

For Immediate Release

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Impact Investing in Latin America Takes Off

The Aspen Network of Development Entrepreneurs, Latin American Private Equity & Venture Capital Association and LGT Impact Ventures report on an industry fueled by social enterprises and the promise of progress

WASHINGTON—August 31, 2016—The Aspen Network of Development Entrepreneurs (ANDE), in partnership with the Latin American Private Equity & Venture Capital Association (LAVCA) and LGT Impact Ventures, released a report today on the growing landscape of impact investing in Latin America. Impact investing—investing with the intent to achieve both financial and social return—is a relatively nascent industry, and this report aims to fill the data gap.

Latin America is a region with great promise yet plagued by social inequalities. As the report points out, Latin American countries are approximately 30 percent more unequal than the world average, and changes are needed to improve education and healthcare and to create more formal employment opportunities. The region does boast an entrepreneurial culture—with an engaged millennial population interested in social progress—and affinity for startups.

Impact investing has grown quickly within the past five years and demonstrates that effective collaboration among entrepreneurs, financial markets and local governments can help solve social challenges and spark job creation. The report finds that firms headquartered in Latin America manage \$1.2 billion in assets under management (AUM) dedicated to impact investing, and local and international firms deployed \$1.3 billion across more than 520 impact investing deals in 2014 and 2015.

The report offers trends in regional impact investing—exploring fundraising, deals and exits—with a focus on impact measurement, talent and gender. It provides a deep dive in impact investing in three key markets: Brazil, Colombia and Mexico. More than 70 investors were surveyed while additional in-person interviews were conducted in the above target geographies.

Key findings

1) The growth in impact investing has been driven by investments in small businesses with a social mission.

The majority of respondents—nearly 80 percent—made their first investment after 2007, when the term “impact investing” was coined. While the number of investors that include investments in microfinance institutions and agricultural cooperatives more than doubled between 2007 and 2015, the number that focus on startup social—or impact—enterprises grew nearly seven times in that same period.

2) In the face of headwinds, impact investing maintains interest among investors.

Despite the economic slowdown, private capital markets in Latin America are relatively strong. In 2015 alone, survey respondents invested \$900 million in Latin America. And, respondents are optimistic about 2016—expecting to raise \$2.4 billion globally for impact investing and invest \$800 million in over 300 deals in Latin America. Nearly one-third of those surveyed plan to invest in enterprises focused on financial inclusion, followed by approximately one-fifth in agriculture.

3) Brazil, Colombia and Mexico are “hot spots” for impact investing.

Survey respondents have invested in 20 countries, with the most firms investing in Brazil, Colombia and Mexico. AUM for these three key regions as follows: Brazil (\$186 million); Colombia (\$52 million); and Mexico (\$392 million). Brazil and Mexico are seen as the best opportunities for investment because of the size of their economies and high engagement of local investors in Sao Paulo and Mexico City. Colombia, while not as large, is perceived as fast-growing with active international investors through the country.

“We are encouraged by the growth of the impact investing industry in Latin America,” said Randall Kempner, executive director of ANDE. “Still, to move beyond this nascent stage, we need to find new ways to engage large and mainstream investors, including corporations and regional banks. And critically, we need to find cost-effective ways to help more social enterprises become investment-ready.”

What to expect in the future

Those surveyed reported challenges similar to those experienced by the industry at large: finding investment-ready deals that align with the investor's goals; securing financial returns and also social returns; and raising funds. Looking ahead, the report calls for an increase in investing in women entrepreneurs, as only 20 percent of portfolio companies include women on the founding team. It also encourages university involvement to help increase skills and talent and overall pipeline development. Most importantly, the report cites the need for local corporate involvement to strengthen the entrepreneurial ecosystem.

To read more about Brazil, Colombia and Mexico and to download the Executive Summary and Report, please visit: <http://bit.ly/2bdcQ7H>

The **Aspen Network of Development Entrepreneurs (ANDE)** is a global network of more than 250 organizations from 150 countries that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth, and produce environmental and social benefits. Ultimately, we believe that SGBs can help lift countries out of poverty. For more information about ANDE, please visit: <http://www.andeglobal.org>. To read about entrepreneurs in our network, please visit: <http://www.whysgbs.org>.

The **Latin American Private Equity & Venture Capital Association (LAVCA)** is a not-for-profit membership organization dedicated to supporting the growth of private equity and venture capital in Latin America and the Caribbean. LAVCA's membership is comprised of over 170 firms, from leading global investment firms active in the region to local fund managers from Mexico to Argentina. Member firms control assets in excess of US\$60b, directed at capitalizing and growing Latin American businesses. For more information, please visit: <http://www.lavca.org>.

Founded in 2007 **LGT Impact Ventures** (LGT IV) is an impact investor targeting both

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attractive financial returns and measurable, positive social and/or environmental impact. LGT IV invests in scalable business models and helps to build strong companies that provide less advantaged people with access to essential services and products in areas such as education, health, agriculture, energy, information and communication technologies. LGT IV's goal is to improve the quality of life of less advantaged people, contribute to healthy ecosystems and build resilient, inclusive and prosperous communities. For more information, please visit: <https://www.lgtiv.com/en/>.

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