

Prospectus: CI3 Third Billion Fund

USD 300 million tiered investment fund, representing a unique opportunity to invest in women

CI3 Third Billion Fund is a tiered investment vehicle that generates blended value by providing critical financing to address four issues hampering women’s participation in the global economy.

Market opportunity – Today as many as 870 million women aged 20 to 65, mostly living in the emerging markets are “not prepared” or “not enabled” to participate in the global economy.¹ By 2020, that number will rise to 1 billion, similar to the 1 billion plus populations of India and China. If properly harnessed, the so-called “Third Billion” can represent an equally powerful economic force as women enter the global economy as producers, entrepreneurs, employees and consumers. La Pietra Coalition’s Third Billion Campaign identified four barriers to unlocking women’s potential: access to finance, access to markets, access to education & training, and access to legal services². *CI3 Third Billion Fund* aims to capitalize on these efforts and apply an innovative financial structure to address the key barriers, scale up women’s entrepreneurship and integrate “under-served” women into the economic mainstream.

Investors											
CI3 Third Billion Fund	Tier	Mission	Asset Class	Sample asset pool	Return	Risk	Hold period	Mgt Fee	Investor Allocations		
									A	B	C
	T1	Access to finance & markets	Across capital structure	Beleza Natural (Brazil) D-Rev Design (US)	10%-15%	High	7-10 years	2.5%	70%	20%	10%
	T2	Access to education	Fixed MTN	Lumni (Colombia) Anhanguera Educacional (Brazil) Kakenya Center for Excellence (Kenya)	2%-5%	Mid	3-5 years	1.5%	20%	50%	30%
	T3	Access to legal & social status	Working capital loans	International Association of Women Judges (US) BWASA (South Africa)	0%-2%	Low	1 year	0.5%	10%	30%	60%

Investment opportunity, asset classes and expected returns – *CI3 Third Billion Fund* is a unique investment vehicle allowing investors to achieve financial and social returns by making an allocation across three tiers, each with a unique social impact on women’s lives and varying degrees of risk-adjusted financial returns:

The first tier, “access to finance and markets”, focuses on providing financing to early, growth, and mature stage enterprises that fulfill one or more of the following criteria: (a) are led or owned by women, (b) provide critical goods and services to vulnerable women, (c) target at least 25% female employment. It will invest across the capital structure with preponderance of equity financing. Expected returns range from 10 to 15% based on Criterion Ventures’ matrix of investments made with a gender lens³ and charges a management fee of 2.5%. The expected holding period will be 7 and 10 years. **The second tier, “access to education”,** is targeted at providing debt financing to for and non-profit educational institutions and enterprises that (a) increase women’s access to education at all levels, and (b) provide technical and vocational training for women, increasing their chances of employment. This is a fixed note paying a coupon of 2% to 5% with a maturity of 3 to 5 years and carries a maximum 1.5% management expense.

¹ Aguirre, DeAnne, and Karim Sabbagh. “The Third Billion.” *Strategy+Business*, Issue 59, Web. 7 Mar. 2012 <<http://www.strategy-business.com/article/10211?gko=98895>>

² “The Third Billion.” La Pietra Coalition. Web. 7 Mar. 2012. <<http://thethirdbillion.org/>>

³ Criterion Ventures. *The Landscape of Social Investing in Women: A Map of Opportunities, Challenges and Returns*. 2010. Print.

The third tier, “legal and social status”, is a debt instrument that provides working capital loans at below-market rates with returns of 0 to 2%, after expected expenses of 0.5%. It aims to provide a more stable source of working capital financing to non-profits offering legal advisory services and advocacy work to (a) address violence against women, (b) protect or enhance their property rights, and (c) improve working and equal pay conditions. The source of repayment for this tier will come from the more traditional sources of cash flow for non-profits: (a) interest and fees, and/or (b) grants and donations.

The fund has a minimum lock-up period of 2 years with redemption on a semi-annual basis thereafter. At maturity, investors have an option to reinvest the proceeds, redeem for cash or offer a tax-deductible donation back into the fund or to cover the cost of operations. The fund will look to invest 30% of assets in the US and 70% in the emerging markets.

Investment criteria – potential investees will be evaluated along the following criteria: (1) *Impact on women*: mission alignment with at least one of the Fund’s three tiers and measurable impact on women’s access to markets, education, legal or social status; (2) *Entrepreneur and management team*: capacity for execution, management potential, and relevant technical knowledge; (3) *Enterprise/organization*: economic viability, strong value proposition (product or service), ability to repay the investment based on sound financials.

Due diligence process – the process is comprised of three key phases: deal sourcing, screening, and selection. The deal sourcing phase includes (1) partnering with women-focused investors networks, incubators and support programs (e.g. La Pietra Coalition’s four Working Groups); (2) undertaking proprietary research on women led and women targeted enterprises; (3) tracking early stage women entrepreneurs based in target markets and sectors. The screening will be conducted by an experienced deal sourcing team, including a preponderance of women members. Due diligence will include an analysis of shortlisted deals based on mission alignment to ensure women leadership and/or contributions to improving conditions of women; financial analysis, legal analysis, and exit options.

