading to a higher ticket size on average in the sector between 2017 and 2019. Most healthcare investments were made in online consultations and other tech-based solutions.

FIGURE 20: IMPACT CAPITAL DEPLOYMENT IN INDONESIA 2017-2019, BY SECTOR



Note: *Others include infrastructure, consumer goods, travel and tourism, etc.*

5.1.3. Instruments used for investing

More than three-fourths of the DFI deals in the country are debt investments, while about 40% of PII deals use debt as an instrument. Almost 65% of the debt investments are in the agriculture, energy and financial services sectors; primarily targeting key Indonesian agriculture products such as coffee and cacao, renewable power generation and SME financing online/offline solutions.

From 2017-2019, most deals in the financial services and agriculture sector had an even split of debt and equity investments. In comparison, between 2007 and 2016, Indonesia saw a higher number of equity investments across a diverse set of sectors.

5.1.4. Gender Lens Investing

GLI in Indonesia has evolved in the last 3 years, with more investors using a gender lens explicitly rather than unintentionally. Investments with an explicit gender lens were done mostly in the agriculture sector with gender equity and gender ownership strategy

Over 80% of the GLI deals were early to very early stage (seed/pre-seed to series A) investments. Median value for GLI deals is USD 0.15 million, with an average deal size of USD 0.5 million

Investors still seem to be wary of mainstreaming the practice of GLI. Most regional GLI investors invest in gender-focused enterprises through specific market building programs or funds. Nonetheless, most impact investors not using a gender lens during the investment process consider gender impact after investment, with some also including gender-disaggregated data in their impact reports.

5.2. Philippines

FIGURE 21: OVERVIEW OF IMPACT INVESTING IN THE PHILIPPINES, 2017-2019

18 PIIs invested USD 105 million in 28 deals and 4 DFIs deployed USD 522 million in 16 deals in the Philippines

DEAL SIZE

- 67% of deals under USD 5 million
- Average ticket size for PII impact deals is USD 4 million

GENDER LENS INVESTING

- 8 deals with gender lens– 7 by PIIs and 1 DFI deal
- Average GLI deal size is USD 1.75 million and deals applies all 3 GLI strategies equally

SECTORS

- Key sectors include financial services and energy, accounting for 84% of capital deployed in the country
- Other sectors include healthcare, travel and tourism and education

INSTRUMENT

- ¾ equity deals made by PIIs
- Debt funding used by PII and DFI equally

5.2.1. Impact capital invested in the Philippines

The Philippines is the third-largest impact investing market in South East Asia based on number of deals between 2017 and 2019, after Indonesia and Myanmar. In terms of capital invested however, the Philippines ranks below Thailand, Vietnam and Myanmar. A total of USD 627.35 million has been invested in the country through 43 deals in the last 3 years. Around 18 different PIIs have invested USD 105 million through 28 deals in the region, and four DFIs have invested over USD 522 million.

TABLE 6: IMPACT INVESTING ACTIVITY IN THE PHILIPPINES

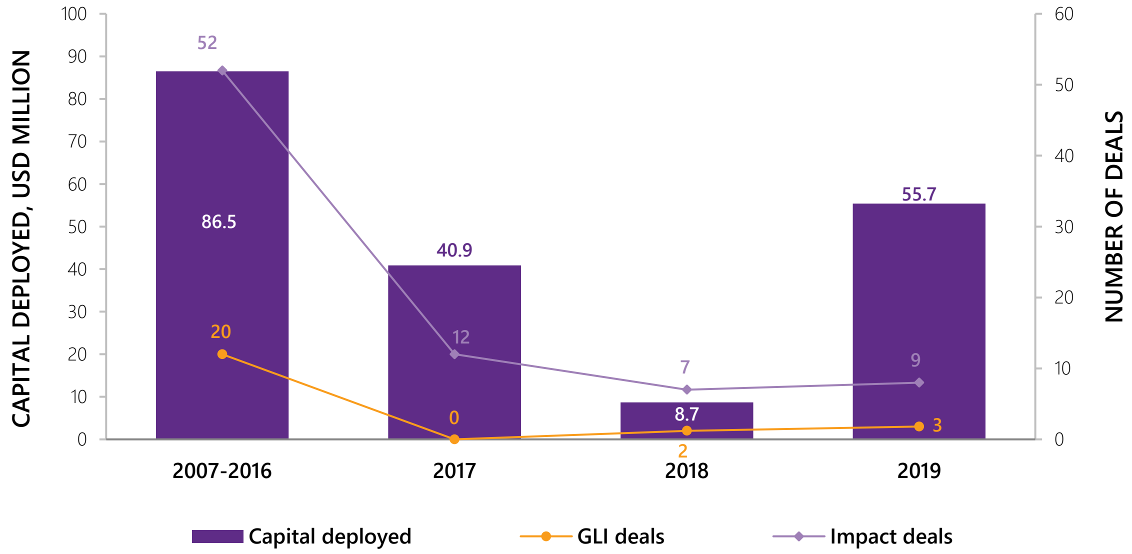
	CAPITAL DEPLOYED (IN USD BILLION)				NUMBER OF DEALS			
	2007-2016	2017	2018	2019	2007-2016	2017	2018	2019
DFIs	2.1	0.19	0.15	0.18	37	8	5	3
PIIs	0.09	0.04	0.008	0.03	51	12	7	9
TOTAL	2.2	0.23	0.16	0.24	87	20	12	12

