CONVERGENCE

BLENDING GLOBAL FINANCE

PRIVATE INVESTMENT MOBILIZATION AND BLENDED FINANCE TO EMERGING MARKETS AND DEVELOPING ECONOMIES

NET ZERO ASSET OWNERS ALLIANCE

Learning session : June 14, 2023

AGENDA

10:00	**NZAOA Secretariat opening remarks and Intro of Convergence**
10:05	**Summary of Convergence Blended Finance**
	What is Blended Finance and Why is it Important
10:08	**Development Finance: (1) Multilateral Development Banks & National Development Finance Institutions and (ii) High Income Countries**
	Private Investment Mobilization by Development Finance
10:25	**Current investment opportunities**
10:40	**Solutions to scale up private investment through Development Finance and Blended Finance**
10:50	**Open Discussion / Questions & Answers**

CONVERGENCE BLENDED FINANCE

WHAT IS CONVERGENCE?

Established in 2015 as center of expertise to increase private investment to Emerging Markets and Developing Economies.

The Global Network For Blended Finance. Generate blended finance data, intelligence, and deal flow to increase private sector investment in developing countries.

Not-for-profit regulated by Ontario's securities Commission.

Funding from public, philanthropic and private sector organizations

A GLOBAL NETWORK

We have a global membership of over 200 public, private, & philanthropic institutions

DATA & INTELLIGENCE

Original content builds the evidence base for blended finance, including data on past deals, trend reports, case studies, region and sector briefs, and webinars.

DEAL FLOW

An online match-making platform for investors and those seeking capital to connect on active deals.

MARKET ACCELERATION

Our Design Funding program awards grants for the design of innovative vehicles that aim to attract private capital to global development at scale.

MEMBERSHIP COMPOSITION

Convergence members are part of a global community of institutions and businesses dedicated to driving capital to where it is needed most.

Member institutions include private investors looking to diversify their portfolios, businesses seeking capital, as well as public agencies and philanthropic foundations looking to make their funds go further.

Convergence has over 160 member institutions, and over 1,000 staff at member institutions actively using the Convergence platform.

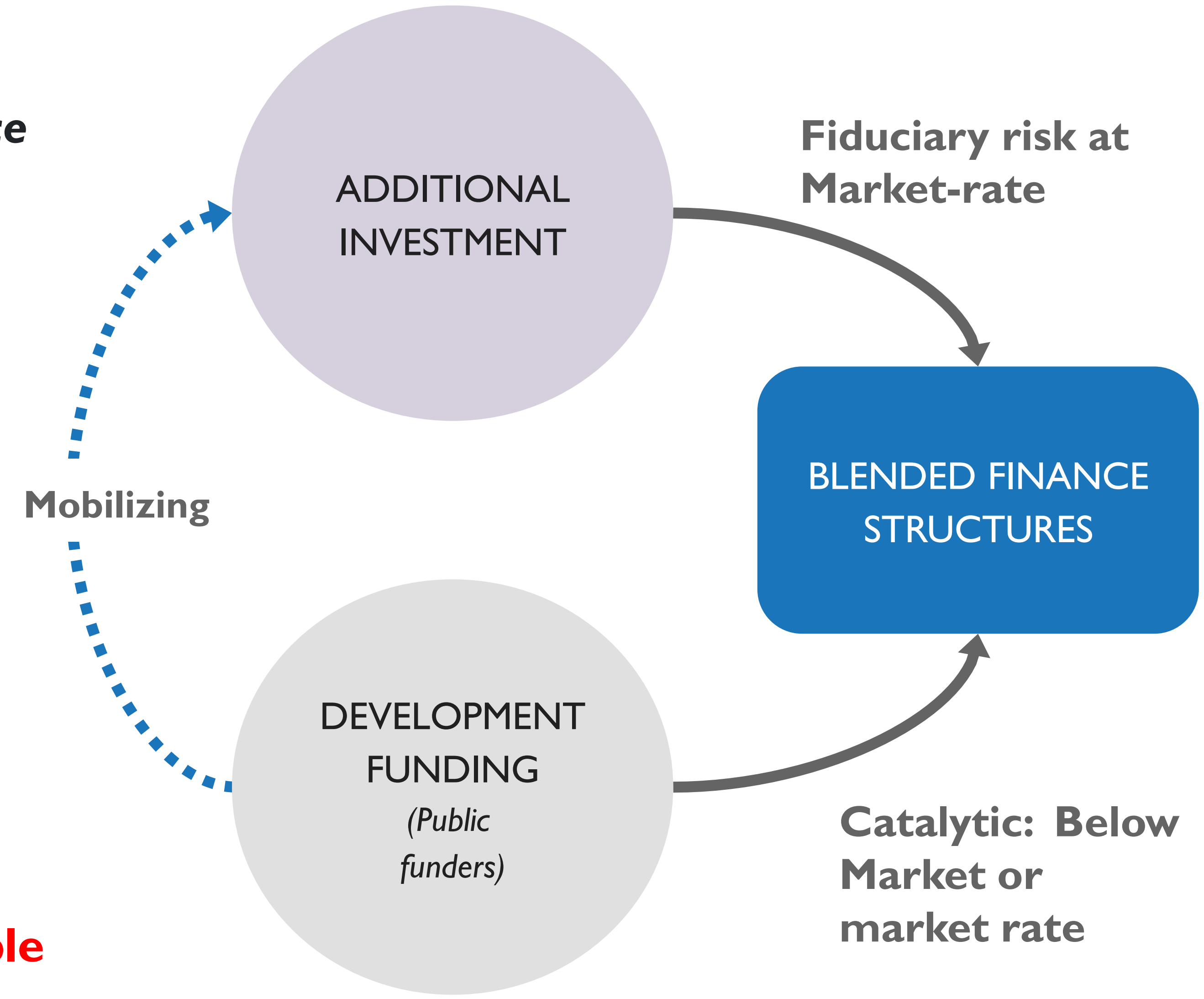
WHAT IS BLENDED FINANCE AND WHY IS IT IMPORTANT

BLENDED FINANCE : MOBILIZING "ADDITIONAL" INVESTMENT

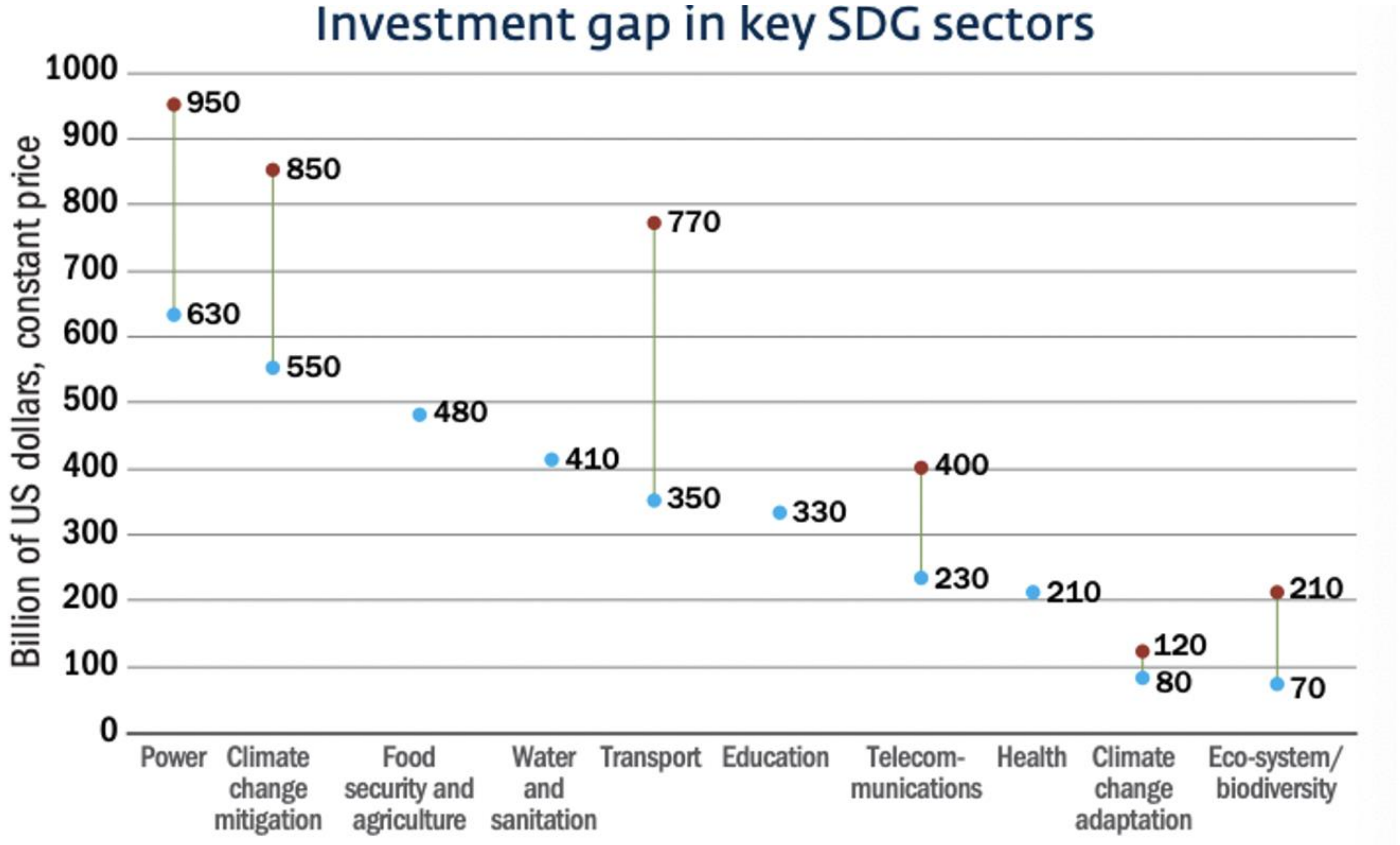
OECD definition - ***Strategic use of development finance for the mobilisation of additional finance towards sustainable development in Developing Countries.***

Two forms of development finance:
1) Concessional development finance (e.g. ODA) mobilizing (i) non-concessional development finance (e.g. MDBs and DFIs), (ii) private investment and (iii) philanthropic funding
2) Non-concessional development finance mobilizing (i) other non-concessional development finance and (ii) private investment

Blended finance transactions achieve impact investment, ESG, Climate Finance, Sustainable Investment & SDG Investment objectives.



ANNUAL INVESTMENT NEEDS IN DEVELOPING COUNTRIES TO ACHIEVE SDGS AND PARIS AGREEMENT: $4.5 TRILLION
ACTUAL ESTIMATED $1.5 TRILLION: INVESTMENT GAP OF $3 TRILLLION



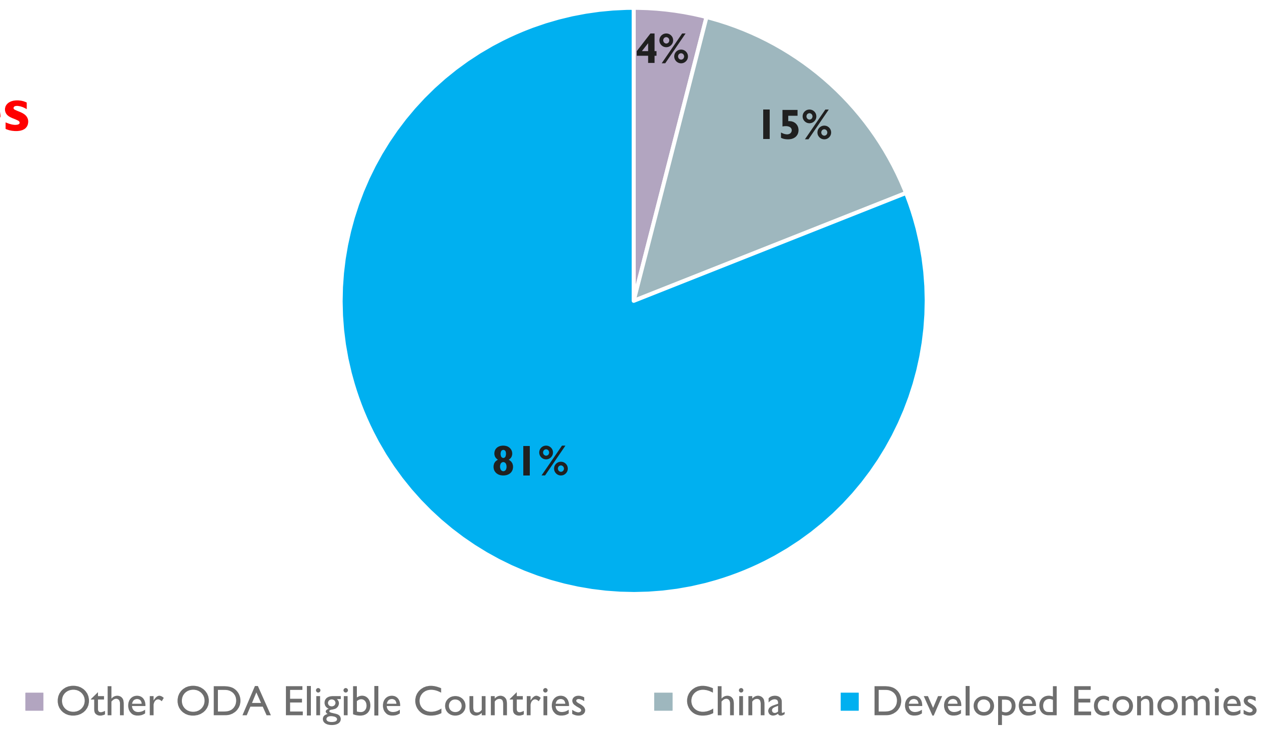
HUGE SUPPLY OF GLOBAL FINANCIAL ASSETS: LOCATED IN HIGH INCOME COUNTRIES & CHINA
SYSTMIC UNDERINVESTMENT IN DEVELOPING COUNTRIES

