



FIS Ameris

An impact-first fund

The Ameris Capital Social Investment Fund (FIS Ameris) has contributed to developing the impact investment ecosystem in Chile, based on its impact-first strategy, focused on supporting initiatives with a social and environmental impact.

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LOCATION:
Chile



MAIN PARTNERS:

- CORFO
- Agora Partnerships
- Casa Co
- Carey
- Fundación Avina
- Fundación Más
- NESsT
- Initiative 2020
- Simone de Cirene Sistema B
- TechnoServe
- Youth Action Net Chile



TYPE OF INVESTOR/SILO:
Investor



FINAL BENEFICIARIES:

Population at the base of the pyramid and the community of impact investors



DURATION:
2010

– now



MOTIVATION/PROBLEM TO TACKLE:

Create a financial vehicle for family offices to be able to make their socio-environmental investments in a more efficient way and with greater impact.



NON-FINANCIAL SUPPORT OFFERED:

- Impact measurement and management
- Governance
- Operational (marketing, logistics, IT, sales, purchasing, legal)



SECTOR:

Financial services



SDGS ADDRESSED:



TYPE OF FINANCING:

Debt, equity, and hybrid finance

INVESTED OR DONATED RESOURCES, TO DATE:

USD 14,000,000

IMPACT:

As of September 2020, the FIS 1.0 and FIS 2.0 funds have achieved the following:

19 financed

and supported **socio-environmental** projects

37

contributors/ investors

+ 500,000

people benefited



19,429 tons

of waste **recovered**

1372

job positions in the portfolio's organizations



924

women hired directly by the organizations in the portfolio



BACKGROUND AND CONTEXT

Chile has exhibited atypical economic growth and development compared to other countries in the region. In 2010, after two decades during which its democratic system and economic policies had been reformed, Chile became the first Latin American country to join the OECD, which at the time indicated outstanding international recognition. The country achieved an annual growth rate of 5% between 1980 and 2010.¹

This solid, sustained economic growth has allowed Chile to buffer the effects of the volatile international context and has contributed to poverty reduction.² Nevertheless, 17% of the population is still relatively poor³ due to lack of income. Inequality continues to be a challenge for Chile, as shown by its Gini coefficient, which remains above more than half of the countries in the region and, as of 2017, was at 0.44.⁴

The above has represented high inequality in “service provision in education and health care and segregated labor markets.”⁵ This has somehow been reflected in some population groups that have few opportunities, while those who have had higher income continue to increase their profit.⁶ “In 2016, Chilean high-net-worth families grew to a total of 119, which accounts for 15% of the national wealth.”

This complex panorama of inequality and wealth concentration enable opportunities to find innovate mechanisms for high-net-worth families that seek to make a social and environmental impact, providing them with a new tool barely known at that time in Chile—impact investment. This represented a paradigm shift in which Chilean investors were expected to achieve financial return while having a social and/or environmental impact.

FIS Ameris innovated in the way to address the social and environmental problems at the base of the pyramid by redirecting private capital to social and/or environmental institutions.

- 1** OECD (2010) “Chile, primer país sudamericano en unirse a la OCDE”. Press release published at: <https://www.oecd.org/newsroom/chileprimerpaissudamericanomiembrodelaoecd.htm>
- 2** World Bank (2020) “Chile Panorama general”. Accessed at: <https://www.bancomundial.org/es/country/chile/overview>
- 3** Relative income poverty refers to the share of people with household disposable income below 50% of the national median (OECD, 2020, 2) OECD (2020) “¿Cómo va la vida en Chile?” in Better Life Initiative Country. Accessed at: <https://www.oecd.org/statistics/Better-Life-Initiative-country-note-Chile-in-Spanish.pdf>
- 4** World Bank (2020) “Chile Panorama general”. Accessed at: <https://www.bancomundial.org/es/country/chile/overview>
- 5** World Bank (2020) “Chile Panorama general”. Accessed at: <https://www.bancomundial.org/es/country/chile/overview>
- 6** As of 2015, the top 10% in this country earned 26 times more than the bottom 10% (World Bank, 2020).

Thus, in 2010 Claro y Asociados—today Ameris Capital, a financial services company—decided to bet on this initiative, with which the Ameris Social Investment Funds (FIS Ameris) started. This was the first impact-first private investment fund, created with the objective of investing in social and/or environmental businesses and organizations that needed financing to grow, enhance their impact, and achieve sustainability.



DESCRIPTION

FIS Ameris innovated in the way to address the social and environmental problems at the base of the pyramid by redirecting private capital to social and/or environmental institutions, using the structure of a private investment fund—a widely known vehicle in financial markets. Therefore, with a project financing operation, this fund develops effective financial instruments with a triple impact (social, environmental, and economic).

As a pioneer of social investment in Chile and of the use of private sector financial mechanisms for this purpose, FIS Ameris serves as a coordinator and manager for the sector. This has represented an opportunity for growth for many organizations that cannot access the traditional financial sector since they are still in an early phase.