Note: *Between 2007 and 2016, DFI and PII co-invested in 1 impact deal in the Philippines.*

Almost two-thirds of the deals in the Philippines have ticket sizes under USD 5 million. Most of the investments in the Philippines are in the seed to early growth stages, with at least 25% of the investments being in seed to series A rounds. The growth stage investments, with deal sizes between USD 5 million and USD 25 million, account for another 18% of the deals, and constitute over 18% of the capital deployed.

The average deal size for impact investments in the Philippines is around USD 14.9 million while the median deal value is USD 1.5 million. Average ticket size for PII impact deals is USD 4 million.

FIGURE 22: IMPACT CAPITAL DEPLOYED BY PIIs IN THE PHILIPPINES, BY YEAR



PIIs have been making more investments in the country, as compared to DFIs in terms of the number of deals. On average, PIIs have undertaken 9 impact deals per year from 2017-2019 in the country, while DFIs have made 5 deals per year

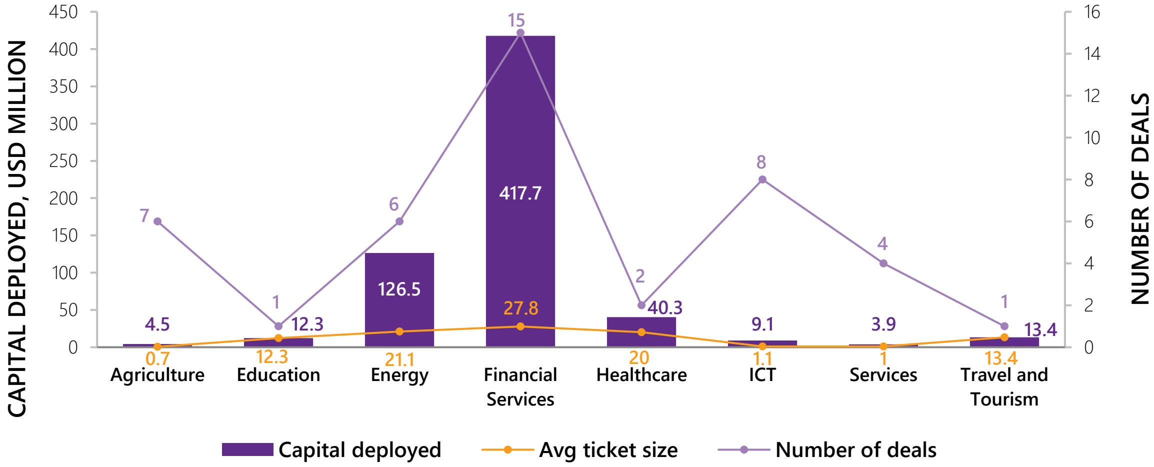
PII activity in terms of capital deployed in the country has also increased over the last 3 years. The total capital invested by PIIs in the Philippines over the last 3 years (USD 105 million) is considerably more than the USD 86.5 million deployed in the 10 years spanning 2007-2016. Capital deployment by DFIs has remained steady over the years, with most deals below USD 25 million.

The Philippines also had 8 deals with an explicit gender lens. From 2017 to 2019, the Philippines reported 7 GLI deals by PIIs and 1 GLI deal by ADB. Four private impact investors–Patamar, C4D, SEAF and Calvert Impact Capital–have concluded GLI deals in the Philippines. None of the GLI investors currently has offices in the country though Patamar aims to restore local representation once COVID-19 restrictions have eased. Investors deploying an explicit gender lens to invest in the Philippines have applied all 3 GLI strategies equally. A third of the deals are exclusively made into enterprises that provide gender-focused products/services–i.e. inclusive financing and microfinance.

Only 4 of the 18 private impact investors have either an office or representatives in the Philippines. A lack of presence in the investee country makes it difficult to invest effectively at times, since many investees require high-touch support. Between 2017 and 2019, most impact capital sourced from foreign investors came from non-regional countries including Belgium, France, Denmark, Netherlands and the United States.