Global Financial Assets estimated around
$479 trillion

Only **4% invested in Developing Countries** (ex-China)

Biggest reasons:
- High Country Risk
- High Currency Risk
- Limited easy investment opportunities
- Limited liquidity and exit
- Limited high-quality asset managers
- Inconsistent regulatory & policy environment

Distribution of $379 Trillion of Global Financial Assets



Source: OECD, FIGURE 2, GLOBAL OUTLOOK ON FINANICNG 2021 REPORT

NET ANNUAL CROSS BORDER FLOWS TO DEVELOPING COUNTRIES

Foreign Direct Investment most important: $308 billion

Long-Term Debt of $172 billion: $58 billion to Official Creditors and $115 billion to Private Creditors

Portfolio Equity Investment has been negative

Private Financial Sector: Net $95 million per year – Less than 0.25% of Global Financial Assets owned by private sector

Amounts in USD Billlions	All LICs & MICS	China	LICs & MICs (ex-China)
Net financial inflows (Average 2018-2021)			
Net debt inflows			
Use of IMF Credit	24.5	0.0	24.5
Long term:	312.0	139.5	172.5
Official creditors	57.0	-1.0	58.0
Multilaterals	46.3	0.6	45.6
of which WBG	20.3	0.1	20.2
Bilaterals	11.0	-1.6	12.6
Private Creditors	255.3	140.7	114.6
Bondholders	200.5	112.6	88.0
Banks and others	54.8	28.2	26.6
Short term	138.0	103.9	34.1
Net equity inflows			
Foreign Direct Investment	519.3	211.5	307.8
Portfolio equity	48.5	67.2	-18.7

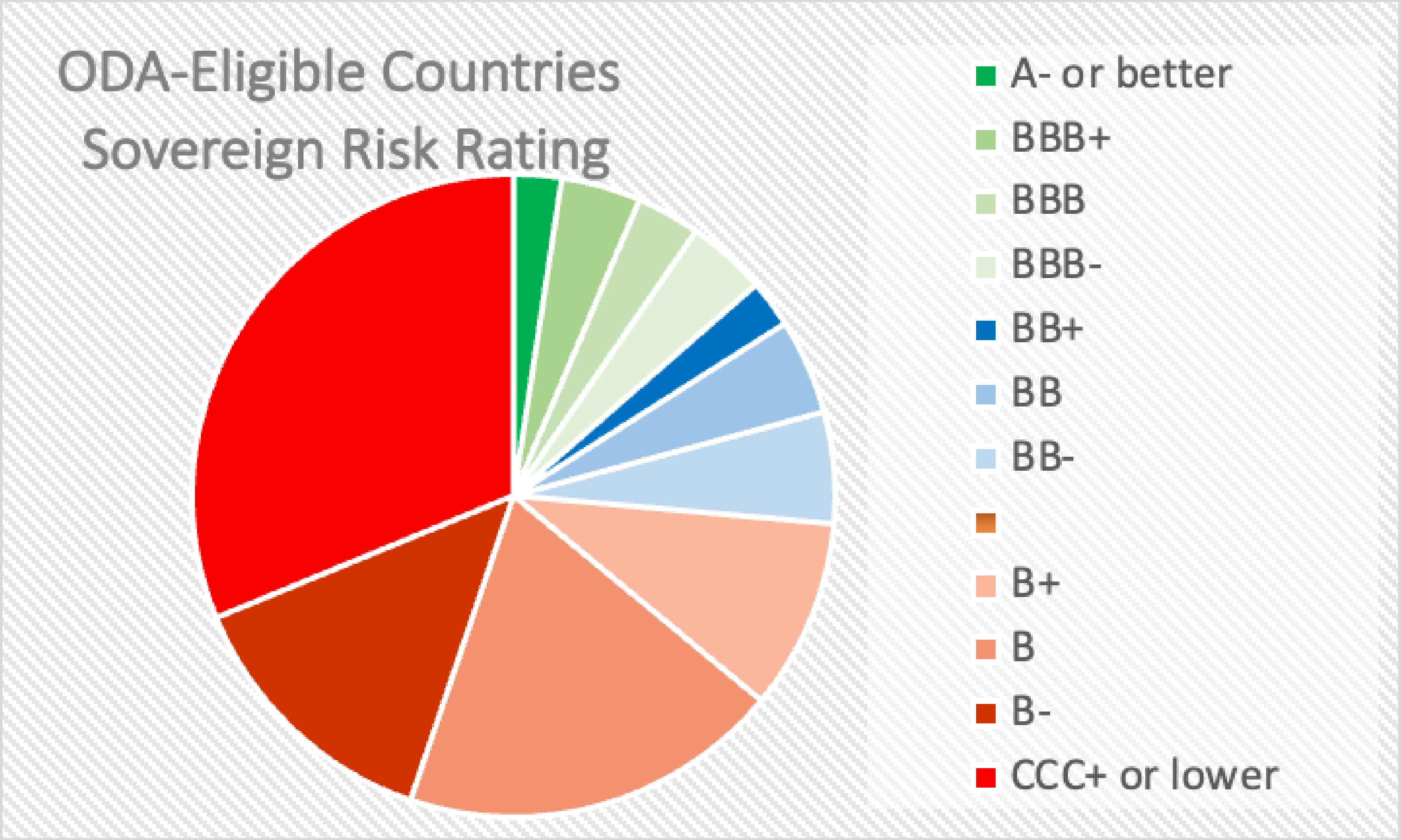
Source: World Bank, International Debt Report 2022

HIGH COUNTRY RISK IN DEVELOPING COUNTRIES: RISK TOO HIGH FOR MOST INVESTORS IMPEDING INVESMENT

140 Developing Countries:
11% rated Investment Grade
13% rated BB
76% rated B or lower

Median sovereign risk is "B"
Highly Speculative
Majority of private sector "B" or "CCC"

Country and currency risk too high for most investors
92 rated by Fitch, Moody's and S&P
41 rated using OECD ECA ratings
17 not rated



Source: Compiled by Convergence from Fitch, Moody's, S&P and OECD ECA ratings, 2022

DEVELOPMENT FINANCE: BY MULTILATERAL DEVELOPMENT BANKS & (NATIONAL) DEVELOPMENT FINANCE INSTITUTIONS

MDBS HAVE STRONGEST CREDIT RATINGS IN THE WORLD

- All major MDBs are rated AAA
- Better than almost all their owners – only 36% of DAC members, 42% of G7 and 20% of G20 rated AAA
- Better than almost all global commercial banks – Citibank and Societe Generale A+, HSBC AA

Table 7: Credit ratings for MDBs

AAA	AA+	AA–	A	A–	BBB	BBB–	BB	No rating
AfDB	CDB	CAF	CABEI	BSTDB	BOAD*	EADB**	TDB*	AFESD
AIIB					EDB			BADEA
AsDB					IIB			BDEAC
EBRD								EBID
EIB								ETDB
IADB								IFAD
IsDB								NDB
IBRD								OFID

se Study (2017) Danish Climate Investment Fund

TOTAL MULTILATERAL COMMITMENTS TO LICS & MICS (MOSTLY MDBS)

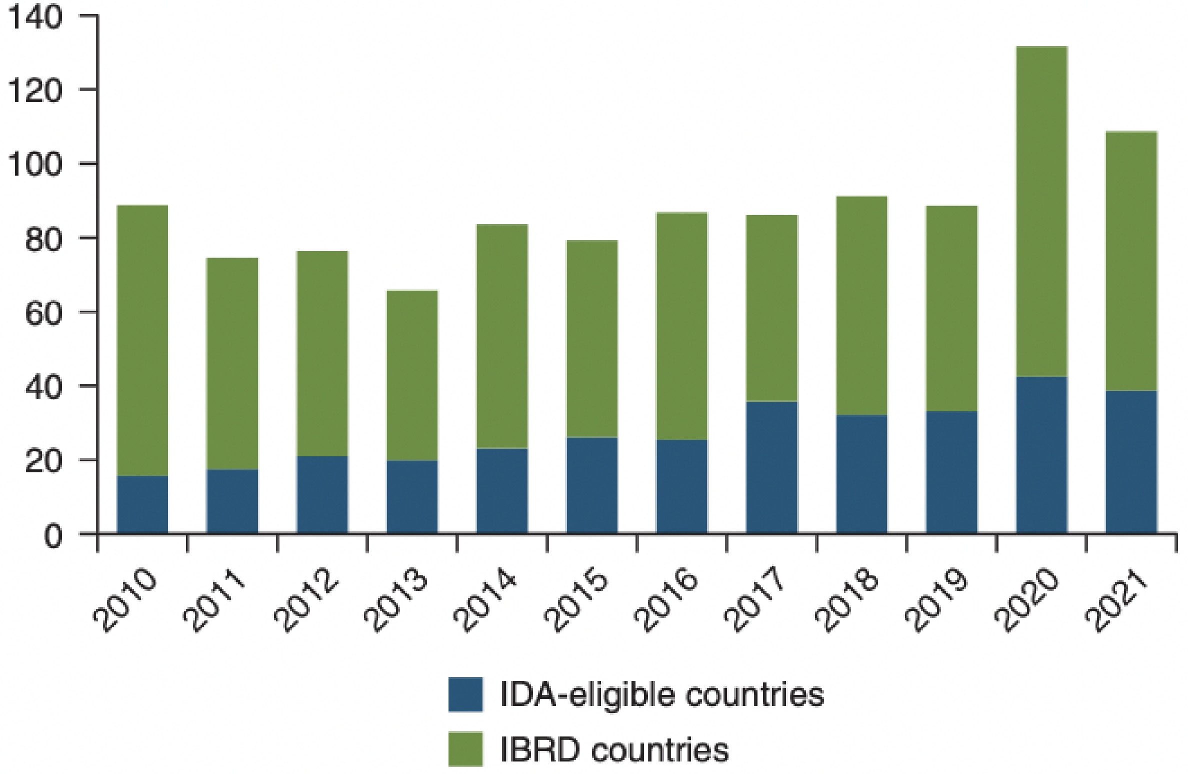
Averaged close to $100 billion in 2016-2021
- 90% debt and 10% equity
- 75% Public Sector and 25% Private Sector

Small increases from pre-2015

Large increases in 2020-21 during Covid

Commitments equal to around 2.5% of annual SDG and Paris Agreement investment requirements.

Figure O.15 Commitments to Low- and Middle-Income Countries from Multilateral Institutions, 2010–21
US$ (billion)



Source: World Bank, International Debt Report 2022

MDBs: Existing Capital Utilization and Likely Headroom

AAA rating allows only low leverage of MDB capital

Fifth column is approximate maximum leverage of equity for each MDB to maintain AAA rating

Capital utilization around 40%

Around $1.25 trillion headroom

If shareholders prepared to govern MDBs at AA versus AAA, around 50% extra lending possible.

Analysis does not include national DFIs.

