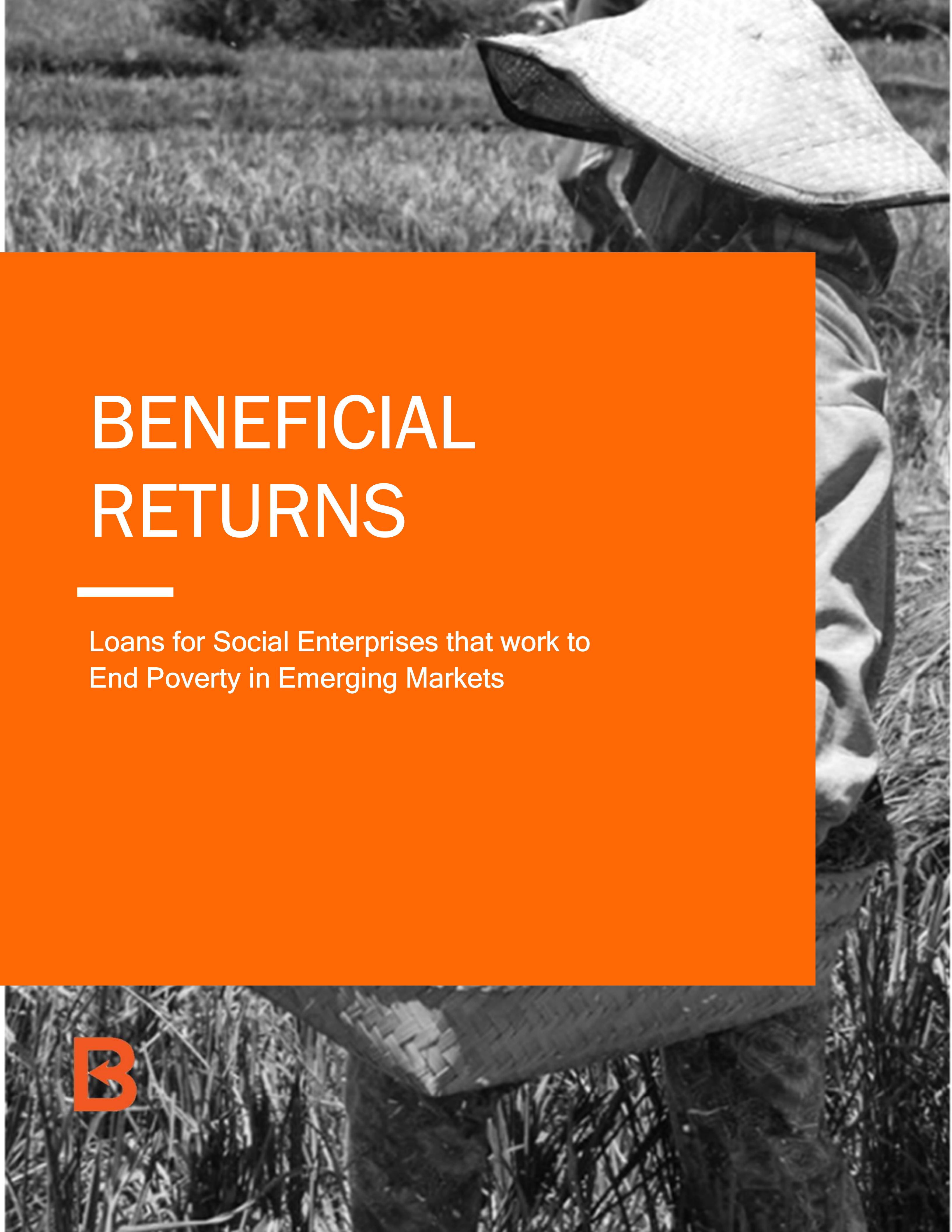


BENEFICIAL RETURNS

Loans for Social Enterprises that work to End Poverty in Emerging Markets

The Need

One of the world's most urgent needs is to help the more than three billion humans living on less than $5/day to lift themselves out of poverty, without further damaging our fragile planet. The Sustainable Development Goal #1 is a clear mandate that captures the shared belief that it is possible to see an end to poverty in our lifetimes: No more poverty by 2030.

