Disclosure Statement
Operating Principles for Impact Management
MicroVest Capital Management
March 25, 2022

MicroVest Capital Management, LLC ("MicroVest") hereby affirms its status as a Signatory to the Operating Principles for Impact Management (the "Impact Principles"). This Disclosure Statement applies to the MicroVest Short Duration Fund and MicroVest Enhanced Debt Fund (the "Covered Assets").

The total assets under management in alignment with the Impact Principles is US$228 million as of December 31, 2021.

Gil Crawford
Co-Founder & President
MicroVest Capital Management
March 25, 2022

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Principle 1: Define strategic impact objective(s), consistent with the investment strategy.
The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the Sustainable Development Goals (SDGs), or other widely accepted goals. The impact intent does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

- MicroVest's investment products seek to promote financial inclusion for un- and underbanked small businesses and communities in emerging markets by investing in—and catalyzing the availability of credit for—Responsible Financial Institutions or "RFIs," which include Microfinance Institutions (MFIs) and Small and Medium Enterprise (SME) Financial Institutions. Capital provided to these financial institutions (in the form of 2-3 year amortizing senior loans) is used to extend credit to un- and underbanked micro, small and medium enterprises (MSMEs) seeking funding for productivity-generating initiatives such as business expansion or asset acquisition.

- By lending to responsible, well-run financial institutions, MicroVest provides the capital that institutions need to grow, and in turn, serve more MSME borrowers previously excluded from and/or otherwise unable to access credit through the formal financial system. Financial products, including loans, savings, insurance, and payment services, are necessary for MSMEs to successfully compete and grow in their respective markets. When the un- and underbanked are financially included, they can more effectively manage day-to-day finances, build financial resilience and knowledgeably use financial products and services to pursue their goals.

- MicroVest defines the areas where it can make the most impact in accordance with the following four-pillar framework: Providing 1) Impact Investing Leadership; aiding in 2) Institution Building; and facilitating 3) Financial Inclusion and 4) Financial Health for un- and underbanked communities and small businesses worldwide.

- MicroVest's investment strategy aligns with six of the UN Sustainable Development Goals (SDGs), including SDG 1 (No Poverty), SDG 5 (Gender Equality), SDG 8 (Decent Work and Economic Growth), SDG 9 (Industry, Innovation and Infrastructure), SDG 10 (Reduced Inequalities) and SDG 17 (Partnership for the Goals).

- MicroVest is a registered investment adviser, Certified B Corporation, and a wholly-owned subsidiary of DAI Global, LLC.

Principle 2: Manage strategic impact on a portfolio basis.
The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

- MicroVest's investment process combines a proprietary top-down country risk assessment with rigorous bottom-up due diligence to identify RFIs whose culture and lending policies are aligned with supporting end borrowers in the communities they serve. The individual metrics feeding into these categories capture important quantitative and qualitative factors and focus on both the overall portfolio and how the RFI operates its business. In 2019, MicroVest adopted the ALINUS[1] tool (Aligning Investors Due diligence with Universal Standards) to support the social impact measurement of an RFI's performance across dimensions that include: 1) the company's ability to monitor social goals; 2) commitment to social goals; 3) affinity for designing products that meet clients' needs; 4) the fair treatment of clients; 5) the fair treatment of employees; and 6) the balance between social and financial performance.

- To gauge and monitor progress at the portfolio level, MicroVest establishes expectations and procedures around financial, operational, and social impact reporting with each of its portfolio companies and collects data on a quarterly basis to glean insight into institutions' financial performance, loan portfolio trends, corporate updates, end borrower demographics, and compliance with covenants.

- The metrics collected provide MicroVest with visibility into the portfolio's position as it relates to MicroVest's social impact framework and pertinent UN SDGs, which are referenced under Principle 1.

