

PROJECT SUMMARY
POMONA IMPACT FUND II: A REGIONAL IMPACT INVESTING FUND (RG-Q0046)

This project seeks to provide early stage financing and investment capital to highly-scalable companies that intentionally pursue impactful solutions to social and/or environmental challenges, through the creation of Pomona Impact Fund II. The Fund will position itself within a still incipient ecosystem for impact investing in the Central American region, taking advantage of a recent boom in the growth of small and growing businesses that are innovating with products and services that address economic, social and environmental issues.

Pomona Impact Fund II will provide long-term financing as well as operational and strategic advice to an estimated 15 early stage companies in Central America (75%) and Ecuador, Colombia and Mexico (25%). The investments will support the introduction or adoption of new technologies or methods, with an emphasis on companies with strong prospects for expansion and scalable impact across all sectors, but with a focus on agriculture and basic services (health, education, housing, energy and water). By the time the fund closes, the companies supported by Pomona Impact are expected to have created at least 3,750 direct jobs in urban and rural areas, as well as generating important benefits in providing goods and services to over 450,000 people at the bottom of the socioeconomic pyramid.

This is the first impact investment fund with a strong focus on Central America, based in the region, that will provide mainly mezzanine and revenue-based financing to early stage businesses. This business model provides a significant advantage for impact investing, due to the very limited availability of traditional venture capital¹ and angel investors in the region, where exits are extremely uncertain. The investment instruments used by this Fund will have structured exits through self-liquidating structures, providing greater certainty of repayment to investors, allowing entrepreneurs to maintain full ownership of their companies, and reducing the potential risk of acquisitions by other companies or investors that are not focused on the long-term impact created by the company. Additionally, these instruments create strong alignment between the Fund Manager and investees, allowing it to participate in the upside should the companies perform well, incentivizing the Fund to proactively seek out ways to help grow its portfolio companies. Meanwhile it also offers some downside protection in the form of liquidation preference, controls via covenants, creditor status and in most cases, some form of security.

Pomona Impact Fund II will be managed by Pomona Impact Management LLC, a fairly new fund manager based in Antigua, Guatemala with a solid investment team comprised of investment and finance professionals with over 20 years of combined experience in several countries, and who fit the profile that MIF has identified for first-time fund managers. This Fund is Pomona Impact's first official investment fund, although it has managed a smaller pilot fund over the last several years with a loan from the IDB's Social Entrepreneurship Program (SEP – RG-S1003).

¹ The traditional venture capital (VC) model assumes that entrepreneurs are operating dynamic businesses in a consolidated ecosystem where they can grow at a fast pace and exits can be achieved in a short span of time from the companies' creation.

Pomona Impact is part of a new generation of investors in the region, who combine investing with activities to bolster the entrepreneurial ecosystem. Its sister organization, Pomona Impact Foundation, has launched an AgTech Platform, which has the goal of driving greater innovation in the regional agricultural sector, focusing on acceleration programs, Venture Days where entrepreneurs pitch their companies to potential investors and an initiative called AgTech Leadership, an advisory board comprised of leaders from the best agricultural universities and prominent private and public institutions in the region. The close relationship with the Fund Manager will drive investment pipeline for the Fund and deepen its knowledge and exposure to Central American AgTech companies

To support Pomona Impact II, the MIF will provide USD 3.5 MM in equity investment. The Fund is expected to reach a capitalization of USD 30 MM and begin operations with a minimum of USD 15 MM in equity commitments.