In the last quarter century, the world has made significant progress toward an end to poverty, reducing the number of people living in poverty by 60%. This remarkable accomplishment has brought dignity, hope and opportunity to 1.2B people. Now, because of the COVID-19 pandemic and its effects, for the first time in over 20 years, almost 90 million people were estimated to have regressed into extreme poverty, setting progress on poverty reduction back by about 3 years.[1] Whereas it took nearly twenty-five years to uplift the first billion, we have only eight years to end poverty for the next three billion.

Government and the nonprofit and philanthropic sectors have been working aggressively to achieve Sustainable Development Goal #1, but their efforts alone are insufficient to meet the scale and urgency of the need. Reaching this ambitious, yet achievable goal will require the full engagement of the business sector, joining forces with government, nonprofits and philanthropy.

"We can't ask social enterprises to have a big impact if they can't get the resources they need to grow bigger." Alan Hirzel

The rise of the social enterprise sector in the past quarter century has created a bridge between the business sector and public and private development efforts. Social enterprises are addressing some of the biggest contributors to poverty, including declining soil health and low crop yields, lack of access to markets, waste, and limited access to sustainable energy. However, social enterprises, particularly those operating in emerging markets, remain small and under-resourced. The IFC estimates that frontier and emerging market SMEs have an aggregate unmet funding need of over $1 trillion. A 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. This prevents social enterprises from being able 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 Solution

The world's ability to end poverty by 2030 relies on three key strategies:

1) Scale the involvement of the business sector to complement efforts of public and private nonprofit sectors
2) Accelerate the rate of change by growing the capabilities of effective actors, especially social enterprises.

3) Adequately resource effective solutions with an appropriate mix of capital with relevant return expectations.

Social enterprises are effective solutions delivered by sustainable businesses, making them critically important actors in the mission to reduce poverty. Social enterprises engage people and communities as partners in effecting change, as opposed to passive recipients of aid, making it more likely that they will sustain and grow the gains achieved. Through innovation and a market-based focus on social impact, the social enterprise sector has been able to address gaps in the anti-poverty fight that were overlooked or not reachable by the traditional private sector or public and nonprofit sectors. Building the capabilities of social enterprises will accelerate the rate of change, enabling the next three billion to exit poverty in less time than it took for the first billion.

Achieving the SDGs relies on increasing the pace and sophistication by which we deploy capital and match the urgency and scale of the need for appropriate capital with the appropriate return expectations. Along with the rise of the social enterprise sector, the past 25 years has seen the rise of venture philanthropy, impact investing (equity and debt), and ESG investing. All of these approaches have helped to seed innovation, direct funding to entrepreneurial social enterprises (both for-profit and non-profit) and grow the pool of capital available to scale effective solutions. While the past decades were effectively the start-up phase for impact investing, the next decade must be the scale and acceleration phase to meet the financing needs of poverty-ending solutions.

We can accelerate an end to poverty by using diverse vehicles - equity, debt, and grants – more strategically, at the right times, and often simultaneously. Studies have shown that anti-poverty financing is most leveraged and catalytic when it seeks a return that is realistic, appropriate and aligned to the impact desired. For many impact investors the investment approach they feel aligns their values with the urgency to achieve the SDG goals is to realize a strong impact return through reduction in poverty and recover none or some of their capital, and/or earn a very modest financial return.

While growing the pool of funds for social impact investing is always desirable, the current financing needs of social enterprises can be met by existing capital designated for this purpose, including the one trillion dollars in Donor Advised Funds (DAFs) and family foundations in the US alone. Each year, despite increasing levels of giving, the total value of undeployed philanthropic capital grows. Presently, individuals with DAFs have few impact investing options at their disposal and most foundations have substantial obstacles to engaging in impact investing.

Beneficial Returns’ Answer

Beneficial Returns gives social entrepreneurs the long-term debt they need to grow and offers philanthropists the opportunity to increase the social impact of their undeployed philanthropic dollars with the same ease with which they conduct their grantmaking.

