

# Financial and Impact Performance Report

2020



## MESSAGE FROM THE CEO

Dear Investors and Friends,

**In May 2021 we are celebrating the first anniversary of the iGravity Impact Investment Index.** Today the Impact Investment Index represents a distinctive multi-asset class portfolio composed by some of the best semi-liquid securities in the impact investing space, generating both attractive financial returns and positive impact. Combining both financial and impact results, this first Performance Report highlights what we have accomplished since the launch in May 2020.

**Driven by the shared vision of making the world a more equitable and sustainable place, we started our journey back in 2017.** We knew for that to happen more private capital had to be mobilized into impact investments, something that stands even more true today. Likewise, we were well aware that we had not set an easy task for ourselves: the USD 750 billion impact investment market is still today in a nascent stage, composed mostly of products that are illiquid and relatively small in assets compared to traditional markets, lacks comparable data series, has diverse definitions of impact (not all of them convincing), and still holds a biased perception that impact compromises returns.

**The beginning of the journey was incredibly slow and difficult (to be honest, sometimes it still is). Rather than launching a stand-alone impact product, we wanted to build and provide access to a diversified impact investment strategy touching on numerous asset classes, geographies and sectors.** We started by building a proprietary database of impact investment opportunities clustered around asset classes and SDGs. This was the basis to build our first impact model portfolio and advise a few families on the implementation. However, we soon realized that access was (and still remains) an issue as most banks are reluctant to buy impact investments on behalf of their clients (unless it's their own branded product). By creating an index tracker investable through a certificate, we found a solution to help us achieve our purpose. However, we had a difficult time finding a bank that would be willing and able to implement our model portfolio at reasonable conditions as well as be able to include some of the more impactful products. As we were not willing to compromise on impact, we had to change our structuring partner from a large bank to a specialized provider so that today we can freely pick and choose the positions in our Impact Investment Index.

*Making impact an undeniable criterion for any investor alongside risk-return and liquidity*

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**Building an investment product as a newcomer is pretty challenging. We knew that there were a few things we had to get right from the beginning.** First, it was crucial for us to build an investment proposition that would equally include financial and impact considerations throughout the due diligence process (shifting away from SDG filtering or ESG assessment). Second, it was clear that we had to provide investors with attractive risk-adjusted returns (whilst not compromising on the impact side). Then, we had to come up with a credible impact assessment framework that would allow us to assess and compare securities across asset classes and impact themes, as well as monitor the results over time. This was all possible thanks to the great team we have built, amalgamating professionals from the finance world with practitioners from the social impact side.

**Twelve months later we are proud of the financial and impact performance achieved, and especially excited that we are helping to build a new system where impact is an undeniable criterion for any investor, alongside risk-return and liquidity.** We are incredibly thankful to our investors and partners who have backed our vision and helped us become who we are today. And hopefully there will be more of you that decide to join this journey, realizing that it's actually possible to secure a sound financial return whilst creating a society with equal opportunities and promoting practices that are respectful of the world we live in.

Patrick Elmer,  
Founder and CEO

*P. Elmer*



## THE iGRAVITY IMPACT INVESTMENT INDEX

The iGravity Impact Investment Index is an actively managed portfolio of impact investments diversified across asset classes, geographies and impact themes which invest in solutions addressing the most pressing needs of people and the planet as defined by the Sustainable Development Goals (SDGs).

The Index invests in 15-20 positions, including funds and direct investments, selected on the basis of both financial performance and social impact.

Equity (0-35%)	Fixed Income (30-75%)	Alternatives (0-45%)
Basic Needs (10-40%)		
Inclusive Economies (25-75%)		
Natural Ecosystems (10-40%)		
Climate Change (25-75%)		



### DIVERSIFICATION

Diversification across geographies, currencies, asset classes, impact themes.



### MARKET RETURNS

Market return target to generate annual net return of 4-5% over a 3-5 year period.



### MEASURABLE IMPACT

Proprietary impact framework tracking the social and environmental impact of investment products across asset classes.



### LIQUIDITY

Semi-liquid portfolio with the majority of the investments having between monthly and daily liquidity.



### ACCESSIBILITY

A single ISIN listed on Bloomberg facilitates direct access.



### TRANSPARENCY

Full transparency to investors with reporting on both financial and impact performance.

