

Investing for impact

We provide innovative forms of **patient capital**, with a **sharp focus on impact**

Investor profile

Investment stage	Seed to series A
Ticket size	USD 500,000 to 2,000,000
Investment instruments	Equity, debt, convertible instruments
Geography	Low- to middle-income countries
Return expectation	From capital recovery to 10% IRR

Who we are

UBS Optimus Foundation is linked to the global wealth manager UBS and receives the majority of funds from UBS clients and UBS itself. We fund programs and businesses that help the most vulnerable around the world in the areas of health, education, protection of children and youth, and the environment. We acknowledge that each social problem may need a different solution and therefore, use a wide range of tools to achieve social and environmental impact: grant making, result-based financing such as development impact bonds, and investments into impactful businesses. With around USD 160 million funding deployed annually, the foundation manages more than 200 projects.

Why we invest in businesses

Some social problems are best addressed with market-driven solutions developed by businesses. This is because:

- Businesses can become financially **self-sustainable** and do not depend on sustained grant funding
- Businesses can increase the **scale** of their impact without relying on increasing funding
- In the ideal social business, financial and social success go hand-in-hand. A business' financial performance as disclosed in its financial statements will therefore transparently reflect its impact, leading to **accountability**, and an **efficient allocation of funding**
- Bridging the gap between the early startup stage and the point when businesses can acquire commercial capital is essential to **scale impact-focused businesses** and can **crowd in additional private capital** for development

We think we can contribute to **scaling impact-focused investments** into businesses by testing different financing tools and their capacity to maximize the impact of the investees. We use the knowledge we build through our investments to design scalable investment solutions. We further share our experience with the broader ecosystem.

Types of businesses we are looking for

We have a **sharp focus on impact**. We only invest in businesses that can demonstrate a significant social impact which is strongly embedded in the business model.

Businesses can demonstrate their impact by:

- Having completed a rigorous evaluation of their impact or plan on doing so,

- Following a solid theory of change, and
- Having a robust monitoring and evaluation (M&E) framework in place

Businesses we invest in should have **established proof-of-concept** and create impact related to the following areas:

Health

- Improved children's health through expanded access to quality primary care

Education

- Early care and education
- Foundational skills and adaptive learning
- Support smooth transitions to school entry, as well as across educational levels
- Access to tertiary/vocational education through student financing

Environment

- Coastal and marine ecosystems
- Sustainable food systems and land use

Businesses we invest in should further have **strong roots in the region where they operate**. A significant number of founders, senior team members, and board members should come from and be based in the region the business operates in. We also prioritize investments into companies with diverse boards, including **women representation**, or that address female users through their products and services.

How we invest

UBS Optimus Foundation uses a **wide range of investment tools** such that we can provide businesses with the capital they need to thrive.

Equity/Investments convertible to equity

We invest **patient capital** with an investment horizon between five to ten years. We do not intend to push for an exit if this comes at the cost of impact. We aim at acquiring **significant minority stakes** through our investments and consider taking a board seat if this adds value to the business. We intend to build long-lasting partnerships and can provide follow-on funding where appropriate.

Debt

We provide debt in form of impact loans and social success notes. Impact loans are loans where the **interest rate varies with certain predefined impact metrics**: the higher the impact the business achieves, the lower the interest rate the business pays. Social success notes are impact loans where a third-party is paying for the reduced interest rate. We award impact loans with a **tenor of three to ten years**.

Instrument	Criteria for use
Equity	<ul style="list-style-type: none"> – Impact embedded in the business – Scalable solution – UBS OF can have positive impact on business as a shareholder
Convertible instruments (e.g. Simple Agreements for Future Equity, SAFEs)	Same as equity, plus: <ul style="list-style-type: none"> – Company is at a very early stage where valuation is challenging – Business needs bridge financing to prepare for a larger priced equity financing round in the near future
Impact loans	<ul style="list-style-type: none"> – Monetary incentives can increase the impact of the business – A sustainable business model along with capacity to repay a loan
Funds	<ul style="list-style-type: none"> – Investment through a facility is more effective and efficient than direct investment – Contribution to the fund leverages more commercial capital, including through blended finance
Grants	<ul style="list-style-type: none"> – Fund one-time expenses of businesses which will enable them to sustainably increase their impact

What we offer beyond capital

We want businesses to benefit from the knowledge we build by testing a wide range of investment tools. We offer potential investees informal calls to **advise on the right form of capital** for their further development.