Beneficial Returns is an impact investing firm that specializes in loans for social enterprises in Latin America and Southeast Asia that are addressing poverty. Beneficial Returns also manages loan funds for other impact investors who invest in social enterprises throughout the developing world. We offer long-term loans on attractive terms to leading social entrepreneurs so they can grow their businesses and their impact. Simultaneously, we make it easy for donor advisors, family foundations, and faith-based communities to become impact investors and to grow and diversify their impact portfolios.

Through Beneficial Returns (BR), impact investors are mobilizing their undeployed philanthropic capital to generate immediate social impact with confidence that a significant portion or all of their assets will be returned to be granted at a later date to their selected causes. In certain cases, investors can elect to earn a positive financial return.

How Beneficial Returns Works

Beneficial Returns is a seven-year-old for-profit California LLC. The Company is fiscally sponsored to accept grants and recoverable grants by Realize Impact. (EIN #46-3594732.) Investments in Beneficial Returns are considered charitable and can be made by any private foundation or donor-advised fund. Individuals investing in Beneficial Returns (via Realize Impact) qualify for a charitable contribution receipt.

Beneficial Returns is financially self-sufficient on an operating basis and uses grant capital for loan loss reserves and to develop and pilot new funds. BR generates Interest Income, Management Fees, and Loan Participation Revenue through its funds. It earns additional income by consulting on impact investing for select family offices and foundations.

In early 2024, Beneficial Returns incorporated Beneficial Returns Pte Ltd. Beneficial Returns LLC owns accepted investments from individuals in Singapore who are interested in impact investing. Beneficial Returns LLC owns 35% of Beneficial Returns Pte Ltd, with the rest being owned by the same member-owners of Beneficial Returns LLC. For the purposes of this document, figures are for the consolidated performance of these entities, unless otherwise specified.

	Beneficial Returns	The Reciprocity Fund by Beneficial Returns
Focus enterprises	Growing social enterprises	Enterprises promoting prosperity for indigenous communities
Geographies	Latin America and Southeast Asia	
Loans disbursed	53 loans $ 10.56 million	64 loans $3.55 million
Investor vehicle	7-year recoverable grant payable annually	7-year recoverable grant
Loan losses	Absorbed by Beneficial Returns' Loan Loss Reserve	Shared pro-rata by investors

As of December 31, 2024

Borrower Profile: PERUCAL

Perucal produces and supplies organic dried mangoes and bananas for businesses such as Trader Joe's. The enterprise purchases fruit from over 150 smallholder farmers who live in Piura, in the northwest of Peru. By selling to Perucal, farmers earn a premium of over 35% above local market prices while having a dependable off taker for fruit too small or blemished for export. This guarantees the company access fruit and ensures that the farmers are well-paid for their harvest. Perucal also employs over 400 temporary workers, 85% of whom are women each harvest season.

Beneficial Returns Fund

Beneficial Returns' flagship fund (BR Fund) makes loans of $30,000 - $ 500,000 to social enterprises that work towards ending poverty in Latin America and Southeast Asia. Kicked off in 2017, BR Fund makes long-term, fixed rate loans secured by collateral. BR Fund lends to established social enterprises with 3+ years of operating history and generally annual revenue of $1M+. The average borrower pays 8.3% per annum. All loans are denominated in USD, and borrowers pay monthly in USD.

The Beneficial Returns team assesses loans on their impact and credit merits, and for transactions over $150,000 the assessment is in partnership with a six-member credit committee. Serving *pro bono,* credit committee members are based in the regions where we lend and contribute extensive experience in social entrepreneurship, structured finance, philanthropy, and impact investing.

When possible, Beneficial Returns awards borrowers an innovative "Impact Bonus" that captures our ethos of valuing impact ahead of financial gain. The BR Fund's two most important KPIs are borrower repayment rates and growing borrower impact. To that end, the BR Fund waives the final loan payment when a borrower has made all of their loan payments on time and exceeds a pre-determined impact target.

Our Borrowers

BR Fund sources its borrowers through networks that identify and support the most promising social enterprises and social entrepreneurs. BR Fund also relies on support from top international law firms that document and secure its foreign transactions on a pro bono or "low bono" basis. Both of these strategies generate a high quality of lending, while keeping our sourcing and origination costs low.