## STRUCTURE OF THE REPORT

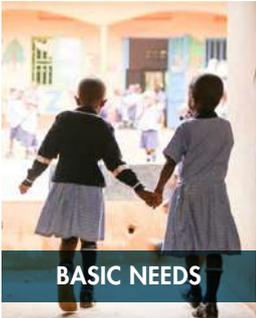
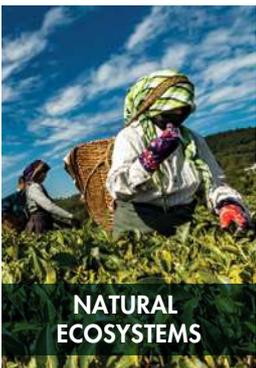
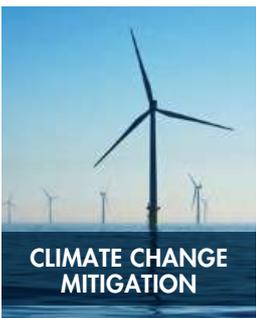
**This concise report outlines the impact and financial performance of the iGravity Impact Investment Index as of December 2020.** The first section introduces the impact objectives and thesis of the Index and reports the achieved impact results of the portfolio against these objectives. Additionally, the section outlines the iGravity Impact Assessment & Monitoring Framework and provides an impact assessment and analysis of the current portfolio. The second section reviews the financial performance over the past year (since the start of investment operations in May 2020), highlights key portfolio activities, and paves the way forward. Lastly, the third section introduces the invaluable iGravity team, who have all contributed to the success of the iGravity Impact Investment Index.

# 1. IMPACT OBJECTIVES AND RESULTS

## IMPACT OBJECTIVES

The iGravity Impact Investment Index eases access to impact investments and allows investors to direct their resources towards the generation of measurable social and environmental outcomes whilst earning competitive financial returns.

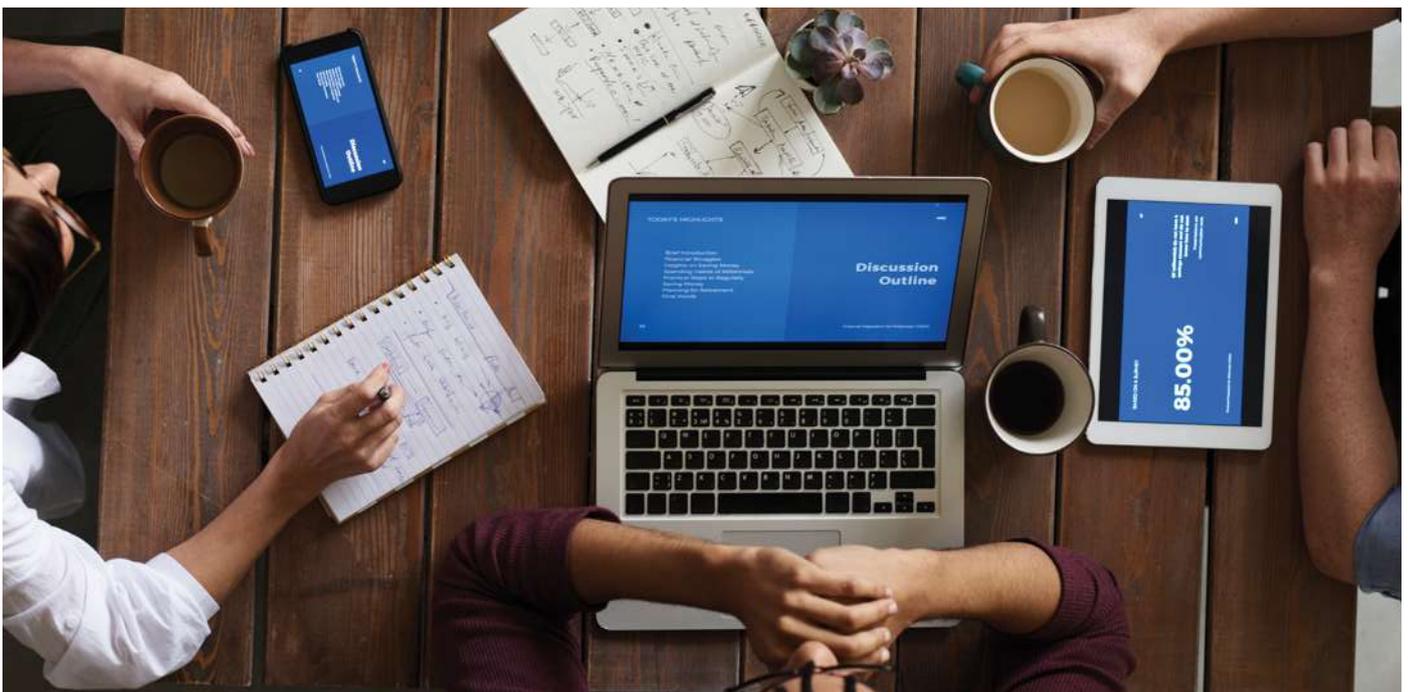
The impact strategy builds on four complementary impact objectives: (i.) meeting the basic needs of everyone, everywhere, (ii.) stimulating inclusive economies benefitting the underserved, (iii.) regenerating and protecting natural ecosystems, and (iv.) mitigating (the effects of) climate change. Together the four building blocks contribute to social and economic development in line with the 2030 agenda and the Sustainable Development Goals.

