

ACTIVITY
REPORT
2022

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WORDS FROM MANAGEMENT

THE "BRIGHT" VS THE "DARK" SIDE OF MICROFINANCE!

I remember my outraged reaction when watching the "Dark Side of Microfinance" documentary posted a year ago on the Bloomberg You Tube channel. Without denying the existence of doubtful practices, there should absolutely be adversarial report to testify on the plus and positive contributions of microfinance for the economic and social empowerment of entrepreneurs and excluded populations... provided it is done in a proper and respectful way; the way, that we, at Inpulse, have been so careful about since our first investments in the sector.

Regularly some practices – especially recollection practices – by microfinance institutions hit the headlines as a denunciation of forceful, even coercive approach of their clients. Such practices are unlawful and do not meet the European standards in delivering microfinance services. It was a great achievement in that respect that the European Commission developed, adopted and regularly updates – with the contribution of the sector itself – the European Code of Good Conduct for Microcredit Provision. At Inpulse we take this in serious consideration and are proud that 100% of all our MFI clients in the EU comply with the Code and even count in the best in class category.

Although it might be a demonstration of excellence, the reliance to such a score is not sufficient. It is our responsibility - as social investor – to make sure that social commitment remains firm and embedded in the every day routine of our MFI clients. We check on this during our Due Diligences and during our regular field visits. This is part of the impact assessment we carry out systematically for each new investment. Because we invest also in financial intermediaries different than the traditional MFIs (like social Fintech, crowdfunding

platform, etc) and more recently directly in social enterprises with the ImpaktEU Fund, we also care to constantly adapt our impact assessment tools.

In 2022, we emphasized this dedication even more with the adoption of the Theory of Change of the newly launched ImpaktEU fund. This is a multi-stakeholders approach that aims to achieve big measurable impact on social, green and governance/ gender level and for each kind of stakeholders. The on-going improvements in the in-house social and impact assessment tools will serve the purpose to align the Fund performances to impact expectations and help our MFI clients to become better in terms of Impact Measurement. With the same spirit we also established and will report on the classification into Article 9 for each fund under management in regards of SFDR regulation.

Now that we are approaching a significant turnaround in Inpulse development with the end of the historic fund CoopEst and the start of new funds – FEFISOL2, ImpaktEU - it is important for our business to remain people-centered. It is another layer of responsibility, not just to investors and to final beneficiaries, but also to all who are directly involved in our activities, namely our staff and our Board.

Despite the perduring difficult context (Covid, Ukraine, rise of interest rates), we remain dedicated and confident in the future of impact investing, more than ever!

Let us thank all people, staff, shareholders, partners and investors, who support Inpulse in this permanent endeavor!



