

Good Return Impact Investment Fund

Investor Half Year Report - July to December 2023



At Good Return, we bring the excluded into the economy to create a more equitable world. Our focus is providing responsible finance to local entrepreneurs, as well as education and business training to women and other excluded groups to build confidence and financial capability. The result is a growing generation of empowered entrepreneurs, taking control of their finances, their livelihoods and their futures. By supporting our work, you are supporting generational change and a more equitable world.

Investment Fund Model

In 2020, Good Return launched an Impact Investment Fund to address a critical investment gap across the Asia Pacific for small to medium sized enterprises requiring capital of between \$5,000 to \$100,000 in order to grow. These enterprises are often referred to as the 'missing middle'.

The Fund enables socially-minded investors to contribute to a pool of funds that target this investment gap, thereby supporting enterprise and employment growth in low-income communities.

Overall objective: Leverage raised capital to generate income and employment for people living in poverty through enterprise investment and growth.

Social return: Stimulate SME growth that creates employment and income for 1,000 low income people in the Asia Pacific region (outside Australia), with a focus on women and creating gender equitable practices. This is expected to benefit 5,000 family members.

Financial return: Maintain the raised capital and provide a positive financial return to investors that is similar to a cash deposit with an Australian Bank.

The main operational tool of the Fund is the loan guarantee model - providing a limited loss guarantee to partner Financial Service Providers (FSP) for loans to qualifying clients. The loan guarantee mitigates risk for lenders by covering a portion of losses on loans where the customer is seen to be high risk.

AUD\$1 million guarantee capital was raised and the Fund fully subscribed. This comprises \$250,000 Junior Investor grant funds and \$750,000 Senior Investor capital. Any losses incurred will first be drawn from Junior Investor funds. The capital raised is held in trust by Good Return until June 2025. The funds are held in deposit in Australia and used to back guarantees to FSP partners. Income of the Fund (comprising interest earnings less any losses on investments and bank charges) will be distributed to Senior Investors.

Governance

The Fund is administered by Good Return's management team. Investment decisions are made by an Impact Investment subcommittee of the Board, comprising internal and external expert advisers. The Investment Committee is tasked to review and approve:

- Documented partnership agreements with recommended FSP partners
- The Fund's exposure to such partners, and contingently their clients
- The portfolio and propose changes to address identified risks
- Any requests to issue a Standby Letter of Credit to partners

In-Country Financial Service Provider Partners

Good Return has agreements with the following Financial Service Providers:

- CROWDE - an innovative agriculture-focused fintech company in Indonesia. CROWDE provides an online financing platform to assist small and medium sized entrepreneurs to access market and employment opportunities and investment capital. Funding can frequently be cashless: in the form of direct farming inputs rather than money to avoid leakage.
- Chamroeun Microfinance - a Cambodian microfinance institution. Chamroeun provides access to financial services and socio-economic services to improve the livelihoods of marginalised communities, including women and people with disabilities in urban and rural areas in Cambodia.
- Wing Bank - a licensed commercial bank in Cambodia. Wing Bank provides convenient access to financial services relevant to, and for the improvement of Cambodians.
- Maxima - a microfinance institution in Cambodia. Maxima is one of the leading microfinance institutions in Cambodia that provides financial services to low-income clients through small loans to individuals, groups, and small to medium-sized enterprises.
- Merchant Finance - a credit institution in Fiji. Merchant Finance is a subsidiary of Fijian Holdings Limited and offers financial products such as Loans and Term Deposits.
- Unique Nepal - the first MFI in Nepal to receive the Centre for Financial Inclusion Smart Certification for upholding Client Protection principles and practices. Unique Nepal's vision is to create a civil society by uplifting socio-economic status of the poor and marginalised communities, and improve the quality of their lives.