- The impact metrics that MicroVest collects span a broad range of indicators that include portfolio size/growth, asset quality, operating efficiency, percentage of female senior management and board members, percentage of female and rural end borrowers, the number of savers/depositors, and more. On an aggregate level, this data provides MicroVest with visibility into the total number and types of end borrowers its investments are reaching.

- MicroVest's assessment of an RFI's social performance management system is supplemented through frequent (every 6 months on average) virtual monitoring discussions with RFI management teams and on-site monitoring visits (when advisable under COVID-19 guidance and regulations) as well as annual updates of their ALINUS assessment where appropriate.

- MicroVest may consider aligning staff incentives with impact performance as best practices emerge.

[1]ALINUS is a common social data collection tool for due diligence monitoring, based on the SPI4, the social audit tool that measures the implementation of the Universal Standards for Social Performance Management. https://cerise-spm.org/app/uploads/sites/3/2018/12/AlinusToolkit2017.pdf

Principle 3: Establish the manager's contribution to the achievement of impact.
The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels.[2] The narrative should be stated in clear terms and supported, as much as possible, by evidence.

- MicroVest's impact narrative emanates directly from its strategy. The Firm provides 2-3 year amortizing senior debt to RFIs that then use this capital to offer additional credit and financial products to underserved entrepreneurs, small businesses, and individuals, thereby facilitating the closing of the financing gap and the promotion of financial inclusion for millions worldwide. Each time MicroVest makes a loan to an RFI, 1) the RFI has additional capital that can be used to meet the growing needs of its end borrowers, and 2) the end borrower benefits from the availability of credit or other financial service, which may be used to support productivity-generating initiatives that can, in turn, improve a borrower's livelihood, financial health, and spur job creation in their local community.

- Because MicroVest focuses exclusively on the investment strategy described above, the Firm's impact narrative applies to every investment MicroVest makes and scales across the entire portfolio of RFIs.

- Furthermore, MicroVest provides flexible loan structures (e.g. amortizing loans, bullet payment loans, unsecured loans) to its investees that would otherwise be unavailable through traditional banks or local financiers due to a variety of structural reasons or perceptions around risk. MicroVest will also consider short term loans and work with an RFI to provide customized, flexible instruments, provided that the institution meets its social impact and credit underwriting criteria. Depending on the RFI's needs, MicroVest may provide local currency debt (approximately 30% of the portfolio), which we then hedge to US dollars. This structure helps RFIs, which typically lack access to hedging instruments, access international capital markets without bearing foreign exchange risk.

- MicroVest's investment in an RFI can also indirectly improve both the availability and cost of capital for end borrowers. Among the RFIs in MicroVest's portfolio, interest rates for end borrowers average 25% per annum in local currency, a significant cost savings versus other informal and/or predatory lenders that might charge exorbitant rates if they are willing to lend at all, which makes capital either unavailable or unaffordable and risks leading to debt traps for borrowers. As part of MicroVest's due diligence process, the team ensures that RFIs adhere to ethical standards in marketing and pricing loans and performs sufficient borrower due diligence to prevent investments made with RFIs who may be enabling over-indebtedness in their communities.

- MicroVest's due diligence and portfolio monitoring processes support and deepen RFI partnerships by providing advice on how the institution can implement more sophisticated risk management processes. In both cases, RFIs benefit from MicroVest's global perspective and 17 years of experience evaluating and working with RFIs.

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[2]For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, offering innovative financing instruments, assisting with further resource mobilization, creating long-term trusted partnerships, providing technical/ market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards.

Principle 4: Assess the expected impact of each investment, based on a systemic approach.
For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact[3] potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?[4] The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations.

In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards[5] and follow best practice.[6]

- As a microfinance investment vehicle, MicroVest contributes to promoting financial inclusion and closing the financing gap through investments in RFIs across a range of developing and frontier markets. The customers of an RFI, typically MSMEs, ultimately experience the intended impact when they can improve their economic prospects as a result of accessing capital on fair and transparent terms. While each country in which MicroVest operates will have its own nuances, the fundamental premise of how MicroVest creates impact and who will experience it remains relatively constant.