Bruno Dunkel
General Manager

IMPULSE AT A GLANCE

WHO WE ARE

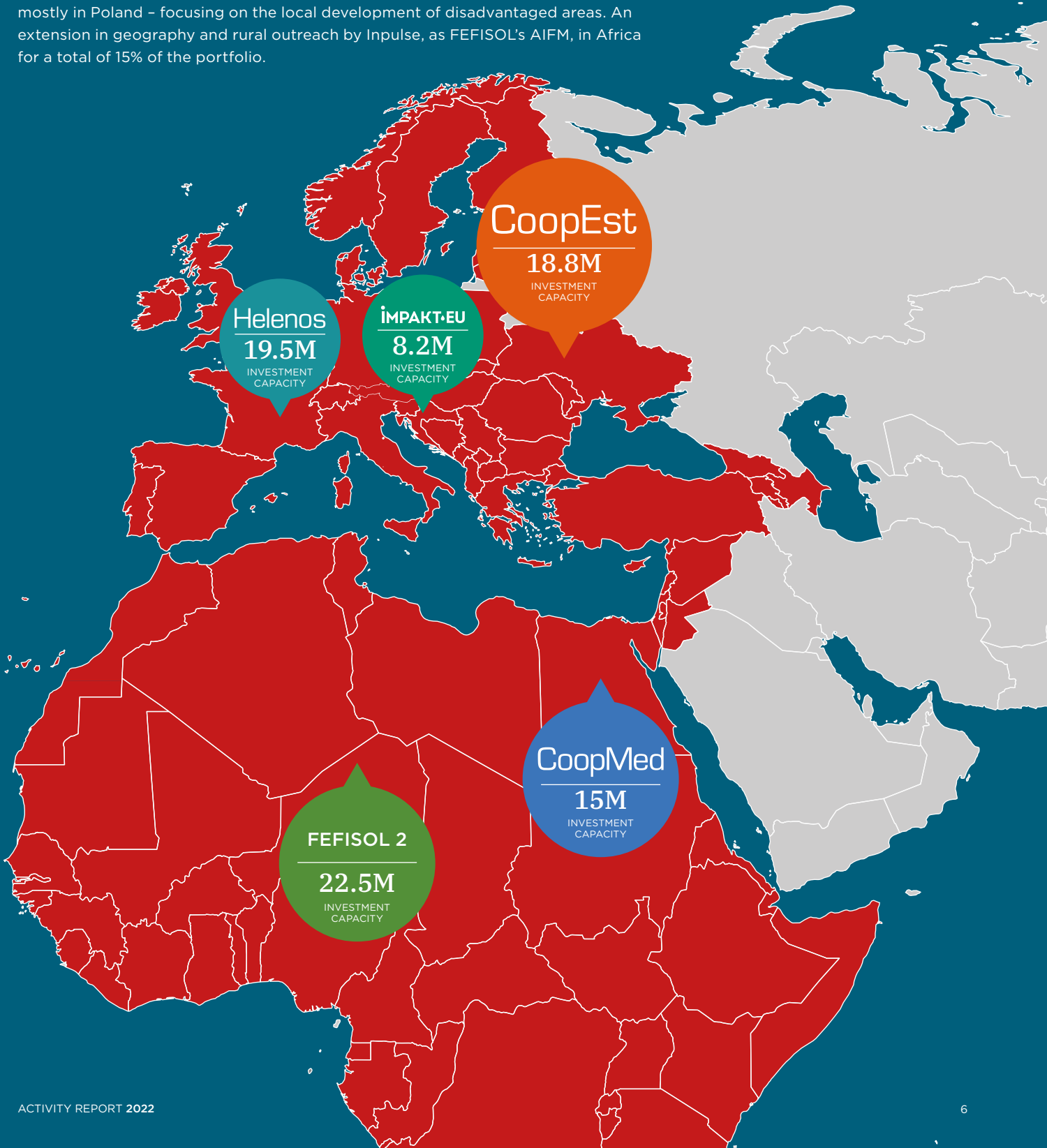
Inpulse is a Brussels-based impact-driven fund manager with **distinctive know-how in social investments and microfinance**. From a core expertise in financing the Social Economy in Europe, we developed strong skills to support alternative investment funds that provide **long-term financing to socially-driven financial intermediaries**. We are also progressively entering into the direct financing of social enterprises in the EU. The primary goal of our investments is to empower excluded, low-income beneficiaries and to promote positive changes in their lives. The UN SDGs provide the main framework to develop our mission. By **tracking specific social indicators**, we are able to show how we contribute to the SDGs and monitor the evolution of our impact targets. Inpulse also maintains strong connections with leading microfinance and social economy networks and engages in multiple partnerships to ensure a sound understanding of the markets where we operate.

AMBITION & MISSION

Inpulse aims to be an European reference in impact fund management. Inpulse strives to **catalyze positive change through entrepreneurship, boost local economies and encourage social inclusion through entrepreneurship**. To achieve these goals, the Inpulse team commits to the following: **tailoring and engineering fair financial and non-financial services** to serve inclusive financial intermediaries and social enterprises; manage investment vehicles that share the same ambition; leveraging resources addressed to responsible economic initiatives; and, **operating as an impact-driven organization** that tracks the social impact of every investment in an effort to help public and private investors generate better outreach at the microlevel.

INVESTMENT & PORTFOLIO

As of the end of 2022, Inpulse funds have invested in 54 partner institutions across 24 countries for a total outstanding amount of EUR 44.9 million. **We actively support five MIVs: CoopEst, CoopMed, Helenos, ImpaktEU and FEFISOL II.** 61% of the portfolio boosts small and medium-sized MFIs that are strongly involved in the financial inclusion of excluded groups and micro-enterprises. **The average loan size to end clients is EUR 4,869.** EUR 5.3 million is invested in cooperative banks – mostly in Poland – focusing on the local development of disadvantaged areas. An extension in geography and rural outreach by Inpulse, as FEFISOL's AIFM, in Africa for a total of 15% of the portfolio.



