



Beneficial Returns is a new impact investment fund designed to support the growth of leading social enterprises that operate in emerging markets.

Social enterprises are solving some of society's biggest challenges including poverty, declining soil health and low crop yields, environmental degradation, waste and limited access to sustainable energy. However, social enterprises, particularly those operating in developing countries, struggle to secure long-term debt. This keeps many social enterprises small and unable to grow their solutions to the scale of the problems they are addressing. As Alan Hirzel wrote in Harvard Business Review, "We can't ask social enterprises to have a big impact if they can't get the resources they need to grow bigger."

The IFC estimates that frontier and emerging market SMEs have an aggregate unmet funding need of over \$1 trillion. A recent Dalberg survey states that over 40% of SMEs in frontier markets cite access to capital as the largest challenge that they face – compared to only 10% in developed countries.

At the same time, more than \$715 Billion in the US has been earmarked for social benefit and is housed in foundations and \$77 Billion is housed in Donor Advised Funds. Globally, billions of additional philanthropic dollars are invested without an impact mandate. Presently, individuals with Donor Advised Funds have few impact investing options at their disposal and most foundations have substantial obstacles to engaging in impact investing.

Beneficial Returns gets social entrepreneurs the long-term debt they need to grow, and offers the opportunity for philanthropists to increase the social impact of their undeployed philanthropic dollars while earning a predictable return. Investors can also participate through a personal (non-philanthropic) investment.

Beneficial Returns provides loans of \$50,000 to \$500,000 that enable social enterprises to acquire revenue-producing or cost-reducing equipment in order to increase the scale and pace of their impact. Loans fall into three broad categories:

- Direct equipment loans to US-based social enterprises with operations in emerging markets (50%+);
- Direct equipment loans to social enterprises in emerging markets (approx. 25%);
- Financing of Pay As You Go (PAYG) contract receivables in emerging markets when secured by underlying equipment and assignment of contracts (approx. 25%).

Every year organizations such as Global Social Benefit Institute (GSBI), Ashoka, Echoing Green, and Village Capital spend millions of dollars identifying and supporting the most promising social enterprises with capacity-building and early stage philanthropic and equity funding. Many of these organizations are partnering with Beneficial Returns to provide a robust pipeline of potential borrowers. Several leading social finance organizations that do not compete directly with us have agreed to share deal flow, financial analysis and ongoing monitoring with us. Through these partnerships we are able to source and monitor a widespread portfolio of loans.

Beneficial Returns is an evergreen fund; investors can join at any time. The first loan (to Interrupcion Fair Trade) funded in March, 2017. The second loan (to Ilumexico) funded in August, 2017. The fund is offering investors a 2% coupon and seven year term. Investors get a predictable, fixed return with principal and interest repayment every six months. Orrick is providing *pro bono* legal services. Committed investors include Swift Foundation, Younger Foundation, Skees Family Foundation and several individuals via Donor Advised Funds.

Ted Levinson is the founder and CEO of Beneficial Returns. He was, until recently, the Senior Director of Social Enterprise Lending at RSF Social Finance where he managed an \$85M portfolio of senior, secured loans to US-based social enterprises, including those with impact and supply chains in emerging markets. Ted's past clients include for-profit social enterprises such as Lotus Foods, Guayaki and Revolution Foods as well as non-profits such as Fair Trade USA and Digital Divide Data. He has completed consulting projects for a Canadian foundation exploring impact investing in Indonesia and has contributed to a UNDP report on promoting the Sustainable Development Goals via social enterprise and impact investing in the Philippines. Ted is the Treasurer of Social Enterprise Alliance and a 2014 Eisenhower Fellow.

Started by an Ashoka Fellow, **Interrupcion Fair Trade** is a \$37M US-headquartered business that imports organic, fair trade and biodynamic produce from Central and South America. You can find their produce at Whole Foods and Trader Joes



locations throughout the East Coast. The social enterprise works with 9,000 farmers to improve their farming practices while giving them access to international markets for their fruits, vegetables and grains. Beneficial Returns made a \$500,000 loan to Interrupcion so they could outfit a cooling and packing facility and purchase a truck for their blueberry operations in Chile. This equipment reduces spoilage leading to more income for Interrupcion and their 1,900 Chilean blueberry farmers.