BUILDING BLOCK	IMPACT OBJECTIVES	INVESTMENT FOCUS	IMPACT KPIS
 <p><b>BASIC NEEDS</b></p>	<p>Meeting the basic needs of everyone, everywhere</p> <ul style="list-style-type: none"> <li>• Increase access to affordable health care</li> <li>• Promote quality education</li> <li>• Improve housing conditions, including access to clean water and sanitation</li> </ul>	<p>Investments in aspects of multidimensional poverty, including: health care, access to quality education, affordable housing and clean water and sanitation.</p>	<ul style="list-style-type: none"> <li>• Individuals supported</li> <li>• Drinkable water distributed per year</li> <li>• Individuals with improved access to quality education</li> <li>• Households with improved access to housing improvements</li> <li>• Individuals with improved access to health and emergency finance</li> </ul>
 <p><b>INCLUSIVE ECONOMIES</b></p>	<p>Ensuring inclusive economic development</p> <ul style="list-style-type: none"> <li>• Ensure access to financial services and products</li> <li>• Promote access to decent work and income generation</li> <li>• Increase inclusion and diversity in the market place</li> </ul>	<p>Investments in financial inclusion, microenterprises, SMEs, and the economic empowerment of under-represented groups such as women, LGBTQI+ populations, People of Colour and minorities.</p>	<ul style="list-style-type: none"> <li>• MSMEs financed</li> <li>• Capital deployed towards MSMEs</li> <li>• Female clients (%)</li> <li>• Rural clients (%)</li> <li>• Jobs supported or created</li> <li>• USD exposed to Development Finance Institutions</li> </ul>
 <p><b>NATURAL ECOSYSTEMS</b></p>	<p>Regenerating and protecting natural ecosystems</p> <ul style="list-style-type: none"> <li>• Promote food security</li> <li>• Support the transition to sustainable production and consumption</li> <li>• Improve transparency in supply chains</li> <li>• Support regenerative projects</li> </ul>	<p>Investments that conserve natural resources, such as sustainable agriculture, water management, land conservation and ecosystem services.</p>	<ul style="list-style-type: none"> <li>• Land or marine area sustainably managed</li> <li>• Capital deployed towards SMEs in agricultural value chains per year</li> <li>• Number of agricultural MSMEs directly or indirectly reached per year</li> <li>• Proportion of agricultural MSMEs recycling agricultural waste (%)</li> <li>• Waste water treated and waste materials recycled or recovered</li> </ul>
 <p><b>CLIMATE CHANGE MITIGATION</b></p>	<p>Mitigating (the effects of) climate change</p> <ul style="list-style-type: none"> <li>• Promote the transition to renewable energies</li> <li>• Improve energy efficiency</li> <li>• Support emerging climate change mitigation technologies</li> </ul>	<p>Investments that focus on green energy, green infrastructure, energy efficiency and carbon mitigation.</p>	<ul style="list-style-type: none"> <li>• CO<sub>2</sub>e emissions avoided</li> <li>• Renewable energy generated per year (MWh)</li> </ul>

# IMPACT THESIS

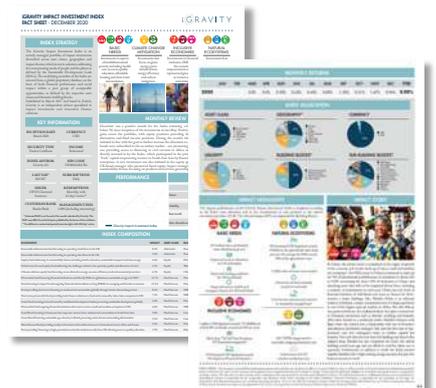
By building a portfolio of diversified impact investment securities selected through a comprehensive due diligence process and making these easily accessible to investors, the iGravity Impact Investment Index mobilizes complementary financial resources from the private sector towards a more sustainable and equitable world.

CHALLENGE	INPUT	ACTIVITY	OUTPUT	OUTCOME	IMPACT
<p>Insufficient financial resource directed towards sustainable development, among others, due to</p> <ul style="list-style-type: none"> <li>- Lack of attractive investable products</li> <li>- Limited scale of existing products (incl. high transaction and product costs)</li> <li>- Illiquidity of assets; non-listed private markets</li> <li>- Lack of clear impact “certification”</li> </ul>	<ul style="list-style-type: none"> <li>• Universe of impact investment opportunities</li> <li>• Financial and impact due diligence process</li> <li>• Private capital</li> </ul>	Structuring a diversified portfolio of impact investments based on financial and impact performance	iGravity Impact Investment Index investors direct resources towards effectful impact investments whilst generating financial returns	More resources available for the impact strategies of the portfolio positions	Contributing to a sustainable and equitable world through increased reach and/or quality of the social and environmental outcomes generated by the portfolio positions