5.2.2. Sectors of investment

FIGURE 23: IMPACT CAPITAL DEPLOYED IN THE PHILIPPINES 2017-2019, BY SECTOR



The Philippines also received most deals in terms of value and volume in the financial services and energy sectors. More than half of the financial services deals are done by DFIs, mainly FMO and IFC. Approximately 90% of DFI deals deploy debt capital with an average ticket size of USD 27 million.

Most deals have been in the financial services and are typically to microfinance/SME financing institutions or fintech companies. The PII deals in the financial services sector have largely provided equity investments to mobile payments and other fintech companies.

Energy investments in the Philippines were largely concentrated in the solar and other renewable energy space. Most investments in the agriculture sector were in early stage agri-marketing and food processing.

5.2.3. Instruments used for investing

In the Philippines, investors reportedly used an almost even split between equity and debt structures while investing their capital. A few deals were done through green bonds, or a mix of debt and equity. More than three-fourths of the equity deals were made by PIIs, while debt funding was used by both PIIs and DFIs equally.

Similar to the trend in the period between 2007 and 2016, almost 70% of the debt deals from 2017-2019 was in financial services and agriculture; primarily targeting commercial banking, microfinance, and agri-marketing.

About 40% of the equity deals were made in ICT, in artificial intelligence and other online solutions for businesses, while fintech and mobile payments accounted for about 24%.

5.2.4. Gender Lens Investing

Out of 8 GLI deals in the country, 7 were made by PIIs and one by DFIs. Over 20% of impact deals (by volume) still apply an unintentional gender lens in the Philippines. All GLI deals are done by single impact investors, with no participation from global impact/non-impact investors.

In one of the largest GLI deals, an inclusive financing enterprise raised USD 10 million in debt capital from ADB. However, almost two-thirds of the deals with an explicit gender had ticket sizes below USD 500,000 and were spread across sectors.

5.3. Vietnam

FIGURE 24: OVERVIEW OF IMPACT INVESTING IN VIETNAM, 2017-2019

8 PIIs invested USD 7.7 million in 11 deals and 6 DFIs deployed USD 1.2 billion in 25 deals in Vietnam

DEAL SIZE

- Only 30% of deals under USD 5 million and 45% above USD 25 million
- Average ticket size for PII impact deals is USD 0.77 million

GENDER LENS INVESTING

- 7 GLI deals with explicit gender lens, using gender ownership strategy
- Average GLI deal size is USD 6.1 million

SECTORS

- Key sectors include financial services and energy, accounting for 80% of impact capital in the country
- Other sectors include education, retail, manufacturing, waste and water

INSTRUMENT

- 2/3 of impact deals are debt investments and 30% are equity
- 50% equity deals made by PII and 80% of debt deals done by DFIs

5.3.1. Impact capital invested in Vietnam

Vietnam is one of the fast-growing economies in the region. Between 2017 and 2019, the country reported impact investments of USD 1.25 billion through 36 deals. Eight different PIIs invested USD 7.7 million into Vietnam through 11 deals, while six DFIs invested USD 1.2 billion through 25 deals. Vietnam is the third-largest country in terms of impact capital deployed in the region, after Indonesia and Thailand. More than 70% of the PII investments have been made by foreign investors and only 4 deals were made by investors with a regional presence, based in Singapore.

TABLE 7: IMPACT INVESTING ACTIVITY IN VIETNAM, 2017-2019

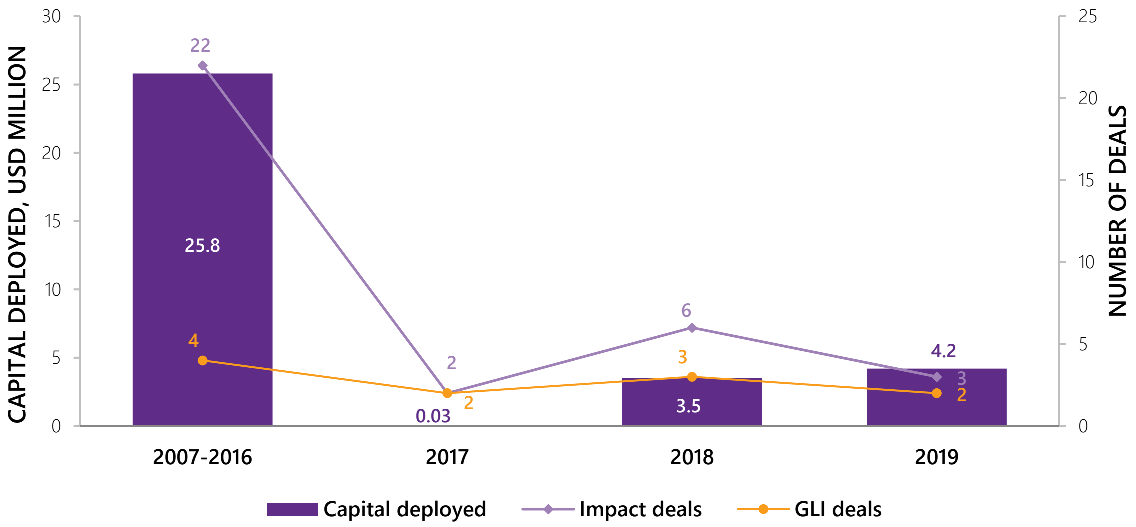
	CAPITAL DEPLOYED (IN USD BILLION)				NUMBER OF DEALS			
	2007-2016	2017	2018	2019	2007-2016	2017	2018	2019
DFIs	1.1	0.5	0.4	0.35	41	14	4	7
PIIs	0.025	-	0.003	0.004	22	2	6	3
TOTAL	1.2	0.53	0.4	0.4	63	16	10	10