Started by an Ashoka Fellow, **Ilumexico** designs, assembles and sells off-grid solar systems to rural Mexicans who lack access



to electricity. The solar systems save families money without the environmental and health drawbacks of diesel or kerosene. The Company has sold nearly 10,000 units, most of which have been financed through microfinance. The Company has begun to sell a solar-powered refrigerator to grocery stores that operate off the grid in remote rural areas. Beneficial Returns provided a \$50,000 loan to acquire the refrigerators which will be leased to women-owned businesses over a five year period.

Ilumexico is also a graduate of Santa Clara University's GSBI Accelerator program.



## SAMPLE PIPELINE TRANSACTIONS



In Haiti over ninety percent of the population relies on wood and charcoal for cooking. As a result, 98% of Haiti is deforested and the average Haitian spends upwards of 20% of household income on cooking fuel. **Carbon Roots International** converts agricultural waste into renewable, green charcoal cooking briquettes. The business increases income for sugar cane farmers, reduces deforestation, and employs over one hundred Haitians in the production and distribution of briquettes while delivering an efficient and affordable cooking fuel.

The company is seeking a \$200,000, five year loan to acquire a second tunnel oven to further increase charcoal production. The Company has a US entity. Carbon Roots was referred by GSBI.



**Hilltribe Organics** is the only certified organic egg operation in Thailand. Their producer/partners are hill tribe families, some of the most marginalized people in Asia, who see a tripling in their incomes while maintaining their traditional ways of life. Hilltribe Organics provides each of their producer families with 650 hens as well as organic feed and training at no cost. HTO pays cash daily for every egg raised. The eggs are sold at retail grocery stores in Bangkok and Hong Kong. The Company is seeking a \$75,000, five year loan for egg noodle production equipment which will generate income from eggs that are too small for retail sale. HTO has a Hong Kong entity. The Company is an LGTVP portfolio social enterprise.





Lotus Foods uses market-based solutions to improve the environment and increase the income of small-scale rice farmers in Asia and Africa. Rice cultivation uses 30% of the world's fresh water and is one of the leading generators of methane gas. Lotus Foods promotes System of Rice Intensification (SRI), a method of rice farming that uses 50% of the water of conventional rice farming while increasing yields and reducing methane emissions.

The Company ships much of its rice by refrigerated container to avoid spoilage and pest infestations. Vacuum packaging equipment at the rice mills in Asia and Africa can eliminate the need for refrigerated transport saving Lotus Foods thousands of dollars annually and ensuring that no rice is wasted.



**Guayaki** was started in 1996 with the goal of protecting 200,000 acres of South American rainforest while creating over 1,000



living-wage jobs before the year 2020. Guayaki tackles this goal through the sale of yerba mate beverages – both ready-to-drink as well as tea, which are distributed widely throughout the US. Yerba mate is a caffeinated plant that is native to the rainforests of Brazil, Paraguay and Argentina. Guayaki's suppliers sustainably harvest organic yerba mate from rainforest grown cultivations and reforestation projects, generating a renewable income stream which enables these communities to improve their lives and restore their lands. The Company has a twenty year operating history and is profitable. Guayaki is seeking a loan to finance yerba mate drying and processing equipment in Brazil.



**Sistema BioBolsa** designs, builds and sells biodigesters that are purchased by small-scale dairy operations. These low-cost, modular biodigesters convert cow manure into energy and fertilizer which saves farmers money while simultaneously protecting groundwater and improving soil health. Started in Mexico in 2010, the company has installed over 3,500 units throughout Mexico, Central America, Ecuador, Peru and Bolivia. Through franchise agreements BioBolsa systems can also be found in India and Africa. The Company is seeking financing to acquire trucks and production equipment.

BioBolsa was a 2014 graduate of the GSBI Accelerator at Santa Clara University.



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