

POWERFUL INVESTMENTS
PRACTICAL EMPOWERMENT

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ANNUAL

Saturday, Sept 28h
Dinner at 6 pm
Meeting at 7 pm



MEETING

Goodman
Community Center
149 Waubesa Street
Madison, WI 53704

We invite you to join us for Envest Microfinance Cooperative's 2019 Annual Meeting!

The meeting will include the election of Envest Board of Directors, presentation of financial reports, discussion of last year's challenges, and opportunities in the coming year. Come at 6pm to enjoy dinner and networking before the meeting.

Envest and Sustainable Technology

By Jon Bishop

Financing the adoption of appropriate, sustainable technology such as solar panels, water filtration systems, solar ovens, efficient stoves, etc. via microfinance was a core part of my vision in founding Envest in early 2006. My vision was to lend to microfinance institutions (MFIs) that include the provision of loans to low-income borrowers to facilitate the purchase of clean technology products as part of the mix of credit services offered. A few early supporters of Envest may remember that there were many conversations about incorporating renewable energy and other sustainable technology into the microfinance sector during the early stages of Envest's existence. I would like to take this opportunity to give the Envest community an update on the vision of financing adoption of sustainable technology.

I visited Nicaragua in 2007 to discuss the possibility of a lending relationship with a few potential partner MFIs. During the conversations, I asked about the possibility of including loans for solar panels among the credit products offered to clients. The managers explained that there was vastly more demand for credit from small-scale entrepreneurs than could be met. The core competency of most MFIs was (and still is) providing credit to such clients. The MFIs had systems and practices in place to carry out the core mission of their organizations at an acceptable risk level. The managers were unenthusiastic about straying from their core competency when they were not even close to meeting existing demand. Their reactions were those of sober, reasonable business professionals. *(Continued on page 5)*

Envest establishes a Public Benefit Corporation for Investments through Retirement Accounts

By Jon Bishop

We are excited to announce that we incorporated Envest Microfinance Public Benefit Corporation (Envest PBC) in the state of Delaware, and it began operations in late 2018. Envest PBC is a member of Envest LLC, the primary investment vehicle of Envest. All funds invested in Envest PBC are lent to the same microfinance institutions (MFIs) served by Envest LLC. As a member of the LLC, Envest PBC's portfolio will be diversified across the LLC's entire portfolio, which protects the PBC investors from the concentration risk that is typical in very small funds. A public benefit corporation is structurally and functionally similar to a conventional corporation. The distinction is the ability to consider social and environmental impacts of the company in addition to the return to investors.

Standard corporations are expected to maximize returns to investors above all other considerations, and there have been successful lawsuits by investors against companies that chose to consider social and environmental concerns instead of maximizing returns. Investors in a benefit corporation acknowledge that the management of the company has the legal right to consider social and environmental considerations even if it would not maximize the financial return. The spirit of a benefit corporation fits the mission and culture of Envest perfectly. *(Continued on page 5)*