Social impact monitoring and evaluation – the Fund’s women-focused social impact monitoring and evaluation (M&E) system is based on Criterion Ventures’ Gender Metrics, B-Lab’s Global Impact Investing Rating System (GIIRS), GIIN’s Impact Reporting & Investment Standards (IRIS) and World Bank’s World Development Indicators. It aims to adopt industry standards, comparability, and accountability for social impact. Aligned with the Fund’s mission, its M&E system includes 14 indicators measuring women’s access to employment, quality of employment conditions, and enterprise leadership and ownership; 5 indicators of access and quality of primary, secondary, and tertiary education; one indicator of access to financial services; 4 indicators of access to justice; and 5 indicators of access to critical goods and services for vulnerable women (see annex A). Baseline indicators will be obtained in every investment and monitored annually. Finally, the Fund will further subject itself to a GIIRS ratings assessment on an annual basis.

Key risks and contingency actions – key risks and their mitigating factors include (1) lack of fund’s track record may deter institutional investors. The fund will be managed by an established non-profit organization with experience in issuing and managing similar investments, staffed with high-caliber investment professionals; established approvals and monitoring procedures (eg. Calvert/Oiko). (2) The fund is largely illiquid with no secondary market available to exit a position. To mitigate the illiquidity risk, the fund offers ability to redeem after a 2 year lock-up, and will establish specific concentration thresholds by sector and geography to ensure diversification; it also provides a range of short term and longer term maturities. (3) Risk of default. The borrowers of the fund may operate in unstable environments with unpredictable cash flows which may lead to an event of default. This risk is partially mitigated by the diversified nature of fund’s borrowers, rigorous selection criteria as well as track record and reputation of the fund manager.

Annex A – CI3 Third Billion Fund’s Impact Measurement Framework

Aligned with its mission, the CI3 Third Billion Fund will measure baseline and results in the following KPIs:

Impact Area	Outcome indicators (measured on baseline and every subsequent year)	Desired Impact
Access to markets	<p>Female leadership and ownership</p> <ul style="list-style-type: none"> • # and % of board of directors’ members that are women • # and % of executive board members that are women • # of shareholders and % share held by women <p>Female employment generation</p> <ul style="list-style-type: none"> • # and % of managers and supervisors that are women • # and % of operational employees that are women • Value and % of wages paid to women • # and % of suppliers that are women or women led <p>Female employment practices in place to</p> <ul style="list-style-type: none"> • Recruit employees equally, irrespective of gender • Support employees career progression, irrespective of gender • Compensate employees equally, irrespective of gender • Combat sexual harassment • Provide benefits to full-time employees: health insurance, dental insurance, disability coverage, life insurance, maternity or paternity leave, retirement, and stock ownership <p>Female access to goods and services</p> <ul style="list-style-type: none"> • # and % of clients that are women <p>Female access to business training</p> <ul style="list-style-type: none"> • # of women provided with business training 	<p>Contribute to:</p> <ul style="list-style-type: none"> • Increase employment rate and employment conditions of women • Average annual women’s income
Access to education	<p>Female access to primary and secondary education</p> <ul style="list-style-type: none"> • # and % of 1ry and 2ry enrolled children that are female • # and % of 1ry and 2ry children completions that are female <p>Female access to tertiary education</p> <ul style="list-style-type: none"> • # and % of 3ry enrolled students that are female (divided by vocational, technical, and professional education) • # and % of 3ry students completions that are female <p>Female improvement in academic performance</p> <ul style="list-style-type: none"> • Average percentile rank of females and female-to-male ratio in national evaluation of reading and math scores (if applicable) 	<p>Contribute to:</p> <ul style="list-style-type: none"> • Increase female enrollment and completion rates in primary, secondary, and tertiary school • Increase female academic attainment
Access to finance	<p>Female access to financial services</p> <ul style="list-style-type: none"> • # and % of loans provided to women led businesses 	<p>Contribute to:</p> <ul style="list-style-type: none"> • Increase the access of women to financial services
Access to justice	<p>Female access to justice</p> <ul style="list-style-type: none"> • # of women provided with legal advise • # of women and men trained on women rights and gender issues • # of women victims of violence provided with legal advise • # of women provided with leadership training 	<p>Contribute to:</p> <ul style="list-style-type: none"> • Increase the access of women to justice
Improved quality of life of vulnerable women	<ul style="list-style-type: none"> • Healthcare – # of women with health services • Childcare – # of women provided with childcare • Housing – # of women provided with affordable housing • Nutrition – # of women provided with a nutritional solution • Water – # of women with access to potable water and sanitation 	<p>Contribute to:</p> <ul style="list-style-type: none"> • Increase the access of vulnerable women to critical goods and services