

Impact Finance Fund quarterly report Q1 2023



IMPACT FINANCE

	Fund Volume USD 55,425,458 (AUM)	Invested Portfolio USD 50,560,401 (91% AUM)			Junior share class USD 3,033,411 (5% AUM)
Share class	USD-I	USD	CHF-I	CHF	EUR
Quarterly return	0.94%	0.84%	0.02%	-0.08%	0.19%
Year to date	0.94%	0.84%	0.02%	-0.08%	0.19%
Value	1,231.32	1,212.07	1,027.33	1,011.20	1,062.44
Total expense ratio	2.6%	3%	2.6%	3%	3%
ISIN	LU1971694861	LU0655964822	LU1971576316	LU0655964582	LU0655964079

Continuing to improve our Fund

Dear reader,

Times are (still) challenging. “The worst is yet to come”, the IMF warned six months ago, referring to the economic challenges lying ahead in 2023. This is true for many – if not most – citizens across Latin America. Though global inflationary pressures are starting to wane, inflation is still rampant in Latin America’s biggest economies, disproportionately affecting low-income households.

But, despite these challenges, the region is not facing an economic crisis. With some exceptions, most countries hold up well, and have not sunk into recession. In fact, though growth has slowed since the last two years of post-pandemic recovery, in 2023, this figure is still expected to be 1.6%, according to the IMF.

The rising interest rates do pose a threat to Latin American companies. S&P Global Ratings warned that defaults across the region may rise, as companies find themselves cut off from credit. This challenge brings new opportunities to our Fund, as many mission-driven companies are looking for alternative sources of financing. In each of these cases, we carefully assess the market potential of the company, next to evaluating their impact.

Regarding our portfolio countries, after months of violent protests showing the profound social and economic divide within the Andean nation, the situation in Peru has stabilized. Yet, Bolivia is on the brink of economical collapse as the country runs out of dollars due to decreasing gas exports and government spending on public programs and oil imports. This situation affects our two microfinance institutions, who

experience increasing difficulties continuing their operations in USD. Our exporter of Brazil nuts remains unaffected.

In the wake of the pandemic, one of the main constraints on most of our companies was the outrageous increase of the cost of logistics, as well as the frequent interruption of logistic operations. Fortunately, this situation came back to normality a few months ago.

On the institutional level, we are happy to announce that the CSSF approved the changes we made to the Private Placement Memorandum, with the new version entering effect on April 1st 2023. To affirm our focus on Latin America, we modified our risk limits. The Fund will now be traded on a monthly basis to suit institutional investors better. Also, we lowered the fee for the institutional share class from 2.15% to 1.60%. And we introduced a performance fee under the form of a carry of 20% above 3% to further align the interests of the investors with those of the Fund manager.

We believe these changes will make the Fund more attractive to investors, facilitating our way to the doubling of assets under management in the current context of investment opportunities.

Finally, we welcome Christian Narvaez joining the team in Cali as an investment officer covering Paraguay, Bolivia and Guatemala. Also, Damien Reggio joined our team in Switzerland as a business officer to support Benjamin in his efforts to grow the Fund.

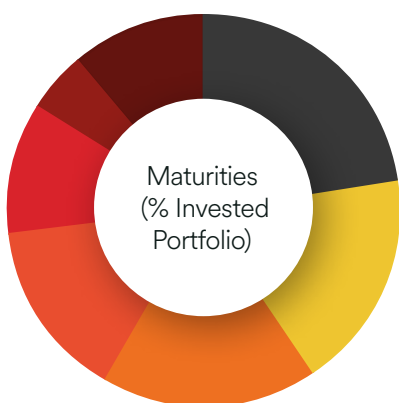
Sincerely,

Cédric Lombard & Benjamin Firmenich



Performance Q1 2023

Historical performance	USD-I	USD	CHF-I	CHF	EUR
Quarter to date	0.94%	0.84%	0.02%	-0.08%	0.19%
Year to date	0.94%	0.84%	0.02%	-0.08%	0.19%
1 year	3.75%	3.34%	0.72%	0.32%	0.71%
3 years	10.84%	9.53%	5.26%	4.00%	4.41%
Return since Q1 2019	14.99%	13.19%	5.94%	4.28%	5.27%
Return (p.a.) since Q1 2019	3.50%	3.10%	1.43%	1.04%	1.27%



23%	0-3 months
18%	3-6 months
18%	6-12 months
15%	1-2y
11%	2-3y
5%	3-5y
11%	>5 years

- The Fund has shown a stable performance during the first quarter.
- Compared to last quarter, hedging costs for CHF and EUR have decreased.
- The average weighted interest of new disbursements was 9.3%.