2022 KEY FIGURES

ASSETS UNDER MANAGEMENT

84.1M EUR

OUTSTANDING PORTFOLIO

45M EUR

TARGET COUNTRIES

24

FRAGILE STATES

4

LOANS OUTSTANDING

80

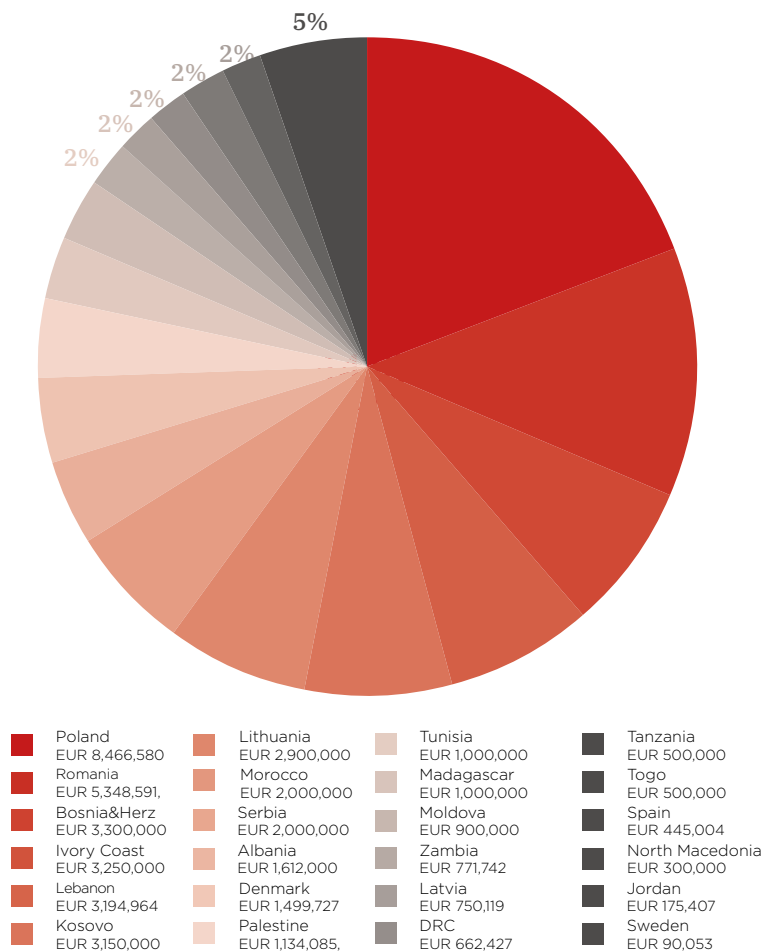
AVG LOAN PER INVESTEE

562K EUR

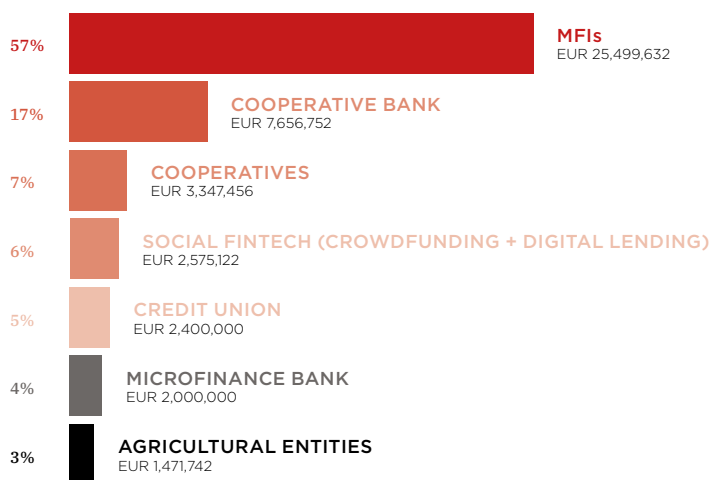
ACTIVE LOANS TO FINAL CLIENTS

272,130

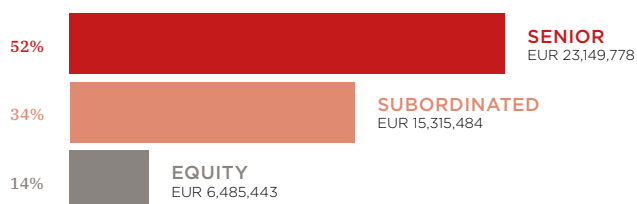
PORTFOLIO BY COUNTRY



PORTFOLIO BY INSTITUTION



PORTFOLIO BY INSTRUMENT



*This designation does not entail any recognition of Palestine as a state and is without prejudice to positions on the recognition of Palestine as a state.

PEOPLE

Inpulse has a dedicated team of multilingual and multi-skilled professionals committed to bring positive change in the life of financially-excluded people. We are based in three countries (Belgium, France and Poland) with nine staff in Brussels, one in Paris and three in Warsaw. The management and investment teams have **extensive experience in due diligence, impact measurement, risk and AML/CFT management and portfolio monitoring in the social economy**, microfinance and the informal sectors. The geographical scope of our staff experience covers the entirety of the European Union, neighboring countries, Africa, MENA and Latin America.