Achievements to December 2023

- **579 SMEs** in aquaculture, chilli, maize, rice, cucumber, tomato and cabbage farming accessed **AUD \$4.79 million** in loans from Chamroeun and CROWDE using Good Return's loan guarantees.
- **90%** of these loans were disbursed to women, women-run enterprises, and businesses that support women.
- This has supported jobs and income for **4,037 people**.
- During the 6-month period from July to December 2023:
 - Wing Bank in Cambodia progressed towards all staff being trained in Prevention of Sexual Exploitation and Harassment, with **1,322 staff** trained.
 - Unique Nepal conducted Gender Equality, Disability and Social Inclusion & safeguarding training with **183 staff** in the reporting period
 - Crowde in Indonesia trained **58 community members** in waste management
 - Merchant Finance in Fiji finalised its Gender Self Assessment report and action plan for presentation to management.

Portfolio & Training Snapshot as at 31 December 2023

Indicator	Period	Cambodia	Indonesia	Total
# loans disbursed to SMEs this period	July 2023 - Dec 2023	0	74	74
# loans disbursed to SMEs (cumulative)	Jan 2021 - Dec 2023	35	544	579
# loans paid off (cumulative)	Jan 2021 - Dec 2023	7	237	244
# loans written off (cumulative)	Jan 2021 - Dec 2023	0	0	0
# loans disbursed to women (cumulative)	Jan 2021 - Dec 2023	11 (31%)	514 (94%)	525 (90%)
# loans to SMEs owned by Youth (cumulative)	Jan 2021 - Dec 2023	6	194	200
Total value of loans disbursed (AUD)	Jan 2023 - Dec 2023	\$0	\$985,458	\$985,458
Total value of loans disbursed AUD (cumulative)	Jan 2021 - Dec 2023	\$1,889,960 Median: \$46,000 Average: \$42,193	\$2,900,851 Median: \$4,500 Average: \$5,332	\$4,790,811
Total outstanding balance (AUD)	31 Dec 2023	\$978,586	\$1,975,159	\$2,953,745
Outstanding balance of loans with arrears > 90 days (AUD)	31 Dec 2023	\$374,218	\$386,141	\$760,359
Guarantee funds at risk	31 Dec 2023	\$93,555	\$64,921	\$158,476
% of SMEs reporting an increase in income/revenue (based on SME survey sample)	Survey conducted May/June 2022	88%	45%	57%
# of jobs (cumulative, employees + owner)	Jan 2021 - Dec 2023	177	3,860	4,037
Agricultural Value Chains	Jan 2021 - Dec 2023	Aquaculture	Chilli, Paddy Rice, Maize, Cucumber, Tomato, Cabbage, Groundnut	
# learning workshops facilitated by Good Return (cumulative)	Jan 2021 - Dec 2023	18	28	46

# training of trainer sessions on gender led by Good Return (cumulative)	Jan 2021 - Dec 2023	1 (26 participants)	5 (91 participants)	8 Incl. 1 Nepal & 1 Fiji (134 participants)
# training sessions on gender led by partners (cumulative)	Jan 2021 - Dec 2023	44 (1,388 staff)	2 (36 staff)	48 Incl. 2 Nepal (1,575 staff)

Impact

The fund is proving to be a high impact and catalytic investment that stimulates inclusive financing and improves lender confidence. Investments are made where they can create maximum impact on sustainable and inclusive economic growth. Impacts are maximised through the provision of training and technical assistance to partner Financial Service Providers and their clients, alongside the guarantee (refer Annex). This assistance is funded through a Capacity Building fund that is supported by investors and donors. Loan guarantees have been accessed by CROWDE and Chamroeun, and support to the other partners has initially focused on training and technical assistance.



Wing Bank in Cambodia has been working to train their teams in Prevention of Sexual Exploitation and Harassment.

Alignment with the UN Sustainable Development Goals

Good Return’s work directly addresses the United Nations Sustainable Development Goals as outlined below.