MDB	Shareholders Equity	Development Assets	Actual Leverage	Likely Leverage Possible	Maximum Development Assets	Head Room	Capital Utilization: Actual Relative Maximum
AfDB	11	34	3.1	5.0	55	21	62%
ADB	53	133	2.5	5.5	292	159	46%
AIIB	20	8	0.4	6.0	120	112	7%
CAF	13	29	2.2	6.0	78	49	37%
CDB	1	1	1.0	5.0	5	4	20%
EBRD	22	41	1.9	5.5	121	80	34%
IDB	34	106	3.1	6.5	221	115	48%
IBRD	40	211	5.3	6.5	260	49	81%
IDA	168	168	1.0	4.0	672	504	25%
IDB Invest	2	4	2.0	4.0	8	4	50%
IFC	25	47	1.9	4.0	100	53	47%
IsDB	13	25	1.9	5.0	65	40	38%
NDB	10	7	0.7	6.5	65	58	11%
Total	**412**	**814**	**2.0**		**2,062**	**1,248**	**39%**

Source: G20 2022 Independent Capital Review

Likely Leverage Possible while maintaining current risk ratings: Discussions with Big 3 Rating Agencies and MDB investor materials

Does not include EIB since only 10-14% of its balance sheet is for LICs and MICs

DEVELOPMENT FINANCE:
BY 30 HIGH-INCOME COUNTRIES (OECD DAC MEMBERS)

OFFICIAL DEVELOPMENT ASSISTANCE

ODA flows **what most people call aid** to countries on DAC List of ODA Recipients (GNI $12,700 or less) and to multilateral development institutions:

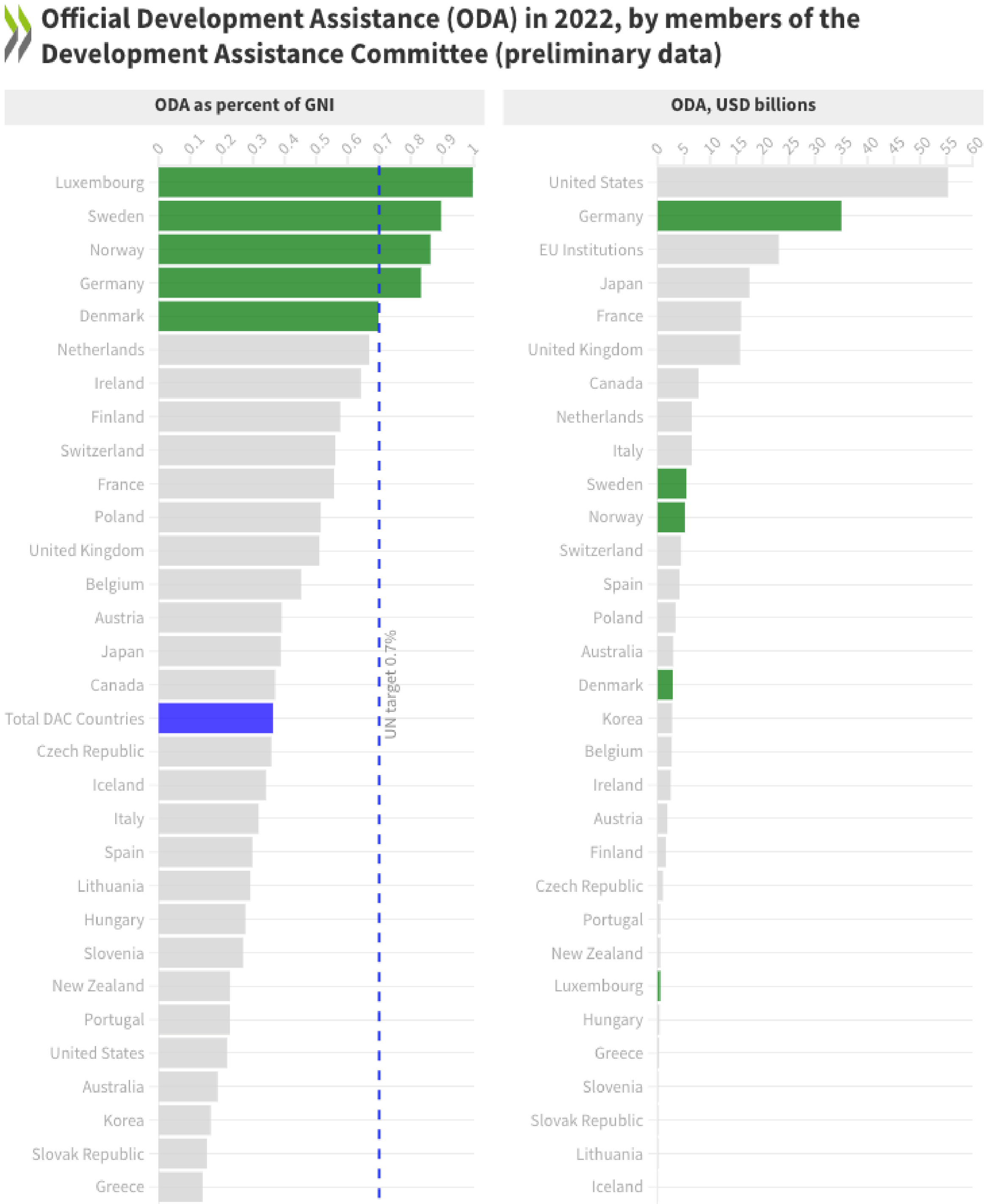
i. Provided by official agencies and

ii. Concessional (i.e. grants and soft loans) and administered with the promotion of the economic development and welfare of developing countries as the main objective.

A measure of donor effort, including grants and grant equivalents of concessional loans.

In 1990s, rich countries agreed to allocate 0.7% of Gross National income as ODA.

30 members of OECD Development Assistance Committee. Five at 0.7%

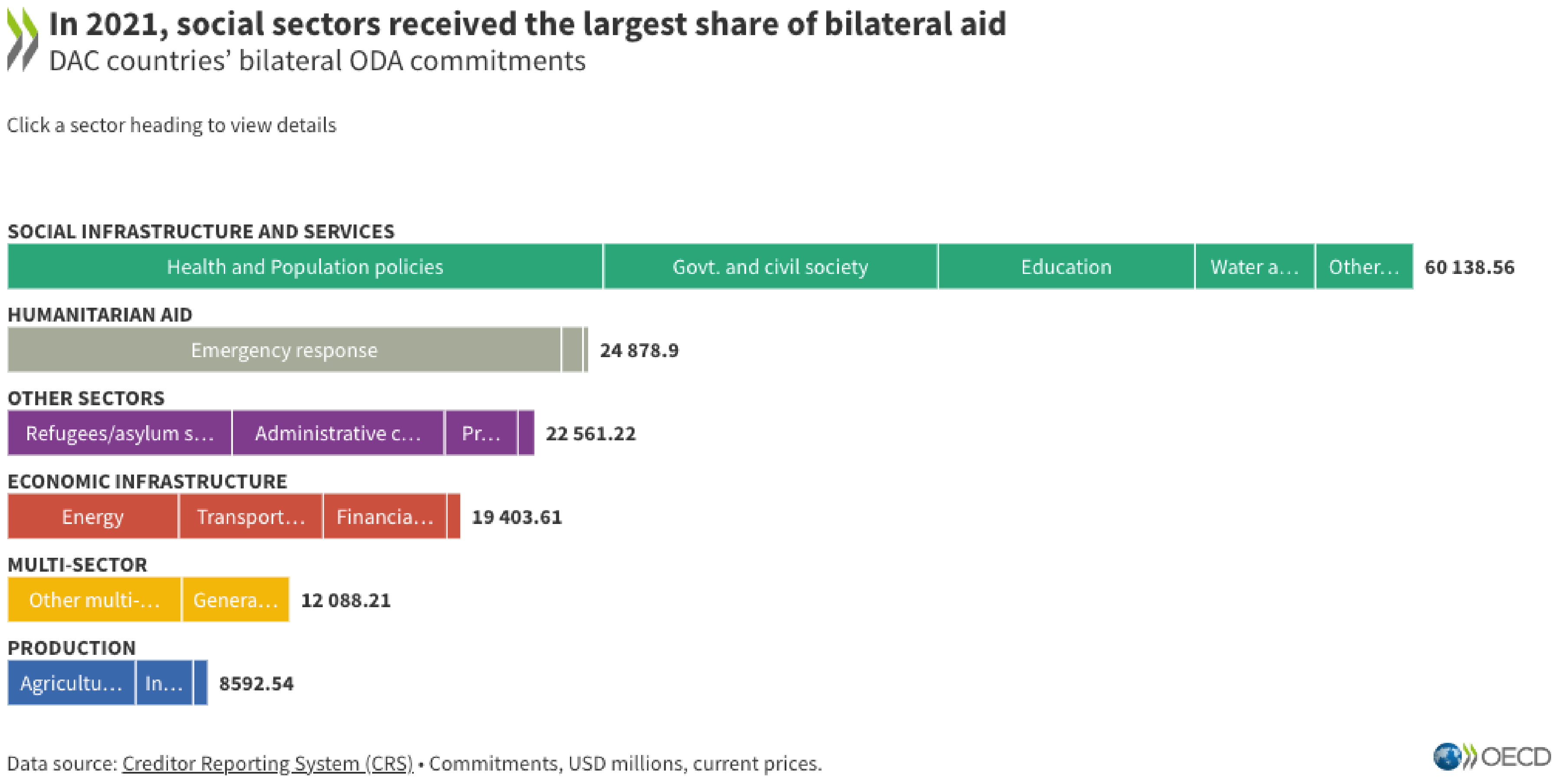


OFFICAL DEVELOPMENT ASSISTANCE

Most ODA allocated directly to governments for social purposes and humanitarian

Very low amounts allocated for private sector development

Likely less than 2% for private investment mobilization



Source: OECD DAC

DEVELOPMENT FINANCE MOBILIZING PRIVATE INVESTMENT.

TWO MAIN APPROACHES TO MOBILIZE PRIVATE INVESTMENT

APPROACH 1: Mobilize private investment at equal risk-return terms as public funds

- Almost all MDB and DFI mobilization undertaken on equal terms (e.g., *pari passu*)
- MDBs not in business of formally de-risking investment risk for investors (MIGA exception)
- *Pari passu* mobilization should be maximized, but limited due to strong country and currency risks
- Generally: MDBs can mobilize at same risk profile in 24% of EMDEs rated "BB" or better, but very difficult for other 76% of EMDEs

APPROACH 2: Mobilize investment by de-rising investment risk to within fiduciary and regulatory risk limits

- Very little public sector resources deployed to de-risk investment risk to fiduciary levels
- **If scale mobilization is objective:**
  - **Governance** of MDB, DFI, ODA and climate finance: **Mobilization top priority** (KPIs)
  - Critical mass of MDB, DFI, ODA and climate **commitments to de-risk** investment risk

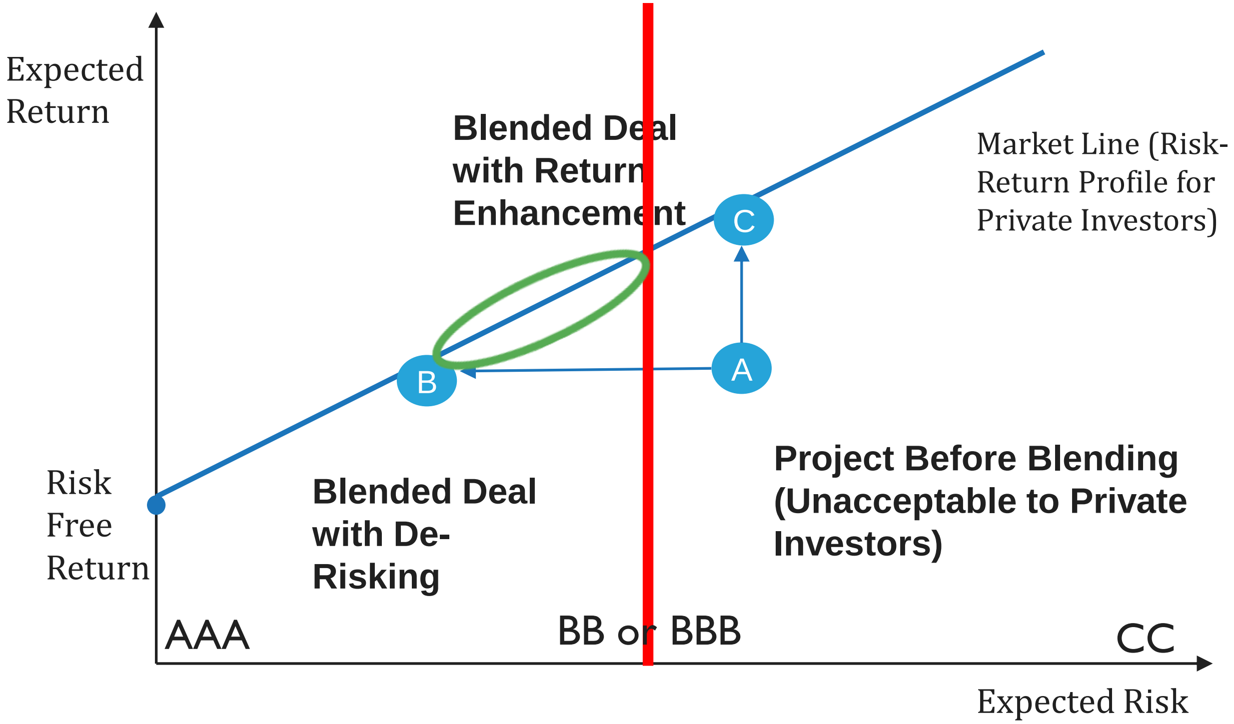
Source: Convergence 2023

COUNTRIES

CREATE INVESTMENTS MEETING PRIVATE INVESTORS' FIDUCIARY REQUIREMENTS

- **Blue line** is the CAPM efficient range of risk & return combinations available to debt investors
- **Red line** is "maximum acceptable risk" for an investor (e.g., Investment Grade)
- Investments below blue line and right of red line not acceptable to fiduciary investors
- **Developing Countries risk high: B & CCC**
- Donors can mobilize investors (i) increasing returns and/or (ii) reducing risk to market line
- **Reducing risk to left had side of red line is critical**
- Convergence Historical Deals Database: 800+ transactions demonstrating best approaches - reduce risk (vs. enhance returns)