More deals were concluded in the growth to maturity stage in Vietnam as compared to Indonesia and the Philippines, where the majority of the deals were in early to growth stage investments. Only 30% of the impact deals in Vietnam are below USD 5 million. Most of these deals are in the agriculture production and trading businesses and comprise both equity and debt funding largely by PIIs.

Close to 45% of the investments have ticket sizes above USD 25 million, showing investor's lower risk perception of investing in mature enterprises. Most of the financial services and energy investment fall into this category of deals, with 80% of the large ticket size deals being debt investments by DFIs.

The average ticket size for impact deals in Vietnam is around USD 35.7 million while the median deal value is USD 15 million. Average ticket size for PII impact deals in Vietnam is around USD 770,000, while median deal value is USD 540,000.

FIGURE 25: IMPACT CAPITAL DEPLOYED BY PIIs IN VIETNAM, BY YEAR



Impact investing activity by PIIs has slowed down over the last 3 years. Between 2007 and 2016, PIIs had invested over USD 25 million in 22 deals in Vietnam. However, from 2017-2019, the impact investing space reported little PII activity in the country with both the deal value and volume shrinking.

Impact investments by DFIs have grown in Vietnam and capital invested by DFIs is around 15 times the capital deployed by PIIs. DFIs invested USD 1.24 billion through 50 deals in Vietnam over the last 3 years, which is close to the total investment value and volume in Vietnam by DFIs in the prior decade from 2007-2016.

7 deals with an explicit gender lens were carried out in Vietnam from 2017–2019. GLI deals applied gender ownership/leadership as the strategy for investment analysis. 70% of the GLI deals also applied gender equity as a GLI strategy unintentionally. Most GLI deals are centred in the financial services, agriculture, healthcare and education sectors.

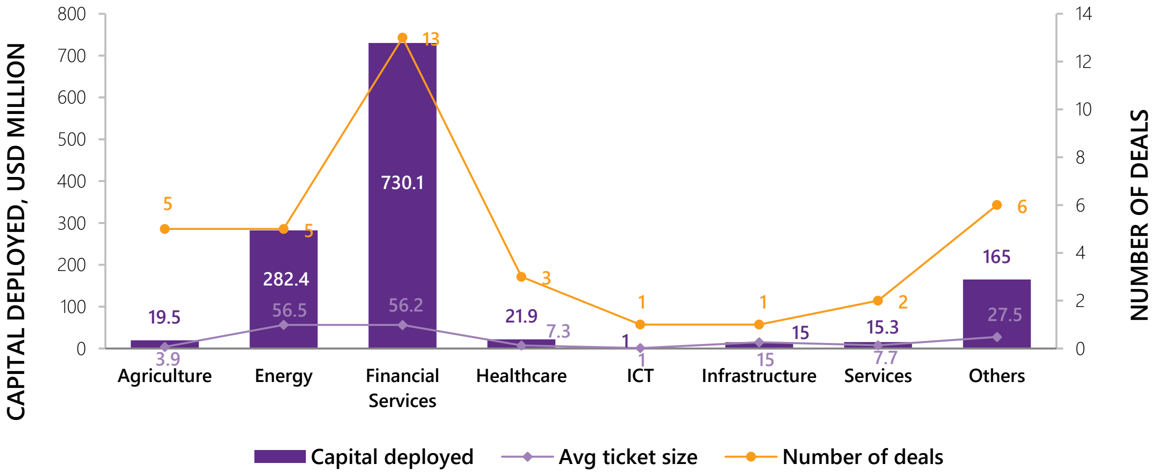
5.3.2. Sectors of investment

In Vietnam, energy and financial services are the leading sectors in terms of impact capital deployment. Around 85% of the deals in financial services and 80% in the energy sector are made by DFIs, which explains the higher average ticket sizes (~USD 56 million) in these sectors. Over three-fourths of the deals in these sectors are debt investments by IFC and ADB.