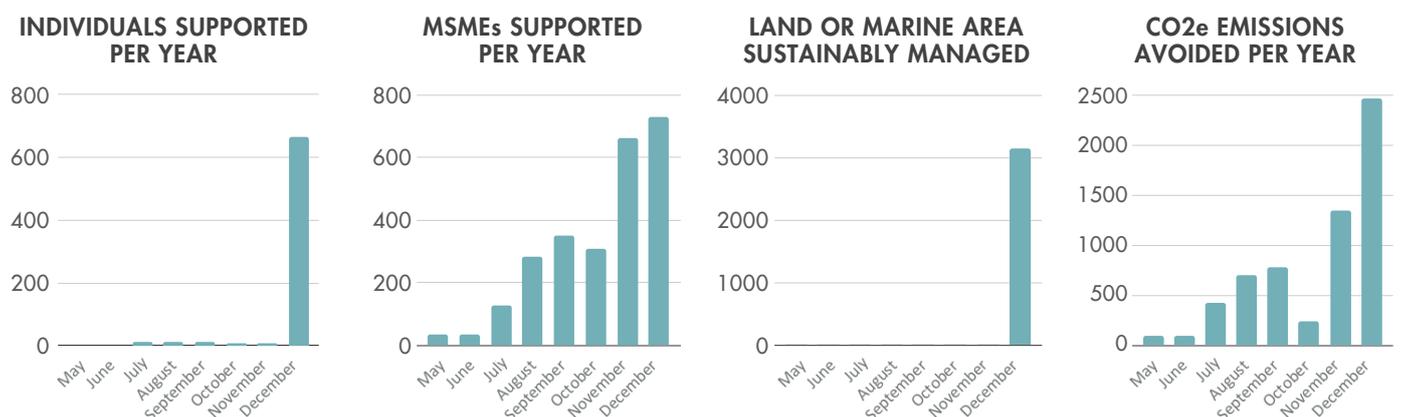
# IMPACT RESULTS

iGravity monitors and reports the impact performance of the iGravity Impact Investment Index on a monthly basis. The impact figures are weighted according to the Index’s asset allocation and to the contribution of each underlying position to the relative investment product assets under management (AUM). On the following page we outline the impact exposure of the Index as of end of December 2020.



BUILDING BLOCK	EXAMPLE INVESTMENTS CONTRIBUTING TO EACH BUILDING BLOCK	TOTAL IMPACT INVESTMENT INDEX EXPOSURE
 <p><b>BASIC NEEDS</b></p>	<p>Bond providing mostly civil servants with credit and access to financial services in Africa and Latin America. The credit is predominantly used for education, housing, health care and emergencies, as well as microbusinesses.</p>	<ul style="list-style-type: none"> <li>• Improved access to education for 199 individuals</li> <li>• Improved housing conditions for 107 households individuals</li> <li>• Improved access to health and emergency finance for 743 individuals</li> <li>• 19 million litres of drinkable water distributed per year</li> </ul>
 <p><b>INCLUSIVE ECONOMIES</b></p>	<p>Fund providing short-term financing through intermediaries in underserved communities globally. The fund leverages invoice discounting services to provide affordable, convenient working capital to help SMEs grow and create jobs. The fund has a particular focus on women-owned and/or led businesses.</p>	<ul style="list-style-type: none"> <li>• USD 8 million deployed towards 759 MSMEs, of which 59% are female-owned and 56% are rural</li> <li>• More than 500 full-time employee (FTE) positions supported</li> <li>• USD 466 thousand directed towards Development Finance Institutions</li> </ul>
 <p><b>NATURAL ECOSYSTEMS</b></p>	<p>Green bond financing sustainable agro-forestry in Brazil, improving sustainability of productively managed forest areas, restoring degraded areas and ecosystems, and preserving native forests and biodiversity.</p>	<ul style="list-style-type: none"> <li>• 50 agricultural MSMEs reached per year, which on average recycle 90% of the agricultural waste and 66% of the waste water</li> <li>• 31 million litres of water treated</li> <li>• 469 tonnes of waste materials recycled or recovered</li> <li>• 3,000 hectares of protected, restored or sustainably managed land</li> </ul>
 <p><b>CLIMATE CHANGE MITIGATION</b></p>	<p>Renewable infrastructure fund investing in operating wind farms in the UK that are designed to minimise impact on local terrestrial, aquatic and aerial wildlife.</p>	<ul style="list-style-type: none"> <li>• 3,400 MWh energy saved or renewable energy generated per year</li> <li>• 3,000 tonnes of CO<sub>2</sub>e emissions avoided per year</li> </ul>

Additionally, iGravity monitors the historical exposure to social and environmental outcomes of the portfolio. The individual impact KPIs change over time as a result of the portfolio construction, as well as maturing impact management practices of investees. In addition, the reported impact figures vary according to the Index' exposure to (the impact of) each position. Therefore, iGravity aggregates the individual social and environmental KPIs, when possible, to four overall impact KPIs representing each of the four impact objectives and building blocks. The aggregated impact KPIs reflect the impact exposure of the Index at the time of reporting and are based on the most recent impact and financial reporting of the underlying positions.



## iGravity Impact Assessment & Monitoring Framework

The core objective of the iGravity Impact Assessment & Monitoring Framework is to systematically integrate impact data, criteria and performance in the different stages of the investment process, combining impact and financial considerations with a holistic approach. Per definition, frameworks and models represent simplifications of complex realities. And while simplification is often regarded as the ultimate sophistication, it is also the largest contrast to reality. Standing on the shoulders of existing international standards, the Framework strikes the balance between comprehensiveness, transparency and pragmatism.