Key economic data of the portfolio

	Q4 2022	Q1 2023
Invested Portfolio (USD million)	51	51
Number of outstanding investees	29	30
Amount disbursed during the period (USD million)	14.3	8.5
Amount repaid during then period (USD million)	10.1	10.2



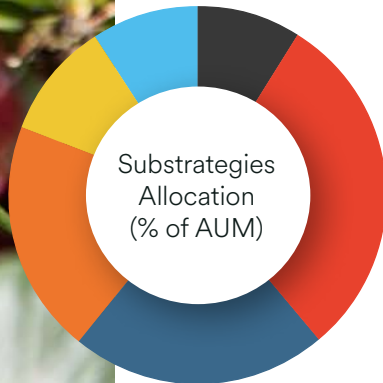
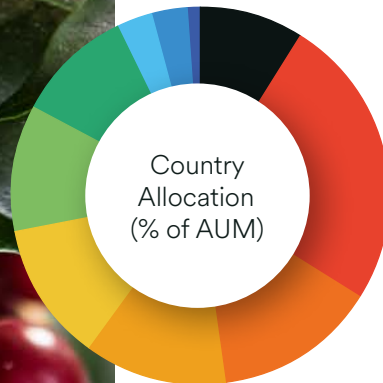
Key Facts Q4 2022

We travelled quite a bit during the last quarter. Our team visited existing and potential new clients in Mexico, and we assessed another potential investee in the quality cocoa chain in Ecuador. Also, we scrutinized potential clients in Colombia.

Elsewhere on the globe, our team participated in Europe's biggest organic products fair BioFach in Germany. And we visited Natural Products Expo West in Anaheim, California, an event gathering over 65,000 expositors. We met investees and potential ones and studied trends in the market.

Moreover, we accompanied a mission organized by Swiss Better Gold to assess the feasibility of engaging in traceable gold in West Africa, visiting the first country on their radar: Ghana. Also, we paid a visit to Anatrans in Burkina Faso, the affiliate of our investee in the Netherlands with a project in the cashew nuts value chain.

During Q1, we received multiple repayments, corresponding to 18% of the NAV. Consequently, the positions of Peru and Bolivia in the portfolio diminished, while Chile and Colombia climbed to respectively second and third positions after Mexico. Finally, our Integrated Farming sub-strategy decreased, while Circular Industry has grown.





Renardo Ovalle Vides
CEO
Café de mi Tierra

“Every sample is cupped up to five times, to make sure our clients always get the quality they asked for. This is why our clients keep buying from us.”

Jacqueline Morales
Quality and Traceability
Manager
Café de mi Tierra

Investee Snapshot

Lifting smallholder farmers out of poverty with specialty coffee: Meet Café de mi Tierra

Smallholder coffee farmers are the backbone of the coffee industry, producing around 60 percent of the global supply and an even higher share of specialty coffee. But, these farmers - no matter how high the quality of their coffee - are also the weakest link of the coffee supply chain, and struggle to survive with their coffee production alone.

One of the biggest obstacles is premium market access. A small farmer cannot sell directly to a roaster on the international market and receive a fair price for their coffee. So, many end up selling their harvest to national traders who pay a lot less and blend their quality beans with coffees of inferior quality. Other difficulties are financing campaigns and commercializing with full, farm-to-cup, traceability.

Café de mi Tierra, a Guatemalan exporter of specialty coffee, tackles these difficulties by linking almost 500 small-scale coffee producers in the northern Huehuetenango region to international premium markets. The company forms part of Vides58, a group of three family-owned companies that produce and commercialize coffee in Guatemala. Café de mi Tierra, created in 2018 to export directly to international clients, was the last addition to the group.