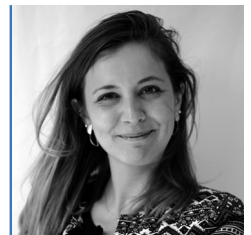
BRUNO DUNKEL
Managing Director



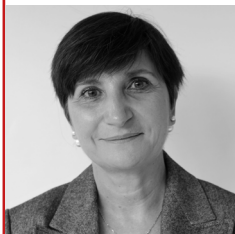
NICOLAS BLONDEAU
Manager



IZABELA NOREK
Investment Manager



JUSTINE PALERMO
Investment
Director



LAURENCE MAY
Risk and Compliance
Manager



MICHAL RADZIWILL
Investment Director



MONIKA CZERWINSKA
Investment Officer

STAFF
MEMBERS

13

WOMEN
STAFF

54%

NATIONALITIES

8

YEARS OF
EXPERIENCE

290

SPOKEN
LANGUAGES

9

OFFICE
LOCATIONS

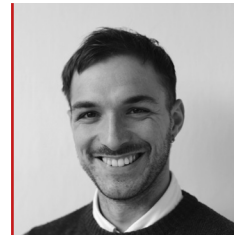
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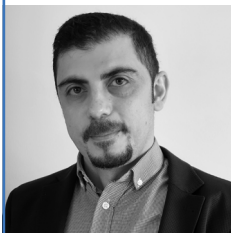
ZAHRA KIMDJEE
Senior Investment
Adviser



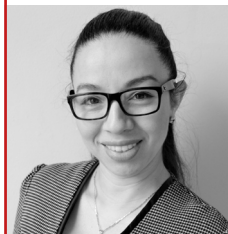
FRANCESCO GRIECO
ESG & TA Director



MATTEO RAGNO
Risk and Compliance



IMAD HAIDAR
Investment Analyst



KARINA NAVARRO
Green finance
coordinator & ESG
Expert



VALÉRIE VALENTE
Administration and
Support

INVESTORS

SOCIAL ECONOMY INVESTORS & BANKS



DEVELOPMENT FINANCE INSTITUTIONS (DFIS)

