



## Social Investment Managers & Advisors, LLC

157 Columbus Avenue

Suite 512

New York, NY 10023

This Brochure provides information about the qualifications and business practices of Social Investment Managers & Advisors, LLC (“SIMA”), an investment adviser registered with the United States Securities and Exchange Commission (the SEC). If you have any questions about the contents of this Brochure, please contact us at **(732) 713-4731**. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority.

Additional information about SIMA is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Item 2 – Material Changes**

There are few changes this Form ADV Part 2 Brochure. We have added details of our new fund i.e. Energy Access Relief Fund.

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## **Item 4 – Advisory Business**

### **SIMA Overview – Fund Manager and Advisor**

Social Investment Managers & Advisors, LLC (“SIMA”), a Delaware corporation, is an impact-first investment fund manager and adviser who puts social objectives at the forefront of business strategy by integrating social goals into financial goals of the business. Besides clearly targeting social objectives, this strategy also leads to greater profits and reduced risks. We invest in innovative companies that align their business and social goals for improving the lives of low-income customers.

SIMA seeks to create a platform for social enterprise by bringing differently motivated monies together to not only invest in high impact sectors but to work on policy, learn by doing and share these learnings, and bring resources to grow young, promising businesses.

SIMA’s teams are in India, Kenya, Pakistan and the US providing us with local on the ground knowledge.

SIMA’s team has placed over \$1.5 billion in 250 social businesses across 50 countries. Our clients and investors include fortune 500 companies, foundations, development institutions, networks and social investors.

### **Business Overview**

For over 20 years, SIMA’s Managing Partners have engaged in cutting edge initiatives in impact investing. We see alignment of business and social goals as fundamental to serve low-income people and reduce climate change.

Our advisory services provide tools to balance scale and sustainability with appropriate risk while enhancing impact.

Advisory Services include:

- Develop and structure impact investments
- Evaluate and diligence companies serving the base of the pyramid
- Provide outsourced financial management, operational controls, and risk management functions for impact portfolios.
- Execute program related investments (PRIs) for foundations and family offices
- Merger and acquisition advisory – execute buy- and sell-side mandates
- Develop and implement impact investing and grant programs
- Share knowledge through research, organizing conferences and industry events
- Implement CSR initiatives and employee engagement programs
- Impact related training for boards and employees
- Formulate business continuity planning and prepare for economic shocks.

- Develop metrics and scorecards for social and environmental impact
- Align business and impact strategies with stakeholder goals and Sustainable Development Goals (SDGs)
- Evaluate and assess programs and technical assistance
- Risk assessment
- Financial controlling

### **SIMA Off-Grid Solar and Financial Access Senior Debt Fund I, BV (“Fund I”)**

Social Investment Managers and Advisors, LLC has developed Fund I to address the needs of the off-grid solar and financial access sectors in particular order to make available debt capital that is vital to grow the off-grid solar sector with proven providers serving the Base of the Pyramid.

The five (5) year USD \$89.875 million debt fund will enable consumer finance at a large scale. We believe this is critical for the success of solar home system growth. We also believe that debt financing will substantially lower the financial barriers encountered by potential customers and enable off-grid solar companies to expand pay as you go (PAYG) offerings into new markets.

SIMA’s financing also addresses the need for working capital to finance inventory and distributors. This is important mainly due to the lead time between ordering and receiving consignments. Access to commercial bank debt finance by off-grid companies and their distributors tends to be difficult as these companies are still in their high growth and reinvestment phase. Financing from Fund I will help (i) prevent temporary shortages of working capital thereby ensuring that off-grid companies have adequate inventory, and (ii) limit bad quality, generic products from penetrating the market.

Fund I is providing offer flexible financing products from October 2017 to October 2022. Where hedging instruments are available on commercially reasonable terms, Fund I expects to provide funding in local currency or expects to work with local financial institutions to provide local currency through back-to-back arrangements.

SIMA also has the network and experience to create partnerships between off-grid companies and microfinance institutions (MFIs) as part of its “financial access” objective. These MFIs can distribute the PAYG systems to their customers through their existing branch network. These customers may be more familiar with these MFIs and would therefore put more trust in the products if it is presented to them by the MFI. This strategy would allow PAYG companies to piggy-back on the existing operations and branch network of a more established partner alongside adequate and appropriate financing.

### **SIMA Angaza Distributor Finance Fund (“DFF”)**

The DFF is an integrated, technology-based platform to catalyze development and growth of younger and locally owned off-grid solar distributors. The DFF combines the Manager’s underwriting technique with data from the [Angaza Hub](#) to assess eligibility for funding, reduce

the duration and complexity of due diligence (thus lowering transaction costs), monitor and report on loans, and predict portfolio performance. The DFF invests exclusively in distributors that are customers of the Angaza, a PAYG software provider.