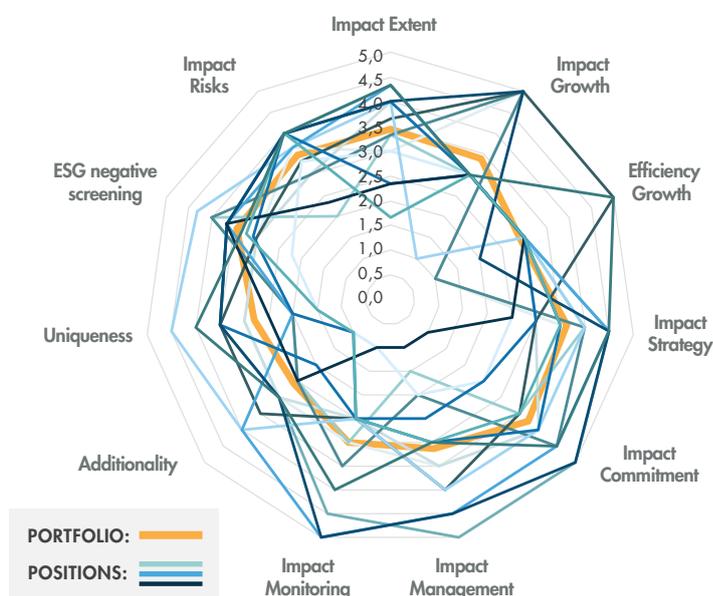
Applying the Framework, we assess and grade each investment opportunity on a scale from 1-5 across four levels, covering eleven metrics and twenty-five quantitative and qualitative indicators.

When possible, an investment opportunity is analysed and compared against its true peer-group. This allows the team to understand the strengths and weaknesses of each (potential) investment as well as leverage these insights in the further engagement with the (potential) investees.

## PORTFOLIO IMPACT ASSESSMENT

The mean and median impact scores of the Index are 3.22 and 3.18, respectively. As illustrated below, the investments perform best on the metrics related to the Impact Strategy and Impact Commitment of the manager or the issuer, likely reflecting a growing focus – within and beyond the impact investing community – on highlighting and communicating impact objectives. However, the investments made by the Index, as well as the impact investment universe in general, leave something to be desired when it comes to systematically and transparently assessing and reporting on achieved social and environmental outcomes.

### PORTFOLIO IMPACT SPIDER



### PORTFOLIO IMPACT ASSESSMENT OVERVIEW

PORTFOLIO	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
Impact Extent	Green														
Impact Growth	Green														
Efficiency Growth	Green														
Impact Strategy	Green														
Impact Commitment	Green														
Impact Management	Green														
Impact Monitoring	Green														
Additionality	Green														
Uniqueness	Green														
ESG Negative Screening	Green														
Impact Risks	Green														

Diving deeper into the impact assessment of the Index, the analysis indicates a trade-off between liquidity and impact scores, as displayed by the daily liquidity positions (yellow) and the monthly and quarterly liquidity positions (blue). Additionally, integrating target returns into the equation, the assessment confirms the hypothesis that investors often have to sacrifice either on return, liquidity or impact. The portfolio allows investors to find a balance between impact and liquidity by combining in one portfolio a set of investments diversified across multiple dimensions.



## IMPACT STORY



Founded in 1996 and based in Karnataka, India, Katra is a sustainable agriculture company producing carotenoid formulations derived from marigold flowers which are sourced from over 2'000 smallholder farmers from low income communities. Katra will use the loan provided by the social bond the Index has subscribed to directly support women smallholder farmers by formally integrating them into its supply chain and increase the proportion of women as signatory contract farmers from 10% to no less than 40% over the life of the loan. The farmers are provided with increased earnings through improved access to market and fair price premiums on organic and sustainable marigold (20% of total crops), which help improve social and economic inclusion.

Priya is a marigold supplier to Katra. Katra has provided her with access to training programs on a regular basis on agricultural practices such as planting and chemical use, which helped Priya increase her yield by 2 tons per crop. Katra currently provides US\$77 worth of seeds and agricultural input to Priya, formally integrating her into its agriculture supply chain. With an annual income of US\$560 by producing 7 tons of marigold for Katra in a year, the increased income has contributed to her childrens' education and home expenses.