Deploying Blended Finance To Achieve Commercially Acceptable Risk – Return Profile



Blended Finance : Create "market equivalent" investments in green bubble at acceptable risk to mobilize private sector investment to SDG and climate projects in EMDEs

Source: Convergence 2023

MOBILIZATION BY ALL OFFICIAL DEVELOPMENT FINANCE

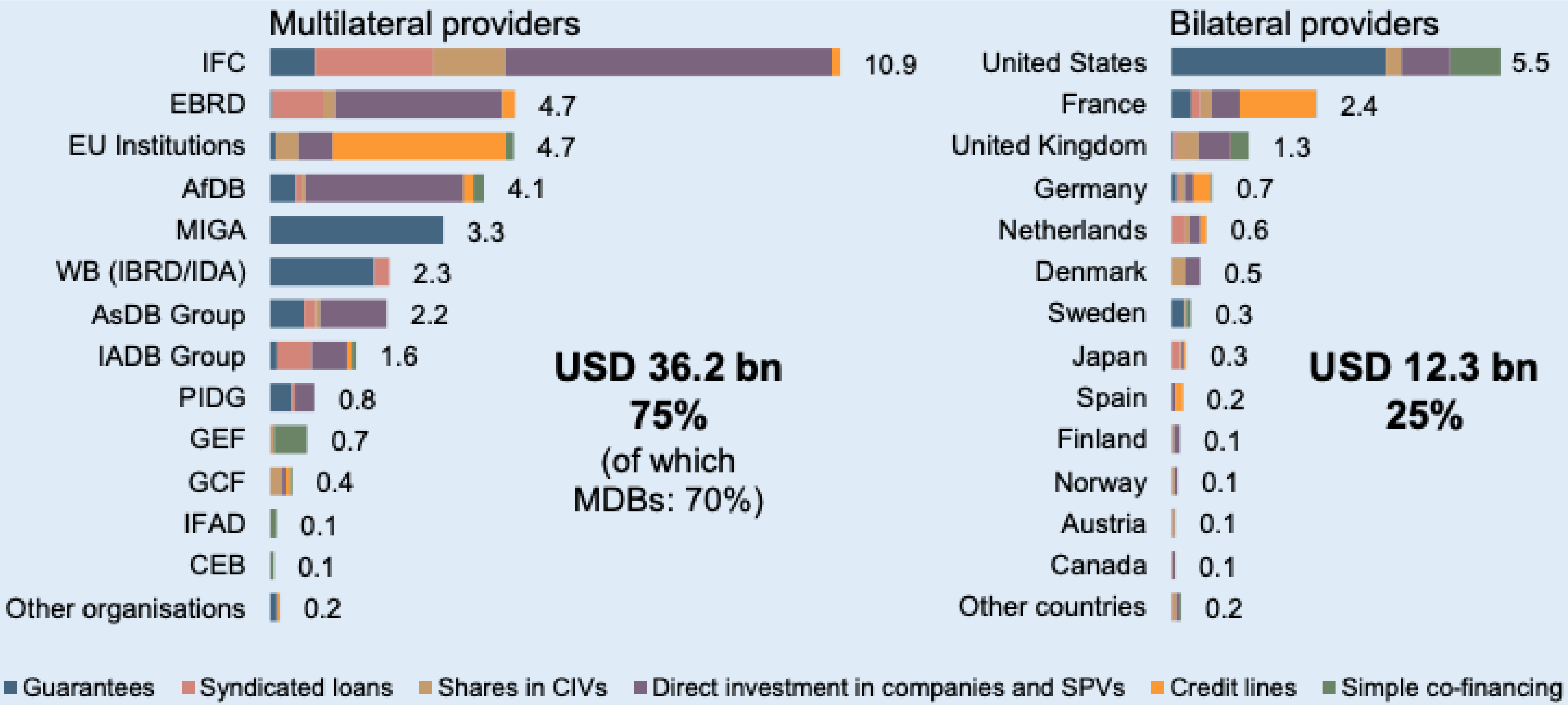
FINANCE:
OECD 2022 MOBILIZATION REPORT (AVERAGES 2018-20)

Official Development Finance mobilized $48 billion

Only 1% of annua SDG Investment Needs.

Almost all in private sector operations

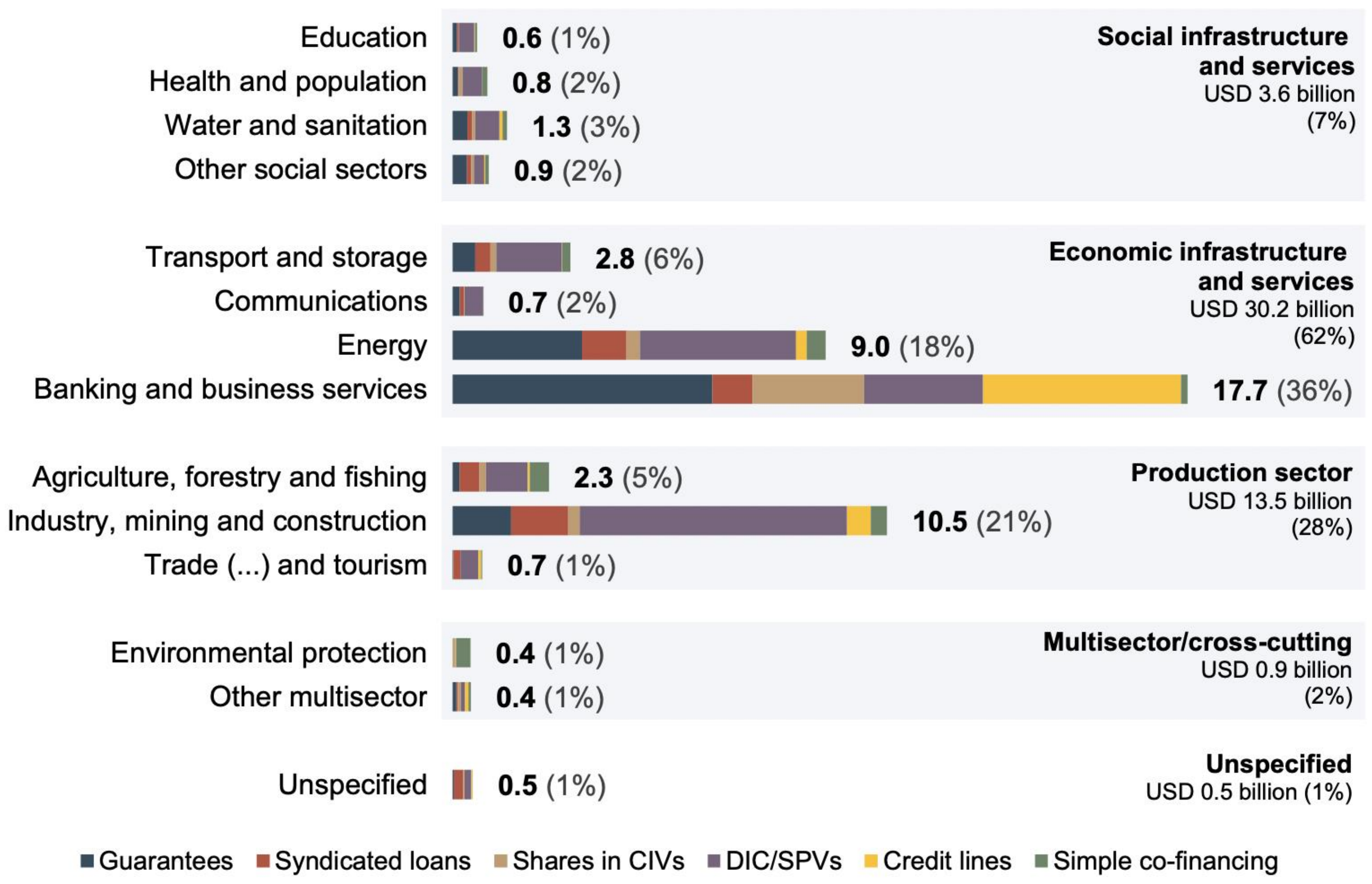
Around 75% of concessional public funds flow thru MDBs & DFIs with no/low mobilization



Source: OECD, Amounts mobilized from the private sector for development, 2022

OECD 2022 MOBILIZATION REPORT:
BANKING/FI, INDUSTRY & ENERGY DOMINATE

Figure 1.6. Mobilised private finance by sector, 2018-20 average, USD billion



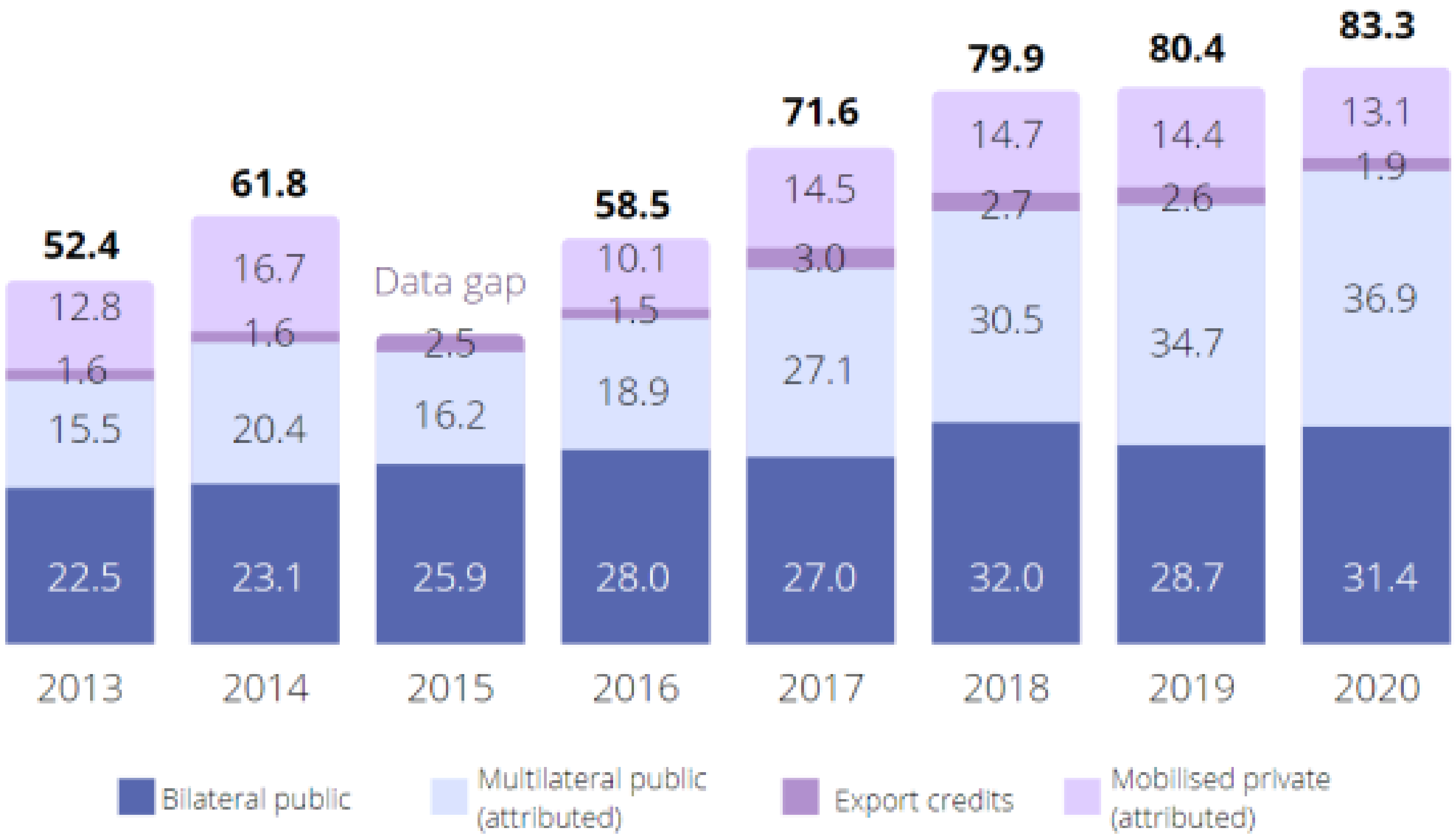
2.