Sistema Bio	WholeForest
Ecofiltro	Chacha
Fundacion Paraguaya	EOS International
Altitud	Aliet Green
Lionheart Farms	Ricinomex
Grupo Murlota	Echale tu Casa
Urmatt	Kawanasi
Du Anyam	Someone Somewhere
Fibrazo	Perucal
Heincke	Algaex
Hoa Nang	Café Nor

Table 1 Active borrowers as of Dec 2024

Our Investors

A majority of BR Fund's $4.95 million committed capital comes from legacy investors who hold promissory notes from BR and earn a 2% per annum return. These investors, whose commitments range from $25,000 to $500,000, are paid principal and interest semi-annually over a seven-year period. Beginning in late 2020, in response to investor demand to take more risk and equalize power with borrowers, BR Fund switched to a recoverable grant model. Investors now participate via a recoverable grant and choose not to earn financial returns. Depending upon their preference, investors are repaid 1/7th of their investment yearly over seven years or in a single payment at the end of seven years. To date, Beneficial Returns has returned $1.7 million to its investors.

Beneficial Returns Pte Ltd investors earn between 0 to 4% p.a.

The BR Fund is an evergreen fund; the BR team constantly secures new investors and new borrowers. As of this writing, the BR Fund's capital comes from 23 investors, who are private foundations, donor-advised funds, or faith-based communities.

Investors are protected by collateral that secures the loans, as well as loan loss reserves, composed of cash on Beneficial Returns' balance sheet earmarked for this purpose, plus community guarantees from private foundations. Loan loss reserves and guarantees are integral to the Fund's success. As these reserves grow, BR is able to expand its lending to social enterprises, including those led by local leaders who have not traditionally been able to qualify for financing. A more robust reserve fund also allows BR to attract investors who are new to impact investing and may be more risk-averse. As of December 31, 2024, BR Fund has loan loss reserves of $561,000, representing 24% of its principal loan balance outstanding.

Since its inception, Beneficial Returns has met all of its obligations to investors and has returned $1.7 million as of December 31, 2024.

Loan Participations

Beneficial Returns is focused on driving more capital toward social enterprises. A key strategy is to expand the number and type of investors using debt to reduce poverty and help current investors significantly expand their impact portfolios. BR has developed a streamlined approach to loan participation that enables foundations, donor advisors, faith-based communities, individuals, and non-profits with endowments to join the impact investing movement. A participant legally buys a portion of a BR loan and is entitled to that percentage of the future cash flows.

Although participants do not get the advantage of portfolio diversification or the benefits of BR Fund's loan loss reserve, they do obtain a direct impact investment without the effort or expense of finding a borrower, structuring a loan, underwriting, and documenting the loan, billing and collecting on the loan and monitoring and reporting on the borrowers' activities. These services are all provided by Beneficial Returns. Participants receive regular financial and impact reports and earn a 3.5-4.5% yield, assuming the borrower makes all their payments. To demonstrate "skin in the game," BR Fund maintains a minimum of 20% ownership in each loan.

Loan participations are an important feature for the sustainability and growth of BR Fund's model. Participations reduce BR's exposure to any one borrower, as well as recycle investor capital to be deployed to subsequent loans. Lastly, participations provide immediate income for BR Fund in the form of a gain on sale, enabling us to grow our team, infrastructure, and capacity to make more loans and to sell more participations, bringing more investors into the fight against poverty through social enterprise.

Beneficial Returns takes balance sheet risk with the BR Fund because it is obliged to repay its investors regardless of portfolio performance. Nevertheless, this risk is increasingly minimized as Beneficial Returns secures loan loss reserve donations, and foundation guarantees. Beneficial Returns also annually contributes one percent of its net revenues to the Loan Loss Reserve. The Loan Participation feature reduces this risk further as Beneficial Returns sells up to 80% of the loans disbursed from the BR Fund. Figure 1 below shows the reduced exposure of BR due to loan participations sold. BR's loan loss reserve covers 24% of BR's direct exposure (outstanding net of participations) from both actual cash contributions ($371k) and guarantees from its guarantor community ($189k). Our target is to maintain loan loss reserves coverage at 30%+ as the Fund grows.