- Because closing the financial inclusion gap requires growth in loan volume and matching borrowers with suitable financial products, MicroVest examines historical and forecasted loan volumes in order to quantify how our investment fits our risk/reward appetite from a commercial perspective. Tracking an RFI's growth in loan origination and number of borrowers reached serves as our fundamental proxy for measuring output and thus, expected impact.

- Since MicroVest effectively provides RFIs with the raw material for making loans, an RFI's lending statistics indicate whether it is contributing to filling the estimated MSME financing gap or reducing the number of unbanked and underbanked individuals. MicroVest also collects data on the number and percentage of rural or female borrowers, two populations that have been historically underserved by traditional lending incumbents. Metrics on loan delinquency further indicate whether credit growth is sustainable for the borrowers.

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[3]Focus shall be on the material social and environmental impacts resulting from the investment. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.
[4]Adapted from the Impact Management Project (www.impactmanagementproject.com).
[5]Industry indicator standards include HIPSO (https://indicators.ifipartnership.org/about/); IRIS (iris.thegiin.org); GIIRS (http://b-analytics.net/giirs-funds); GRI (www.globalreporting.org/Pages/default.aspx); and SASB (www.sasb.org), among others.
[6]International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.

Principle 5: Assess, address, monitor, and manage potential negative impacts of each investment. For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG)[7] risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice.[8] As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

- Because MicroVest's investment strategy targets *Responsible* Financial Institutions, the Firm's pipeline process filters out institutions that may correlate with higher environmental, social and governance risks, any of which could undermine the value of the investment and impair impact performance. Furthermore, all loan agreements between MicroVest and an RFI specify that the RFI must operate in compliance with applicable laws, including regulatory, fraud, anti-corruption/AML, as well as international standards and best practices applicable to the RFI and its business. RFIs are also required to comply with ESG guidelines that govern themes such as workers' rights (which includes compliance with the IFC's Performance Standard 2 on Labor and Working Conditions)[9] and are prohibited from using loan proceeds to fund activities or enterprises that pose social or environmental harm (such as those listed under Appendices A and B of the US Development Finance Corporation's Environmental and Social Policy Statement)[10].

- MicroVest's portfolio management process involves ongoing monitoring of financial performance and a range of qualitative factors. As a result, ESG gaps or unexpected events at any one investee typically have limited impact on the overall portfolio. Our risk, portfolio and investment teams receive a steady flow of information on how investee RFIs and their underlying loan portfolios are performing. We supplement this data with on-site field visits at least once per year (when advisable under COVID-19 guidance and regulations). Through close monitoring, our team often gains early visibility into any ESG risk issues and can work with the

RFI to proactively address problems. In the worst-case scenario, MicroVest can respond to a high-risk ESG situation by accelerating and/or declining to renew the relationship with an investee RFI after its loan has been repaid, typically two to three years after origination.

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[7]The application of good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the Manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Principles 4 and 6.
[8]Examples of good international industry practice include: IFC's Performance Standards (www.ifc.org/performancestandards); IFC's Corporate Governance Methodology (www.ifc.org/cgmethodology), the United Nations Guiding Principles for Business and Human Rights (www.unglobalcompact.org/library/2); and the OECD Guidelines for Multinational Enterprises (http://mneguidelines.oecd.org/ themes/human-rights.htm).
[9]https://www.ifc.org/wps/wcm/connect/88f1f09e-5fe4-4fad-9286-33ecb221ab23/PS2_English_2012.pdf?MOD=AJPERES&CVID=jiVQIns
[10]https://www.dfc.gov/sites/default/files/media/documents/DFC_ESPP_012020.pdf

Principle 6: Monitor the progress of each investment in achieving impact against expectations and respond appropriately.
The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action.[11] The Manager shall also seek to use the results framework to capture investment outcomes.[12]

- As outlined under Principle 2, MicroVest collects data from its portfolio companies on a quarterly basis to gain insight into an institution's financial and social performance over the life of the investment.