The history of Vides58 goes back to 1958 when Jorge Vides founded the coffee plantation Finca La Bolsa, where he started cultivating bourbon and caturra coffee varieties. His family enterprise did well: a few decades later, Anacafé would name Jorge ‘Distinguished Coffee Grower’ and today, Vides58 is one of Guatemala’s leaders in specialty coffee.

Huehuetenango has excellent geographic conditions to create high-quality coffees, explains Renardo Ovalle Vides, the third generation of the Vides family running the company. “The region is blessed with many microclimates, rich volcanic soil and the right altitudes to produce specialty coffee.”

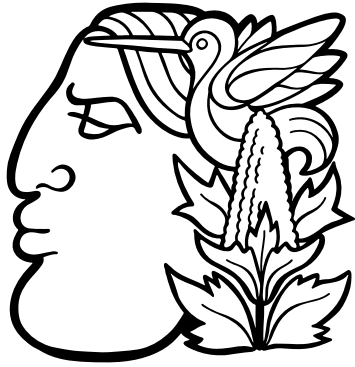
Since 2000, Vides58 has been working closely with neighboring coffee farms, small-scale producers with plots as small as half a hectare. To this end, the Qawale-program was created, meaning ‘Partners of the Land’ in the Mayan language. “The program started out of necessity: our roasters wanted more coffee from the region than our finca could produce. So we proposed to some neighbors to sell their coffee to these clients. Today, the program includes almost 500 small-scale producers and 87% of Vides58’s total coffee production,” Renardo says.

The program provides their producers with financing and connects them to high-end buyers on the international market. This way, the farmers receive up to 30% more than the conventional market price. Also, the company provides the farmers with technical assistance to ensure the quality of their coffee from picking to processing and to improve their productivity per hectare with sustainable agricultural practices.

“We teach the farmers practices to grow and harvest the coffee and methods for drying and fermentation to keep improving the quality of the coffee. During the harvest, we cup everything together with the producers, providing them with feedback,” says Jacqueline Morales, quality and traceability manager for Café de mi Tierra.

The Vides family also has a social mission. In 1980, Jorge Vides founded a school at Finca La Bolsa, where children up to this day receive a quality education. His offspring would continue that social mission: in 2010 a Childcare Center for the children of the workers was added to the finca. Also, Café de mi Tierra founded a coffee brand for female coffee producers in the region, whose husbands often migrated to the United States in search of better opportunities.

Key to the success of the company is its focus on continued quality, says Jacqueline. “Every sample is cupped up to five times to ensure our clients always get the quality they asked for. This is why our clients keep buying from us.”



Small-scale producers

Café de mi Tierra 2022

What

Our small-scale producers' sub-strategy defines companies working directly with small producers in a win-win collaboration. These companies generally offer small-scale producers' better access to markets and fair prices for their products, by focusing on smart marketing strategies like fair trade, organic, origin, and quality. Furthermore, they can provide producers with access to technology to increase productivity. This allows them to sustainably increase their production by making improved use of their land and resources achieving economic stability over time.

Specific impact thesis of Café de mi Tierra

Support smallholder producers in Guatemala through technical assistance, aiming to produce and improve specialty coffee varieties, and further link them to international markets, with better sales prices.

Leverage their quality product through scientific research and coffee genetics.

Who

Small scale producers

How Much

500 small scale producers

Risk Rating

BB : Based on the proprietary risk rating of Impact Finance, the company has an average capacity to reach the impact objectives aimed.



Contribution

342 total direct employees

1,000 total indirect employees

16 direct net jobs created

500 small-scale producers

74.5% of the total production of the small-scale producers is purchased by the company

500 small-scale producers that received technical assistance (100% of the small-scale producers)

Small-scale producers receive payment at delivery

USD\$235,599 premium paid to small scale producers compared to local market

18.25 ha converted to organic during the period

Target after investment

11% growth of the total production of the small-scale producers is purchased by the company (2023)

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「IMPACT FINANCE」

Name of the fund: Impact Finance Fund
Managing General Partner: Impact Finance Investment, Luxembourg
Investment Advisor: Impact Finance Management, Switzerland
Custodian: Caceis Bank, Luxembourg Branch
Administration Agent: Caceis Bank, Luxembourg Branch
Auditors: Deloitte
Legal Counsel: Arendt & Medernach

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