BR is seeking loan loss guarantees of up $500,000 by December, 2025.

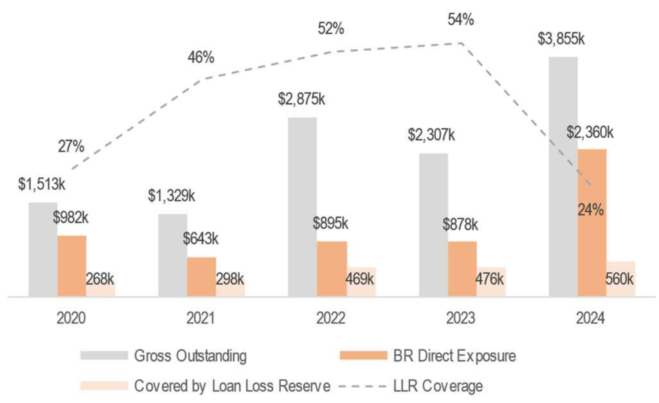


Figure 1 Risk on BR Fund Loans Outstanding, figures calculated as percent of outstanding net of participations

THE RECIPROCITY FUND

Beneficial Returns' mission is to support the growth of social enterprises serving marginalized communities, especially those enterprises that preserve or restore the environment. Although they only make up 5% of the world's population, indigenous peoples protect 80% of the planet's biodiversity. Despite their leadership in protecting the planet, indigenous peoples are some of the most disenfranchised communities in the world – consistently subjected to economic isolation and exploitation. The Reciprocity Fund (TRF) makes loans exclusively to social enterprises serving indigenous communities in Latin America and Southeast Asia. TRF makes unsecured loans of up to $100,000. These loans are typically used to acquire equipment, to purchase or improve real estate, or to support working capital needs. All borrowers pay 8% annual interest.

TRF Borrowers

TRF Institutional Investors

The Reciprocity Fund is supported by sixteen investors who participate via recoverable grants. These investors share pro rata in any realized loan losses. Beneficial Returns does not assume any risk of default with this Fund. Like the BR Fund, TRF is an evergreen fund. In 2024, The Reciprocity Fund made 19 new loans totaling $1.018 million. We are actively recruiting new investors to TRF so that we can continue to meet the needs of indigenous social enterprises that rarely have access to other capital. As new investors commit to TRF, they join the existing pool of investors in sharing any future loan losses.

Since its formation in 2019, TRF has made 64 loans totaling $3.55 million, with three loans being written off. 29 of the 36 active borrowers are current with all their contracted payments.

In Q2 2022, The Reciprocity Fund launched a Credit Committee composed entirely of indigenous leaders who have ultimate authority over all loan approvals.

In 2024, Marta Julia Ixtuc Cuc, an indigenous woman of the Maya-Kaqchikel ethnic group, joined Beneficial Returns as an associate dedicated exclusively to The Reciprocity Fund.

TRF must secure $500,000 in additional capital by December 2025 so it can meet its targets for new loan disbursements.

OTHER FUNDS AND CONSULTING SERVICES

Beneficial Returns manages pools of capital for the Miller Center for Social Entrepreneurship at Santa Clara University and the Cartier Women's Initiative (CWI), a philanthropic program of the Cartier Foundation. These vehicles invest exclusively in Miller Center accelerator graduates and female entrepreneurs selected as CWI fellows, respectively. Beneficial Returns earns management fees and interest income from these contracts, which extend through 2029 and 2032. Beneficial Returns assumes no credit risk with these activities.

In 2025, Beneficial Returns will earn aggregate management fees of $120,000 from the Miller Center. We also anticipate generating $122,000 of interest income from these two endeavors for the year.

Additionally, Beneficial Returns seeks consulting engagements that help launch new funds or provide complementary capital to BR's existing three funds. Through these engagements, the BR team can bring more investors and capital into financing social enterprises to help the next three billion lift themselves out of poverty. On a part-time, retainer basis, Beneficial Returns has advised, structured, and underwritten impact investments for family offices, foundations, and individuals who do not have a dedicated team of finance professionals.