Investments in financial services sector is mostly in the form of debt funding to commercial banks for on-lending to SMEs. Capital deployment in ICT has decreased in Vietnam since ICT is one of the top sectors of impact investment by PIIs in the country between 2007 and 2016.

Despite Vietnam's historically agrarian economy, agriculture has received less than 2% of the total impact investment flowing into the country. However, GLI deals were made in primarily the agriculture and financial services sectors.

FIGURE 26: IMPACT CAPITAL DEPLOYED IN VIETNAM 2017-2019, BY SECTORS



Note: *Others include education, retail, manufacturing, consumer goods, waste and water, and travel and tourism.*

5.3.3. Instruments used for investing

More than two-thirds of the impact deals in Vietnam are debt investments and only 30% of the deals report equity deployment. Over 50% of the equity impact investments have been done by PIIs, while over 80% of the debt deals were by DFIs.

Almost 60% of the debt investments were in the financial service and energy sector, with some debt impact funding also going into the agriculture and healthcare space. Owing to the lower understanding and familiarity of social entrepreneurs with equity, and enterprises lacking the required structural, financial and administrative best practices, equity investments is likely to remain limited in the country.[15]

5.3.4. Gender Lens Investing

GLI in Vietnam has grown in the last 3 years, with more GLI deals happening with an explicit gender lens from 2017-2019 than in the 10 years between 2007 and 2016, owing in part to women foraying into STEM businesses. From 2017 to 2019, Vietnam reported 7 deals with an explicit gender lens–6 GLI deals by PIIs and 1 GLI deal by IFC. Three private impact investors–Patamar, SEAF and Thrive–have concluded GLI deals in Vietnam. Investments with an explicit gender lens were done mostly in the agriculture and financial services sectors, with a gender ownership and gender equity strategy. Median value for GLI deals in Vietnam is USD 0.5 million, with an average deal size of USD 6.1 million.

PII investments with an explicit gender lens were mostly seed to series A investments, with deal value less than USD 500,000. The only GLI large deal was a USD 40 million investment made by IFC. Stakeholders pointed out a lack of women-focused programs/interventions in Vietnam, which could provide impetus for growth of GLI in the country.

[15] Intellecap's previous research in the country

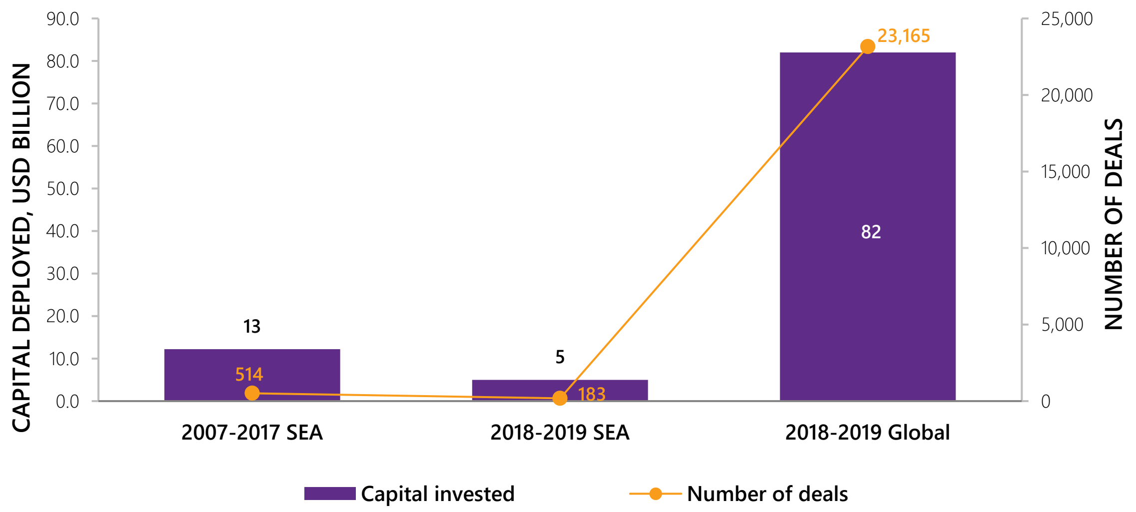
6. COMPARISON OF REGIONAL AND GLOBAL IMPACT INVESTING

Globally, the impact investing market has being making inroads across geographies and sectors, setting out to promote development outcomes. As seen in the previous sections, South East Asia has also been registering a strong growth in impact investing activity. A comparison of the impact investment landscape in South East Asia with the global market will provide a better view of where the region stands in terms of impact investing activity.

For this purpose, a comparative analysis of the regional impact investments (between 2018 and 2019) has been performed against the impact investment landscape in SEA from 2007-2017 as well as the global impact investment trends based on the GIIN investor survey.[16]

6.1. Overview of investment activity

FIGURE 27: COMPARISON OF GLOBAL IMPACT CAPITAL DEPLOYED AND DEAL VOLUME WITH SEA



The global survey indicates that less than 6% of the total impact capital is deployed in South East Asia. Developed markets like the US and Canada reportedly account for 28% of the total impact capital globally.

