



Annual Review 2020





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A letter from our co-founders

**RYAN LEVINSON
& AUDREY DESIDERATO**



What a year. It's hard to take positives from a global pandemic. But there are some that we must. We've shown great resilience in the face of tragedy. Society didn't collapse. By and large, we've cooperated and adapted in the face of an existential threat.

In contrast to decades of slow progress and weak leadership on climate change, we suddenly made everything work differently, because we had to. We also recognised and stood up against long-standing systemic inequalities, especially through the Black Lives Matter protests.

If that should give us some grounds for optimism about our ability to tackle climate

change and inequalities, it also highlighted the scale of the challenge. We believe real adaptation to this crisis means a green recovery is essential, building back better than the old normal.

To achieve the goals in the Paris climate agreement, we need annual emissions reductions greater than the roughly 6.4% decline brought about by the pandemic slowdown last year. This will involve a near-total reorganization of our energy, financial and food systems.

Solar + storage is becoming the cheapest source of energy the world has ever seen, electric mobility is rapidly replacing the internal combustion engine and the world's largest asset managers and corporations are making aggressive net zero carbon commitments. And we are relieved, to say the least, that US leadership on climate is finally back and stronger than ever.

Like all of us, a large part of 2020 was given to new challenges brought about by the pandemic. Many of our investees faced disruptions but managed through the worst. While risks remain, so far the gains that distributed solar has made for energy access and climate action are sustaining.

This resilience has in no small part been thanks to the many partnerships that help our sector thrive – which SunFunder also owes much to. Partners like Sida, who helped us expand our risk tools to keep lending.

This meant we stayed on course for our pre-pandemic targets and closing our now over-subscribed \$70m SET Fund, with commitments from new investors including Swedfund and OeEB.

We were also able to keep building SunFunder's unique capacity to tailor innovative financing in new areas. Highlights included leading an \$11m syndicate for solar irrigation pioneer SunCulture, and smart structuring to finance the solarization of telco towers in the Central African Republic for CREI – read on for more about these.

We are proud of what we have achieved but, simply, it is not enough. This is the decade we must all rise to the climate emergency. Our team is our greatest strength and we are united in our vision for increasing climate investments in emerging markets and underserved communities.

This will bring new opportunities and new partnerships, and we are keen to hear from you. Our work is only just beginning.

56portfolio
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Unlocking capital for the decade ahead

With the closing of the oversubscribed SET Fund, we are now looking ahead to accelerating our investments and impact over the coming years. This will take new partnerships, new fund structures and new capital committed to the climate finance and clean energy transition.

SunFunder is perfectly positioned to lead as an innovative climate investor in emerging markets and underserved communities. We are now structuring and raising our next debt fund and actively engaging new partners to rise to the climate emergency.

**We would be pleased
to discuss new investor
partnerships to solve
climate change together**

for more information
invest@sunfunder.com

Solar Energy Transformation (SET) Fund

The \$70m SET Fund is now closed. In 2020 we welcomed commitments from Swedfund and OeEB as new development finance institution investors, as well as Bank of America, Mercy Investment Services, The Schmidt Family Foundation and several individual investors who joined our SET Fund anchor investors.

Swedfund



OeEB



Joining anchor investors



Financing productive use

Syndicating an innovative structure

Over the last year we arranged and syndicated an \$11m debt facility for Nairobi-headquartered off-grid solar technology company servicing smallholder farmers, SunCulture. The co-investors were Triodos Investment Management, Nordic Development Fund, AlphaMundi and an AfDB fund managed by Lion's Head.

Jemimah Kwakye-Fosu, who led the transaction, analyst Brian Chege and legal counsel Ivy Muriungi sat down to discuss.

Team, congrats on completing a fascinating transaction. How significant is it?

Jemimah: This is a gamechanger for the “productive use” sector. It shows how working capital can be combined with end user financing, which is essential for making productive use technologies like solar irrigation affordable. That stops the higher upfront cost being a barrier to entry because farmers can pay in installments, over a 3-year period. That’s how we structured the facility, to ensure SunCulture can continue providing these pumps to farmers and have working capital to grow their portfolio.

Great stuff. Before we geek out on the structure, just how impactful is this?

Brian: A large part of Kenya is dependent on rain-fed agriculture, so it’s an exciting transaction for us because it contributes to reduced CO2 emissions and higher productivity for farmers, which ultimately leads to poverty reduction. SunCulture’s solar irrigation pump is an innovative product, able to pump from deep wells, and also combines battery storage, lighting, a television and other appliances if you choose. We found it has a very significant impact on the productivity of the farms.

So how did we structure this for scalable productive use financing?