## 2. FINANCIAL FIGURES & PORTFOLIO REVIEW

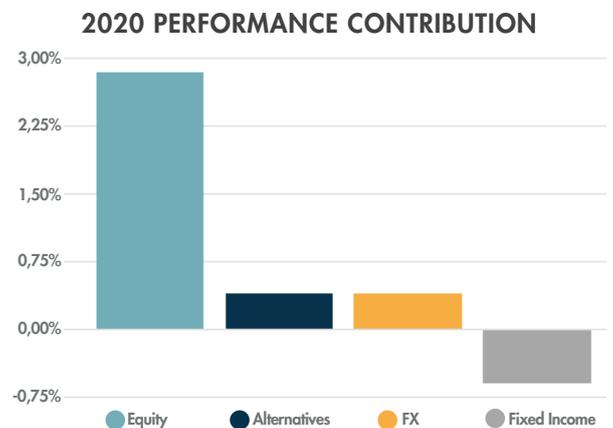
### iGravity Index Financial Profile

The iGravity Impact Investment Index targets a diversified exposure across sectors and asset classes, with fixed income representing the largest exposure (approximately 65%), followed by equities (20%) and alternatives (15%). The portfolio invests in a variety of different investment instruments including bonds, funds, notes and stocks. As the majority of them are collective investment vehicles, it offers a high level of diversification, covering over 700 sub-holdings across over 60 countries. The Index targets an annualized return of 4-5% net of fees with a moderate volatility and moderate correlation to global financial markets.

### 2020 IN REVIEW

Financial markets in 2020 were dominated by the developments of the Covid-19 pandemic and its consequences on economic activity worldwide. After a sharp drawdown in Q1 (the largest after the Great Financial Crisis), equity markets rallied in the following quarters on the back of exceptionally supportive monetary and fiscal policies around the world and announces on Covid-19 vaccines.

In this context, **the Index had a constructive first year of investment operations closing the year in line with its target, delivering a positive performance of 3.0% net of fees** since inception in May 2020. All positions but one positively contributed to portfolio performance with equity investments being the largest contributor followed by alternative positions. Unhedged currency exposure (on average 8% throughout the year) was also a positive contributor to portfolio performance, while fixed income was overall a detractor due to one position offsetting gains from the rest of the allocation.



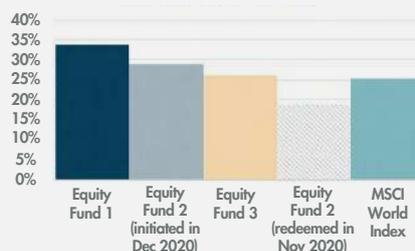
#### ALTERNATIVES

Alternative investments were a positive contributor to portfolio performance thanks to the high dividends distributed during the period (around 5% dividend yield). While overall contribution was positive, stock performance was mixed within the allocation, with investments in solar farms outperforming investments in wind farms. In fact, the wind farm fund manager announced in September 2020 the issuance of new shares to fund a large offshore wind farm acquisition. As the new shares were issued at a discount, the position lost over 6%. The Index participated in the new shares issuance as it provided the opportunity to deploy fresh capital to generate positive impact, as well as to support the fund in the implementation of their acquisition strategy. Additionally the Index benefited from a discount to market.

#### EQUITY

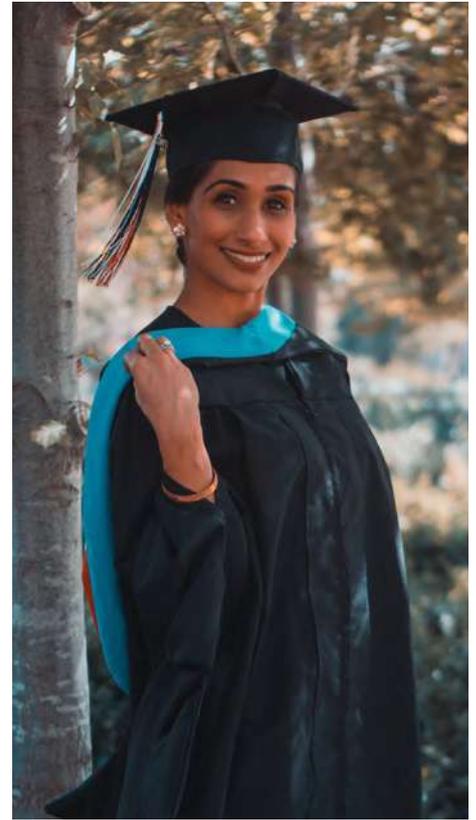
Performance was strong among the equity positions which outperformed the market by 1.6%, on average, since May. During the course of the last quarter, we exited an equity investment due to an unsatisfactory impact profile, and added a UK-based manager who pioneered listed equity impact strategies addressing a diversified set of sustainability themes focusing on products and services generating long-term positive impact.

#### MAY-DEC 2020 PERFORMANCE



#### FIXED INCOME

All fixed income positions but one delivered positive performance during the course of 2020. Within Financial Inclusion positions, performance was modestly positive with monthly returns averaging between 20 and 40bps. Lower returns were driven by a combination of higher than usual cash buffers and provisions taken on the back of the Covid-19 crisis that caused delays in loan repayments and an increase in non-performing loans. On the negative side, the Education Notes detracted from portfolio performance offsetting the gains from the rest of the allocation. The position suffered a material mark down in September as the loan book saw an uptick in students being in arrears due to Covid. As we write, the situation has normalized, and forbearance requests are now closer to pre-Covid levels and the Notes are conservatively priced.