Globally, the impact capital deployment has increased by 35% – from USD 35 billion in 2018 to USD 47 billion in 2019. However, the absolute number of deals has reduced considerably (9,807 deals in 2019 and more than 13,350 deals in 2018). The global survey as well as the updated deal database indicates that impact investing in South East Asia has been very consistent both in terms of capital deployed and number of deals over the same period.

The global average ticket size for impact deals in 2018 stood at USD 2.6 million, which almost doubled to USD 5 million in 2019. In South East Asia, PIIs invested an average of USD 2.2 million per deal, while DFIs deployed USD 54.4 million as per the updated deal database. On the other hand, according to the GIIN

16 The GIIN investor survey 2019 captures impact investment trends for 2018, and investment pipeline for 2019

SEAL report on impact investments between 2007 and 2017, the average deal value for PIIs was higher at USD 3.9 million, while that for DFIs was lower at around USD 40 million.

6.1.1. Instruments used for investing

	GLOBAL		SOUTH EAST ASIA		
	2019	2018	2019	2018	2007-2017
CAPITAL DEPLOYED THROUGH DEBT	60%	50%	84%	90%	83%
NUMBER OF DEALS USING DEBT	77%	79%	49%	55%	59%
AVERAGE DEAL VALUE *(IN USD MILLION)*	5	2.6	26	28	23

Over 50% of global impact capital was invested through debt in 2018, which grew to around 60% in 2019. Equity accounted for about 26% of the capital deployed in both years, in the global markets. In contrast, debt accounts for over 90% and 85% of capital deployed in 2018 and 2019 respectively in South East Asia. Equity investments constitute less than 10% of the capital deployed in SEA across the 2 years.

However, in terms of the number of deals, the updated deal database shows that equity and debt comprise almost 45-50% of the investments in South East Asia while the global trend shows debt accounting for more than 75% of the deals. This indicates that while in South East Asia the ticket size of debt deals is larger, globally, equity deals are larger in size.

6.1.2. Investment by PIIs and DFIs

	GLOBAL		SOUTH EAST ASIA		
	2019	2018	2019	2018	2007-2017
TOTAL NUMBER OF INVESTORS	279	261	35	33	72
NUMBER OF PIIs	198	181	28	27	61
CAPITAL DEPLOYED BY PIIs *(IN USD BILLION)*	11.1	18.9	0.13	0.07	0.99
NUMBER OF DFIs	11	10	7	6	11
CAPITAL DEPLOYED BY DFIs *(IN USD BILLION)*	5	8.6	2.24	2.54	12

DFIs constituted more than 94% of impact capital deployed in South East Asia, while PIIs accounted for less than 6% of the capital in 2018 and 2019, as indicated by the updated deal database. This is in line with the historical investment trend since 2007 (GIIN SEAL report), when capital deployed by DFIs accounted for over 92% of total impact capital in the region.

However, the trend in the global markets is very different. The global investor survey indicates that in 2018 and 2019, DFIs account for less than 25% of the impact capital deployed.

6.1.3. Sectors of investment

Financial services, energy and agriculture sectors reported the highest number of impact deals in South East Asia over the years. Sectorally, South East Asia impact investing trends are similar to global trends; with energy sector and financial services dominating overall investment flows globally, too.

Globally, significant capital allocations were made in financial services (13% to microfinance and 11% to other financial services), energy (15%), and food and agriculture (10%) in 2018.

In South East Asia, the updated deal database indicates that more than 30% of the deals in 2018 and over 40% in 2019 happened in financial services, primarily in the SME financing and fintech space. In terms of capital allocation, the top three sectors in the region were energy (36%), financial services (32%) and ICT (11%).

According to the GIIN SEAL study, between 2007 and 2017, the region saw almost 44% of the capital deployed into financial services, with more than 40% of the total impact deals.

6.1.4. Trends in GLI

Surprisingly, the investor survey indicates that majority of the global investors have adopted GLI. The survey reports that around 70% of the investors (out of the 294 investors participating in GIIN's annual survey 2020) claim to apply an explicit gender lens to their investment process. The preferred investment strategy seems to be that of investing in companies that have good gender equality policies or target women and girls as beneficiaries. The survey also highlighted that several funds focused on gender have been developed by investors, using various blended finance structures, and offering technical assistance.

However, South East Asia has only a handful of investors who explicitly apply a gender lens to their investments. Also, unlike in the global survey, despite focusing on gender in the investment process, most investors prefer to utilise the gender ownership while making investment decisions. Gender equity and women and girls as beneficiaries are GLI strategies that are seldom used by GLI investors in South East Asia.