For profit and non-for-profit organizations having operated for at least two years are eligible for FIS Ameris financing, inasmuch as they seek to scale their operations in order to be financially sustainable and achieve a social and/or environmental impact by means of the services or products they offer.

This represented a paradigm shift for investors and family offices, for which resources destined for philanthropy and those for investments are part of different “wallets”. For this reason, as explained by Maria José Montero, FIS Ameris Executive Director and Founder, companies seek to reach capital providers directly, rather than intermediaries. Through intermediaries they can now merge both wallets.

The process to set up FIS 1.0 started in 2010 with USD 4.5 million and ended in 2020. From the moment it was created, a “donation” logic was envisioned in order to generate social impact. This first fund made it possible to demonstrate that there was a different way of investing through partnerships. The main



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executor was Ameris Capital, which provided non-financial support for the consolidation and execution of the fund, with the help of human talent from different areas of the company.

A crucial alliance for that first moment was the one with Fundación Avina, which helped strengthen international networks and draw attention to FIS Ameris in conversations in the ecosystem. In addition, as the Executive Director of FIS Ameris points out, they had strategic multisectoral allies who believed in this new impact-first concept through a private investment fund. Among these are CORFO, Agora Partnerships, Casa Co, Fundación Más, Initiative 2020, Simone de Cirene, Sistema B, Youth Action Net Chile, TechnoServe, the Catholic University of Chile, Carey Abogados, individuals from private banking, and NESsT (see the Peruvian case in this report), among others.



IMPLEMENTATION

From the beginning, the fund has been conceived as a project—not only as an investment since the aim is not to provide financial support but rather achieve the self-sustainability of the organizations. For that reason, to properly select the organizations that can potentially achieve this goal, there are rigorous criteria that FIS Ameris considers for compliance with the impact-first principle. These criteria include:

- A** Proven and (potentially) profitable business model.
- B** Focus on solving a problem at the base of the pyramid. The organization is committed to generating a positive social and/or environmental impact.
- C** 100% committed excellence-driven team.
- D** Legally incorporated in Chile.
- E** Two years of sales.
- F** Audited financial statements for the last year of operation.⁷

⁷ Initially, the requirement was audited financial statements for the last 3 years, but they realized that it was very demanding for the type of organizations with which they worked. They therefore changed it to 1 year for FIS 2.0.

- G** Theory of change and indicators of socio-environmental results.
- H** Investment proposal for at least USD 360,000 (UF 10,000) for growth.
- I** Development of a financial model and legal investment structure.

Should the enterprise or social institution meet the above criteria it is potentially eligible for funding. Out of the organizations that met the criteria for FIS 1.0, seven were chosen:⁸ Late, Techo, Lumni Chile, Promoeduc, La Protectora de la Infancia, CEIA Quimahue, and Chile Recicla.

After selection, the deal structuring process took between three months and a little over a year, depending on whether the organization had initial capacity; otherwise, a support process was offered so that the organization could reach the necessary level of preparation.

Since FIS 2.0, the information and document requirements were reviewed. Now, if an organization does not have audited financial statements—or requires improving its social and/or legal management—but meets the requirements, it would be “eligible for pre-investment, a period in which it must meet additional requirements to access the investment stage.”⁹

This pre-investment is for approximately USD 40,000 and was created from the experiences and lessons learned from the first fund, as they found it to be a good option to mitigate risks and increase the contribution to other projects with more installed capacity, efficiently managing the fund’s capital.



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Tailored Finance

Investments into this fund are high-risk, and they are conceived within a patient capital logic from the beginning. For the first fund, investors considered these resources almost as a donation, to the extent that they were not familiar with the instrument and, due to the risk that it implied, they did not expect a financial return.

⁸ The following link includes a list of the organizations chosen for FIS 1.0 and FIS 2.0: <https://fisameris.cl/portafolio-de-proyectos/#fis>

⁹ Accessed at the FIS Ameris website: <https://fisameris.cl/criterios-de-inversion/>

They did however receive a financial return, which was a success for investors, as they had achieved a socio-environmental impact on top of the economic return. Therefore, most of the FIS 1.0 investors decided to invest again in FIS 2.0, for which the average amount of investments is USD 750,000.

In the first fund, approximately 50% of the financing granted was debt, 30% equity, and 20% convertible bonds to be turned into shares. This was defined in accordance with the particularities and needs of each case. Nevertheless, as has been seen over time, hybrid finance instruments have been the best for FIS Ameris, as they allow to tend to the particularities of social purpose organizations (SPOs) in a more flexible and tailored way.

“To this day, we have invested in a total of 19 projects. For some, we have started with equity, convertible debt, or debt. We are aware that, in some cases, they would not be financed by the traditional financial sector. Managing with an impact first focus has many challenges and a trade-off between profitability and impact.” María José Montero.