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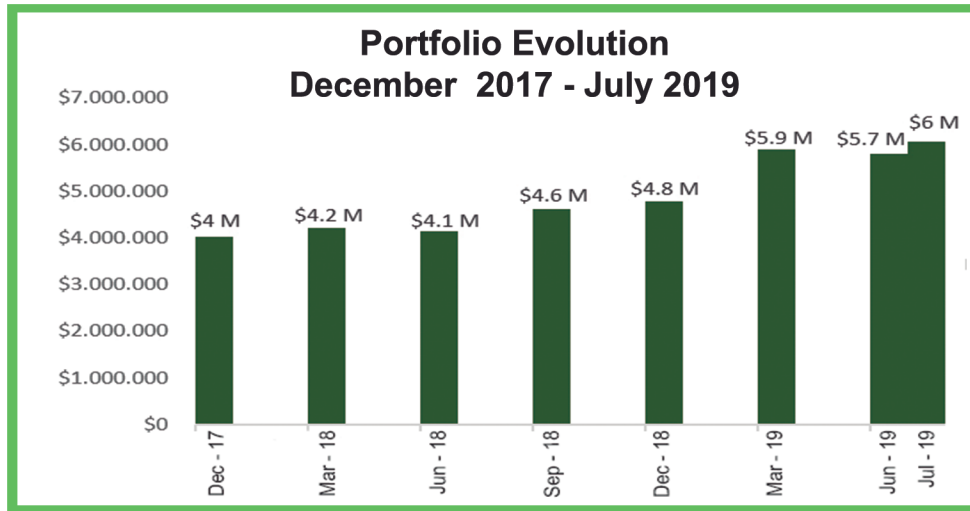
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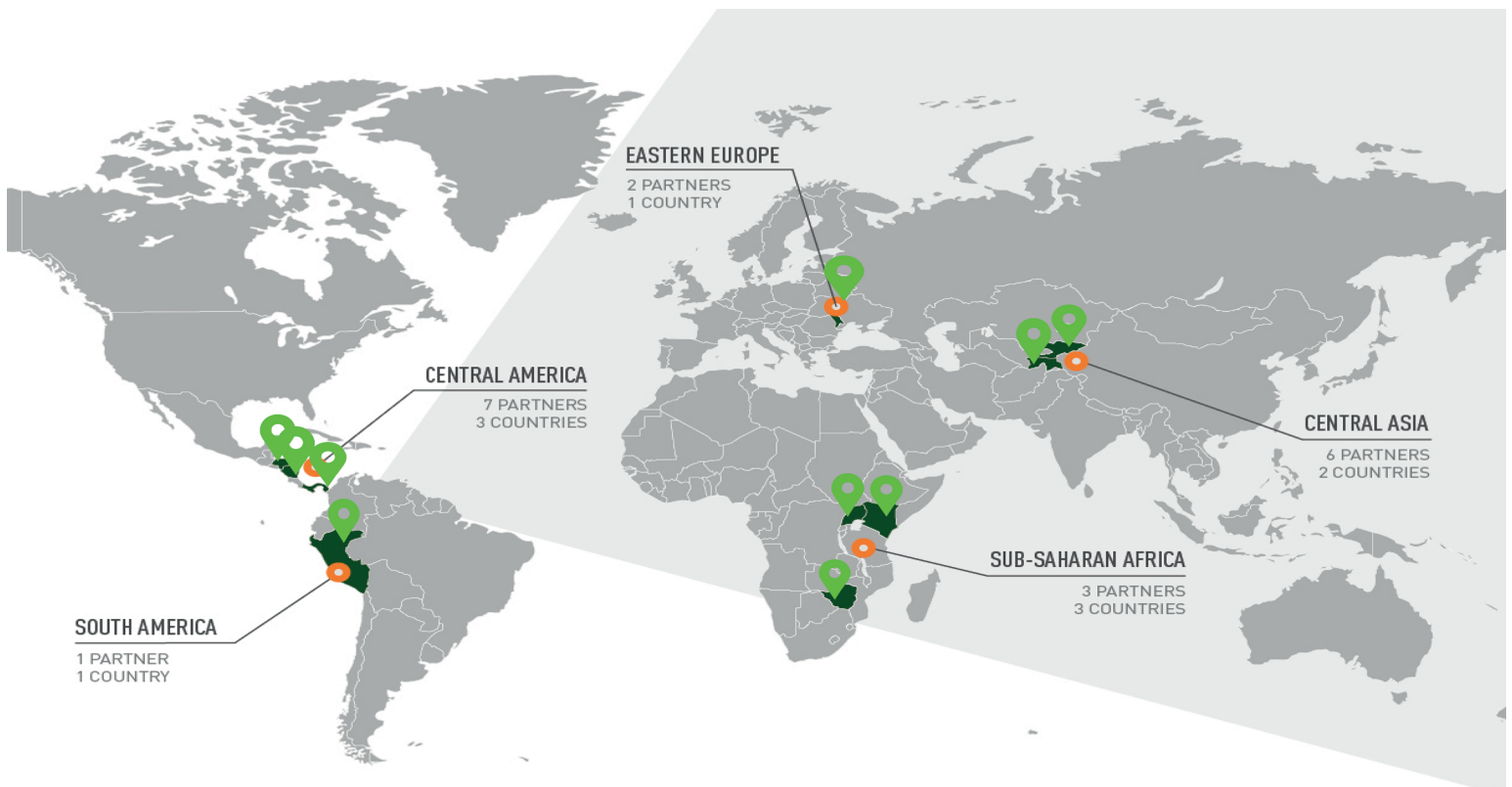
Portfolio Report – 18 Months of Growth

Envest's portfolio grew from \$4M to \$4.8M in 2018 and to \$6.0M the first half of 2019. This represents an increase of 50% since the beginning of 2018. Envest has disbursed 10 loans in seven different countries in the first half of 2019.