CLIMATE FINANCE TO DEVELOPING COUNTRIES: OBJECTIVE TO PROVIDE/MOBILIZE USD 100 BILLION ANNUALLY

At COP16 in Mexico in 2010, Developed Countries committed a collective goal to provide and mobilize USD 100 billion per annum for climate action in developing countries.

2022 OECD report: Actual only $83 billion with $13 billion mobilized.

Figure 1. Climate finance provided and mobilised in 2013-2020 (USD billion)



Source: OECD, Aggregate Trends of Climate Finance Provided and Mobilised by Developed Countries in 2013-2020, 2022

MOBILIZATION BY MDBS AND DFIS

MDB AND DFI REPORT: MOBILIZATION TO LICS & MICS:
$20.6 BILLION OF PRIVATE DIRECTION MOBILIZATION: 0.4% of SDG NEEDS

Mobilization of Private Finance by MDBs & DFIs Report (2021)

0.5% of annual SDG and Climate investment needs

Private Co-Financing/Mobilization	Private Direct Mobilization
The investment made by a private entity, which is defined as a legal entity that is • Carrying out or established for business purposes and • Financially and managerially autonomous from national or local government. Some public entities that are organized with financial and managerial autonomy are counted as private entities. Other examples include registered commercial banks, insurance companies, sovereign wealth funds, and other institutional investors investing primarily on a commercial basis.	Financing from a private entity on commercial terms due to the active and direct involvement of an MDB leading to commitment. Evidence of active and direct involvement includes mandate letters, fees linked to financial commitment, or other validated or auditable evidence of an MDB's active and direct role leading to commitment of other private financiers. PDM does not include sponsor financing. **Private Indirect Mobilization** Financing from private entities provided in connection with a specific activity for which an MDB is providing financing, where no MDB is playing an active or direct role that leads to the commitment of the private entity's finance. PIM includes sponsor financing, if the sponsor qualifies as a private entity.[19]
Private Direct Mobilization + Private Indirect Mobilization = Private Co-Financing/Mobilization	

TABLE A.4 LIC and MIC — Long-Term Financing

	PCf (US$, millions)	PDM (US$, millions)	PIM (US$, millions)
ADB	7,785.0	1,726.9	6,058.1
AfDB	1904.1	849.1	1,054.9
AIIB	1,052.4	452.6	599.8
EBRD	7,632.3	370.4	7,261.9
EDFI	6,366.0	1,809.0	4,557.0
EIB	10,768.1	3,284.9	7,483.1
IDB Group	4,060.0	848.0	3,212.0
- IDB	244.0	0.0	244.0
- IDB Invest	3,816.0	848.0	2,968.0
ICD	0.0	0.0	0.0
World Bank Group	25,697.0	11,292.7	14,404.3
- MIGA	2,671.7	1,651.9	1,019.8
- WB	2,648.0	1,102.0	1,546.0
- IFC	18,757.2	8,538.8	10,218.4
TOTAL	**65,264.8**	**20,633.6**	**44,631.1**

BLENDED FINANCE TO DE-RISK UNDERLYING INVESTMENT RISK IN DEVELOPING COUNTRIES: MAIN STRUCTURES AND APPROACHES TO CREATE FIDUCIARY INVESTMENT ASSETS

FOUR MOST EFFECTIVE BLENDED FINANCE STRUCTURES TO MOBILIZE INVESTMENT AT SCALE – IDENTIFIED AND PREFERRED BY INVESTORS

Portfolio Level (e.g., fund)

1. **Mobilize Debt Investors at Portfolio Level:** Fund structure with development funds in subordinate position (e.g., first loss) reducing probability of default and expected loss
2. **Mobilize Equity Investors at Portfolio Level:** Fund structure with development funds in junior position in rank and distribution waterfall to increase IRR and reduce negative variance
3. **Aggregation Vehicle to invest in multiple Portfolio Level funds** described above to achieve scale

Project Level

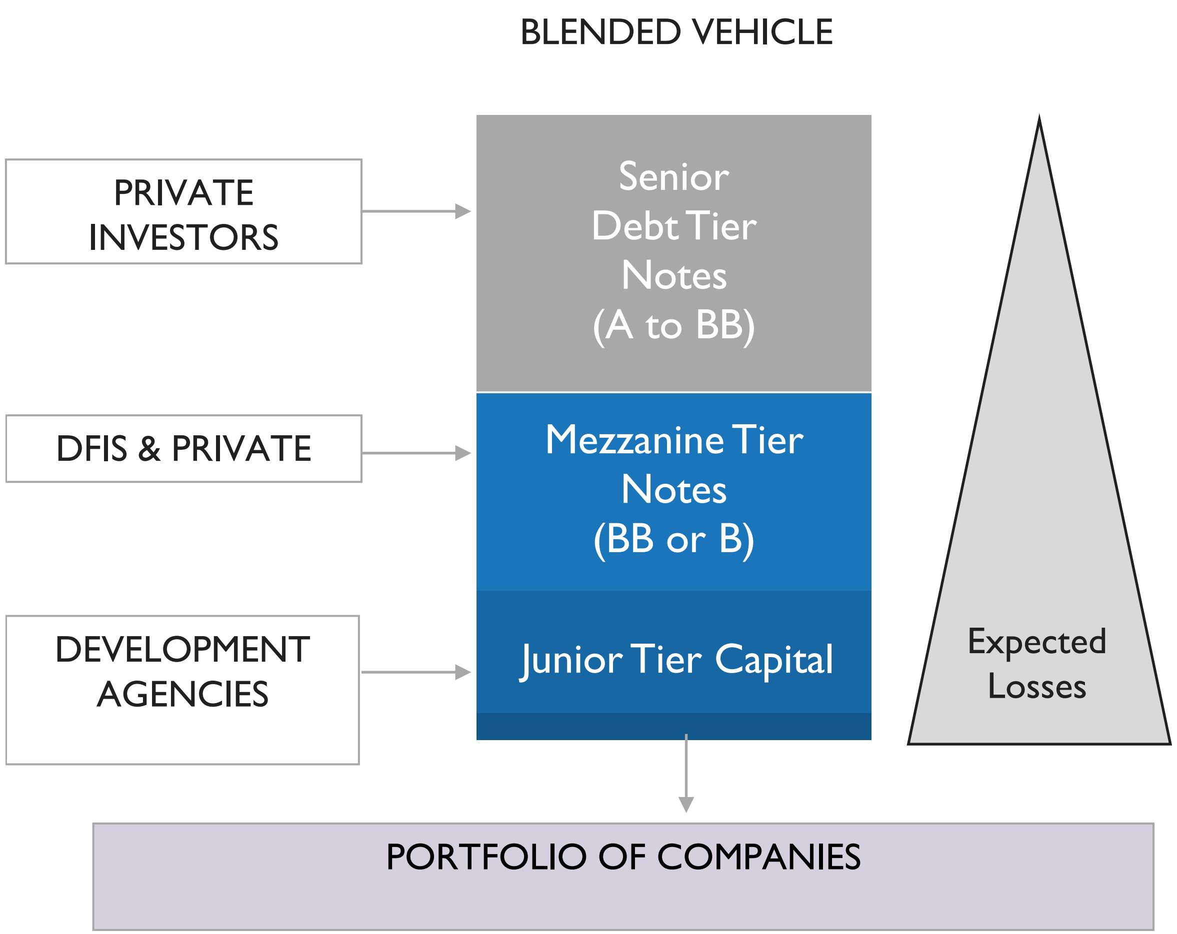
4. **Mobilize Debt and Equity Investors at Project Level:** Example Guarantee to reduce expected loss

Source: Convergence, How to Mobilize Private Investment in Blended Finance, 2020

MOST EFFECTIVE BLENDED FINANCE STRUCTURES:

STRUCTURE 1: BLENDED FINANCE VEHICLE PREFERRED BY DEBT INVESTORS

1. Establish Blended Finance Fund with 3 capital tiers
2. Fund with experienced fund manager
3. Fund invests in portfolio of debt investments (loans) typically rated BB and B
4. Diversification (1-2 notch uplift) and subordination (1-6 notch uplift) reduces probability of default and expected losses for senior tier investors.
5. Senior Notes can achieve Investment Grade (e.g., A or BBB) and Mezzanine Notes good-quality non-investment grade investment (e.g., B)
6. Investment grade rating allows a large universe of investors restricted by investment grade mandate



Source: Convergence 2020

MOST EFFECTIVE BLENDED FINANCE STRUCTURES:

STRUCTURE 1:
BLENDED FINANCE VEHICLE FOR DEBT INVESTORS

- Assume Portfolio 30+ loans to borrowers with "B" risk rating
- Portfolio diversification can enhance risk to "BB-"
- Portfolio funded by three tiers of capital: (1) Senior Notes for 85%, (ii) Mezzanine Notes for 10% and Junior for 5%
- Can credit enhance Senior Notes to "Investment Grade" "BBB"
- Junior and Mezzanine must be large enough to absorb at least the "expected losses" - in this case between "BB-" and "BBB" or 0.63% per year (i.e., 0.79% less 0.16%)
- Possible Investment Grade "BBB" for Senior Notes with around of 15-20% of subordinate capital (for 10-year tenor)

Rating	**Annual Expected Loss**
BBB	0.16%
BBB-	0.29%
BB+	0.48%
BB	0.75%
BB-	0.79%
B+	1.21%
B	1.87%
B-	1.89%