J: It is a 30-month loan facility structured according to the repayment of these farmers back to SunCulture. They purchase the inventory and sell it to the farmers, who are then repaying on a monthly basis. So we are financing the farmer but indirectly.

B: Their “pay-as-you-grow” model sets the company up for scalability, as the installments allow them to reach more farmers. And since we are doing a borrowing base, lenders can come and participate at scale, because the greater the assets grow the more debt the company can draw.

Now then, what is a borrowing base?

J: We are lending to SunCulture based on their assets, and if they grow that asset base we can make more available. Traditionally, this borrowing base approach just includes the inventory or receivables assets, but we considered others too. Otherwise the facility amounts would have been way lower, so one innovation is that we included other assets to support them. We also gave them room to expand into other regions. We looked carefully at how we could

be flexible, in terms of understanding the client's needs and tailoring the right structure.

How about the lawyer's perspective on how innovative this was?

Ivy: For me, what's really unique about the structure is that we've tried as much as possible to match the security that is provided for the loan to the receivables and existing assets, so have a kind of revolving security that allows the company to continue operating as normal.

This flexibility is a big benefit for the client. We had to think through our entire approach to the security and how we could get everyone in the room comfortable. Working around that was incredibly innovative on everybody's part.

We also did a lot of legal work internally to manage the legal costs, which is another great thing about how we work, especially on a syndicated deal like this one. There were three sets of external counsel advising and five sets of lenders on one side, and the borrower and borrower's counsel on the other – so if the situation is not properly managed the legal costs could balloon.

On that note, how was it leading the syndicate of other investors?

J: The lender group was really open-minded too. It had started with NDF and SunFunder wanting to do the transaction, then working with SunCulture's existing lenders Alphamundi and FEI-OGEF. It was about structuring it so that all lenders can have equal benefits in terms of security and the structure. And also to give the clients a uniformity in terms of reporting by bringing all lenders under one umbrella. It was just trying to make it as simple for the client as possible.

Of course, it also helped that SunCulture have a very strong management team. Their CFO has been really hands-on, and was very good at getting to the bottom of potential issues and appreciating the lender group's position too.

Where does this leave us for the future?

J: For them and others to be able to scale. Now that we've done this first one it gives us a template to do this with others using a borrowing base or other structure too.

I: On the legal side, in Kenya we have really tested how innovative we can be in taking security over paygo receivables, which could really simplify the process for others too.



JEMIMAH KWAKYE-FOSU



BRIAN CHEGE



IVY MURIUNGI

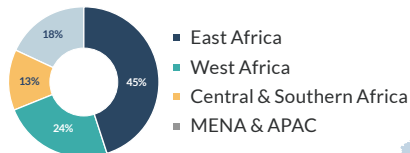
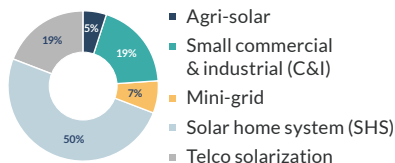
A longer version of this Q&A is on our website at sunfunder.com/news.

Our solar and storage investments

Diverse segments and geographies

We have closed over \$140m for emerging market solar through direct investments and syndications that we have led, continuing to broaden our activities beyond off-grid solar and East Africa.