The DFF taps a nearly untapped market of viable businesses waiting for finance to scale their operations. We hope to transform emerging market distributor financing by leveraging Angaza's data analytics capability by not only making the investment process more efficient (and thereby gain time thus avoiding stock outs or loss of momentum) but making it smarter by using data and predictive models to better assess risk, to streamline data collection, and to improve monitoring.

The DFF's financing will help address the need for working capital to finance inventory and receivables for up to 5 years. This is important mainly due to the lead time between ordering and receiving consignments. Access to commercial or bank debt finance by distributors is practically non-existent as these companies are still an early stage of growth. Financing from the Fund will help prevent temporary shortages of working capital thereby ensuring that off-grid companies have adequate inventory. SIMA has a history of financing LMDs by developing innovative lending products that mitigate risk through partnerships with manufacturers and proper structuring.

#### **Energy Access Relief Fund ("EARF")**

The Energy Access Relief Fund (EARF) is a global fund established by multiple public and private financiers as a unified response to COVID-19's threat to the survival of the nascent energy access industry, and the preservation of energy access gains achieved in the past decade. It is an unprecedented effort bringing together a dozen distinct financiers, including DFIs, foundations, climate funds, and bilateral donors as well as the private sector to work collaboratively to provide a coordinated and agile response to COVID-19's threat to achieving the SDG7 Goal.

EARF will provide concessional and accessible financing to energy access companies, serving low-income households and micro-businesses in peri-urban and rural areas in developing countries. The focus is on countries with large energy access deficit and sizable populations served by off-grid solutions, particularly in Sub-Saharan Africa (SSA), followed by South Asia, and East Asia/Pacific.

EARF's financing will provide energy access companies with the necessary liquidity to continue their operations, retain their staff, especially women, and maintain their supply chain and inventory so that they can grow post-crisis. Through this relief funding, EARF also seeks preserve the emissions reductions the sector has already gained and position the companies to expand emissions reductions to new customers beyond the crisis. The fund has been established with following major development impacts:-

- a) Sustainable Development Potential
- b) Resiliency Building
- c) Health Benefits

- d) Gender Sensitive Development Impacts
- e) Employment Impact.
- f) Economic Co-Benefits
- g) Improvement in Education and benefits Small Enterprises
- h) Environmental Co-Benefits

## **Item 5 – Fees and Compensation**

As compensation for its services to Fund I, SIMA will be entitled to receive an annual management fee, payable quarterly in arrears, equal to 1.75% of the total assets under management in Fund I.

As compensation for its services to DFF, SIMA will be entitled to receive an annual management fee, payable quarterly in arrears, equal to 1.8% of the total assets under management in DFF.

As compensation for its services to EARF, SIMA will be entitled to receive an annual management fee, payable quarterly in arrears, equal to 2.0% of the total assets under management in EARF.

As compensation for its services to advisory clients, SIMA will be entitled to receive a one-time participation fee, ranging from 1-3% of the investment size or fees are based on a pre-agreed contract price with the client.

As compensation for its risk assessment and financial controlling services, SIMA will be entitled to receive generally a quarterly payment for time and services rendered.



## **Item 6 – Performance Based Fees**

For Fund 1, at maturity, after the Catalytic tranche IRR reaches 20%, any excess returns are to be distributed as follows: 30% to the Manager as an incentive payment (“Incentive Payment”), 60% to be distributed pro rata (according to the respective principal amounts of each Noteholder) among the Catalytic tranche Noteholders and the Junior-A tranche and Junior-B tranche Noteholders and the remaining 10% to the Stichting Foundation as dividend.

For the DFF, after any Available Funds have been distributed in accordance with the Available Funds section of DFF NPA and any Principal Proceeds have been distributed and Fund obligations have been met, any excess returns are to be distributed as follows: (i) 30% to the Manager and the Advisor as an Incentive Payment; (ii) 70% to the Noteholders, to be distributed pro rata (according to the respective principal amounts of each Noteholder).

For the EARF, after any Available Funds have been distributed in accordance with the Available Funds section of EARF NPA and any Principal Proceeds have been distributed and Fund obligations have been met, any excess returns are to be distributed as follows: (i) first, solely to the extent required by the respective First Loss Grant Agreements, applied toward the repayment of any such First Loss Grant Agreements or applied by the EARF and the Fund Manager in the manner required pursuant to such First Loss Grant Agreement, and (ii) second, transferred forty percent (40%) to the Fund Manager, forty percent (40%) ratably to each Investor, and twenty percent (20%) to the Shareholder, to an account each such party shall specify to the Company in writing.