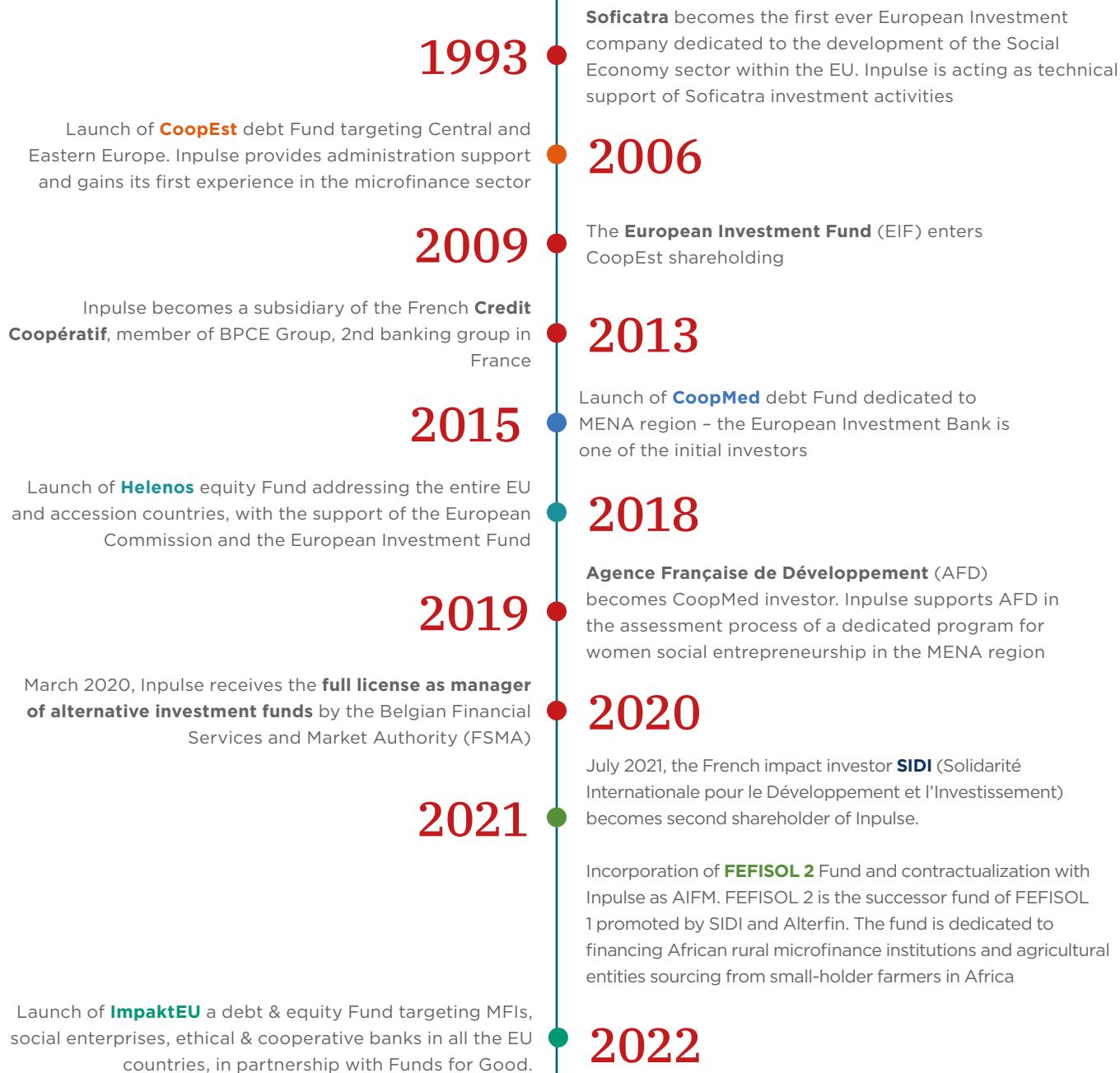


IMPACT & RESPONSIBLE INVESTORS



MUTUAL INSURANCE COMPANIES





NEXT GENERATION FUNDS

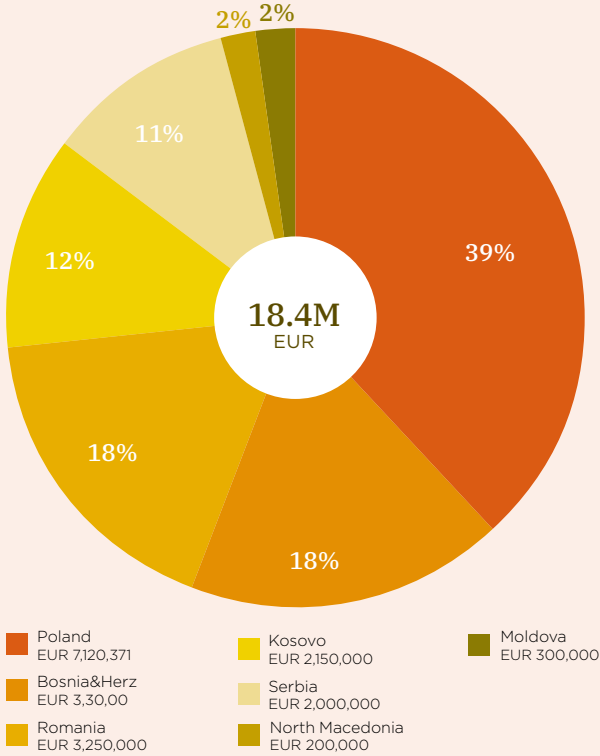
Inpulse is progressively renewing its existing fund family in response to growing demand from the micro and social entrepreneurs who face difficulties in accessing finance and support. Micro and social business are key to address the core challenges facing the future of our societies: employment, gender balance, green development. In 2022, Inpulse launched the **ImpaktEU** Fund in partnership with Funds For Good. The fund is meant to be the successor fund of CoopEst and will cover the entire EU and candidate countries and focusing on two main targets: microentrepreneurs and social enterprises, either indirectly via MFIs, ethical/cooperative banks and financial intermediaries dedicated to social entrepreneurs or directly (for a limited portfolio) into emblematic social enterprises.

The Fund was launched with the initial capital support of committed professional investors, which will help to leverage institutional investors like the Belgian SFPI (holding of the Belgian government), who has already committed a EUR 10M shares subscription. The intention is to reach 25M by the end of 2023 and 50M by end 2024.

Inpulse is also committed to tackling other core challenges facing of our societies, beyond microfinance. For some time, we have been looking into specific thematic like combining social inclusion with the necessary promotion of renewable energies and energy efficiency. Hopefully this will materialize through a fund structure that will channel funding into people-centered financial and non-financial solutions.

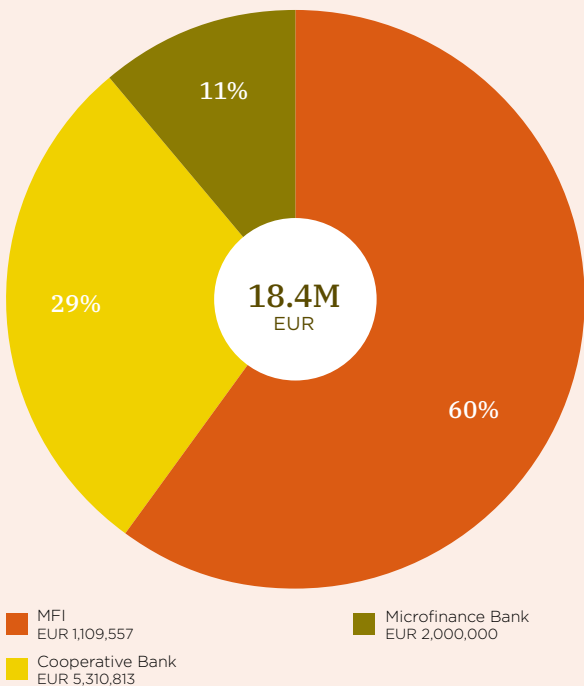
CoopEst

PORTFOLIO PER COUNTRY



The mission of CoopEst is to foster the development of a socially rooted financial sector in Central and Eastern Europe (CEE). To support financial inclusion and the development of income generating activities, CoopEst provides subordinated and senior debt to financial intermediaries, enabling them to leverage further funding and to expand their outreach.

