

Press release

SDG Loan Fund mobilizes USD 1.1 billion of investor capital

- **The SDG Loan Fund¹ has successfully mobilized USD 1.1 billion of investor capital to advance the United Nations Sustainable Development Goals (SDGs) in emerging and frontier markets, using an innovative “blended finance” model.**
- **Investors in the fund, including Allianz, FMO and Skandia, are providing capital for high-impact, SDG-aligned loans to local companies and projects across Latin America, Asia, Africa and Eastern Europe.**
- **Allianz Global Investors is managing the SDG Loan Fund and FMO Investment Management is originating and managing the loan portfolio. The John D. and Catherine T. MacArthur Foundation (MacArthur), has committed a USD 25 million guarantee for credit enhancement.**
- **The SDG Loan Fund’s large-scale and multi-sector reach are enabled by a first loss investment from FMO, coupled with MacArthur’s guarantee. Together, these catalytic investments are unlocking USD 1 billion in private capital for affordable energy, financial inclusion and sustainable agriculture in emerging and frontier markets.**

November 28, 2023 | Allianz Global Investors (AllianzGI), FMO Investment Management (FMO IM), and the John D. and Catherine T. MacArthur Foundation (MacArthur) announced today that the SDG Loan Fund (the Fund) has successfully mobilized over USD 1 billion in private capital to advance the United Nations Sustainable Development Goals (SDGs) in emerging and frontier markets. The Fund’s capital is provided by a group of institutional investors, including Allianz, the Dutch development bank FMO, and Skandia.

The Fund’s “blended finance” structure enables leading institutional investors to co-invest in a portfolio of loan participations that support financial institutions and intermediaries serving small and medium-sized businesses in low- and moderate-income countries across Latin America, Asia, Africa, and Eastern Europe in three target sectors: energy sector, financial institutions, and agribusiness.

Initially conceived by AllianzGI, the Fund’s manager, and FMO IM, the portfolio manager, the Fund’s structure includes a “first-loss” investment from FMO and a partial, unfunded guarantee from MacArthur. Together, these credit enhancements are mobilizing capital from institutional investors who would not customarily be able to finance high-impact loans in emerging and frontier markets.

¹ NOTE: This fund is no longer being marketed and is now closed to new investors

The SDG Loan Fund is designed to address the urgent need for capital to reach the SDGs in developing countries. Totalling USD 3.9 trillion in 2020,² this critical annual funding gap increased by 56 percent after the outbreak of COVID-19. The Fund builds on a growing range of efforts to mobilize capital from private sector investors for investments in emerging and frontier markets towards the SDGs. Overall, capital deployed by the SDG Loan Fund will focus on economic growth (Sustainable Development Goal 8), equality (Sustainable Development Goal 10) and climate (Sustainable Development Goal 13).


Once fully invested in approximately 100 high-impact loan participations, the Fund aims that its investments support close to 60,000 jobs and to avoid approximately 450,000 tCO₂ eq of greenhouse gasses per annum according to FMO's historical experience and analysis.³ The Fund is expected to have a running start, with FMO warehousing approximately USD 100 million of eligible loans for the Fund.


"At Allianz Global Investors, we understand that blended finance has a crucial role to play in unlocking the private capital needed to spur development in emerging and frontier markets. Our partnership approach with FMO and the MacArthur Foundation has led to the creation of a compelling example of a concrete, innovative, market-led approach to mobilizing that capital at scale, helping ensure high-impact projects vital to the green transition receive the financing they need. We firmly believe the SDG Loan Fund will act as a blueprint for successful multi-stakeholder collaboration, which we hope to see many more examples of in the future" says **Deborah Zurkow, Global Head of Investments at Allianz Global Investors**.

"We are excited to partner with Allianz Global Investors and the MacArthur Foundation in our joint SDG Loan Fund. The capital pooled together through this blended finance structure is a demonstration that a shared vision to address the SDGs can result in finding solutions for very different types of investors. The Fund will allow FMO to provide more capital to its customers, supporting our shared mission to enhance local prosperity in developing countries globally. We are confident that together with Allianz Global Investors, we will ensure the Fund's success in selecting and managing an impactful portfolio" says **Nic Wessemius, Managing Director at FMO Investment Management**.

"The MacArthur Foundation is proud to harness our long experience with impact investing and guarantees in support of the SDG Loan Fund. By filling critical funding gaps and fueling economic, environmental, and social benefits for tens of thousands of small businesses, families and communities, the Fund will demonstrate the power of catalytic capital to unlock investment and impact that would not otherwise be possible," says **Debra Schwartz, Managing Director of Impact Investments at the MacArthur Foundation**.