**Item 7 – Types of Clients**

SIMA provides discretionary investment advisory services to pooled investment vehicles, the Funds. Investors in the Funds may include high net worth individuals, family offices, banking or thrift institutions, pension and profit-sharing plans, charitable organizations, trusts and estates, corporations and other business entities, development finance institutions as well as federal government agencies.

SIMA may provide investment advisory services to separately managed accounts.

## **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

### *Investment Strategy*

Through its investment funds, SIMA will lend senior debt to Solar Energy and Financial Access Companies. With respect to Solar Energy Access, SIMA will direct investment to companies providing access to energy and having a manufacturing and/or a distribution element, with a focus on solar energy technologies. Those companies are typically downstream/distribution companies or vertically integrated energy companies offering, among other products, solar energy products to off-grid customers. Included in SIMA's scope are companies that provide low-income customers access to essential products and services that require the use of solar energy.

In terms of Financial Access, SIMA will direct investments to companies providing access to financing to end consumers for the purchase and leasing of energy products and more generally to organizations that further the outreach of financial services access. This allocation is also a mechanism allowing SIMA as the Manager to achieve adequate diversification from a borrower maturity standpoint; off-grid solar companies are experiencing accelerated growth while the financial access companies SIMA finances have reached maturity even if they are still growing at CAGR over 10%.

### *Risk of Loss*

Investment with SIMA involves a high degree of risk, including the risk of loss of the entire amount invested. No guarantee or representation is made that our investment program will be successful or that capital protection at the expected amount will be achieved. We generally invest primarily in Loans to Off-Grid Solar Social Enterprises that operate in developing countries which may not be secured by collateral or other type of traditional guarantee. There is no assurance that the Social Enterprises will be able to achieve profitability, and as a consequence, payments by the borrowers on their Loans may be adversely affected.

### *Risks Related to the Loans and Off-Grid Solar and Financial Access Enterprises Generally*

**Illiquidity of Loans:** The Loans are likely, at any given time, to consist exclusively of financial instruments or obligations for which no market exists or which are restricted as to their transferability under applicable securities laws or under the terms and conditions of their respective governing documents. While SIMA does not anticipate selling or assigning the Loans, a sale or assignment may be possible only at substantial discounts, if at all.

**Complexity of Legal Analysis:** The degree of legal uncertainty related to lending in developing countries is high. There is no assurance that SIMA will correctly judge the nature and magnitude of the many factors that could affect the prospects for successful Loans. There is generally less government supervision and regulation of non-U.S. institutions (including enterprises engaged in providing off-grid solar and financial access) than there is in the U.S. and there is greater difficulty in taking appropriate legal action in non-U.S. courts. It may be difficult to enforce judgments obtained in non-U.S. courts.

**Loan Covenant:** The borrowers may borrow funds from various lenders. These other Loans, or other financing arrangements, may impose restrictive covenants and conditions on the borrowers and limit their activities, operations and ability to incur additional debt. Lenders are also provided with monitoring reports in order to track progress. In general, lenders accept this process as a means to mitigate their risk,

however, lenders may choose to exercise their rights under their respective loan agreements and seek appropriate remedies. If the borrowers are unable to comply with loan covenants, the amounts of such financing may become due prior to maturity, potentially creating liquidity demands that cannot be met or disrupting operations, thereby affecting the ability of the borrowers to repay Loans.

Local Currency Issues: The policy of SIMA regarding Loans outside the U.S. will require the principal amounts of such investments to be denominated in U.S. dollars or locally demanded currency provided through FX swaps or back to back loans. Interest payments on these investments may or may not be hedged. Generally, borrowers will operate in local currency even though their liabilities may be denominated in U.S. dollars. These borrowers may be exposed to declines in the value of the local currency against the value of the U.S. dollar. While the borrowers may enter into hedging arrangements, there is no contractual obligation that they do so and, if they do so, that such arrangements will be sufficient. The recent global financial crisis and the accompanying increased volatility in the global securities and exchange markets demonstrate the risks associated with derivative financial instruments in the global economy, including the risk of default of the financial institutions which act as counterparties to such derivative transactions or who hold cash deposits. The risk of counterparty default is currently higher in light of existing capital market and economic conditions. Reduced liquidity or financial losses resulting from exposure to the risk of counterparties could have a material adverse effect on the borrowers' cash flow and financial condition. In addition, there can be no assurance that the local government in any jurisdiction of a borrower will not impose strict foreign exchange controls on, or block entirely, transactions to convert local currency to foreign currency or transactions to deliver local currency. Such restrictions could impede the borrower's ability to service its Loan. Accordingly, SIMA'S funds may be forced to accept interest payments on Loans from a borrower in such borrower's local currency.

