Goodwell V Website Product Disclosure for Financial Products Referred to in Article 9(1), (2) and (3) of Regulation (EU) 2019/2088

Summary

The fund, Goodwell V, has sustainable investment as its objective. Sustainable investments are defined as investments in economic activities that contribute to environmental or social objectives, provided that the investment does not significantly harm any environmental or social objective and that the investments follow good governance practices.

The fund actively contributes towards the following Sustainable Development Goals

- 1: No Poverty
- 2: Zero Hunger
- 3: Good Health and Well-being
- 4: Quality Education
- 5: Gender Equity
- 7: Affordable and Clean energy
- 8: Decent Work and Economic Growth
- 9: Industry Innovation and Innovation
- 10: Reduced Inequality
- 14: Life Below Water

A reference benchmark has not been designated for the purpose of attaining the sustainable investment objective.

No Significant Harm to the Sustainable Investment Objective

Our IFC and CDC based, sector specific ESG checklists provide a framework for assessing potential portfolio companies with respect to their ESG risk factors. The document showcases particular industry specific risk areas that the investment manager should prioritize per sector. Should the company meet these criteria the Investment manager is confident that the opportunity is aligned with Goodwell's sustainable investment objectives.

Sustainable investment objective of the financial product

The objective of the fund is to achieve long term capital growth by making sustainable impact investments. Following the IFC definition, impact investing is defined as "investments made into companies, organizations, vehicles and funds with the intent to contribute to measurable positive social, economic and environmental impact alongside financial returns".

Investment strategy

Description of Strategy to Attain investment Objective of the Financial product

Scope

The fund aims to bring about long-term sustainable development and to contribute towards the Sustainable Development Goals.

35% of funds raised will be invested in the financial sector focusing on financial service providers and enablers. The financial sector is the engine of an economy and there is a proven correlation between the financial sector and the Sustainable Development Goals. The sector provides a large number of opportunities to scale inclusive and sustainable business models.

This fund will benefit from the track record and pipeline of its predecessor funds which have already invested in the financial sector.

Remaining funds will be invested in sectors where low-income households and consumers spend most of their income and time or where there are the best opportunities for improving incomes and creating livelihoods. These include agribusiness (e.g. import substitution, food security, processing, improving supply chains and linkages), transportation (e.g. urban mobility), energy (e.g. on-demand solar, local grids) and improving access to affordable solutions in health, education and water, more specifically. The team expects to cover 3-4 sectors in the above SME segment, each of these roughly between 10%-25% of the portfolio.

Objective

The fund's goal is to fuel the growth and improve the outreach of these inclusive businesses and to provide an attractive rate of return to its investors. The fund will focus on initiatives that rely upon market-based mechanisms. Potential investment candidates shall have the potential to generate both solid financial returns as well as social and, if applicable, environmental returns.

Geography

The fund will focus on Africa, with regional offices in Nigeria, South-Africa and Kenya. The geographical spread will give the fund exposure to some of the largest and fastest growing markets in Africa whilst at the same time enhancing risk mitigation.

Investment Instruments

The fund will only invest in risk capital in the form of equity and mezzanine instruments, based on the identification of the significant needs in the market place. Such long-term capital investments can take multiple forms, such as equity (ordinary or preference shares) but also through mezzanine structures such as sub-ordinated or convertible loans, all tailored to what the situation requires and what regulation allows.

Portfolio Composition

The fund expects to make a total number of around 25-35 investments, resulting in an average number of between 8-12 investments per local team. This restricted number of investments guarantees that the local teams will be able to spend sufficient time on providing hands-on support to the investees.

It is expected that in most cases the fund will take minority stakes and generally around 15-30%, building businesses bottom-up. However, majority stakes are also possible if needed to achieve the fund objectives. The strategy is to have a meaningful stake and shareholdings will be determined on a case-by-case basis, depending on many factors: the need to have majority to exercise certain rights, deal size, valuation and co-investors, stage of business, dilution in follow-on rounds etc. With later stage deals and dilution in follow on rounds the %-shareholding will also change during the lifetime of the company. In the case of minority stakes, strong minority protection rights will be negotiated to mitigate the risk of taking minority equity stakes, through preference instruments or shareholder agreements securing board representation and the right to participate in or to influence the conduct of the management team.

The strategy is to be able to continue to invest in successful businesses by participating in follow-on rounds. The fund invests with the objective to hold the investments for the long term, averaging between 5 to 7 years.

Broadening Access

Essentially the fund's strategy is that investments broaden access to basic goods and services for MSMEs and people living at the BoP. 'Broadening Access' not only relates to wider outreach but also means serving those groups with relevant products at more affordable prices (through new solutions or market approaches).

Innovative Approaches

uMunthu will also actively look for innovative approaches to the operational challenges that inclusive businesses face when serving difficult to reach low-income people and small businesses, for example, new distribution models to deliver basic financial services or drinking water in remote rural areas at a lower cost.