The increase in portfolio size in 2019 allowed Envest to increase the loan amounts to four small but financially strong partners that have very limited access to financial resources outside of Envest simply due to their size. We disbursed an \$300,000 to Rafode in Kenya. We disbursed \$200,000 to Rushere SACCO in Uganda, MCO Mehnatobod in Tajikistan, and FUNDEMUJER in Nicaragua. All four of these MFIs have total assets of less than \$2M. Envest is the major lender to all four of them. Providing financing to small, strong, and socially focused MFIs like these four is Envest's niche in the microfinance sector.



WHERE WE WORK



Welcome, Angelica

We would like to extend a warm welcome to Angelica Lozano who joined the Envest team to lead the marketing effort and help with the various administrative activities. Angelica began working with us half time in October 2018 and transitioned to full time in January 2019.



Angelica is an economist by training with a degree in Economics from Externado University in Colombia, a master's degree in Economics from the University of Los Andes in Colombia, and a master's degree in Management and Public Policy from Getulio Vargas Foundation in Brazil. In 2018, she obtained a Graduate Certificate in Social Innovation and Sustainable Leadership from Edgewood College in Madison, Wisconsin.

Angelica has extensive experience in academic research and public policy. As an economic researcher, she published articles relating to poverty, education, trade, industry, and small and medium enterprises. She also worked with the Colombian government in the development and assessment of policies and programs related to education, armed conflict, poverty and housing. Since arriving in Madison, she has sought ways to be involved in social development, helping Latinos disadvantaged in education, and working with institutions improving access to credit in developing countries.

She was attracted to Envest by its microfinance model that creates significant social impact through investing in small microfinance institutions. We are pleased to have Angelica on our team.

Welcome, Sarah

We would like to extend a warm welcome to Sarah Lesar who joined the Envest team as Director of Operations in May.

Sarah holds a degree in Operations and Technology Management with a Supply Chain Management specialization and Spanish certificate from the University of Wisconsin – Madison. Before joining Envest, she worked as an implementation specialist for a health software company where she communicated with and educated clients, dug into data, and curated social media content. She has further experience working in distribution center management and interning within multiple nonprofit organizations, a B Corporation, and university relations.

Sarah is eager to pursue her vision of a sustainable society through global economic empowerment. She manages the day to day operations of Envest running while seeking ways to optimize our efforts to strengthen our partnerships. We are pleased to have Sarah on our team.



Welcome, Mirzo

We are pleased to announce that Mirzo Khashimov has joined the Envest Advisory board. This formalizes a role that Mirzo has filled since June 2017.

Mirzo works for one of the largest banks in the US. He has a Business Finance and Banking degree from University of Nebraska. Mirzo is originally from Tajikistan and is fluent in English, Russian and Tajik, which has been invaluable during conversations with Envest's partners in Tajikistan. His understanding of the business and banking culture in both Tajikistan and the US coupled with his experience in international banking give him a valuable perspective from which to contribute to Envest's mission.

We are grateful that Mirzo has chosen to contribute his time and expertise to Envest.



Thank you, Francisco

Francisco Aguilar stepped off the Envest Board of Directors and onto the Envest Advisory Board in September 2018. We would like to extend our sincerest thanks to Francisco for more than 11 years of service on the Envest Board. Francisco joined the board in May 2007 before Envest had begun financial operations. He was a graduate student at LSU when he joined the board and earned his Ph.D. in Forest Products Marketing and Economics shortly thereafter.