What investors have to say:

Allianz  "As a founding member of the Net Zero Asset Owner Alliance Allianz is keen to facilitate the decarbonization of the world economy and finance the energy transition. The perception of elevated risk of investing in emerging markets – which is often not correlated with actual risk levels – can be daunting for institutional investors. For us blended finance is an innovative financial instrument to accelerate the allocation of funds to these areas on a larger scale. The SDG Loan Fund reaching over USD 1 billion of commitments is a great example and strong signal to the market of how to crowd in institutional capital in size", says **Allianz Group Chief Investment Officer, Carsten Quitter**.

FMO  **Huib-Jan de Ruijter, Co-Chief Investment Officer at FMO**, said: "The SDG Loan Fund fully supports FMO's ambition to scale up private sector mobilization and maximize funding towards emerging and frontier markets. We are excited to partner with Allianz, Skandia and the MacArthur Foundation in this blended finance structure, and we call upon other institutional investors, foundations and DFIs to replicate this innovative model, as it removes barriers to invest in the markets where it is needed the most."

² OECD, <https://www.oecd.org/finance/global-outlook-on-financing-for-sustainable-development-2023-fcbe6ce9-en.htm>

³ For more information on this please visit <https://annualreport.fmo.nl/2022/>

skandia : **Lars-Göran Orrevall, Chief Investment Officer at Skandia**, said: “This investment fulfills Skandia’s ambition to achieve both attractive risk adjusted returns and significant sustainability impact. We are excited to work with our partners on this pioneering blended finance structure which plays an innovative and critical part in addressing the funding gap of the SDGs in developing and frontier markets. The fund’s three target sectors - energy, financial institutions, and agribusiness – are also pivotal in our joint efforts to increase the world’s climate resilience and reducing our carbon footprint. We believe that our customers will be excited to be part of the SDG Loan Fund’s journey.”

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About Allianz Global Investors

Allianz Global Investors is a leading active asset manager, managing EUR 516 billion* in assets for individuals, families and institutions worldwide. By being active and investing for the long term, our goal is to elevate the investment experience for our clients and generate value every step of the way.

*Data as at 30 September 2023. Total assets under management are assets or securities portfolios, valued at current market value, for which Allianz Asset Management companies are responsible vis-à-vis clients for providing discretionary investment management decisions and portfolio management, either directly or via a sub-advisor. This excludes assets for which Allianz Asset Management companies are primarily responsible for administrative services only. Assets under management are managed on behalf of third parties as well as on behalf of the Allianz Group.

About Allianz Group

The Allianz Group is one of the world's leading insurers and asset managers with more than 122 million* private and corporate customers in more than 70 countries. Allianz customers benefit from a broad range of personal and corporate insurance services, ranging from property, life and health insurance to assistance services to credit insurance and global business insurance. Allianz is one of the world's largest investors, managing around 706 billion euros** on behalf of its insurance customers. Furthermore, our asset managers PIMCO and Allianz Global Investors manage about 1.7 trillion euros** of third-party assets. Thanks to our systematic integration of ecological and social criteria in our business processes and investment decisions, we are among the leaders in the insurance industry in the Dow Jones Sustainability Index. In 2022, over 159,000 employees achieved total revenues of 152.7 billion euros and an operating profit of 14.2 billion euros for the group***.

* Including non-consolidated entities with Allianz customers.

** As of September 30, 2023.

*** As reported – not adjusted to reflect the application of IFRS 9 and IFRS 17.

About FMO & FMO Investment Management

FMO is the Dutch entrepreneurial development bank. As a leading impact investor, FMO supports sustainable private sector growth in developing countries and emerging markets by investing in ambitious projects and entrepreneurs. FMO believes that a strong private sector leads to economic and social development and has a 50+ year proven track-record in empowering entrepreneurs to make local economies more inclusive, productive, resilient, and sustainable. FMO focuses on three sectors that have high development impact: Agribusiness, Food & Water, Energy, and Financial Institutions. With a total committed portfolio of EUR ~13 billion spanning over 85 countries, FMO is one of the larger bilateral private sector development banks globally.

Through FMO Investment Management, FMO's wholly owned investment firm, investors can obtain access to FMO's deal flow in sustainable emerging market investments. By joining forces, we scale up our contribution to the UN Sustainable Development Goals.

For more information, please visit www.fmo.nl / www.fmo-im.nl

About the John D. and Catherine T. MacArthur Foundation

The John D. and Catherine T. MacArthur Foundation – a global philanthropy with offices in Chicago, Nigeria, and India – supports creative people, effective institutions, and influential networks building a more just, verdant, and peaceful world. MacArthur's Impact Investment program is working to build the field of impact investing and provide catalytic capital to address social and environmental challenges around the world. In 2019, the Foundation and its partners, The Rockefeller Foundation and the Omidyar Network, launched the Catalytic Capital Consortium to help the fast-growing field of impact investing realize its full potential.

Disclaimer

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