Fair Services

In relation to access to financial services, the fund will ensure that the end-users receive fair financial services. Financial institutions supported are required to adopt and implement the Client Protection Principles of the Smart Campaign or similar initiatives. To ensure that the investees themselves receive fair services, the Investment Advisors have adopted and implemented the Principles for Investors in Inclusive Finance of UNPRI. The Investment Advisor has an established system in place to monitor and report on this. The system will be expanded to cover other impact businesses.

Policy to Assess Good Governance Practices

Before a deal is brought to the investment committee, investment teams ensure that the potential portfolio company meets the requirements set out by our IFC and CDC based, sector specific impact and ESG checklists. These checklists provide a framework for assessing the business with respect to its impact and ESG factors. The document showcases particular industry specific due diligence areas that the investment manager should prioritize per sector. It also highlights the opportunity areas for significant value add in the sector by proactively addressing impact and ESG matters. The checklist then dives deep into key due diligence areas relating to impact and environmental, social and governance factors. An assessment of the potential portfolio company management structure, wider team and intimate internal and external business operations takes place. Just prior to investment a legal due diligence takes place.

Proportion of investments

Fund	uMunthu
Sustainable	100%
Other	0%

- All of our investments have a sustainable objective.

At the date of initial disclosure, the fund has a 100% : 0% split between sustainable and other investment objectives.

Monitoring of sustainable investment objective

Goodwell's approach to measuring impact is guided using a framework that evaluates a portfolio company across various levels and degrees. Both quantitative and qualitative indicators are selected to measure impact at these various levels and degrees.

When making investments, we have an extensive ESG and impact framework to assess deals throughout the process, from deal sourcing to due diligence. After investment, ESG and impact performance is measured across the portfolio companies in a social performance tracker which holds our entire portfolio's data from date of initial investment and then formally reported on a quarterly and annual basis.

On a quarterly basis, investors receive updates on key events relating to impact and ESG and a curated list of KPIs relating to IMM for each respective company and sector in which it operates. On an annual basis, investors receive a detailed Impact Performance Report outlining the fund's portfolio companies prior year in terms of their:

- End-clients experience: we believe a happy client is a loyal client (our framework focuses on a dual mission which looks at the product mix and outreach of the respective company).
- Own business - the portfolio company level: experience has shown better run businesses are more stable and sustainable (eg. governance, cost efficiency and employee indicators).
- The business environment level: better business environments provide a solid foundation for growth (community/eco-system building indicators).

Data and Methodologies

From the ESG Action Plans setup during the due diligence process to the above monitoring process, specific KPIs are set up for the portfolio company to track. This allows us to monitor Q-o-Q progress, compare this to Y-o-Y and see the impact that has been made since our investment. This relative company assessment allows us to compare companies within the same sectors as well as others tracking the same KPIs.

Data is collected by the company then verified and sense checked by the investment manager and lastly, the ESG & IMM team. Data is not estimated. Once during the life fund an overarching independent evaluation takes place which aims to ensure the quality and hygiene of reporting as well as assess the methodologies used.

Limitations to Methodologies and Data

The Investment Manager's main limitations are that external comparability is limited as the Investment Manager has created its own rubric for measurement and assessment. Although, KPIs are selected based on best practice using the SDGs, IFC and CDC's recommendations as a back bone. Additionally, KPIs are collected by the portfolio companies themselves leaving room for uncertainty.

However the Investment managers remain confident in their reporting as they are closely engaged with the portfolios. In addition to this we put faith in the independent providers we use for our portfolio evaluations.

Due Diligence

Prior to investment, all potential portfolio companies are assessed using our IFC based ESG Risk Matrix as well as our sector focused and gender forward DD checklists to assess whether the company meets our impact mandate. During this process the Investment manager identifies key priority areas regarding ESG, IMM and principal adverse impacts on sustainability factors. The investment manager ensures that there aren't any red flags. A potential 'ESG Action Plan' is created alongside the company where all of the aforementioned factors are considered and reporting processes are outlined. Should the investment proceed the investment team supports where gaps are outlined, whether it be governance, capacity building, access to networks or other areas to deepen the company's impact.

Engagement Policies

Following the creation of an ESG Action plan, portfolio companies aim to deepen their impact as well as better measure and report on relevant information in the context of the principal adverse impacts affecting their businesses. This is with the support of the investment teams as well as stakeholders within Goodwell's network.

However, the fund is not listed and falls under the exemption of Art 3 (2) b of the AIFM Directive 2011/61/EU and as such is exempted from having an engagement policy. This means that we do not have a specific engagement policy in respect to shareholders of our fund. Investors, however, share our vision to minimise negative impact while maximising positive impact and considering sustainability risks on financial returns. Our investors are also provided with a private placement memorandum, which details the objectives of the fund, and which the fund operates in terms of. We do engage with shareholders through quarterly and annual reporting as well as shareholder meetings.

Does this Product Consider Adverse Impacts on Sustainability Factors?

The Fund's investments may have a principal adverse impact on sustainability factors as defined in the SFDRs. Therefore, the fund will consider these and start reporting on the principal adverse impacts and any actions taken to mitigate them by 2023 in its annual Impact Report.