	<ul style="list-style-type: none"> • We work with financially excluded and vulnerable people to build their resilience and ability to prepare for financial shocks and setbacks. We know that financial confidence and independence helps people move out of poverty. • We have a strong safeguarding and ‘do no harm’ approach that protects vulnerable people and mitigates domestic violence risks.
	<ul style="list-style-type: none"> • We focus on women, women-run enterprises, and businesses that support women. We help them build financial skills and access to finance. • We build capacity for joint financial decision making between men and women within the household.
	<ul style="list-style-type: none"> • We strengthen the capacity of excluded businesses and entrepreneurs so they can formally participate in and contribute to the economy
	<ul style="list-style-type: none"> • We work towards reducing inequalities by targeting financially excluded women and people with disability. • We work within the financial sector to improve policies, practices and products for women and people with disabilities, so they can have equal access to financial services
	<ul style="list-style-type: none"> • We are building climate resilience within vulnerable communities, particularly for rural entrepreneurs who are facing the impacts of climate change on farming. We build their skills to adapt farming practices and help people prepare financially for climate-related shocks.
	<ul style="list-style-type: none"> • All of our work is done in partnership with local organisations, including financial service providers, NGOs and government agencies. We seek to strengthen their capacity and bring about systems change.

Annex 1: Knowing the market gets this fish farmer ahead

Ms Seng Eang has 20 years' experience in the fish farming and selling business. Despite this, when she tried to get a loan from a local bank to grow her business and livelihood, she was faced with a complicated and drawn-out process with little support.



Ms Eang became a client of Chamroeun, Good Return's loan guarantee partner in Cambodia. Ms Eang was impressed by how accessible the process was, and that the team from Chamroeun understood her needs and position.

With her loan of USD\$40k, Ms Eang first expanded her fish wholesale business - buying more product from Phnom Penh and selling in the local market in Kampong Cham. She now has three employees helping her with this work, which includes driving and helping to dry and preserve the extra fish they don't sell. She extended her operations by raising her own fish - creating new ponds, buying fingerlings and investing in fish food, medicine, and a water pump to add more water into the ponds during the dry season when the weather is hot.

Ms Eang admits that due to the recent economic downturn across the country her business has struggled and customers are buying less. Her son noted that the changing climate has added new diseases to fish, increasing medical costs. However, the backing of Chamroeun has given her confidence to persevere with her entrepreneurial ambitions and she is now adding a duck farming business to the mix to diversify her revenue sources.

Ms Eang is aware of her vital role in her family. She is the head business person - managing staff, the book-keeping, and making financial decisions that will ultimately benefit her children and her husband. Being supported with a loan means her role as a leader, a financial decision maker and a contributor to the economy has been recognised and strengthened.



Annex 2: Tackling waste and building skills makes this project a winner

The Crowde team has developed an innovative program that aims to reduce waste and build skills of local farming communities.

The waste bank project, supported by Good Return, trains local farmers to understand what organic and plastic waste can be recycled, and how. The waste is then taken to a waste bank to be turned into fertiliser. The aim is that the fertiliser will be sold back to farmers, and the waste bank will ultimately be a revenue generating opportunity for the local community.

In August 2023 five training sessions took place in West Java with a group of men and women chilli farmers. The sessions were in the Regencies of Tasikmalaya and Garut, with 58 participants (31 women and 27 men). The training started with an explanation of waste types and categories, and the importance of categorising waste properly to ensure an effective recycling and composting process. Participants were introduced to the process of how the waste is collected, schedules and collection points and the types of waste accepted.

Participants received hands-on training in composting techniques for organic waste, the composting process, and the benefits of using compost in farming. While the Crowde team is operating the waste banks at the moment, the long-term goal is that community members will run the waste banks and ultimately profit from reselling the recycled waste. To prepare for this, the group was also given financial management training.

By the end of the sessions, the participants had a clear idea of how to start collecting waste from their farms and a vision of how this could ultimately form part of their farming and business plans.



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Twitter: <https://twitter.com/GoodReturnOrg>

Instagram: <https://www.instagram.com/goodreturnorg/>