Nonetheless, given the increased impact investing and GLI activity in South East Asia over the last 3 years, there are trends which would support continued rapid growth in the market.

- Ecosystem stakeholders expect new investors to enter the market, and more funds being developed with an explicit gender or impact mandate.
- Moreover, existing investors have also been scouting for potential gender-enabling investee companies.
- With global organisations leading the way for GLI in the region, more traction will likely be seen in terms of higher ticket sizes and GLI investments in later stages of business.

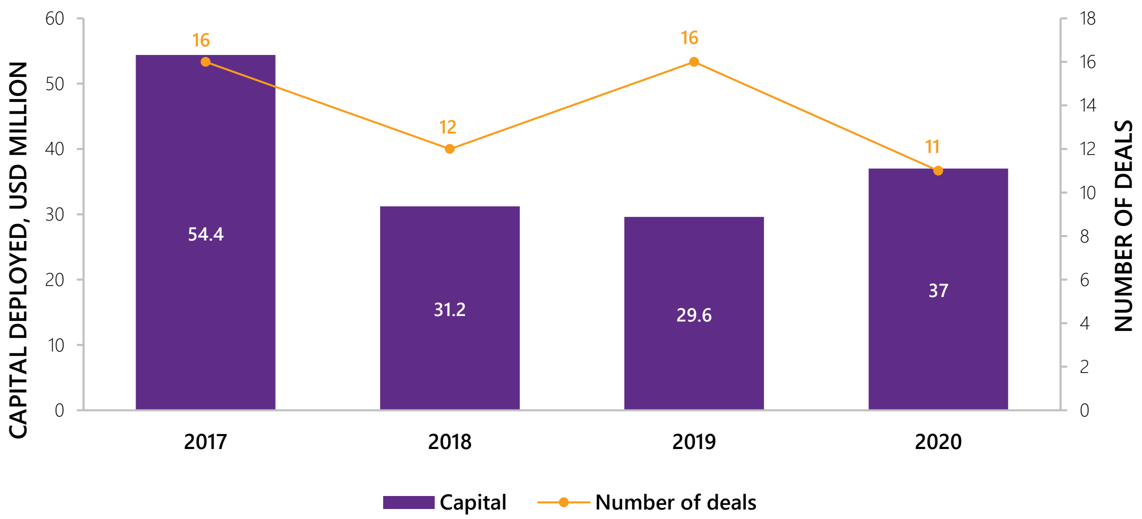
However, with the COVID-19 pandemic still evolving across the globe, investments may slow down in the near future with investors becoming more circumspect and entrepreneurs facing significant head winds.

7. IMPACT OF COVID-19 ON FUTURE OUTLOOK

The current COVID-19 pandemic is likely to negatively affect impact investing. Some factors that contribute to this include slowing business growth resulting in lower valuations, hence lower deal sizes; entrepreneurs prioritising prudent financial management to optimise cash reserves, thus delaying fund raising; and investors holding back investments in low-income countries impacted by the pandemic.

Surprisingly, our research indicates that impact investing activity has continued apace in South East Asia even while countries were imposing lockdowns to contain the spread of the virus. As of May 2020, 10 PIIs have invested about USD 37 million across 11 impact deals.

FIGURE 28: IMPACT CAPITAL DEPLOYED BY PIIs IN JANUARY TO MAY (2017–2020)



PIIs have continued investing in the region, despite the current pandemic. As seen in the chart above, the numbers of deals reported from January to May 2020 have been in line with the trend for the last 3 years. In fact, the total capital deployment in 2020 (till May) has increased by 25% – from USD 25.6 million in 2019 to USD 37 million in 2020.

However, it is important to note that the full impact of the pandemic might not be reflected in the actual deal data reported. Given that the region did not see large scale lockdowns and other effects of the pandemic till March 2020, this study may not represent the long term outlook of impact investors in the region since the study data collection period ended in May 2020. In addition, it is pertinent to note that deal announcements typically have a significant lag from the time of closing. This implies that deals reported till May 2020 may have actually been concluded in late 2019 or early 2020, but became known in the public domain post March 2020.

The COVID-19 pandemic presents multiple opportunities for both investors and entrepreneurs to overcome the development challenges arising from the crisis.

- Despite the COVID-19 crisis still looming over the global economic landscape, impact investors are maintaining a positive outlook for the future. As per GIIN's Annual Impact Investing survey 2020, 57% of the investors indicated that they are unlikely to change their capital commitments because of the pandemic, and 15% said they are likely to commit additional capital.[17]

- Women have been facing disproportionate challenges arising from the COVID-19 crisis. The pandemic has further curbed an already limited access to healthcare and reproductive health facilities, along with increased cases of domestic violence, reduced household income and job losses. This strengthens the narrative for greater investing into businesses that enable the social empowerment of women.