PORTFOLIO PER SECTOR



ASSETS UNDER MANAGEMENT
18.9M
EUR

OUTSTANDING PORTFOLIO
18.4M
EUR

TARGET COUNTRIES
7

LOANS OUTSTANDING
32

AVG LOAN PER INVESTEE
575K
EUR

INVESTEES
18

ACTIVE LOANS TO FINAL CLIENTS
150,954

IMPACT OUTCOMES & SDGS



HIGHLIGHTS 2022

All **CoopEst bonds arrive at maturity in 2023**. Therefore, no investment activity was conducted as the investment capacity is progressively reduced by the repayments to the investors supporting CoopEst. During the year, contractual repayments from clients of EUR 5.8M were received. The only doubtful client – a Polish MFI – continued monthly repayments as scheduled. Except for this single occurrence, the CoopEst **portfolio quality remained very good**.

PORTFOLIO FOCUS

In December 2022, FAER, a medium-sized Romanian MFI repaid a long-term loan of EUR 500,000 dedicated to finance Roma entrepreneurs. The loan was granted in the framework of the cooperation with the Romanian NGO REDI and supported the development of Roma entrepreneurship in Southeastern Europe.

FAER is based in Reghin in central Transilvania. It has a strong focus on the vulnerable population in rural areas (including specific programs for the Roma minority), **supporting small farmers and micro-enterprises**, while maintaining good financial results. It has developed expertise in agricultural lending, strong recognition in rural areas of its activity, and good relations with the lenders. The main strategic goal is serving financially excluded farmers. FAER Foundation is majority shareholder of the MFI, which has managed various programs supporting the rural populations in the region over the last 25 years.

The loan products offered by FAER are well tailored to their clients' needs - farmers who need funds for investment in productive agricultural assets or some additional funds for seeds, fertilizers or other working capital needs (enabling them to avoid selling their crops immediately after harvest and, in some cases, to wait for a better market price), as well as for microentrepreneurs (mainly rural) active in the region.

CoopMed

Launched in 2015, CoopMed supports the creation of employment and economic activities promoted by the local civil society. CoopMed promotes innovative social entrepreneurship initiatives in the MENA region. The fund offers subordinated and senior loans to MFIs, local banks and mutual companies. CoopMed applies a strong social performance policy with the support of a dedicated technical assistance facility.