- Many of these data points, particularly those concerning loan volume and end borrowers, offer directional evidence in support of MicroVest's financial inclusion narrative. For example, RFIs with expanding loan books and low default rates are typically expanding access to capital given the underserved customer bases that they target. When this data is aggregated at the portfolio level, it helps inform the development impact that our portfolio is creating and can be compared against aggregate estimates of the financial inclusion gap and the size of the unbanked and under-banked population for a given country and sub-region.

- MicroVest's social impact score is not intended to be an ex ante forecast of impact for a specific investment. We believe that it is more important to pay attention to borrower and portfolio-level trends and investigate why they are moving in a particular direction. In addition to uncovering issues that need to be addressed with more focused engagement by our risk and portfolio teams, this approach often leads to insights about how well MicroVest's theory of change is working and how it might vary across different countries and client segments.

- Because MicroVest works in a number of frontier and emerging markets, and because our investee RFIs serve borrowers who need financial services for a range of reasons, detailed information on end borrowers will remain somewhat limited by virtue of this model.

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[11]Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio's expected impact performance.
[12]Outcomes are the short-term and medium-term effects of an investment's outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC (www.oecd.org/dac/).

Principle 7: Conduct exits considering the effect on sustained impact.
When conducting an exit,[13] the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

- A change of ownership while a loan is outstanding could change the sustainability of impact if the acquirer elects to change an RFI's strategy. As a result, all of MicroVest's loan agreements contain a change of control clause, and we would review this risk before approving the change of control.

- Because MicroVest's loans are short-term in nature, refinancing events happen frequently. This gives MicroVest reoccurring opportunities to assess the impact of our RFIs and whether there has been any material change.

- Furthermore, as a provider of amortizing debt capital, MicroVest's exit is already built into the structure of the investment and there is no separate exit decision.

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[13]This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.

Principle 8: Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.
The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

- Following diligence on a potential investment opportunity, MicroVest's investment team produces a memo for the investment committee that includes estimates of how an institution's loan portfolio will grow and perform as a result of a loan from MicroVest. As discussed throughout this Disclosure, these metrics serve as a proxy for estimating an RFI's contribution to closing the financial inclusion gap. The memo also documents the results of our character assessment and social impact scoring. When a loan has fully amortized, the underwriting process begins anew to determine whether to extend a new loan (i.e. a renewal), and the RFI undergoes a new underwriting process, with analysis prepared for the investment committee. This provides an opportunity to compare expected and actual loan portfolio performance, as well as consider any changes to the social impact score as MicroVest builds a deeper relationship with the RFI.

Principle 9: Publicly disclose alignment with the Impact Principles and provide regular independent verification[14] of the alignment.

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

- This Disclosure Statement re-affirms the alignment of MicroVest's policies and procedures with the Operating Principles for Impact Management and will be updated annually.
- The independent verification report on the alignment of MicroVest's practices with the Impact Principles may be found on MicroVest's website here.
- MicroVest intends to conduct an independent verification of its practices every three years.
- Information on the current independent verifier is as follows:

Name and Address:	Luminis Advisors, LLC 6302 Blackwood Road Bethesda, MD 20817 USA
Qualifications:	Luminis Advisors, LLC ("Luminis") is an independent advisory firm that provides a range of solutions to the impact investment market based on deep industry knowledge, expert risk analysis and a comprehensive suite of benchmark data. Since its founding in 2014, Luminis has worked with a wide range of stakeholders, including asset managers, investors and other service providers, and completed more than 300 evaluations of over 120 impact funds. For more information, please contact Sebastian von Stauffenberg (sebastian@luminisadvisors.com).
Most Recent Review:	August 7, 2020

[14]The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.