Subordination

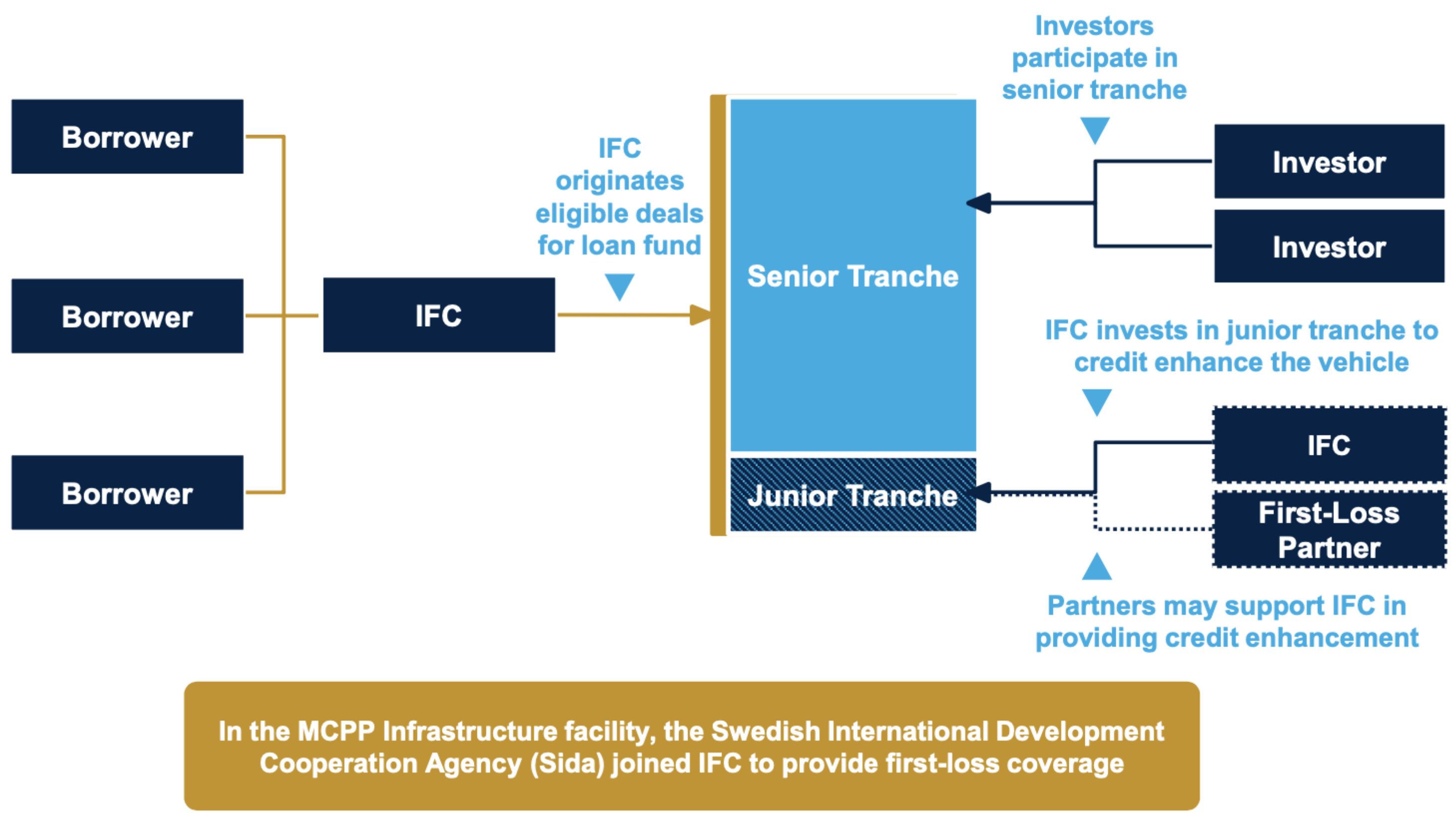
Diversification

Source: Convergence 2020

EXAMPLE: IFC & SIDA MCPP INFRASTRUCTURE PROGRAM

- IFC arranges portfolio of senior loans to infrastructure projects
- Loans priced ca. Libor + 3.6%
- Transfer 50% of each loan to Fund
- Fund capitalized 90% by senior notes & 10% junior capital
- $1.5 billion Senior Notes modelled at BBB/BBB+ invested by Alliance, Axa and Prudential

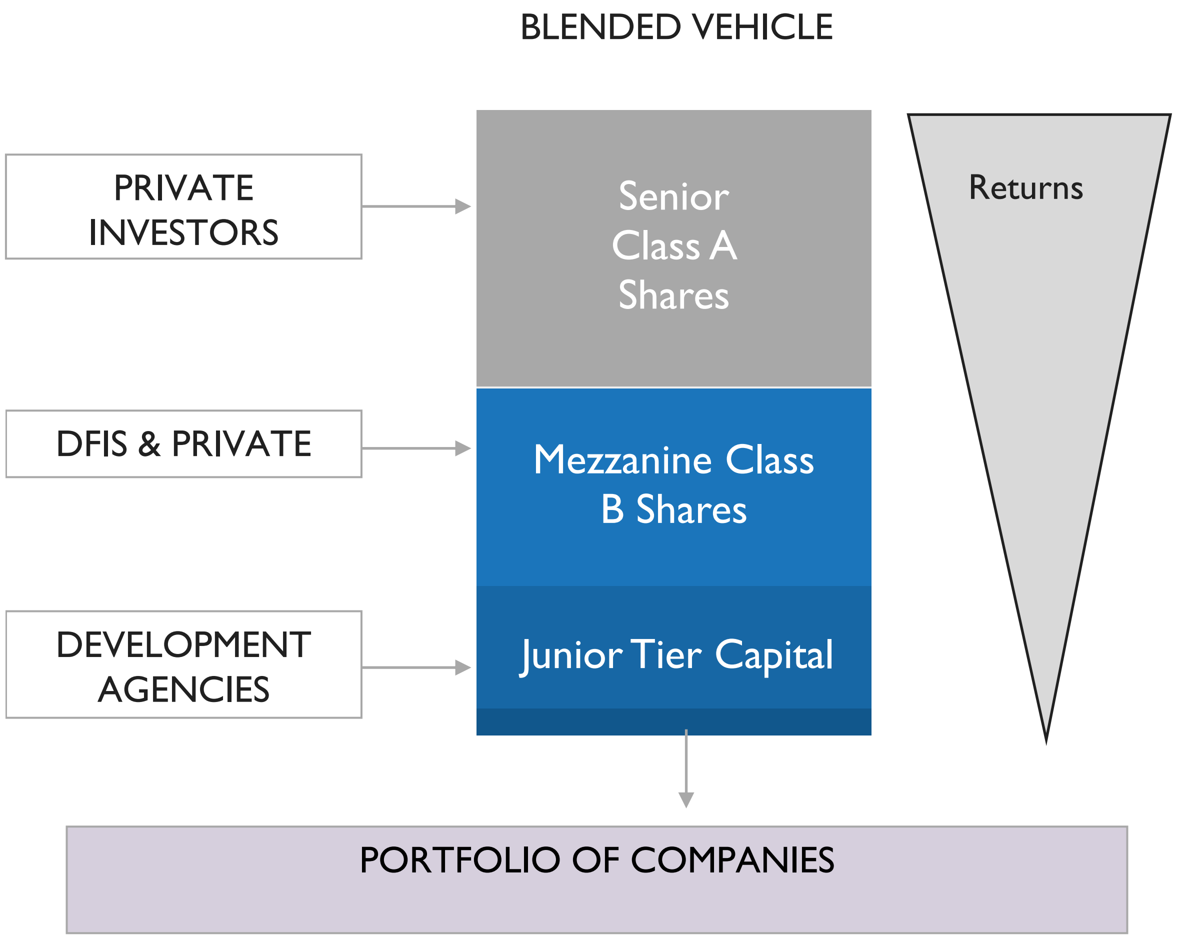
- Transaction is a unicorn – No MDB has replicated
- Scale: Repeat – Create one Fund - same structure for all MDBs and DFIs



MOST EFFECTIVE BLENDED FINANCE STRUCTURES:

STRUCTURE 2:
BLENDED FINANCE VEHICLE PREFERRED BY EQUITY INVESTORS

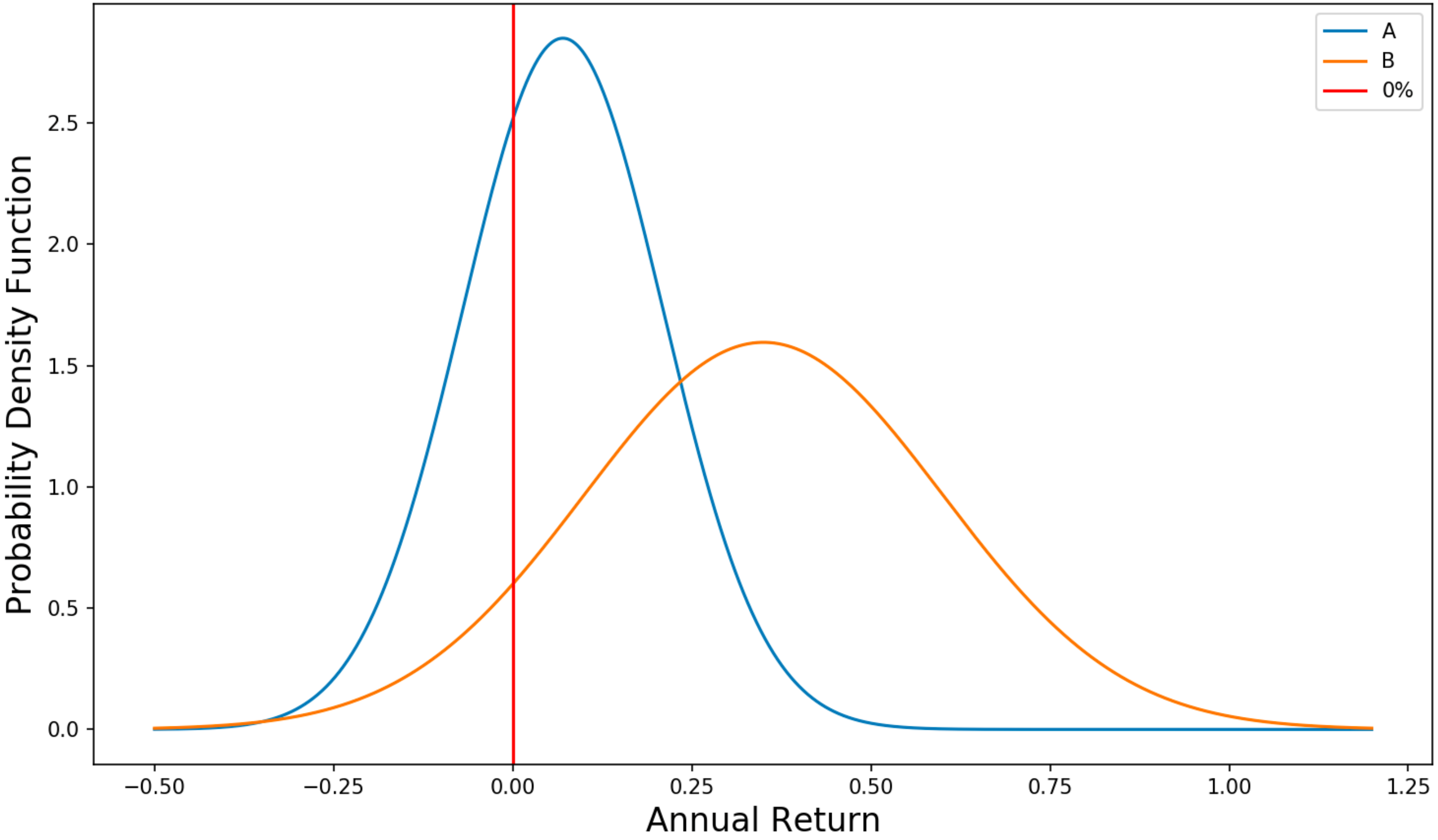
1. Establish Blended Finance Vehicle with 2-3 capital tiers
2. Vehicle typically a fund with experienced fund manager
3. Vehicle invests in portfolio of equity investments in investee companies.
4. Prioritization of waterfall of distributions:
    1. First distributions to Class A until IRR of 0-5%
    2. Second distribution to Class B until IRR of 0%
    3. Third distribution to Junior Capital until IRR of 0%
    4. Fourth distribution to capital providers by negotiation.
5. Waterfall prioritization for Senior Class A Shares: (i) reduces likelihood of losses, (ii) increases likelihood of achieving market benchmark and (iii) increases likelihood of high IRRs



Source: Convergence 2020

STRUCTURE 2:
BLENDED FINANCE VEHICLE FOR EQUITY INVESTORS

- Investment in conventional private equity fund depicted by blue line: Too much distribution with negative returns and expected return too lov
- Introduce catalytic concessional funding – senior investors enhanced by junior investors
- Investors' returns in blended finance structure (orange line): Less distribution with negative return anc higher expected return consistent with developed countries

