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Puget Sound investors realize social and financial returns from microfinance investment fund

Global Partnerships' first fund provided five years of double-bottom-line returns

Seattle – Today, Global Partnerships (GP), a Seattle-based nonprofit that invests in high-performing, socially focused microfinance institutions in Latin America, announced that the cycle of its first \$2 million microfinance investment fund has been completed, less than five years after the fund was closed. As of last week, the Seattle-based nonprofit had repaid all investors to Microfinance Fund 2005, either on time or early, with interest.

“This is a watershed moment,” said Rick Beckett, president and CEO of Global Partnerships. “When GP closed our first fund in 2005, we were testing the idea that an investment fund strategy could help us reach more people living in poverty, and provide social and financial returns for investors. Five years later, we have launched three funds, and have \$39 million invested in microfinance institutions serving more than 800,000 people with affordable microcredit and other innovative solutions.”

Global Partnerships, founded in 1994, created its first fund, Microfinance Fund 2005 (MFF05), after realizing that philanthropic capital alone would not be sufficient to meet the demand for affordable microfinance capital. Like GP’s two subsequent funds, MFF05 was a five-year debt fund that leveraged philanthropic dollars to raise resources from qualified individual and institutional investors, and then loaned that capital to select microfinance institutions (MFIs) in Latin America.

Investors in MFF05 included two institutional investors as well as 22 individual investors, most of who are from the Puget Sound area. Those investors received an annual fixed-income return over the life of the fund. The capital was loaned to eight microfinance institutions in Central America, which together reached more than 150,000 borrowers when the fund was fully invested.

“GP’s microfinance funds are demonstrating that doing well and doing good are not mutually exclusive,” said Jeff Keenan, a Puget Sound investor who has invested in all three of GP’s funds to date. “Investing in GP funds has allowed me to earn a reasonable rate of financial return and positive social returns.”

Stuart Rolfe, another Seattle investor in MFF05, said: “My wife and I were thrilled that there was an opportunity to invest in a fund that provided resources for Latin American families in need while receiving a fixed-income return. We’ve traveled to some of the areas where Global Partnerships works and have seen firsthand the professionalism and thoroughness of GP’s due diligence and the impact on families who have benefited from their programs.”

GP’s Rick Beckett noted that socially motivated capital from Global Partnerships funds serves a key need in the microfinance industry, which has seen an influx of commercial capital in recent years. “Commercial capital has expanded access to microfinance, but tends to flow to the most profitable microfinance institutions that don’t reach the most vulnerable people with the highest-impact solution,” he said. “In contrast, Global Partnerships invests in microfinance institutions that reach underserved markets and combine microcredit with other services that help people improve not just their livelihoods, but their lives.”

The 2005 fund invested in microfinance partners such as El Salvador's Enlace, which provides the poorest segments of the population with small loans at low interest rates; and Honduras' ODEF, which combines microcredit with training, technical assistance and access to basic health services.

Founded in 1994, Global Partnerships (GP) is a Seattle-based nonprofit organization that expands opportunity for people living in poverty by investing capital and management expertise in socially motivated microfinance institutions. GP currently invests in a portfolio of 27 MFIs in seven countries that are selected against a set of stringent financial and social criteria. Since launching its first fund, GP has increased the amount of capital invested in microfinance institutions to just under \$39 million as of March 31, 2010. GP expects to close a fourth social investment fund in the next two months. Find out more at www.globalpartnerships.org.

More information:

Q&A with Rick Beckett on Microcapital: <http://bit.ly/dqv6QN>

GP's strategy page: http://www.globalpartnerships.org/sections/aboutus/aboutus_strategy.htm