## PORTFOLIO ACTIVITY

The Index started its investment operations at the end of May 2020 and completed the ramp up of the portfolio in July 2020. Since inception, the Index has been invested in 17 positions with an average cash level of 5%. **Here are the main changes to portfolio allocation since inception:**



**Green bonds:** Following extensive due diligence and market scoping, we divested from a global green bond ETF during the month of September as it was not sufficiently attractive both from an impact and financial return perspective. The position was partially replaced later in December by an investment into a USD denominated Brazilian green bond financing sustainable agro-forestry, preserving native forests and avoiding deforestation.



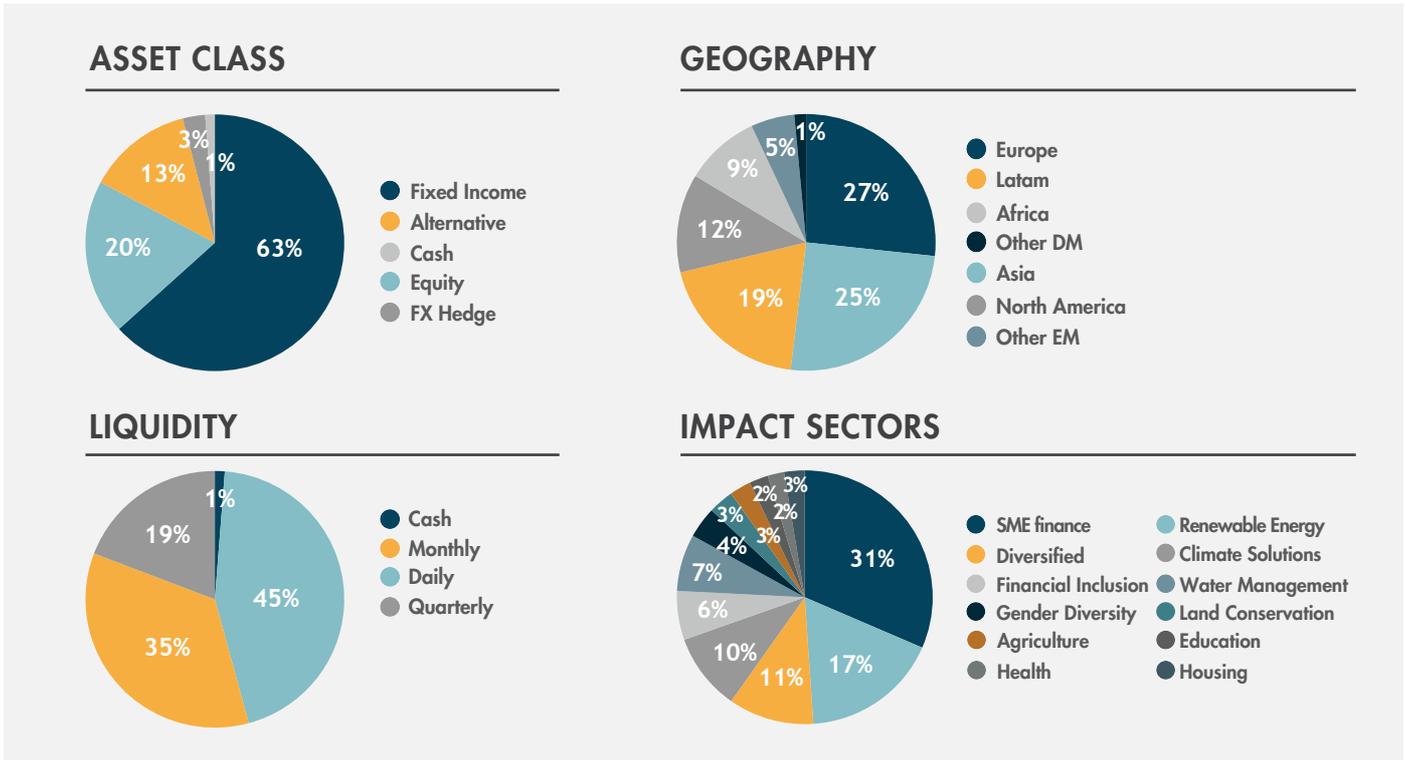
**Gender equality:** The Index had been initially invested in a global listed equity strategy with a focus on gender equality. While the fund did offer the best-in-class framework within the listed equity space, we deemed its impact profile was not strong enough to be a core position of the Index, and decided to prefer more focused strategies that would empower women more directly. This was implemented towards the end of the year by investing in the primary issuance of a bond financing women-led businesses in South-East Asia.



**Direct investments:** Following an increase in the Index AUM, we have started deploying capital more directly investing in single bonds, both in the green and social bond space. We believe these opportunities allow us to be more selective and invest in solutions with more attractive risk-reward and impact profiles. “Going direct” is also beneficial from a cost point of view and offers investors unique opportunities that are typically more difficult to source and access, especially in primary markets.

