BLENDED FINANCE FACT SHEET

The SDG Loan Fund

SYNOPSIS

FUND MANAGERS	*Alternative Investment Fund Manager*: Allianz Global Investors GmbH *Portfolio Manager*: FMO Investment Management (FMO IM)
LAUNCH YEAR	2022
FUND SIZE	$1.111 billion (fully committed)
FUND MANDATE	Increase institutional investor exposure to SDG-aligned investment opportunities, specifically targeting SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequality and SDG 13: Climate Action, in emerging and frontier markets while delivering appropriate risk-adjusted returns
TARGET SECTORS	Agribusiness, Financial Institutions, Renewable Energy
CAPITAL STRUCTURE	**Class A (Preference Shares)** • $1 billion (Institutional investors), including anchor investment from Allianz SE **Class B (Ordinary Shares)** • $111 million first-loss (FMO), wrapped with a $25 million guarantee from MacArthur Foundation
TARGET REGIONS	Emerging and frontier markets in Africa, Eastern Europe, Asia, and Latin America
INVESTMENT INSTRUMENT	Debt: Participations in FMO originated senior loans
FUND TERM	25 years Weighted average life of Class A investment: 7-8 years
INDICATIVE IMPACT RESULT	60,000 jobs supported; and 450,000 tCO_2 eq of greenhouse gasses avoided each per annum