ASSETS UNDER MANAGEMENT
15.1M
EUR

OUTSTANDING PORTFOLIO
7.5M
EUR

TARGET COUNTRIES
5

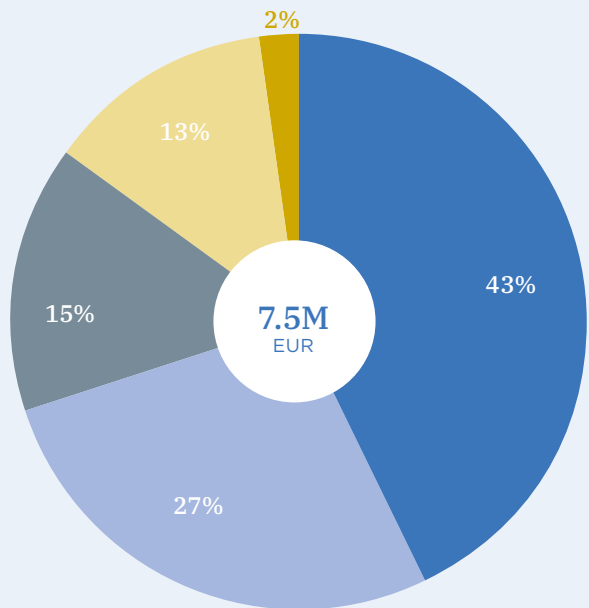
LOANS OUTSTANDING
15

AVG LOAN PER INVESTEE
500K
EUR

INVESTEES
9

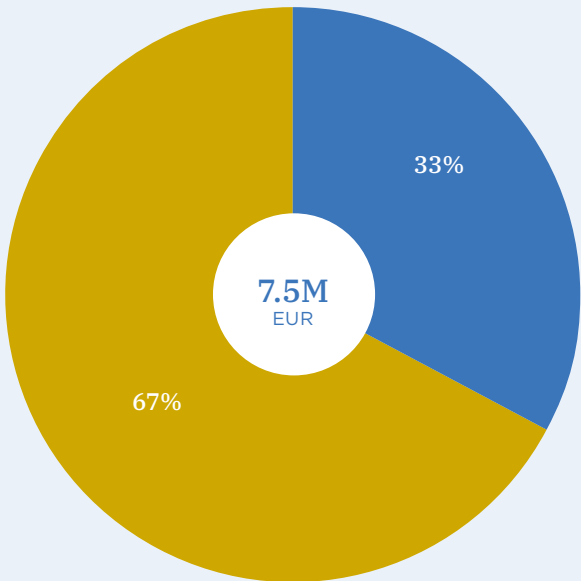
ACTIVE LOANS TO FINAL CLIENTS
88,541

PORTFOLIO PER COUNTRY



- Lebanon
EUR 3,194,964
- Palestine
EUR 1,134,085
- Jordan
EUR 175,407
- Morocco
EUR 2,000,000
- Tunisia
EUR 1,000,000

PORTFOLIO PER TIER



- Tier 1
- Tier 2

HIGHLIGHTS 2022

In 2022, CoopMed activities mainly focused on portfolio monitoring and maintaining our support to existing partners, both via technical assistance missions and renewal of existing lines.

The context of the MENA region remained turbulent in 2022: Lebanon encountered a devastating crisis, with the Lebanese pound losing 98% of its value and more than three-quarters of the population falling into poverty. Other currencies in the region also faced important volatility leading to an increased FX risk for our partner MFIs. The MENA region is the only region that has realized a significant increase in extreme poverty in the world (see World Bank report on poverty). **Inflation in the region rose dramatically** and most countries suffered from double-digit (or higher) food price inflation, which disproportionately affected poorer households as they spend more of their budgets on food.

The need for a dedicated instrument to support financial inclusion, job creation and the most vulnerable population in the region is therefore even more crucial. CoopMed started its investment operations in 2015. Since then it has disbursed 25M EUR to date, demonstrating its unique market position as the sole impact investor in the MENA region dedicated to small and medium size financial institutions with an average investment ticket of 500,000 EUR per investee.

The CoopMed portfolio is slowly decreasing as it now approaching maturity and due to the impact of the Lebanese crisis that impeded our growth.

PORTFOLIO FOCUS

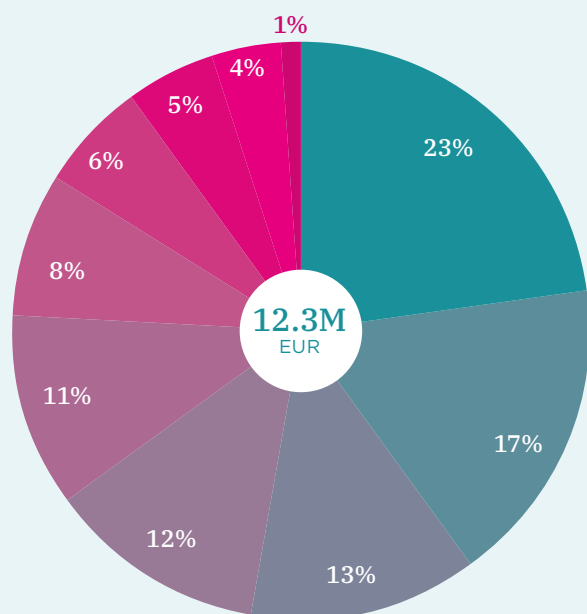
ALMAJMOUA is a leading microfinance institution in Lebanon. with a strong financial track-record and deeply rooted social mission, ALMAJMOUA had succeeded in attracting many international lenders (17) including CoopMed who has supported ALMAJMOUA since 2017 both via funding and technical assistance. In 2019, ALMAJMOUA was one of the few “Tier 1” MFIs in the MENA region with a balance sheet of over 100M USD, an excellent-quality loan portfolio and outreach of +80K clients with an average loan size of 900 USD. **In Q4 2019, the Lebanese financial crisis strongly impacted ALMAJMOUA, whose assets and liabilities were denominated in USD.** The MFI loan portfolio gradually lost its value as the local currency devalued by 98%. **The financial crisis has directly impacted the MFI’s liquidity as they lost access to their USD deposits** in local banks. 3 years after the beginning of this unprecedented crisis ALMAJMOUA is still standing. While its assets amounted to USD 121M in September 2019, the MFI started to build a new portfolio as from Q2 2022 and has today disbursed USD 3.3M to 30.000 clients with a loan/average of USD 110.