Non-financial support

The structuring, design, and execution of FIS Ameris is accomplished through non-financial support from multiple stakeholders. For the first fund particularly, people from Ameris Capital supported its structuring. Furthermore, the pro bono participation of the members of the investment committee—who have met monthly for ten years—constitutes a fundamental intellectual and human support. The different points of view, knowledge, and experience of its members are key to the proper functioning of FIS Ameris.

The support provided to the organizations of the portfolio is designed according to the needs and particularities of each case. The types of support offered are conceived at the strategic level, participating in the Board of Directors or other management, legal, financial, technical, and impact meetings. From the experience of the first fund, it was observed that it was essential to support the strengthening of the governance model; it was also concluded that, in all cases, support in managing and measuring impact results is necessary.



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RESULTS

FIS Ameris periodically reviews social and environmental variables by means of an internal and an external evaluation. For the former, the following are evaluated: i) the impact indicators defined based on the expected results of each organization's theory of change, using IRIS+ as reference; ii) SDG targets; iii) a cross-cutting look at the institution's gender approach;¹⁰ and iv) the inclusion of ESG (environmental, social, and corporate governance) practices in its management. The accumulated direct and indirect results of the internal measurement between 2010 and 2020 are as follows:

- ... USD 14 million worth of capital managed in two investment funds.
- ... 19 financed and supported socio-environmental projects.
- ... 37 contributors/investors.
- ... 500,000 people directly benefited.
- ... 19,429 tons of waste recovered.
- ... 1372 job positions in the portfolio's organizations.
- ... 924 women hired directly by the portfolio's organizations.

The external evaluation is carried out annually, by a legitimate third party that validates the results of the portfolio through its own evaluation model. Between 2012 and 2019, this evaluation was carried out by GIIRS.¹¹ In 2016 and 2017, FIS Ameris was ranked among the ten best Impact investment funds in the world, which is proof of a job well done.

Starting in 2020, the evaluation process was carried out by Sistema B,¹² according to which the portfolio showed good general results in 2019, with an average performance superior to that of other companies

¹⁰ The gender approach is not an objective in itself for FIS Ameris, but it is taken into account for the analysis, based on IDB Invest recommendations.

¹¹ American company GIIRS was the most resorted to American company among Impact investment funds until it closed its operation for this type of funds in 2019.

¹² This is a subsidiary of American organization B Lab, which evaluates the social and environmental results of companies operating in developed and emerging markets around the world: <https://fisameris.cl/evaluacion-socioambiental/>

in Chile.¹³ Operational results and Impact Business Model results are quite similar.¹⁴ “It is worth noting that all the organizations in the portfolio have processes and structures that, from the point of view of the B Impact Assessment (Evaluación de Impacto B), are typical of an impact business model. This bears testament to the intention to achieve positive impact, a cross-cutting focus for the organizations that make up the evaluated portfolio.”¹⁵ In terms of qualitative perception, the director of FIS Ameris highlights as outstanding results, the contribution to creating an impact investment industry in Chile, the ability to insert a mindset of accountability and impact measurement in the portfolio organizations, the self-sustainability of organizations that were previously dependent on donations, the consolidation of an investor network,¹⁶ and working in partnership.



LEARNINGS AND PERSPECTIVES

For FIS Ameris, it is a challenge to grow as a fund and to increase the size of investment contributions, the supply and the demand, and maintaining an impact-first approach, since at the moment it has limited capacity. As for existing and future projects, there is a clear need to continue to be involved in the boards of the funded organizations.

Achieving greater financial return for investors is also a challenge, seeing as they are demanding that to a greater extent. And while there are signs that the industry is becoming more professional, and they have managed to get an institutional investor to join, they also seek to increase the investor network.

As for the ecosystem, there are challenges regarding how to scale the industry, keep up promotion, and map the ecosystem. In addition, changing the mentality and the paradigm to adopt a measurement

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¹³ The full Sistema B evaluation report for the year 2019 is available at the following link: https://www.dropbox.com/s/2hh2w67f2lqei10/FIS_2020%20%28a%C3%B1o%202019%29%20Reporte%20Sistema%20B.pdf?dl=0

¹⁴ There is a wide variety in the way in which the portfolio organizations generate significant positive impacts through their business model; their performances are similar, and all have obtained scores close to 40 points through Impact Business Models.

¹⁵ Found in the FIS Ameris impact report, prepared by Sistema B for the year 2019 (not publicly accessible).

¹⁶ There were 21 investors in FIS 1.0, the majority of which invested again in FIS 2.0.

culture—with trained and qualified actors on all fronts, both from the investor’s point of view and from the perspective of the regulatory body, the State, and the investors—remains a challenge.

“Given the current context, we all must question the way we have been doing things. Impact investment is an opportunity for the financial world to contribute what it can do to achieve a sustainable recovery.” María José Montero.

On the other hand, FIS Ameris seeks to give continuity to its impact-first funds, as they do not see many others actors willing to take the lead. For this reason, it is seeking funding for its FIS 3.0 fund.