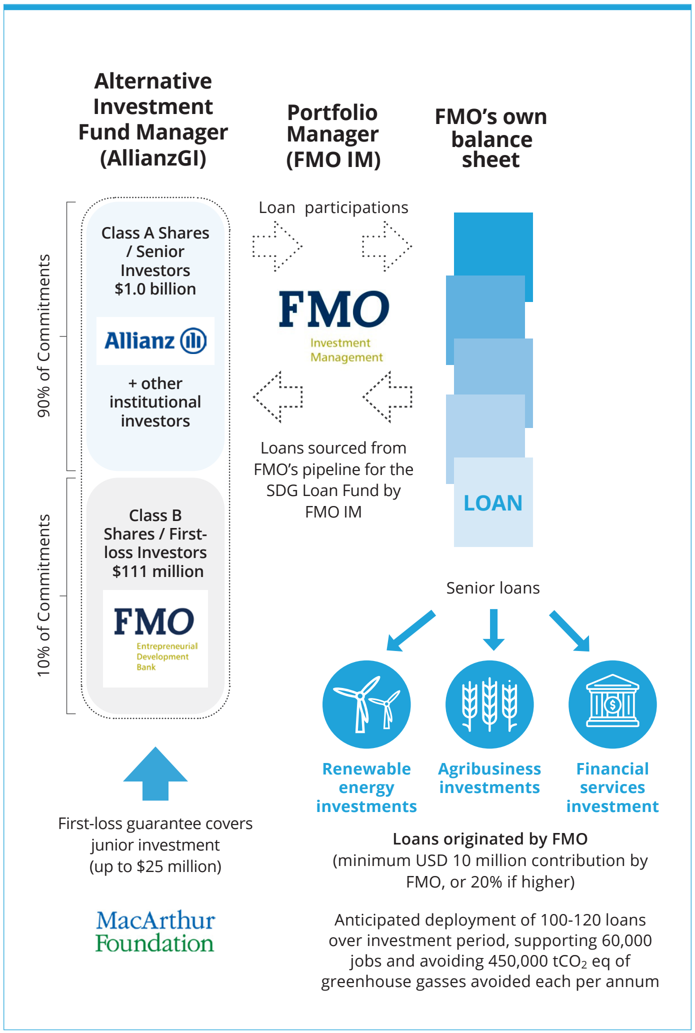

Figure 1

ACKNOWLEDGEMENTS

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OVERVIEW

With a total fund size of $1.111 billion, the SDG Loan Fund ("the Fund") is one of the largest blended finance funds launched in the market to date. Conceived by AllianzGI and Dutch Development Bank FMO (Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V.), the Fund benefits from multiple layers of risk protection including a $111 million first-loss investment from FMO, which is credit-enhanced with a $25 million unfunded philanthropic guarantee provided by the John D. and Catherine T. MacArthur Foundation (MacArthur Foundation) as part of the Catalytic Capital Consortium (C3)[1] initiative. MacArthur Foundation selected the SDG Loan Fund from over 100 investment opportunities due to its use of catalytic capital to unlock impact and investment opportunities. MacArthur Foundation's triple A rated guarantee enabled FMO's first-loss investment by resolving key risk and technical factors. The Fund will allocate capital for the SDGs via three primary sectors: agribusiness, financial institutions, and renewable energy. The SDG Loan Fund capital is invested as participations in FMO-originated loans, thereby granting senior investors priority access to FMO's investment pipeline and an asset warehouse created for the Fund.

The SDG Loan Fund demonstrates how blended finance can be deployed at scale to mobilize unprecedented levels of private sector investment. In this way, the Fund is denoted by the following distinct characteristics:

- **SCALED AND STRUCTURED TO ATTRACT INSTITUTIONAL INVESTORS TOWARD THE SDGS:** The SDG Loan Fund is one of a handful of blended finance funds to raise $1 billion in commitments from a purely institutional investor pool. The Fund includes investments from several institutional investors, including Allianz SE as the anchor investor. The Fund underscores the potential of large-scale financial vehicles to address environmental and social impact as set out by the SDGs while fulfilling investor needs.
- **STRATEGIC DEPLOYMENT OF CATALYTIC CAPITAL TO ADDRESS RISK AND TECHNICAL ISSUES:** Catalytic capital provided by FMO was strategically deployed to use finite resources efficiently to satisfy the risk-return requirements of institutional investors, achieving a mobilization ratio of 1:9 (where $1 of catalytic capital from FMO mobilizes $9 of private sector capital), well-above the average mobilization ratio in the blended finance market.[2] FMO's participation was enabled by MacArthur Foundation's guarantee, which allowed FMO to take a junior position without having to recognize the whole loan portfolio on its own balance sheet, as per requirements under the International Financial Reporting Standards (IFRS).
- **DEVELOPMENT FINANCE INSTITUTIONS CAN INCREASE THE VALUE OF THEIR CATALYTIC CAPITAL WHEN DEPLOYED USING FIRST-LOSS CAPITAL:** The Fund highlights the additional impact unlocked when DFIs occupy higher risk positions (e.g., first-loss) to unlock private capital. FMO's participation in the SDG Loan Fund is a rare example of a DFI taking a junior position in a fund.[3]
- **THE UNIQUE PRESENCE OF FMO'S INDEPENDENT INVESTMENT FIRM ALLOWS FOR THE DEPLOYMENT OF LOANS AT SCALE:** Unlike most DFIs, FMO has established an independent investment firm, FMO Investment Management (FMO IM), which possesses an independent governance structure and investment committee for the Fund. FMO IM can, therefore, take on the fiduciary responsibility of acting as the portfolio manager of the Fund and provide access to FMO's assets to institutional investors. As Alternative Investment Fund Manager (AIFM), AllianzGI in turn has oversight responsibilities of FMO IM as portfolio manager, which further aligns interests between private investors and the Fund.

1 C3 is an investment, learning, and market development initiative to promote greater and more effective use of catalytic capital and enable a more just, equitable and resilient world. A list of MacArthur's C3 Field Partnerships can be found here.

2 Convergence data finds that the average leverage ratio for blended finance transactions is 1:4 ($1 of concessional capital leverages $4 of commercial capital), while the average private sector mobilization rate is 1.8 (indicating under half of the commercial financing mobilized by each dollar of concessional financing has come from private sources).

3 According to Convergence data, less than 3% of investments from DFIs are in the form of first-loss equity.

CAPITAL STRUCTURE

The SDG Loan Fund has Class A (90% of committed capital) and Class B shares (10% of committed capital). Class A shareholders are comprised of multiple institutional investors, including Allianz SE and Skandia, amounting to $1 billion in total investment. Class B shares are wholly held by FMO ($111 million) and are junior to the Class A shares held by private sector investors. Cashflows from principal repayments go first to Class A investors until this share class is redeemed in full and then to redeem the Class B investors (FMO). Both share classes receive a share of the interest payments received throughout the Fund's life. The size of the Class B investment is calibrated to be sufficiently large enough to meet the credit risk tolerance of institutional investors while using the minimum amount of capital necessary from FMO. Further, the first-loss investment size creates substantial downside protection for senior investors not typically available in other asset classes.