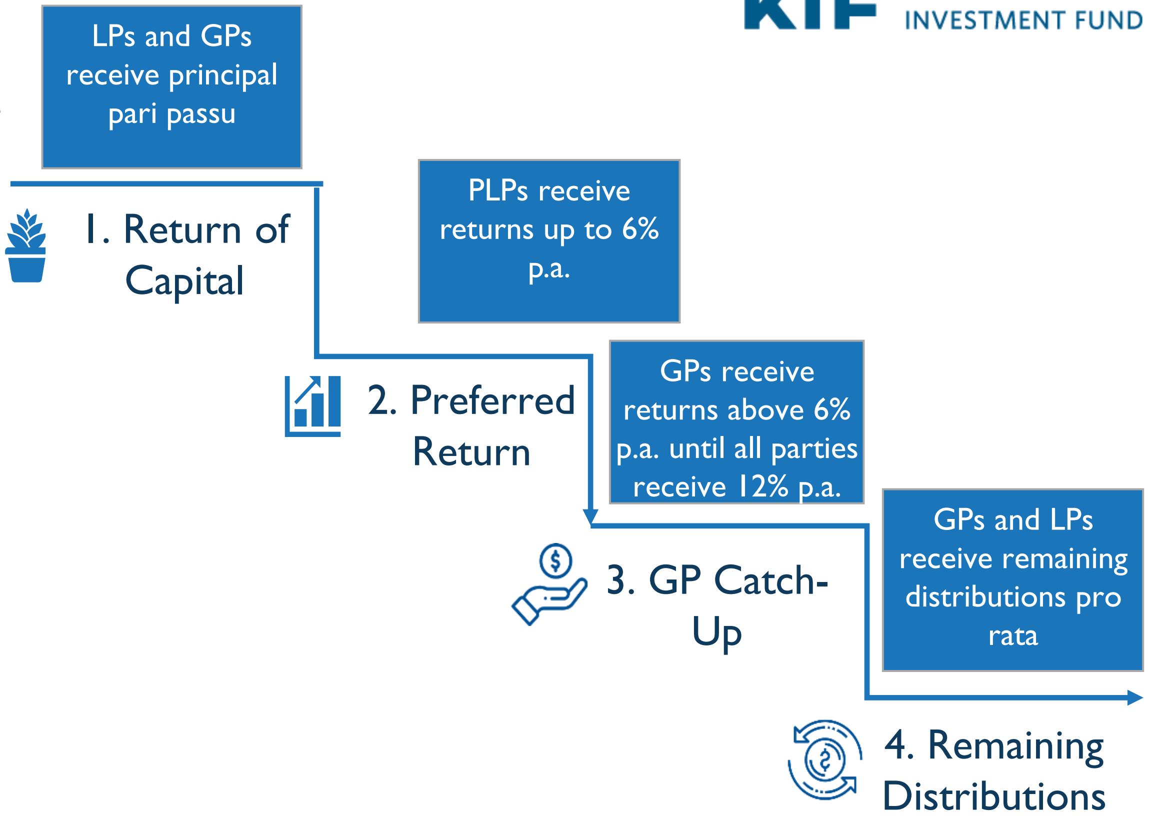


Source: Convergence 2020

EXAMPLE: DANISH CLIMATE INVESTMENT FUND

- Danish Climate Investment Fund (KIF) is a private equity fund (USD $220 million) established by the Danish State and IFU
- Mandate is to invest in projects that reduce greenhouse gases and/or adapting to climate change in developing countries.
- KIF uses a preferred return structure to ensure acceptable risk/return structure for institutional investors:
  - Overall IRR target: 12% per annum (p.a.), with preferred return schedule:
  - All parties receive distributions until invested amounts are returned
  - Returns above 12% p.a. distributed pro rata, with premium to Danish State

KIF DANISH CLIMATE INVESTMENT FUND



Source: Danish Climate Investment Fund Case Study, Convergence, 2017

CURRENT INVESTMENT OPPORTUNITIES: EXAMPLES

CONVERGENCE DISCLAIMER

Convergence is regulated by the Ontario Securities Commission

Convergence operates an Investment Platform where fund managers and project sponsors can showcase their transactions to prospective funders and investors

Convergence does not give investment advice to investors

The following transactions are showcased to demonstrate to NZAOA investors prospective investment opportunities.

The transactions have been chosen based on discussions with the NZAOA Secretariat to identify transactions that align with NZAOA investors' prospective investment interests

Source: Convergence 2023

DEBT INVESTMENT OPPORTUNITIES

ILX – SDG & Climate Focused EM Private Credit Fund

ILX Management is an Amsterdam-based specialist SDG and Climate-focused Private Credit Asset Manager. The company focusses on Global Development Finance co-investment strategies and partners with the leading Multilateral Development Banks and Development Finance Institutions such as the IFC, IDB-Invest, EBRD, ADB, AfDB and FMO. The company is AIFMD Licensed and Regulated.

Active Fund

ILX Fund I

- Investor commitments of USD 1.05 billion
- 1st close in Jan 2022
- Invests in MDB/DFI-originated USD & EUR loan participations
- Invested >USD 300 mil in 2022
- Invested 50% in Climate Finance
- SFDR Article 9 (Dark Green) Fund
- Invests across all regions and sectors in Emerging Markets
- Investment Strategy generates:
  - Attractive risk-return
  - Highest ESG safeguarding standards
  - Direct, measurable, positive SDG- and Climate-related impact

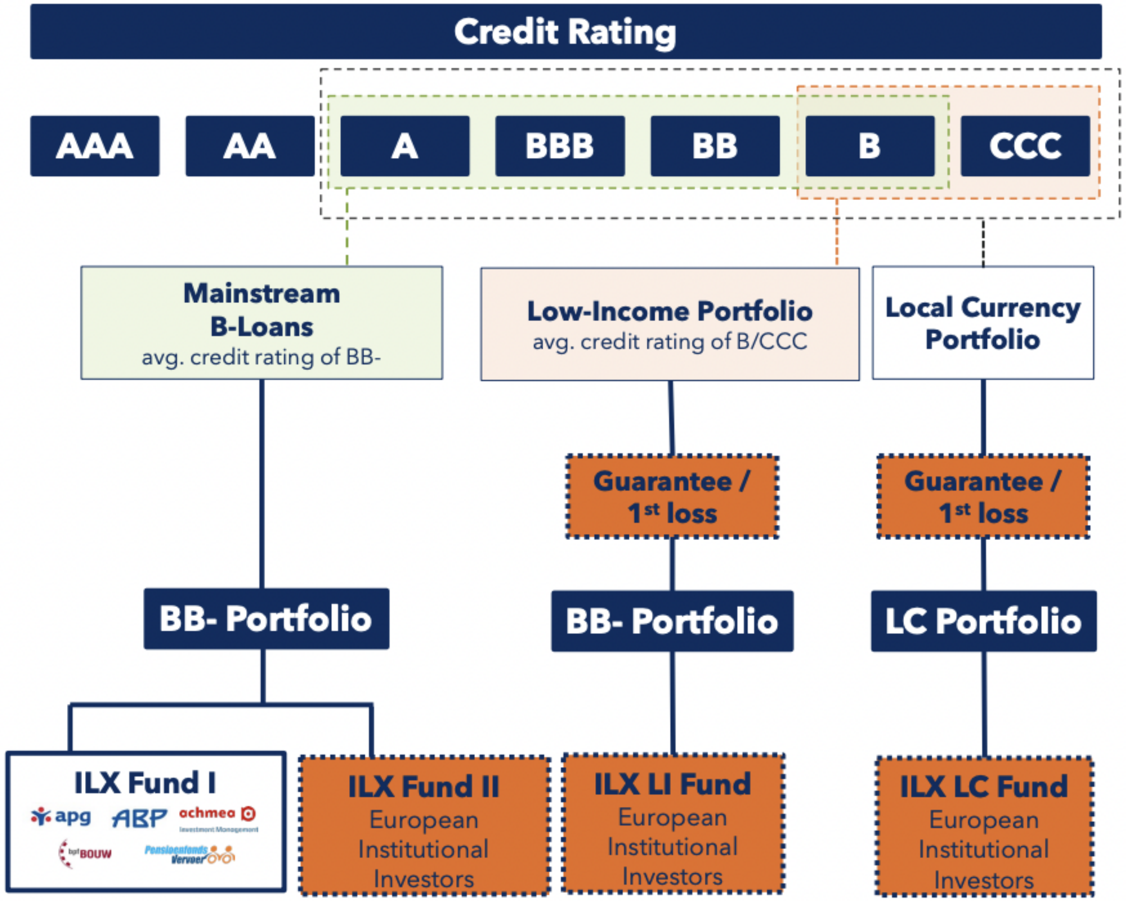
Follow-On Funds & Strategy

ILX Fund II

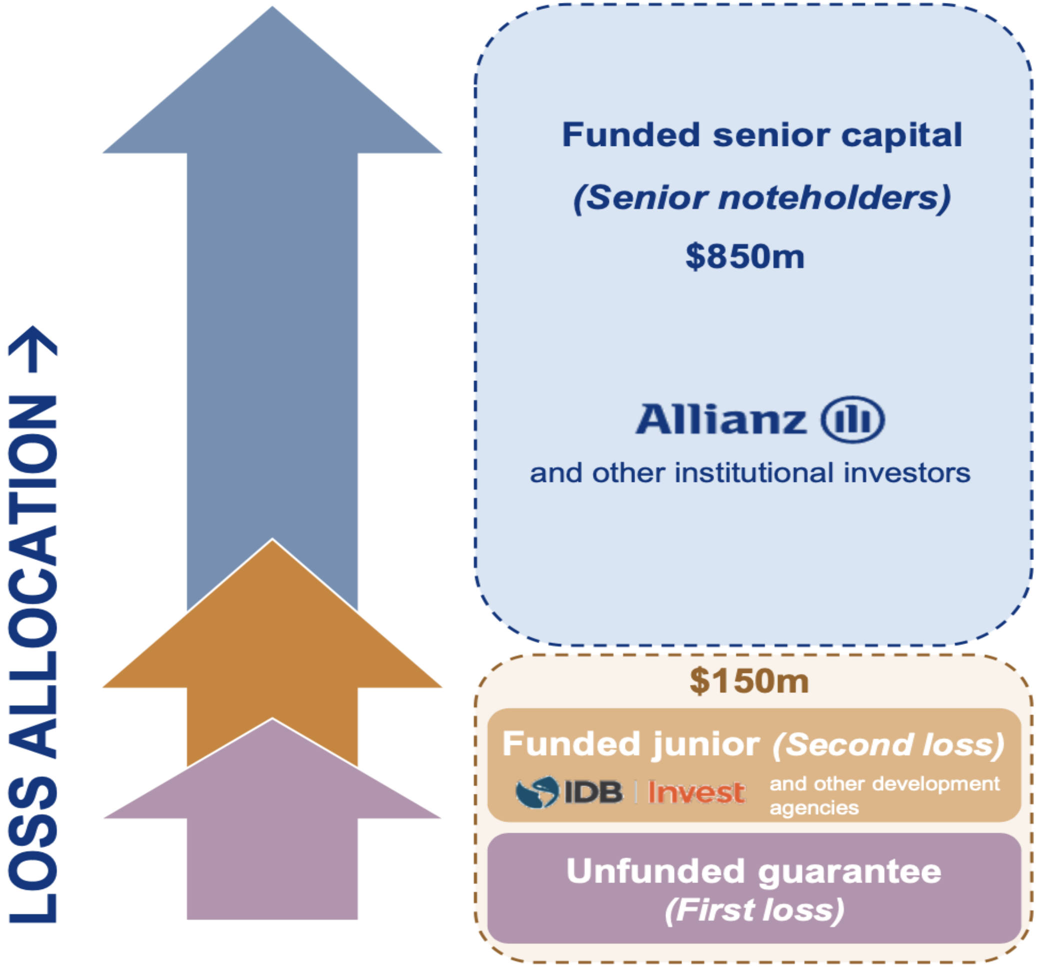
- Target Investor Commitments of USD 2 billion
- Target 1st Close in Q4 2023 – Q1 2024
- Similar scale-up strategy to ILX Fund I

ILX Low-Income / Local Currency Fund

- High-risk LI/LC strategies with blended structure i.e., guarantee, first-loss
- Target 1st Close in H1 2024
- Fund strategy Examples:
  - *Diversified high impact DFI investments in Low-Income Countries*
  - *Diversified Local Currency DFI Infrastructure and Renewable Energy investment across Emerging Markets*