Francisco joined the faculty of Forestry in the School of Natural Resources at the University of Missouri after graduating from LSU. He was recruited to the Envest board by Rick Brooks, the first Envest board member after Jon Bishop. Rick knew Francisco from professional conferences and recommended him as someone who was interested in sustainable economies and capable of incorporating and synthesizing information from disparate disciplines. Rick was exactly right. Francisco has a sense of both logic and process that was tremendously valuable to Envest at its formative stage. He also contributed to establishing a collegial and respectful culture that has come to define Envest.

This past fall, Francisco accepted and began a new position as Professor of Forestry at the Swedish University of Agricultural Sciences in Umeå, which is in northern Sweden. We are delighted that Francisco remains active in the Envest community. Thank you, Francisco, for your role in taking Envest from an interesting idea to a functioning organization that is having a positive impact on lives around the world.

Thank you, Kathy

It is with deep gratitude that we thank Kathy Hankard for her eight years of service to Envest. Kathy visited the Envest booth at a street fair in Madison in the summer of 2009. It was immediately clear that we shared a passion for environmental sustainability and human dignity.

Kathy joined the Envest Advisory Board in 2010. As the owner and proprietor of Fiscal Fitness, LLC, a financial planning and coaching firm in Verona, Wisconsin (near Madison), her financial expertise and logical approach to problems was tremendously valuable to Envest. She would entertain crazy ideas and even offer one from time to time. She joined the Board of Directors in 2012 and served as Secretary until September 2018 when she chose not to run for reelection in order to attend to family matters.

Envest faced some daunting challenges during Kathy's tenure. Her even-keeled temperament and analytical approach to problems were blessings as we faced those challenges. Kathy will be a board member emeritus, and she intends to remain involved in the Envest community. Thank you, Kathy, for your contribution to Envest over the last eight years.



Thank you, Nick



We would like to extend our sincerest thanks to Nick Engen for his tenure at Envest Microfinance. Nick left the team at the end of April 2019 to take a position with an apartment syndication company. He joined the Envest Advisory Board upon stepping off the team.

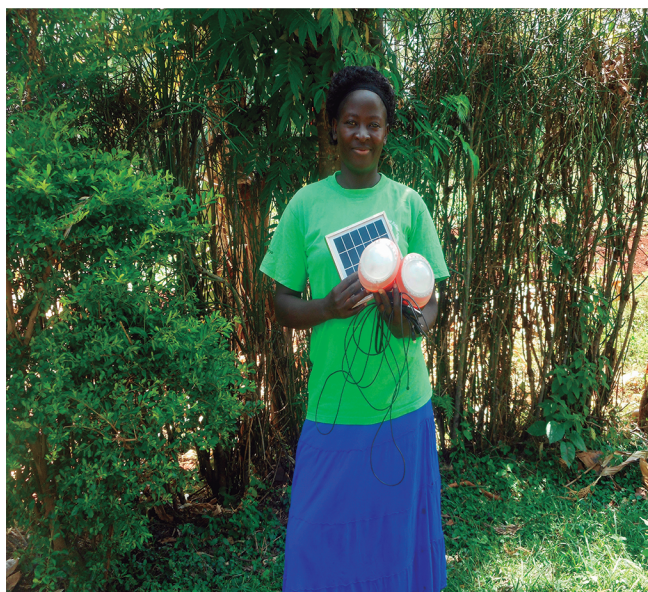
Nick joined the Envest team in March 2018 as the Director of Marketing and transitioned to the Director of Operations in July 2018. He identified logistical aspects of Envest that would need to be strengthened and systematized to facilitate the expected growth of the organization. He dedicated his tenure at Envest to implementing those logistical improvements.

During Nick's farewell lunch, we discussed possible areas of collaboration in the impact investing space at some point in the future. We are delighted that Nick remains active in the Envest community as a member of the advisory board. Thank you, Nick, for your insight, dedication, and good (and somewhat warped) humor during your time at Envest.