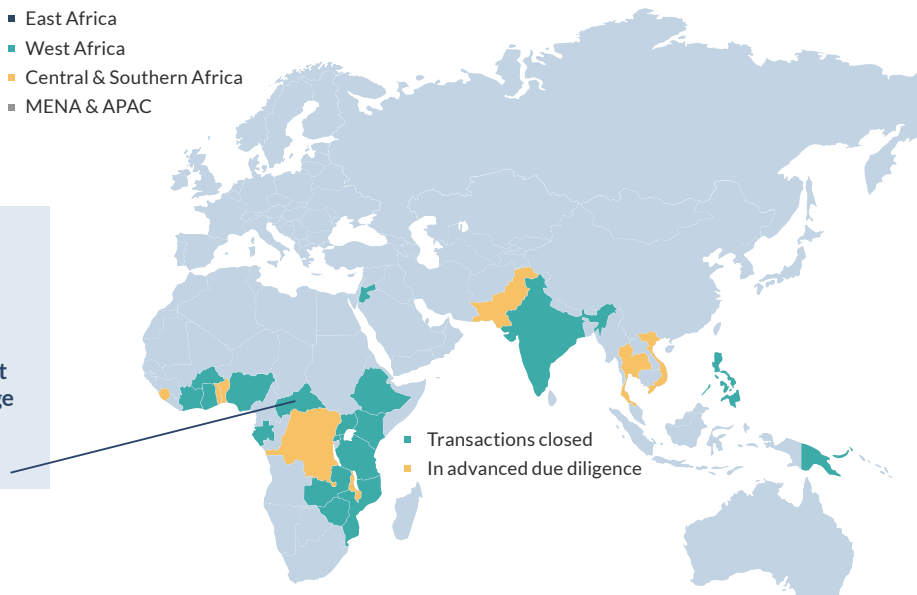
Portfolio by active commitments



23 portfolio countries, with 8 more currently in advanced due diligence

Clean and reliable connectivity in CAR

We financed CREI, an ieng Group company solarizing telco towers in the Central African Republic (CAR) to improve reliability and cut diesel emissions. As well as socio-economic benefits, our loan brought significant foreign direct investment: CAR only received on average \$12m annual FDI over the last 5 years, according to the World Bank.



ESG and impact

We have invested in 56 solar companies in 23 countries that are having a high impact on energy access, socio-economic development and climate mitigation and adaptation.

We only count the impact that we can directly attribute to SunFunder financing.

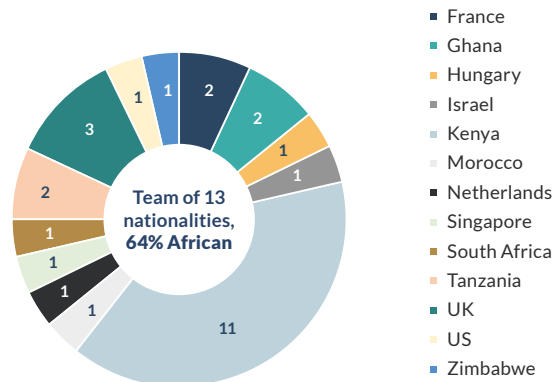
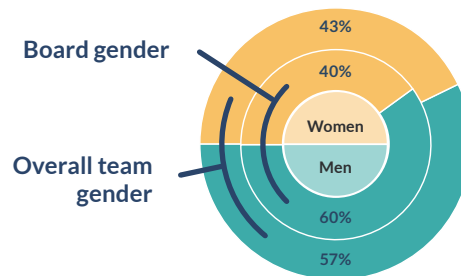
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Strong ESG performance is intrinsic to our mission and every investment we make. With the generous support of our partner Swedfund, we're developing our environmental and social management system (ESMS) and other tools to play a leadership role for ESG, climate and gender-smart investing as we grow in the coming years. We also want to tell more stories behind our impact.

One way we did that last year was by partnering with IKEA Foundation, InspiraFarms and Agriprocity on a short film telling the story of Christine Kalekye Mavuti, a farmer in Machakos, Kenya, which you can see [on our website](#).

We are proud to have a diverse and gender-balanced team



Expanding our team

In 2020 we welcomed several new colleagues, strengthening our investment, risk and legal teams.



Christiane Würdemann
Senior Structuring Adviser

Chris brings over 20 years' experience in raising capital and advising some of the world's largest companies on finance transactions, most recently at Zola Electric.



Ivy Muriungi
Legal Counsel

Ivy is an experienced energy transaction and policy lawyer who has worked with the Energy and Petroleum Regulatory Authority in Kenya and at leading legal practices in Nairobi and London.



Lillian Njoroge
Credit Portfolio Analyst

Lillian has over 20 years' banking experience in credit risk, portfolio management and governance, most recently working at Stanbic Bank in various positions.



Szabi Baranyi
Senior Investment Officer

Szabi has 12 years' experience in emerging market investments, including African energy project finance at HSBC and, most recently, corporate finance at Rensource Energy.

What can we do for you?

Borrow

We specialize in financing solar + storage through scalable corporate and asset finance loans from \$500k to \$9m+ and up to 6 years.

Our deep solar market expertise, pragmatic structuring and efficient processes enable us to deliver the financing you need.

borrow@sunfunder.com

Syndication

We offer specialized structuring, capital-raising and syndication services, and are currently working on opportunities in off-grid solar, productive use, C&I and telco solarization.

Leveraging our peer network, we lead syndications to minimise our clients' financing burden.

connect@sunfunder.com

Invest

Our current diversified, high-impact, fixed-income blended debt offerings of emerging market solar investments are now fully subscribed.

We are actively planning our next funds and would be glad to discuss partnership opportunities.

invest@sunfunder.com

“Despite the difficult times we are all facing, the ride was very smooth with SunFunder and we are happy to have found the right partner – we aim to collaborate together on our upcoming projects and have many more opportunities together.”

Kadri Hakim,
co-CEO, ieng Group



connect@sunfunder.com

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