THE TEAM

Ted Levinson
Founder & CEO

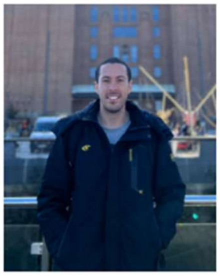
Alex Tee
Managing Director

Koko De Vera
Credit Manager

María Luisa Chavez
Manager, Latin America

Chiara Petruzza
Communications Officer

Veronica Belli
Business Development Associate, Latin America



David Barragan
Credit Associate

Marta Julia Ixtuc Cuc
Associate, Latin America

Tin Tiongson
Credit Analyst

Learn more about the team on https://beneficialreturns.com/who-we-are/

Fund Performance (BR + The Reciprocity Fund)

As of December 2024, between the Beneficial Returns Fund and The Reciprocity Fund, Beneficial Returns has closed 117 transactions and lent a total of $14.1 million to 81 enterprises. Since inception, all but three loans have been written off.

In 2020, a BR Fund borrower ceased business operations, and Beneficial Returns wrote off $171,000. This amount was absorbed by BR's loan loss reserves and its philanthropic guaranty community.

In 2023, a borrower from The Reciprocity Fund experienced adverse market conditions within its industry. Beneficial Returns wrote off $ 41,790 to alleviate pressure on the borrower and enable the small organization to focus on other productive activities. In 2024, an additional $22,676 was written off from The Reciprocity Fund to reflect the outstanding balance from a borrower that experienced a sales slowdown in 2022. The Fund was counting on a distributor buyout to recover the payments, but negotiations have stagnated, thus the write-off of the loan. Both losses will be shared pro rata by The Reciprocity Fund investors.

As of December 2024, Beneficial Returns displays outstanding portfolio performance.

- The BR Fund has one delinquent borrower, with an exposure of $81,000 or 3% of net outstanding balance.
- The Reciprocity Fund has eight borrowers with late payments. The total outstanding balance from these seven borrowers is $270,218, or 13% of the total loan outstanding for The Reciprocity Fund. Beneficial Returns is in constant communication with these borrowers to address repayment issues.

Beneficial Returns							
Management reports							
Monetary amounts in USD	12	12	12	12			
	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	31-Dec-23	31-Dec-24
Total Loans Disbursed	**800,000**	**698,873**	**1,410,000**	**1,567,500**	**3,694,061**	**6,743,244**	**5,897,949**
Income Statement							
Interest revenue	50,928	74,211	68,433	124,883	170,325	264,705	400,185
Interest expense	(14,152)	(22,445)	(20,752)	(24,619)	(19,635)	(15,162)	(20,702)
Net interest revenue	36,776	51,766	47,682	100,264	150,690	249,543	379,483
Loan fee revenue	8,000	5,039	7,900	15,675	35,517	68,807	52,266
Management fee	-	-	7,200	22,674	125,692	221,794	236,241
Consulting revenue	22,300	61,515	76,500	38,500	42,507	18,000	7,900
Loan participation revenue	5,905	16,527	21,588	23,606	75,573	41,299	10,254
Grant revenue	-	-	4,500	42,001	-	208,500	199,625
Other revenue	-	-	-	-	7,283	13,881	-
Interest from undeployed funds	-	1,228	3,980	228	1,686	70,351	178,515
Net revenue	72,981	136,074	169,349	242,948	438,949	892,174	1,064,283
Loan loss expense	(22,500)	-	-	-	(3,500)	(7,071)	(84,621)
Overhead costs	(31,600)	(24,800)	(30,700)	(53,916)	(139,806)	(120,196)	(140,236)
Salaries	-	(22,464)	(35,464)	(90,714)	(187,840)	(474,624)	(567,545)
Net income before tax	18,881	88,750	103,185	98,317	99,428	290,282	271,881

Figure 2 Summarized Financial Statements based on internal management reports. Consolidated Financial Statements for LLC and Pte Ltd are currently in process.

As Beneficial Returns matures, its revenue sources become more predictable. Interest income is projected to grow at least 25% in 2025 over the previous year. The guaranteed minimum management fee income totals $700,000 over the next five years.

