



ACT Fund update

Investing in SMEs at the heart of agricultural transformation

ACT is a USD 100 million impact fund that will invest in SMEs in developing countries at the nexus of smallholder livelihoods, biodiversity and climate action. ACT will unlock the potential of agri-SMEs to create income and climate resilience at scale while preserving natural capital. ACT will:

- **Provide value chain finance to high-potential SMEs**, bridging the gap between smallholders and markets;
- Build on CFC's **three decades of track record in agri-SME impact investing and technical assistance management** across 20+ countries in Africa, Latin America and Asia;
- Offer assurance for **capital preservation and impact-aligned financial returns** backed by **USD 20 million first-loss commitment** from CFC as cornerstone investor;
- Offer **USD 10 million in Technical Assistance** to accelerate impact in climate-resilience and biodiversity while de-risking the portfolio by enhancing operational capacity of investees.

The opportunity

Small and Medium-sized Enterprises (SMEs) in developing countries play a critical role in linking small farmers to high-value markets. However, these agri-SMEs face challenges to fulfill this role due to a lack of capital and knowledge. This limits their ability to invest in expansion and productivity improvement, increasing incomes and creating jobs needed, often being the only formal employers in rural areas.

ACT Fund investments will drive profitability, enhance incomes and strengthen resilience in times of global market volatility. They will also drive the transition to climate-resilient **regenerative agriculture** and focus on providing liquidity (the single biggest barrier to growth) to high potential agricultural SMEs.

ACT's combined offering of short-term liquidity, long-term investment capital and technical assistance unlocks the poten-

tial of agri-SMEs to be the backbone of rural economies and ultimate drivers of positive change in agricultural value chains.

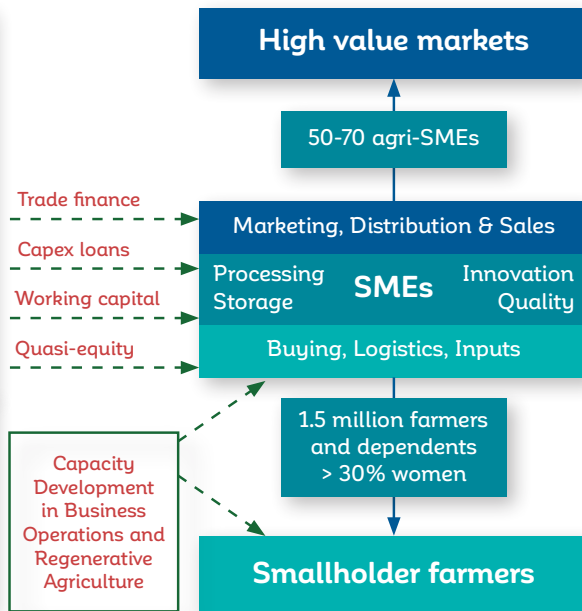
Inclusive regenerative agriculture is at the heart of ACT's transformative investment thesis. It drives economic, environmental and social impact. It offers a holistic approach to farming which not only regenerates soil health but also revitalizes local communities and enhances positive effects on biodiversity conservation.

ACT will build upon the CFC's three decades of experience financing commodity value chains, backed by its commitment to contribute USD 20 million in first-loss capital and offering expertise in Impact Investment and Technical Assistance management. ACT will have direct access to CFC's proprietary and established deal flow which includes more than 400 loan requests per year.

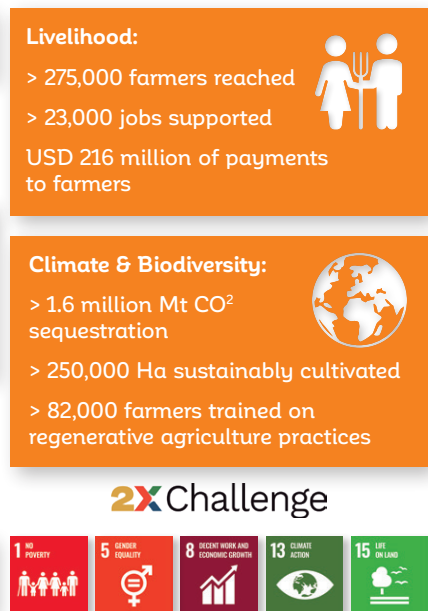
Funding and Technical Assistance



Value Chain investments



SDG Aligned Impact



Investment model

ACT will deliver an attractive balance of impact and returns to investors offering returns ranging between 1%-8%, coupled with high levels of verifiable impact. ACT will invest in established SMEs with annual revenues of over USD 1m through a range of short and long-term loans. This will primarily be in the form of trade finance, working capital and Capex loans, but ACT will also deploy smaller amounts of quasi-equity. The portfolio will be supported by **USD 20 million of first-loss capital** committed by the CFC, de-risking investments in

ACT and demonstrating CFC's strong commitment as sponsor and advisor to the fund.

Track record

CFC combines a strong track record of directly financing agri-SMEs along with the management of dedicated technical assistance facilities for over three decades. CFC has been originating, executing and managing trade finance and Capex loans since 2014. Prior to this, since 1989, CFC developed over 500 commodity value chain projects in Africa, Asia and Latin America.

