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IMPACT INVESTING IN LATIN AMERICA REMAINS ROBUST REPORT SHOWS

The Aspen Network of Development Entrepreneurs (ANDE) and LAVCA - The Association for Private Capital Investment in Latin America reveal a growing industry marked by more refined investment strategies

WASHINGTON—October 11, 2018—The Aspen Network of Development Entrepreneurs (ANDE), in partnership with LAVCA - The Association for Private Capital Investment in Latin America, today released their second report on impact investing trends in Latin America. The findings underscore that impact investing—direct investments in companies with explicit social and financial objectives—is a dynamic industry with robust activity in the region.

As the inaugural 2016 report pointed out, more formal employment opportunities are needed to help resolve income disparities in Latin America. In the new report, more than half of survey respondents stated that they now align their investment strategies with one or more of the Sustainable Development Goals (SDGs). “No Poverty” and “Decent Work and Economic Growth” ranked as the top two areas of focus, illustrating that economic progress coupled with defined social targets could help close income inequalities.

The study offers an updated snapshot of the growing landscape of impact investing in Latin America. It shares insight about impact investment activity in the region—including a breakdown by sector, country, deal size, and stage—and compares this progress to 2014 and 2015. It concludes with investors’ expectations for 2018 and 2019.

Key Findings

Study shows increased impact investments and industry growth

The report finds that firms active in the impact investing landscape in Latin America manage an estimated US\$4.7 billion in assets under management (AUM) allocated to the region. During 2016 and 2017, 55 investors deployed a total of US\$1.4 billion through 860 investments.

Two of the largest sectors for investments were microfinance and agriculture, accounting for 75 percent of all deals, followed by information and communication technology, with a considerable portion going to financial technology (fintech) opportunities.

Investments in growth stage companies make up almost half of all deals

Impact investments in Latin America were concentrated in later stage companies. According to the report, the total invested in expansion or growth stage companies was US\$703 million, accounting for nearly half of all 860 deals.

Investors continue to report exits

Nearly a dozen firms reported a total of 27 exits during 2016 and 2017, with total proceeds of US\$42 million. Exits were spread across nine countries and eleven different sectors, and were driven largely by debt repayment and strategic sales.

Challenges and Future Outlook

The investment outlook remains robust with 33 investors planning to raise funds in 2018 and 2019, with an expected fundraising totaling of over US\$1 billion per year.

Although there is growing interest among traditional private equity and venture capital fund managers, family offices, and high net-worth individuals in impact investing, one challenge cited among respondents was lagging philanthropic capital: only 14 percent of those surveyed raised funds from philanthropies. According to the report, greater participation by philanthropies, often willing to take on more risk, could boost outcomes for small and growing businesses in unproven markets, sectors or regions. Fundraising and availability of capital remain a persistent challenge for impact investors as in past years, followed by “development of ecosystem players” and “appropriate investment vehicles.”

“We’re proud to report that we’re witnessing the evolution of impact investing in Latin America. The market is growing and becoming more sophisticated, though there are still significant challenges both for impact entrepreneurs seeking investment and impact investors seeking deals. ANDE is committed to address these challenges by helping the sector to build strong entrepreneurial ecosystems across the continent,” said ANDE’s Executive Director Randall Kempner.

“Private capital investors active in Latin America are increasingly focused on the impact of their investments, and backing companies that will ultimately improve social and financial conditions,” said Cate Ambrose, President of LAVCA. “As the overall investment environment matures, we expect to see continued convergence between traditional investors and impact funds in the region.”

The report is based on a survey of 67 respondents, the majority of whom identify themselves as impact investors and private equity or venture capital fund managers. Data represents 2016 and 2017 investment activity.

To download the report, visit: www.andeglobal.org/impactinvestinginlatam.

The Aspen Network of Development Entrepreneurs (ANDE) is a global network of more than 290 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>.

LAVCA is the Association for Private Capital Investment in Latin America, a not-for-profit membership organization dedicated to supporting the growth of private capital in Latin America and the Caribbean. LAVCA’s membership is comprised of over 190 firms, from leading global investment firms active in the region and local fund managers to family offices, global sovereign wealth funds, corporate investors, and

international pension plans. Member firms control assets in excess of US\$65b, directed at capitalizing and growing Latin American businesses. LAVCA's mission – to spur regional economic growth by advancing private capital investment – is accomplished through programs of research, networking forums, education and advocacy of sound public policy. Visit www.lavca.org for more information.

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