Invest and Sustainable Technology (Continued from page 1)

The managers had considered loans for solar panels and some had implemented small pilot projects, but they were not ready to commit the scant resources of their organizations to developing a solar panel loan product. Solar panel loans represented a market segment with which the MFIs had little familiarity. The systems and practices to maximize impact and minimize default would be quite different from the systems needed to manage commercial loans and had not yet been developed. Default rates on a new credit product are almost always higher than on existing credit products. Again, the managers did not want to risk incurring the increased cost and default rate that would arise from a new product outside of the organization's core competency while being unable to meet the demand for credit within their core competency. The managers of the MFIs recognized the value of sustainable technology and hoped to offer loan products for them at some point, but prudence caused them to concentrate on their core competency that had high social impact.

It was clear in those early days that incorporating the financing of sustainable technology into the microfinance sector was a worthy goal, but it would be a long-term project. Supporting the MFIs so that they could satisfy the demand for credit for commercial activities was the obvious first step. Growing MFIs to have the economies of scale to be able to bear the expense of new sustainable technology loan products was another obvious necessity. Growing Invest to the point of being able to offer loans to MFIs large enough to facilitate such growth was key. It became clear that growth of both Invest and its partner MFIs was the most logical short-term step that could ultimately facilitate adding sustainable technology loan products to the normal mix of microfinance loan offerings. At present, seven of Invest's 19 partners provide loans for the purchase of solar panels. These include three partners in Honduras, one in Nicaragua, one in Moldova, one in Kenya, and one in Uganda. Solar panel loans represent a small portion of the portfolio for most of these institutions, and in a couple cases they are still pilot projects. The number of units financed remains modest but shows that there is interest among MFIs in developing the capacity to finance renewable energy products.



We have had informal conversations with vendors that sell renewable energy technology, primarily solar panels, in developing countries. Financing these companies directly would be outside of Invest's core competency and risk profile. However, we have discussed the possibility of lending to MFIs that provide loans to borrowers interested in purchasing a solar panel sold by the company. This would increase the potential customer base for the company while keeping Invest's activities within its core competency. There has been some interest in the concept. The limiting factor at present is that transaction sizes large enough to be meaningful for companies that provide such projects are far larger than Invest can consider. Growth is key for Invest to be in the position to provide financing for the purchase of renewable technology products.

Invest does not have the economies of scale to finance renewable technology within the microfinance sector, but vision remains as strong as it was the day the first iteration of Invest was incorporated. We continue to grow, and we foresee a day when Invest will have meaningful impact on using microfinance to facilitate the adoption of sustainable technology in developing countries. It is unlikely to be in 2019 or even in 2020, but the discussions about sustainable technology and microfinance continue and the passion for it remains.

(Continued from page 1)

Invest establishes a Public Benefit Corporation for Investments through Retirement Accounts

This structure allows us to accept investments through IRA accounts without exposing investors to adverse tax consequences. Establishing a benefit corporation was an exciting milestone for Invest and opened investment opportunities for new and existing investors.

Invest is also in the process of registering this PBC as a B Corporation (B Corp) through B Lab. B Lab is a nonprofit evaluator that manages the standards of and acts as an independent certification body for B Corps. The B Corp slogan, "business as a force for good" aligns with Invest's mission of serving as a bridge between capital markets and the world's populations lacking access to credit. The certification process allows us to reflect on how far we have come in just six years, highlight the impact we have made, and provide clear avenues to continue improving. We will be a part of a worldwide community of social businesses and can tap into the knowledge and experience of other like-minded companies.

The updated Private Placement Memorandum (offering documents) will be available on October 1, 2019. If you have questions or want to learn more, please do not hesitate to reach out to our office.



BOARD OF DIRECTORS

Jon Giegel – President
Jon Bishop – Vice President
Jennifer Lazarus – Treasurer
Wayne Orthwein – Secretary
Laura Dreese – Member



ADVISORY BOARD

| | |
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| Doug Morrison | Nick Engen |
| Franciso Aguilar | Paul Sager |
| Holly Skog | Richard Brooks |
| Jennifer Servoss-Pecard | Read Eldred |
| Julia Glad Pooler | Sergio Loureiro |
| Justin Conway | |



MANAGEMENT TEAM

Jon Bishop – CEO and Founder
Sarah Lesar – Director of Operations
Angelica Lozano – Director of Marketing
Francis Soza Huete – Regional Representative Latin America



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