- **Trade finance** is crucial but is rarely available for agri-SMEs. It bridges the gap between paying farmers at harvest time and the moment payments from exports are made by international buyers. Typically an unsecured one-year loan backed by the strength of the commercial agreement and credit worthiness of the investee's customers, renewable up to five years.
- **Working capital loans** provide flexibility in the timing and use of funds, vital for boosting the often unpredictable cashflows of SMEs.
- **Capex loans** to finance capital investments for expansion and enhanced value addition (e.g., for processing equipment). These will be structured to cover the build-up phase with a reasonable repayment period. Typically a term loan with a tenor of up to five years including a grace period of one year.
- **Quasi-equity and convertible loans** will be deployed to mature SMEs with low-risk profiles, offering medium term investment capital with an upside to investors.
- **Technical Assistance** of initially USD 10 million will be raised alongside ACT to maximize the return on impact through innovative, targeted TA that is beneficiary led and co-funded. This will include carbon mapping of our investees' primary process, leading to mitigation approaches and the establishment of regenerative agricultural practices for SME suppliers and smallholders.

Impact Investment

Since pivoting to direct impact investing, CFC successfully executed 50 loans with a total value of USD 52 million.

The borrowers operate in a wide variety of commodities, ranging from staple crops such as sorghum to commercial crops such as coffee and cocoa. With these loans CFC impacted the lives of 400,000 people in countries across Africa, Asia and Latin America. Aside from this, ACT Fund will build upon CFC's extensive experience as an LP investor in leading agriculture and biodiversity impact funds.

Technical Assistance

CFC's in-house TA expert team currently manages TA facilities totaling USD 14 million for several leading agri- and biodiversity impact funds. The team has managed over 100 projects ranging from designing outgrower schemes around climate-smart practices for smallholders to the implementation of business improvement practices for investee SMEs.

ACT's Fund Management team:

The ACT team is already in place and includes the required skills and experience.

- **Michaël van den Berg – ACT Investment Director.** Michaël comes with two decades of experience in impact investing and financial management with a focus on mobilizing, managing and deploying funds in food and agriculture across Africa, Asia and Latin America.
- **Peter Nielsen – Investment Manager and Carbon Specialist.** Peter has a strong track record in agribusiness investing and carbon economics.
- **Ernesto Daza-Lacouture – Investment Manager.** Ernesto has an extensive background in circular business models, innovative finance and social enterprise investments in Latin America and Africa.
- **Eva Johansson – TA Manager.** Eva leads the CFC TA Team managing TA facilities. Before joining CFC she built up a wide experience of managing complex programs for USAID and Sida.
- **Hector Besong – Risk Manager.** Hector is a seasoned investment and risk management expert. Prior to joining CFC he has worked for over a decade in corporate risk management and project finance.

Access to specialist knowledge:

A range of in-house expertise at the CFC will provide ACT with access to specialists in cross-commodity issues including climate finance, carbon markets and supply chain management as well as broader management support. They include:

- **Nicolaus Cromme – Chief Operations Officer.** Nicolaus is CFC's investment and TA team director. Nicolaus has 23 years of investment experience with KfW and the CFC.
- **Michele Schwarz – Head of Accounting & Administration.** Michele has over 20 years of experience in financial administration in private and public financing institutions.
- **Tia Sudjarwo – Treasury & Back Office Specialist.** Tia has 25 years of treasury experience and is an ACAMS certified associate in KYC/CDD.
- **Annemarie den Tex – Head of Legal affairs.** Annemarie oversees all legal affairs at CFC and its investment portfolios. She comes with an extensive background in corporate law practice.

SDG-aligned impact is at the centre of ACT

ACT is classified as dark green in alignment with Article 9 of the Sustainable Finance Disclosures Regulation (SFDR), combining impact with securing a financial return on investments. ACT targets investments that contribute to the United Nations' Sustainable Development Goal (SDG) #1 No poverty, SDG #5 Gender equality, SDG #8 Decent work and economic growth, SDG #13 Climate action and SDG #15 Life on Land.

Sustainability risks management

The CFC's Social and Environmental risk Management System (SEMS) was co-designed with the International Labour Organization (ILO). ACT will use SEMS to identify and manage social and environmental risks associated with an investment prior to a transaction and during the lifetime of the investment.

Impact assessment

Each investment will be benchmarked against key indicators at the beginning and end of each investment, with a bespoke approach for investee companies, financial institutions, traders and processors. In addition, investee companies will report their impact on an annual basis to identify areas for impact growth during the investment period and to continually mitigate risks.



Photo: Tea Picker, Sri Lanka. Adobe stock

The Fund in numbers

The ACT Fund will be an AIF registered in the Netherlands, issuing Notes, Mezzanine and Junior shares to investors.

Act Fund Mission	Act Fund Indicators	Act Fund Targets*
Catalyse financing to agri-SMEs chains to create income, increase climate resilience and have positive effects on biodiversity	Funds Employed	USD 100 million investment finance + USD 10m in technical assistance
	Income improvement	USD 216 million of farmer payments supported
	Climate adaptation	1.6 million Mt CO2 sequestered and > 80,000 farmers trained in regenerative agriculture practices
	Biodiversity	275,000 Ha under regenerative agricultural and forest-preservation practices
Improving livelihoods	Farmer livelihood	> 275,000 farmers reached; > 30% women
	Employment	> 23,000 formal jobs supported; > 30% women
Capital proposition for investors	Return On Capital	Return targets ranging between 1%-8% with carefully managed downside risk
	First-loss Provision	USD 20 million from CFC (sponsor/General Partner)
SME and farmer capacity building	Technical Assistance Employed	USD 10 million of TA to ACT investees; TA Facility structured separate and alongside of the ACT Fund

*Impact targets are provisional and calculated at a fund level of USD 100 million

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