# ASSET ALLOCATION

The Index is currently invested in 15 positions across geographies, asset classes and impact themes as per the charts below. As many positions are collective investment vehicles, the Index is directly and indirectly invested into over 700 positions across 60 countries, providing investors with a high level of diversification. As outlined above, we aim at complementing the strategy with increased exposure to direct investments, while at the same time making sure the high diversification profile of the portfolio is maintained. The Index represents an excellent opportunity to access the impact investing niche space with a diversified solution across multiple impact themes. The Index is also a financially sound investment showing less beta risk than the market and a controlled volatility, which results in a risk/return and impact profile that is unique in the market.



## THEMATIC DEEP DIVE - GREEN BONDS

Tackling climate change is becoming increasingly a priority for fixed income investors. However, they face two important challenges:

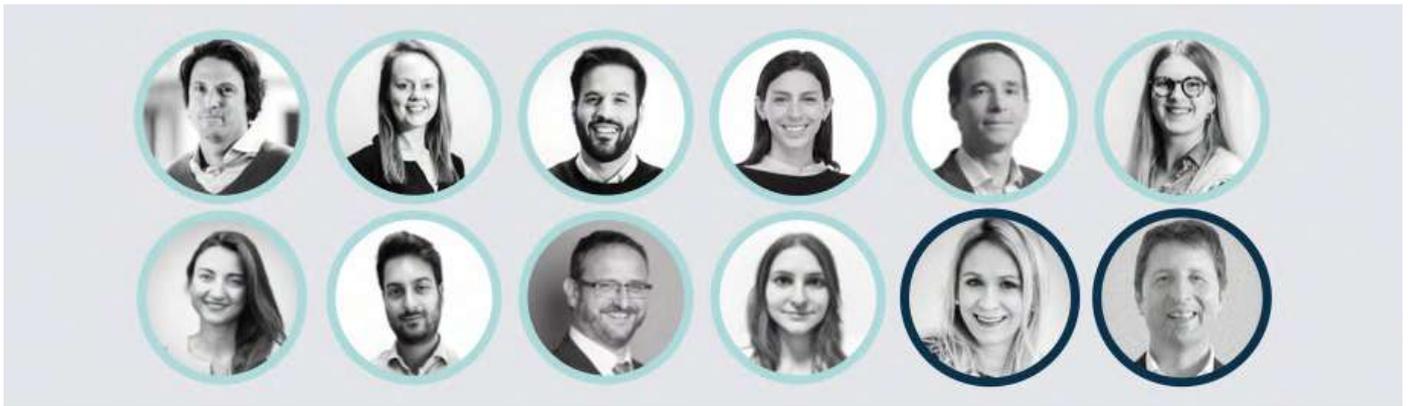
- Now that almost every company is declaring that they live and breathe sustainability, as well as heavily invest into “green” projects, how can investors actually identify what is “green” and what is not?
- On the other end, yields are currently at all time-lows and investors are struggling to deploy capital. With everyone’s attention currently centered around green bonds, investors are left wondering where to find attractive opportunities in that market.

These and other considerations have been covered by the iGravity team in a research paper as well as discussed in our first Investment Solutions webinar.



RE - WATCH HERE

### 3. iGRAVITY: MOBILISING CAPITAL AND SOLUTIONS FOR A SUSTAINABLE AND EQUITABLE WORLD



iGravity is an advisory firm specialized in **impact investment and innovative finance solutions** established in March 2017 and committed to accelerating the transition to a sustainable and equitable world. We are a fast-growing company managed by experienced people with a bold vision of making development cooperation more effective and impact investments accessible to everyone.

The firm works across three business lines being **Advisory & Partnerships, Investment Solutions and Impact Ventures** and clients include NGOs, international organizations, family offices, asset managers, foundations and governments. The core iGravity team consists of ten people based in Zurich, Washington, Madrid and Milan with strong technical expertise and background in development cooperation, private sector, philanthropy, and impact investing, who have extensive experience living and working in developing countries and recognize the importance of locally driven and owned initiatives.

**ADVISORY & PARTNERSHIPS**   **INVESTMENT SOLUTIONS**   **IMPACT VENTURES**



iGravity’s **Advisory & Partnerships** services center around the design and development of partnerships and financing structures that enable public and private actors to mobilize additional resources towards their development objectives or spending the resources they have more efficiently.

Under **Investment Solutions** we design tailored impact investment portfolios and strategies based on individual preferences around performance, liquidity and impact. The iGravity Impact Investment Index, launched in May 2020, is the first multi-strategy product advised by iGravity.

Through its **Impact Ventures** arm, iGravity works with clients to create and execute tailored private impact investment portfolios based on organizational preferences around sectors, geographies and impact, as well as designs bespoke investment facilities targeting large impact gaps.



If you have any comments or questions please do not hesitate to contact Eugenia Martini Donati, Head of Investment Solutions or Anne Katrine Buch Vedstesen, Impact Associate.

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IMPACT INVESTMENT INDEX

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[www.igravity.net](http://www.igravity.net)

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