UBS Optimus Foundation is an **active investor** and wants to support its investees beyond the initial investment. Apart from capital, we provide the following support:

- Leading investment rounds
- Support with fundraise (e.g. advice on the right investment instrument, making introductions, reviewing documents)
- Access to our subject matter expertise in health, education, environment, and impact measurement
- Connect investees with other potential stakeholders from our global network
- Being featured on a list of organizations UBS clients can fund through the foundation

Scaling our impact

UBS Optimus Foundation is committed to grow its impact and investments. We do this through two different ways. Firstly, we help building the ecosystem for truly impactful investment. We do this by funding research pieces, the design of sizeable projects, and by supporting incubators and accelerators. Secondly, we are actively developing larger scale investment vehicles in partnership with other parts of the bank UBS, in many cases with the help of blended finance.

This document has been prepared by UBS Optimus Foundation (“UBS OF”). Information contained in it has not been tailored to the specific needs, investment objectives, or personal and financial circumstances of any recipient. Although all pieces of information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, no representation or warranty, express or implied, is provided in relation to the accuracy, completeness or reliability of the information contained herein, nor is it intended to be a complete statement or summary of the developments referred to in it. All information and opinions expressed in this document are subject to change without notice.

This document is for your information only and is not intended as an offer to sell or a solicitation of an offer to buy any product or other specific service. Certain services and products are subject to legal restrictions and cannot therefore be offered worldwide on an unrestricted basis. Nothing herein shall limit or restrict the particular terms of any specific offering. Except where explicitly stated, UBS OF does not provide investment, legal or tax advice and this document does not constitute such advice. UBS OF strongly recommends to all persons considering the information in this document to obtain appropriate independent legal, tax and other professional advice.

UBS OF specifically prohibits the redistribution or reproduction of this material in whole or in part without the prior written permission of UBS OF and accepts no liability whatsoever for the actions of third parties in this respect. Neither UBS OF nor its directors, employees or agents accept any liability for any loss or damage arising out of the use of all or any part of this document.

© UBS 2022. The key symbol and UBS are among the registered and unregistered trademarks of UBS. All rights reserved.



RISING ACADEMY
NETWORK

Spotlight SAFE: Rising Academy Network

Rising Academies owns and operates low-cost primary schools and participates in public-private partnerships which foster access to quality education in Sierra Leone, Liberia, and Ghana. Thanks to its experience, Rising Academies also generates revenue through consultancy projects.

Alongside three co-founders, UBS Optimus Foundation invested USD 500,000 into Rising Academies through a Simple Agreement for Future Equity (SAFE) to finance its expansion to Ghana. The expansion enables Rising Academies to reach up to 50,000 students and will help it launch a larger priced series A funding round. The foundation has taken a board observer seat and considers increasing its investment in the series A funding round.



Spotlight Impact loan: Hewatele

Hewatele manufactures and supplies affordable medical oxygen to health facilities to avoid preventable childbirth related complications and deaths, and support safe anesthesia during surgery.

UBS Optimus Foundation awarded an impact loan of USD 400,000 to Hewatele for the purchase of additional oxygen cylinders and distribution to a higher number of health facilities, providing access to oxygen during lifesaving procedures to 45,000 people. The interest rate is impact-linked to 1) supply of oxygen to clinics that previously have not used oxygen and 2) distribution to remote clinics.

Contact

UBS Optimus Foundation – Social Finance

sh-ubs-optimus-foundation@ubs.com

ubs.com/optimus