FMO benefits from a guarantee provided by the MacArthur Foundation, structured as a program-related investment (PRI).4 The partial guarantee provides coverage to FMO up to $25 million in losses on downstream investments, subject to PRI requirements.

SDG Loan Fund capital is invested as participations in FMO-originated loans, thereby granting senior investors priority access to FMO's investment pipeline. FMO IM, the independent investment firm of FMO and the Fund's portfolio manager, who maintains a fiduciary responsibility to the investors of the SDG Loan Fund identifies eligible loans for the Fund from FMO's pipeline. While the Fund receives priority access to FMO's investment pipeline, all eligible loans will be shown to the Fund for an investment decision, ensuring no subselection of loans. For each investment, FMO retains the higher of $10 million or 20% of each loan the Fund participates in on its balance sheet. This requirement creates alignment of interest, with FMO having direct exposure to each loan on its balance sheet and also via the Fund through its position as first-loss provider. Further, FMO's allocation policy prioritizes private capital allocation; if private sector appetite exceeds the amount available for mobilization, the public sector will receive a nil allocation.

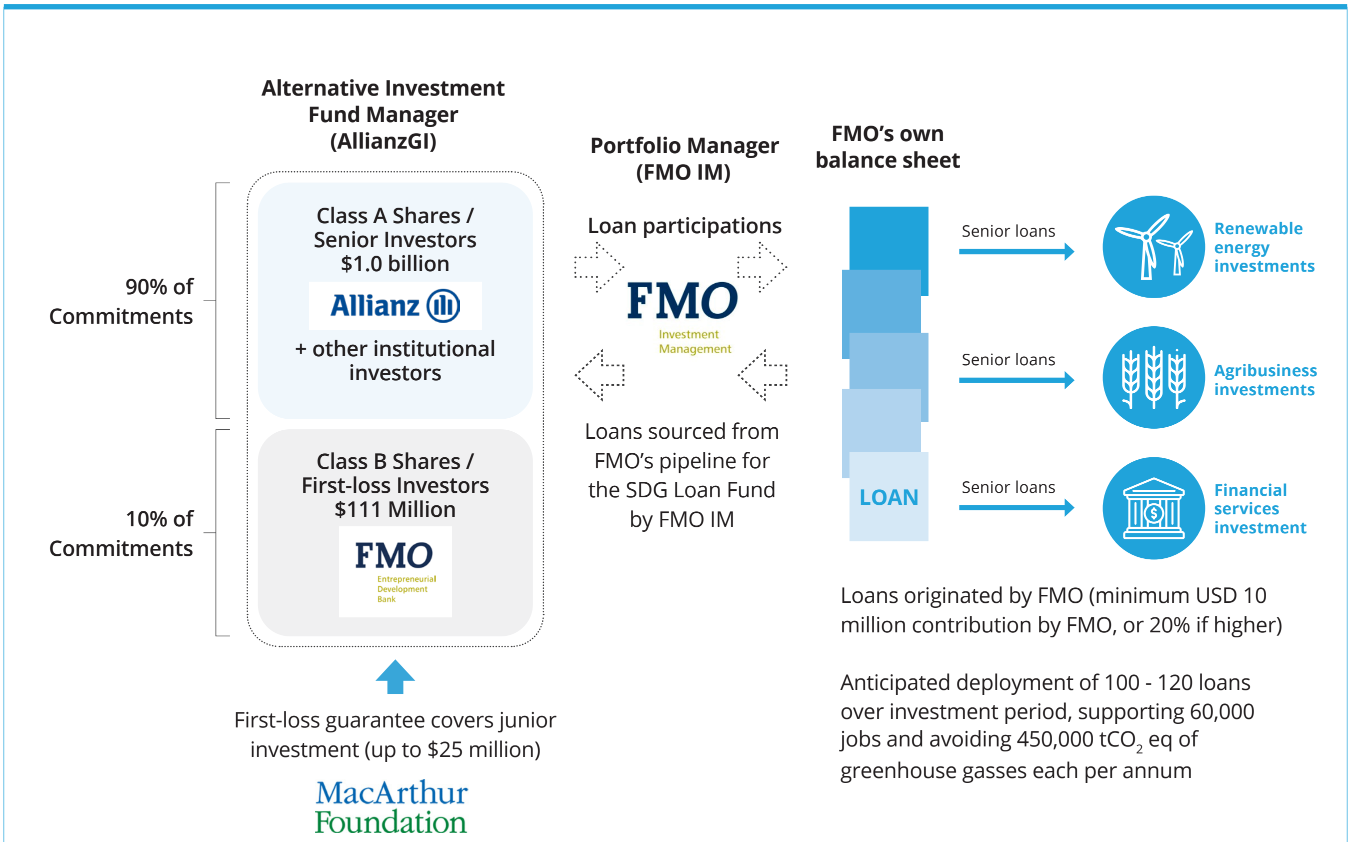

Figure 2

4 Program related investments (PRIs) are a type of financial instrument specific to US-based private foundations that are explicitly invested to further the impact mandate of the entity, with all potential financial returns or value appreciation considered ancillary. Please see more information here on the use of PRIs in blended finance.

HOW BLENDED FINANCE MITIGATES RISK

The inclusion of risk mitigation tools was instrumental in structuring the Fund in a way that was financially feasible and created a risk profile that suited institutional investor criteria. The MacArthur Foundation's guarantee enabled FMO's first-loss investment by fulfilling technical requirements, thereby opening up an essential pool of risk-bearing capital to reduce the credit and counterparty risk of the loan portfolio. The combination of FMO's first-loss capital and MacArthur's catalytic guarantee, along with FMO IM's independent fiduciary role, diverse loan portfolio, and low historical loss rate thereby enabled the Fund to achieve an attractive risk-return profile for institutional investors.