Risks Associated with Loans to Off-Grid Solar and Financial Access Companies: The targeted recipients of Loans are off-grid solar and financial access companies and there are a number of risks associated with operating within this type of segment. Although it is the intent of SIMA to lend to off-grid solar and financial access companies with reasonable operating and credit history, and to require audited financial statements from a reputable accounting firm, some off-grid solar and financial access companies may have as little as two years of operating history. Some of the companies do not use financial reporting procedures or standards that follow a global standard. This may result in insufficient or partial financial reports and statements, or in financial reports and statements that are not comparable in any meaningful way with U.S. or other more standard reports and statements. Even for companies that produce consistent and relatively standard financial reports, there may be little or no way to verify the accuracy of this information.

Regulatory Environment: Some of the borrowers in SIMA's funds may be subject to materially less stringent regulatory requirements than in developed countries. The scope and content of such regulations vary by country and depend, inter alia, upon the type of legal existence that a off-grid solar or financial access company may take in a particular country. The "best practices" that are followed by entities in developed and other developing countries may differ from, and be significantly more developed and more stringently enforced than, the general business, internal controls and corporate governance practices in the countries where the Fund I borrowers operate. In addition, the type and quantity of information collected and used by Fund I borrowers to assess potential new customers and to monitor current customers may be materially different to, and significantly less than, such information as is typically

provided to credit institutions in developed countries. As a result of the above factors, there may be relatively more limited and less transparent information available regarding the businesses, and the customers of the off-grid solar or financial access companies, than for more mainstream businesses or financial institutions and related entities in a prospective investor's home country.

Risks Associated with Off-Grid Solar and Financial Access Companies in Developing Countries and Countries with Transition Economies: Various political and economic factors may pose risks to the repayment by the borrowers of the Loans made by SIMA through its funds. The private sectors, and for this reason the economies, in many countries in which SIMA may extend Loans through its funds, are influenced by such countries' respective governments. This may have an impact on the financial institutions of these countries, and on the ability of a borrower to repay the Loan that Fund I may make in any such country. Other political threats that might have an adverse effect on the Loans made to borrowers located in particular countries include: political, economic or social instability; unreliable or uncertain legal systems; expropriation; confiscatory taxation; changes in regulatory structures; war; confiscation without fair compensation; and nationalization. Some governments may limit or control the amount and type of foreign investment permitted, which may limit or disallow Loans by Fund I, increase the costs and expenses of making the investments or adversely affect the payment of principal and interest to Fund I, whether from currency blockage or otherwise. The value of Loans will be affected by various fiscal and monetary factors, including taxation, inflation, interest rates, commodity prices, and the general economic and political conditions of the countries. No assurance can be given that a political or economic climate, or particular tax, legal or regulatory risks might not adversely affect a Loan made by Fund I. Generally, investment in developing and emerging markets is suitable only for sophisticated investors who fully appreciate the significance of the risks involved. Investors are urged to consult with their own legal and financial advisers before making an investment in the Notes.

Risks Due to Global Economic Conditions World economic conditions have deteriorated recently, impacting available liquidity for social businesses and affecting clients. Borrowers often operate outside of the formal economy, with some insulation from global economic trends, and in some cases loss of employment may create additional demand for microfinance services. Nevertheless, exogenous events, such as loss of jobs for those who support their families from abroad, may reduce remittance payments to individuals who rely on such remittances to supplement their livelihoods. These conditions may affect their ability to purchase borrowers' products, and in turn impact the ability of the borrowers to repay Loans.

**Item 9 – Disciplinary Information**

Neither SIMA nor any of its employees have been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of the company or its personnel.

**Item 10 - Other Financial Industry Activities and Affiliations**

SIMA does not have any other financial industry activity or affiliations to disclose.

## **Item 11 – Code of Ethics**

High ethical standards are essential for the success of SIMA and to maintain the confidence of clients and investors in investment funds managed by SIMA. SIMA's long-term business interests are best served by adherence to the principle that the interests of clients come first. We have a fiduciary duty to clients to act solely for the benefit of our clients. All personnel of SIMA, including directors, officers and employees of SIMA, must put the interests of SIMA's clients before their own personal interests and must act honestly and fairly in all respects in dealings with clients. All personnel of SIMA must also comply with all federal securities laws. In recognition of SIMA's fiduciary duty to its clients and SIMA's desire to maintain its high ethical standards, SIMA has adopted a Code of Ethics (the "Code") which is part of Compliance Manual containing provisions designed to prevent improper personal trading, identify conflicts of interest and provide a means to resolve any actual or potential conflicts in favor of SIMA's clients.