IMPACT OUTCOMES & SDGS



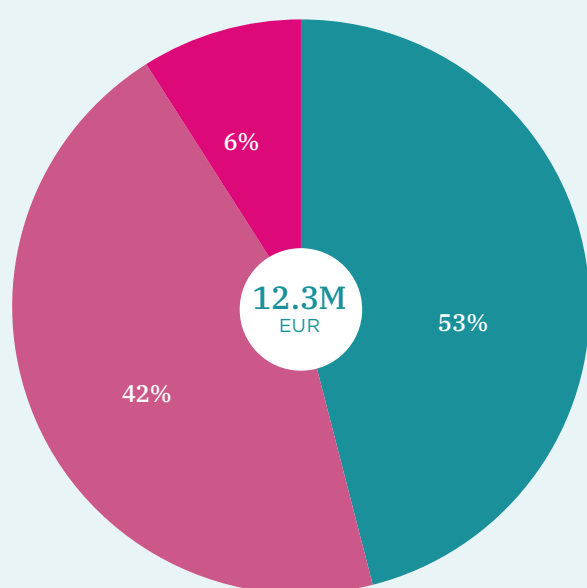
Helenos

PORTFOLIO PER COUNTRY



■ Lithuania EUR 2,900,000	■ Poland EUR 1,346,208	■ Spain EUR 445,004
■ Romania EUR 2,098,591	■ Kosovo EUR 1,000,000	■ Sweden EUR 90,053
■ Albania EUR 1,612,000	■ Latvia EUR 750,119	
■ Denmark EUR 1,499,727	■ Moldova EUR 600,000	

PORTFOLIO PER TYPE OF LOAN



■ Equity EUR 6,485,443	■ Subordinated EUR 5,136,262	■ Senior EUR 720,000
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Helenos was launched in 2018 to strengthen the solvency of socially responsible financial intermediaries across Europe. Accordingly, Helenos invests mostly through equity and subordinated debt. Along the years, Helenos has progressively demonstrated its *raison d'être*, filling a gap in the European inclusive finance market, targeting small but promising social financial intermediaries. Helenos is the first international investors for 7 partner institutions, 47% of the investees had less than EUR 5M in portfolio at the time of investment, 69% had less than 20 employees and even 18% less than 5 employees.



European Commission

ASSETS UNDER MANAGEMENT

19.5M
EUR

OUTSTANDING PORTFOLIO

12.3M
EUR

TARGET COUNTRIES

10

LOANS OUTSTANDING

23

AVG LOAN PER INVESTEE

536K
EUR

INVESTEES

17

ACTIVE LOANS TO FINAL CLIENTS

74,766

IMPACT OUTCOMES & SDGS



HIGHLIGHTS 2022

The **difficult 2022 macroeconomic context, with the war in Ukraine, the rise of the interest rates and the high energy prices, has significantly impacted the situation of the social and micro entrepreneurs** across Europe. Several of them decided to postpone new investments, which led to lower credit demand. This situation helps to contextualize why **Helenos clients grew their loan portfolio by only 16.4%** on average, which is significantly lower than one year before (38% in 2021). Only three investees grew faster in 2022 than in 2021. Portfolio quality as well deteriorated, with PAR30 moving from 4.7% in 2021 to 5.8% in 2022.

In this context, thanks to a careful selection, Helenos realized seven investments in six countries. **Helenos made three equity investments:** (1) Crimson Finance Fund Albania (CFFA), which is a financial institution targeting the missing middle in Albania, i.e. the MSMEs which are too small to be served by banks, and too big for MFIs, (2) Flexidea, a microfactoring institution in Latvia which has developed a fast, easy and user-friendly digital process to facilitate access to factoring to microentrepreneurs, and (3) a top-up investment into OMRO, a MFI already investee of Helenos in Romania. **Three subordinated loans have been extended,** out of which 2 in institutions already investees of Helenos and a new one in Mikrofonden, a guarantee fund for social enterprises in Sweden, allowing Helenos to open a new country. Finally, Helenos provided one senior loan to a MFI in Moldova.

In 2022, Helenos realized a new capital raise, welcoming among other the Norwegian DFI, Norfund. The fund size increased, giving to Helenos additional means to fulfill its mission to support social and micro entrepreneurs amidst the current challenging times.

PORTFOLIO FOCUS

Mikrofonden is a cooperative investment and guarantee scheme financing Swedish social enterprises.

It was established in 2010 with the purpose of supporting the growth of the social economy sector.

Mikrofonden provides guarantees to a local bank, which in turn extends loans to social enterprises. Therefore, **Mikrofonden helps end clients open a banking relationship, which often does not exist prior to Mikrofonden investment.**

Since 2020, Mikrofonden has grown its portfolio by 60%. As a result, it was in need of additional resources. **As the first international investor, Helenos not only supports Mikrofonden's growth plan** and strengthens its solvability but also gives more exposure to international investors.



Investment Manager. Positive Change.

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