INTENDED IMPACT

The SDG Loan Fund will invest in senior loans originated by FMO (approx. 100-120 loans). Investment activity will follow FMO's operational mandate in terms of both geographic and sectoral scope. Investments will be sourced from over 80 frontier and emerging markets in Africa, Asia, Eastern Europe and Latin America. The Fund will have a broad sub-sector remit under the umbrella sectors of agribusiness, financial institutions and renewable energy, including various renewable energy technologies, microfinance and agro-processing trading and production, adding to the Fund's portfolio diversification benefits. The Fund will target three primary SDGs with respective contributions as follows: SDG 8: Decent Work and Economic Growth, SDG 10: Reduced Inequality, and SDG 13: Climate Action.

The Fund is an Article 8 Sustainable Finance Disclosures Regulation (SFDR) designated vehicle and will report on key impact metrics and contributions to SDG indicators. To date, the Fund has identified an attractive pipeline of eligible investments and has around $100 million in warehoused assets.

Impact reporting will be managed by FMO and follow the Joint Impact Model (JIM). Expected impact results include 60,000 supported jobs supported and 450,000 avoided tCO_2 emissions.

ILLUSTRATIVE PROJECTS

The below are example investments from FMO's portfolio for illustrative purposes only.

SECTOR	REGION	FMO LOAN OVERVIEW
AGRIBUSINESS	Latin America and the Caribbean	FMO provided a loan to Agrofértil, Paraguay's leading agricultural inputs distributor, to finance the company's structural working capital needs and increase their capacity to provide pre-harvest financing to farmers in Paraguay.
FINANCIAL INSTITUTIONS	Africa	FMO provided a loan to Ecobank Transnational Incorporated (Ecobank), a pan-Africa holding company with subsidiaries across 36 African countries. FMO's loan participation will be used to support Ecobank deliver funding to African SMEs.
RENEWABLE ENERGY	Asia	FMO provided a loan to Gharo Solar (Pvt.) Limited to support the construction and operation of a 50MW PV solar project in Pakistan. FMO's financing will contribute to economic growth by providing additional low-cost and clean power in Pakistan, a country which is currently experiencing power shortages.