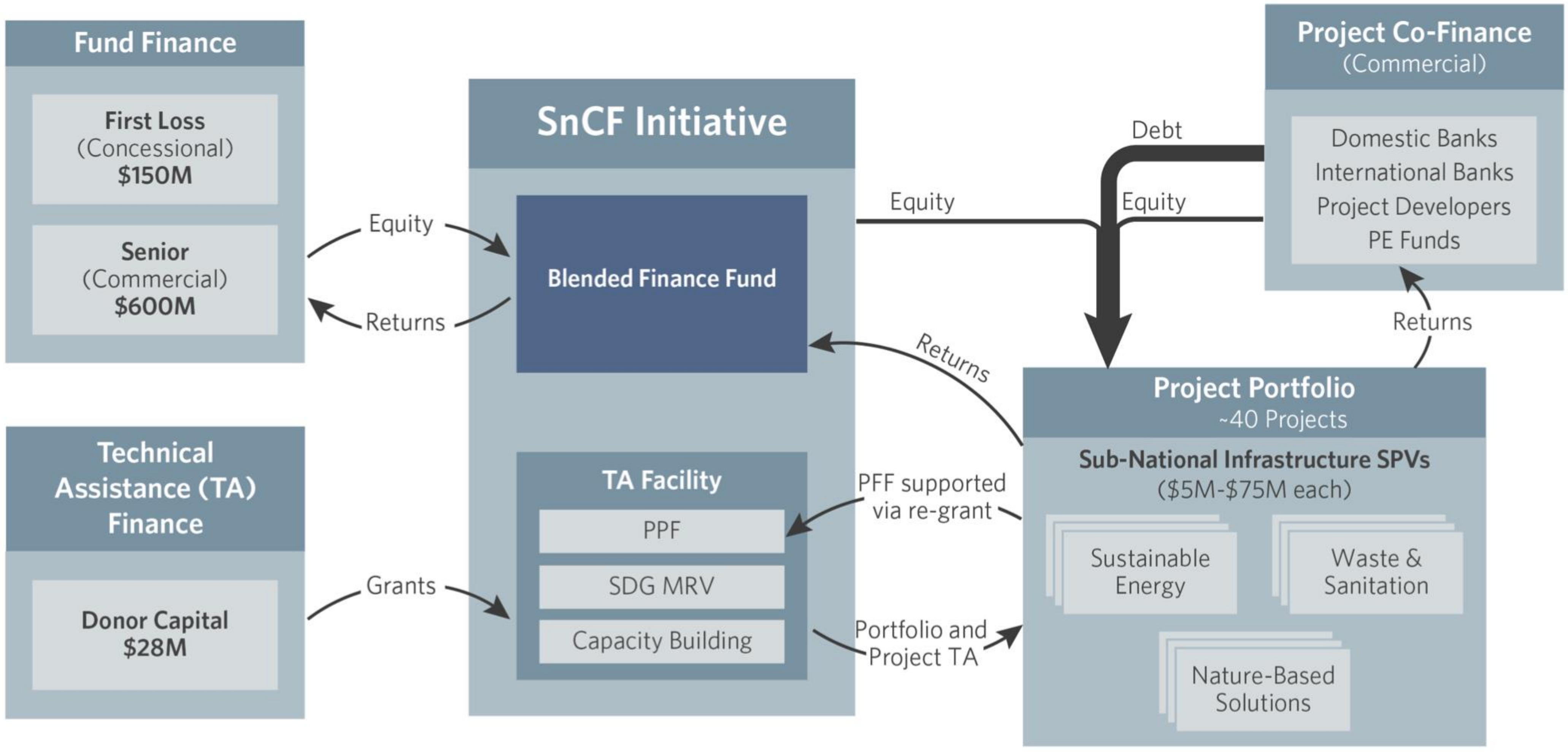
FUNDRAISING EXAMPLE:
ALLIANZ CLIMATE SOLUTION'S EMERGING MARKETS FUND



- The ACSEM fund will not be a securitization structure and will include the following layers of capital:
  - i. **Funded senior capital** via a 15-year note issued by ACSEM (*senior capital*);
  - ii. **Funded junior capital** via a 25-year note issued by ACSEM *(second loss)*;
  - iii. Unfunded participation via a 16-year **guarantee** covering portfolio defaults (*first loss*).
- Junior capital providers are welcome to consider investing in the fund either via:
  - <u>Funded junior capital (second loss)</u>
    - Non-concessional participation
    - "Mezzanine" position in the vehicle
  - <u>Unfunded junior capital - Guarantee (first loss)</u>
    - Most capital efficient solution providing the highest impact in terms of enabling ACSEM's creation
    - Non-concessional participation – requires highly rated counterparty

EQUITY INVESTMENT OPPORTUNITIES

FUNDRAISING EXAMPLE: SUB NATIONAL CLIMATE FUND



FUNDRAISING EXAMPLE: SUB NATIONAL CLIMATE FUND

SnCF summary

Target size	USD 750m
1st Closing	Q4 2020
Term	12 with up to one-year extension
Preferred return	8% for Class A investors 3% for Class B investor (Green Climate Fund)
Management Fee	2% of committed capital during the Commitment Period 1.5% of invested capital thereafter
Minimum commitment	10 MUSD
Target Fund Return	13% gross IRR (1).
Target Investment Size	5 – 75 MUSD
Commitment Period	5 years from the final close
Carried Interest	20%, subject to the preferred return with 100% catch-up

Target parameters

Min. 20% of Fund Size
1st loss capital from the Green Climate Fund (Class B)

USD 28m
In additional grant-funding to bring early-stage projects to bankability (proprietary pipeline)

Target Impact

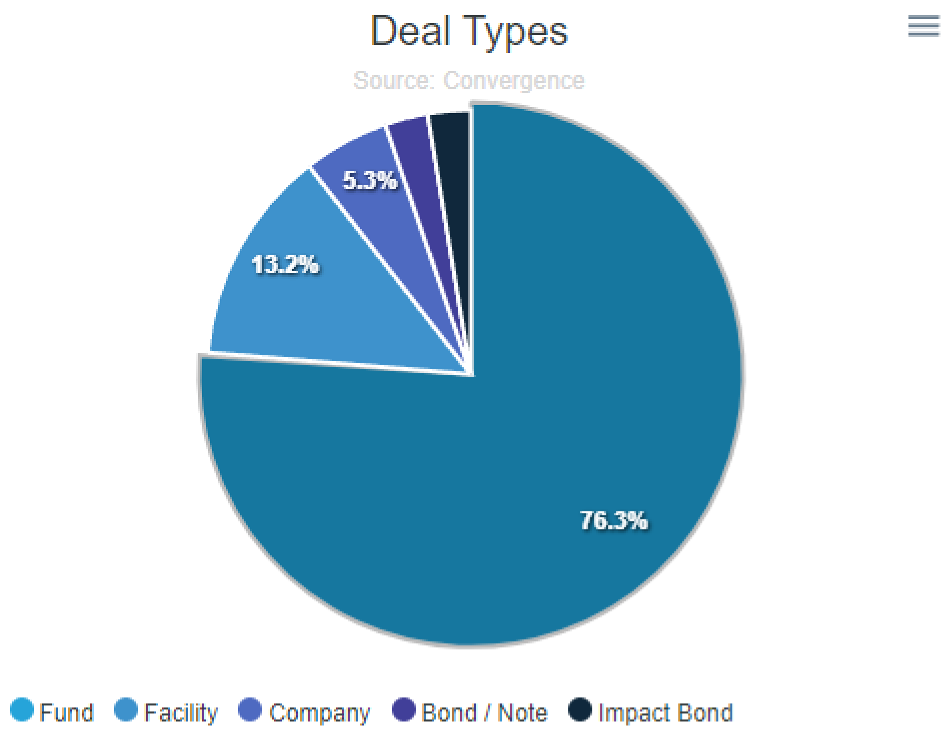
82 m tCO2 eq. GHG certified emissions avoided

20'000 direct jobs created

HOW TO ACCESS INVESMENT OPPORTUNITIES

CONVERGENCE INVESTMENT PLATFORM

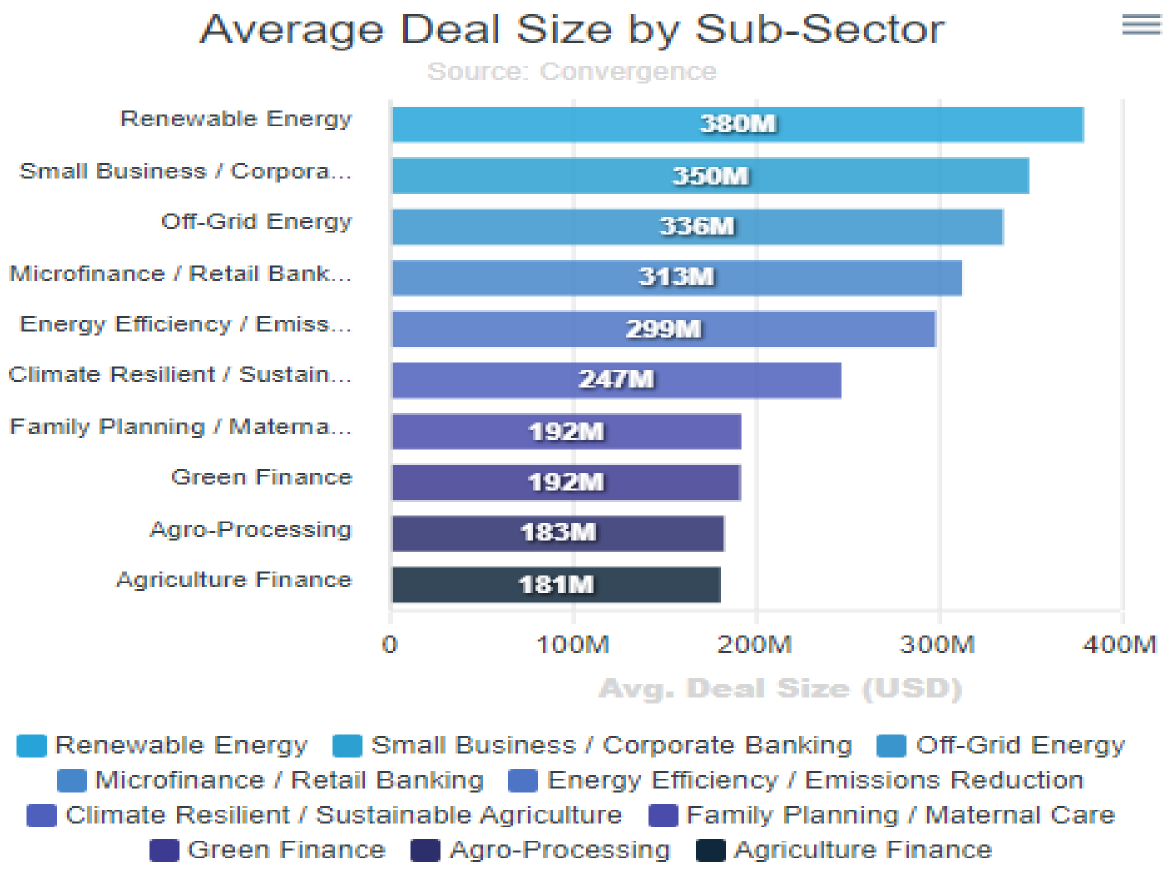
- 38 investment deals seeking $10 billion of capital
- 98% private markets and 2 % public markets
- 76% structured as a fund – private credit or private equity
- 5% structured as project or company



Source: Convergence 2023

CONVERGENCE INVESTMENT PLATFORM

- Most investment opportunities aligned with Green, Climate, Net-Zero and ESG investment mandates – Climate Mitigation and Renewable Energy
- Investment opportunities are debt (65%) and equity (35%)



Source: Convergence 2023

SOLUTIONS TO SCALE UP PRIVATE INVESTMENT THROUGH DEVELOPMENT FINANCE AND BLENDED FINANCE

ACTION PLAN FOR CLIMATE & SDG INVESTMENT MOBILIZIATION:

FIVE PILLARS AND TWO COMPLEMENTARY ACTIVITIES: $530 BILLION POSSIBLE

#	Description	Content
1	**Strategic Deployment of Catalytic Funding**	Must de-risk investment opportunities to within investors' fiduciary limits Catalytic Funding: Catalytic Grants and Catalytic Capital Critical mass of $13-15 billion of Catalytic Capital deployed in five Use Cases
2	**MDBs and DFIs: Governance and Business Model**	Shareholders to govern MDBs & DFIs to maximize their contributions to Climate and SDG Investment (maintain prudent risk ratings) Double net Commitments and 10-fold increase in mobilization Mezzanine investments required to de-risk private investors at scale Key Performance Indicators. If implemented, two blended finance funds to support higher mobilization
3	**Collaboration: Investment & Mobilization**	Optimize limited Catalytic Capital to de-risk investors within fiduciary limits Five Use Cases: Competitive Calls for Proposals to fund global best ideas
4	**Open access Hub to best resources**	Centralized, curated hub to house best data, information, knowledge building, standardisation, Catalytic Funds and investment assets
5	**Local capital markets & fincl intermediation**	Improve, deepen and broaden Local Capital Markets & Domestic Financial Intermediation: (i) Fund projects of $10 million and less and (ii) Sustainability

OPEN DISCUSSION
QUESTIONS & ANSWERS

CONVERGENCE IS AN INDEPENDENT NON-PROFIT, WITH FUNDING FROM:

Canada

FORD FOUNDATION

MacArthur Foundation

Schweizerische Eidgenossenschaft
Confédération Suisse
Confederazione Svizzera
Confederaziun svizra

Swiss Confederation

Federal Department of Economic Affairs FDEA
State Secretariat for Economic Affairs SECO

Australian Government
Department of Foreign Affairs and Trade

RS GROUP

Citi Foundation

citi

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