Adherence to the Code and the related restrictions on personal investing is considered a basic condition of employment by SIMA. The Chief Compliance Officer is responsible for the overall administration of the Code.

SIMA and its personnel are not permitted to effect transactions for their own accounts in the same securities purchased and sold for the accounts of SIMA's clients. To ensure that trading by SIMA's personnel is conducted in a manner that does not adversely affect SIMA's clients and in a manner consistent with the fiduciary duty owed by SIMA to its clients, SIMA has adopted policies governing personal securities transactions.

SIMA and its personnel may provide or accept a business entertainment event, such as a meal or a sporting event, of reasonable value, if the person or entity providing the entertainment is present. Additionally, SIMA and its personnel may receive gifts, services, entertainment or other items from any person or entity that does business with or potentially could conduct business with or on behalf of SIMA. To ensure that these exchanges are conducted in a manner that does not adversely affect SIMA's clients and in a manner consistent with the fiduciary duty owed by SIMA to its clients, SIMA has adopted policies and procedures governing gifts and business entertainment.

SIMA is prohibited from receiving compensation for providing advisory services to a government entity for two years following any contribution, other than certain de minimis contributions, by SIMA or its covered associates to an official of a government entity who is or will be in a position to influence the award of advisory business. In addition, SIMA is also prohibited from coordinating, or soliciting others to make, contributions for an official of a government entity to which SIMA is providing or seeking to provide advisory services.



## **Item 12 – Brokerage Practices**

### **General**

SIMA does not invest in equity or fixed income securities and therefore does not utilize broker dealers.

### **Research and Other Soft Dollar Benefits**

In terms of soft dollars, SIMA does not currently expect that it will use commission or “soft” dollars to pay for research products or services, given that the focus of SIMA’s investment program does not incorporate the types of securities that generate “soft” dollars.

**Item 13 – Review of Accounts**

SIMA reviews all Client accounts on an ongoing basis and provides reports to Investors regarding Fund performance. These reviews include, but are not limited, monitoring deals and underlying investments in the Client accounts. Reports generated from such reviews may be made available to underlying investors.

**Item 14 – Client Referrals and Other Compensation**

SIMA does not currently and does not intend to enter into arrangements with solicitors whereby solicitors refer potential investors to GP in exchange for a referral fee.

## **Item 15 – Custody**

Administration Agent: IQ-EQ Services B.V. (Netherlands) independently verifies and independently calculates capital calls, principal and interest payments to Noteholders as well as, disbursements to Borrowers and principal and interest payments from Borrowers and other Fund I calculations. IQ-EQ prepares financial statements quarterly for distribution to investors.

All Client funds and securities are held in custody by qualified custodians, such as unaffiliated broker-dealers or banks, except for privately offered securities that fall within the privately offered securities exception pursuant to Rule 206(4)-(2)(b)(2). SIMA funds' investors do receive account statements. Instead, in reliance on the "audited funds exception," Fund-I and EARF obtain an annual audit and the audited financial statements are distributed to each fund investor whereas, management accounts are provided for DFF reviewed by internal finance team of SIMA.

The audited financial statements are prepared by an independent public accountant that is registered with, and subject to regular inspection as of the commencement of the engagement period, and as of each calendar year-end, by the Public Company Accounting Oversight Board (if required), in accordance with its rules. Such audited financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"), as is permitted for offshore funds or funds having a general partner or other manager with a principal place of business outside the United States. As required by the Custody Rule, however, US Investors are provided with audited financial statements. Audited financial statements are distributed to the underlying Fund investors within 120 days of the Fund's fiscal year end.

**Item 16 – Investment Discretion**

SIMA generally does not have the discretionary authority to determine the securities and amounts to be bought or sold by or on behalf of its Clients. All the securities and amounts are invested based on our agreements with the investors and approval by the fund's investment committee or advisory board. All the advisory engagements are on a non discretionary basis and the scope of work and advisory fee are determined based on the agreement with the clients.

**Item 17 – Voting Client Securities**

Due to SIMA's investment strategy, it generally does not hold securities that require proxy voting. Therefore, SIMA does not vote proxies on behalf of its funds or clients.

**Item 18 – Financial Information**

SIMA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts or funds.