- Investors are seeing an opportunity for transformation, especially in the financial services sector while others are looking towards the evolving opportunities from enterprises providing better access to healthcare and education by leveraging technology. Impact investing is expected to become more mainstream post-crisis, with deeper focus on enterprises offering tech-based solutions to emerging development challenges.[18]

Clearly the economic implications of COVID-19 are still unclear, and impact investors as well as GLI investors will need to move forward with caution while striving to fully understand their portfolio risks.

[17] 'Annual impact investor survey 2020', GIIN

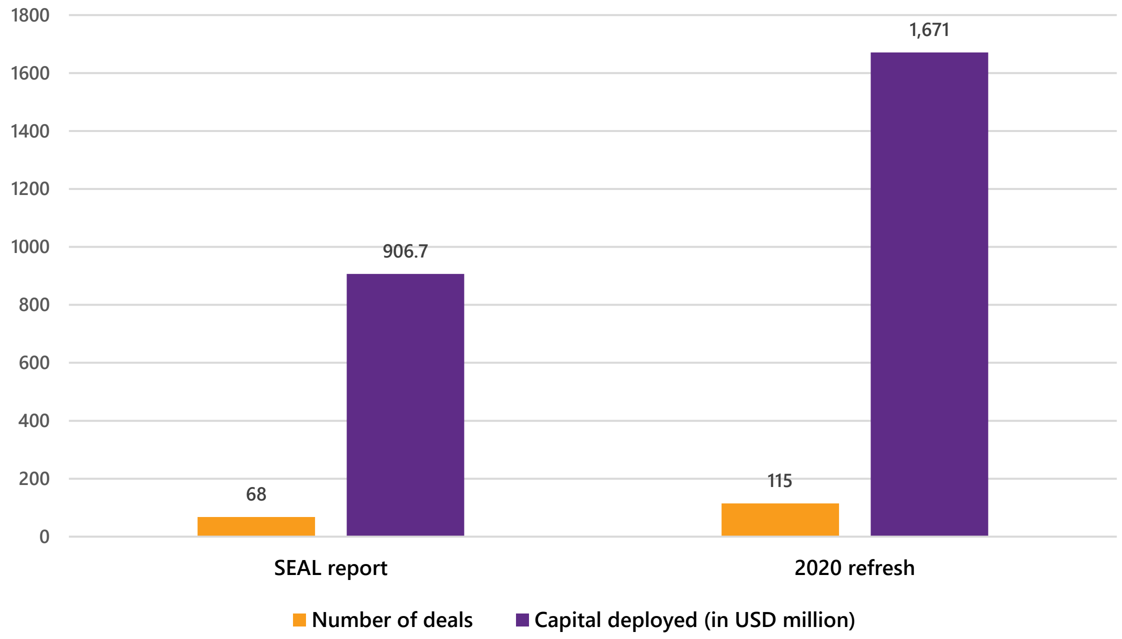
[18] 'The multiple ways impact investing will transform in a post-COVID world', YourStory, June 2020

Annexure: Delta in 2017 deals between the updated database and GIIN database

The current database on which this report is based is an update to the previous *Landscape of impact investing in South East Asia* database which covered deals between 2007 and 2016. However, since the previous research was conducted in 2017-2018, the earlier database covered some deals from 2017 as well.

To ensure that most impact deals in the region are included in the analysis of the overall impact investing activity for the region, the current database also mapped 2017 deals, in addition to 2018 and 2019. The earlier database indicated that 68 impact deals were made in 2017.

FIGURE 29: COMPARISON OF 2017 DEALS



- Comparing the updated database with the previous deal database, we have covered 47 additional 2017 deals as part of our current refresh.
- An additional USD 765 million capital had been deployed by PIIs and DFIs combined in the region.
- PIIs concluded almost 60% of these additional deals, but accounted for only 10% of the additional capital deployed.

Geographic coverage of additional 2017 deals

- Over 50% of the additional deals and about two-thirds off the additional capital flow were concentrated in two of IW focus countries–Indonesia and Vietnam.
- Vietnam received the highest capital deployment at USD 270.6 million. All capital deployed in Vietnam was invested through debt, with most of the deals being in the financial services sector.

- Indonesia had the most number of additional deals, with the second highest capital allocation. Sectorally these deals covered agriculture, ICT and financial services, and investments through both debt and equity.

The energy and financial services sector saw the highest number of high value deals, while agriculture reported early stage deals only.

- The additional deals include growth and mature stage investments in the energy (average deal size USD 40.6 million) and financial services sectors (average deal size USD 18 million).

- The agriculture sector had the third highest number of additional deals across sectors. However, most of these were early stage investments. The average deal value was about USD 0.3 million.

NOTES

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