Because Beneficial Returns was previously a one-member LLC, member compensation was not listed as an expense in 2022 and earlier; it was taken out of net income as a draw. Beginning 2023, Alex Tee joined as a member, and both members' monthly compensation have since been recognized under Operating Expenses.

Beneficial Returns demonstrates healthy operating margins; its topline activities constrain it to generate considerable bottom line numbers. After some slowdown during the pandemic, BR is currently funding two to four transactions per month across its funds.

To continue its growth trajectory, Beneficial Returns will need to secure more lending capital, participation commitments, and grants to loan loss reserves/philanthropic guarantees.

COVID19 and its impact on Beneficial Returns and its borrowers

Recognizing the difficulties brought about by the COVID-19 pandemic, Beneficial Returns granted a three-month loan holiday for all borrowers, deferring all collections from March to May 2020. All its investors also responded to this postponement by deferring collections from Beneficial Returns during the same period. These events reduced 2020 net interest income by approximately $20,000, replaced by a comparably sized PPP loan (forgiven in 2021). Since regular loan payments have resumed, all borrowers of BR Fund are current except for one loan (addressed above), which was written off at the end of 2020.

In response to this credit loss and in recognition of the ongoing risks associated with COVID-19, Beneficial Returns tightened its lending policies in 2020. Beneficial Returns limited its total exposure to no more than $250,000 per borrower (down from $500,000) and reduced the maximum loan tenor from 84 to 60 months.

Major risks and mitigating factors

Risk	***Risk Factor***	***Probability***	***Risk Mitigating Factor***
Beneficial Returns is unable to deploy its loan capital.	BR fails to generate a strong pipeline of borrower social enterprises	Low	- BR has grown its business development to four members in key countries: Mexico, Guatemala, Colombia, and Peru. - Primary pipeline referral sources (Ashoka, B Corp, World Economic Foundation, Miller Center, etc.) continue to "graduate" several hundred social enterprises annually.
	BR is unable to differentiate its product as an attractive source of capital	Low	- Prospective borrowers reject fewer than 10% of Term Sheets issued. - Beneficial Returns focuses its lending efforts in countries with minimal access to affordable commercial capital. Its professional connections to philanthropists, impact investors, fellowship programs, pro bono consulting, and prospective customers give it a competitive advantage over conventional lenders.
Selected social enterprises cannot make the committed	Beneficial Returns cannot be collected from its borrowers.	Low	- BR Fund has maintained modest exposure to each borrower. The largest estimated exposure by Dec. 31, 2024, is with Urmatt totaling, representing 23% of total

payments and financial return to the investors.			outstanding, followed by Chacha at 14%. As of writing, these have been reduced to 14% and 9%, respectively. - BR Fund lends no more than 10% of a borrower's annual revenues which ensures that their monthly loan payment will be low compared to the business turnover. - Credit policies such as single borrower's limit, loan loss reserves, and the sale of loan participation significantly de-risk the BR fund. BR has a single borrower limit of 30% of total outstanding loans for the Main Fund. BR is moving towards limiting any commodity or product to 20% of the total outstanding to address industry concentration, especially in the Reciprocity Fund. - BR Fund requires monthly repayment of principal and interest from its borrowers, which ensures robust monitoring and steady reduction in outstanding principal. - Beneficial Returns maintains an open line of communication with its borrowers for subsequent requirements and operational and financial updates.
	Regulations and general market environment changes in the country or region of the borrowers.	Moderate	- In the last year and a half, Beneficial Returns has significantly diversified the geographies that it operates in.
Selected organizations do not meet the impact objectives of the fund.		Low	- The Credit Committee includes experienced social entrepreneurs and impact investors that keep BR and its team focused on the impact objectives of the fund. - Organizations typically selected have already demonstrated impact and business viability for at least 3 years. - Beneficial Returns requires all borrowers to submit impact metrics on a semi-annual basis.
Key man risk			- Beneficial Returns maintains a $300,000 life insurance policy on Ted Levinson which is sufficient to wind up Company operations and repay investors or hire a replacement CEO.