

IMPACT INVESTING OVERVIEW

18 September 2015

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J.P.Morgan

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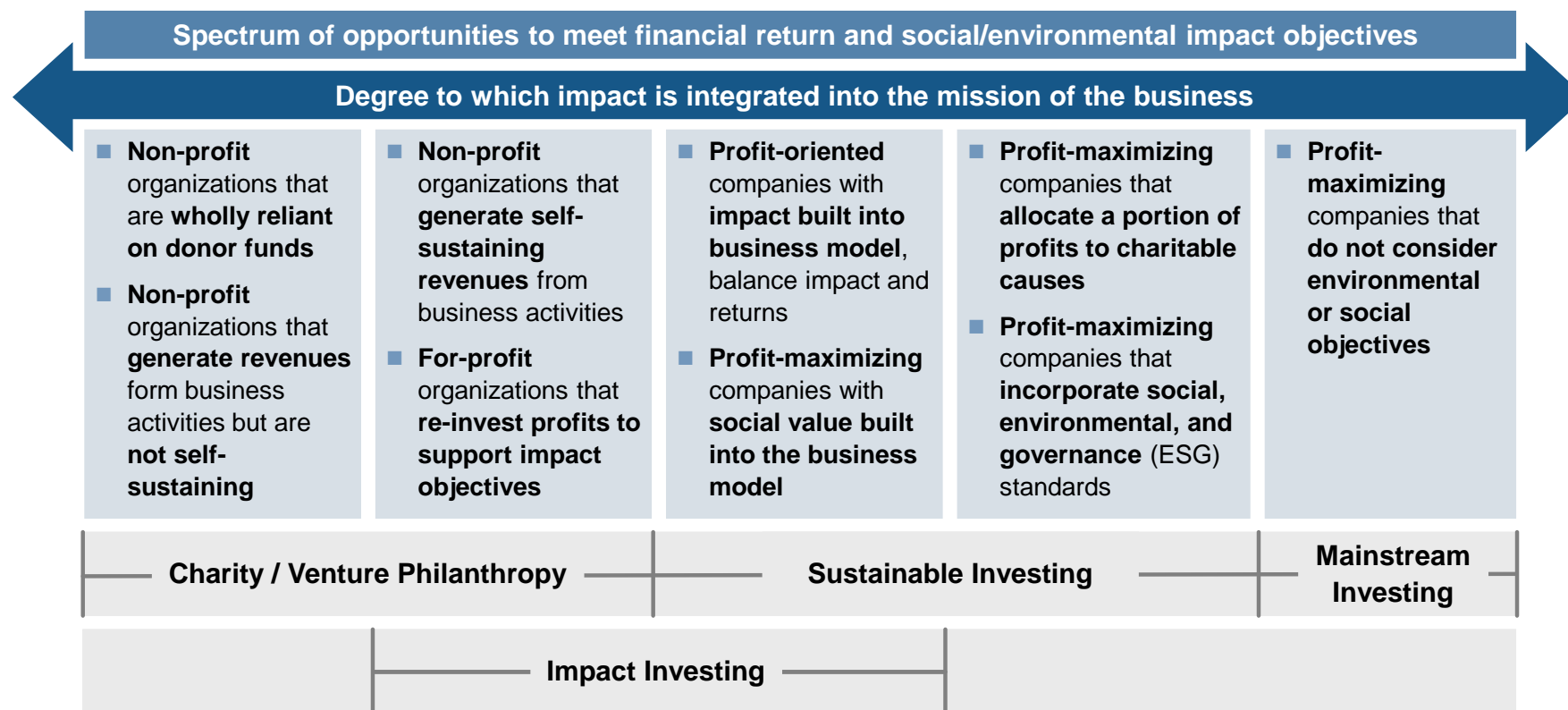
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Impact investing bridges traditional investing and philanthropic activities

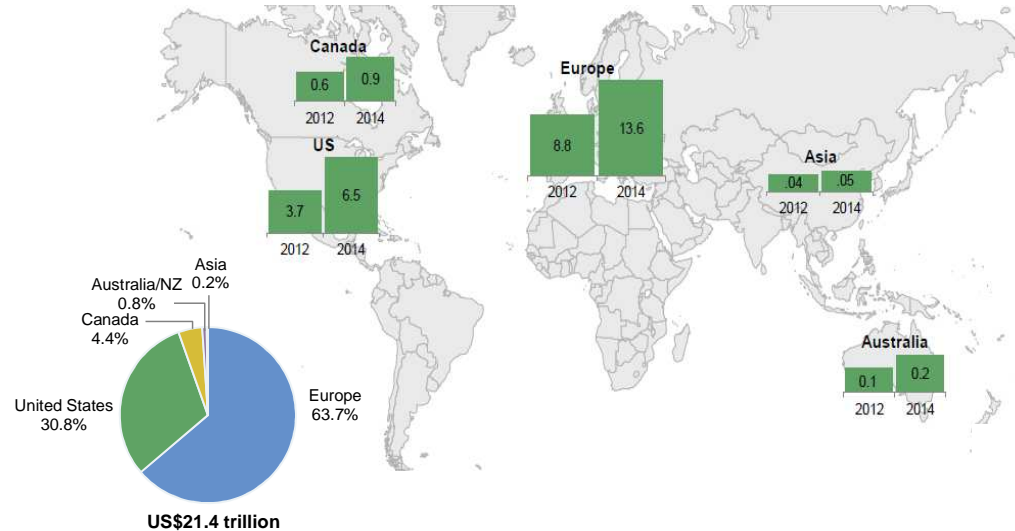
Investments intended to create positive impact alongside financial return



- Impact investing differs from charity, as it expects financial return
- It overlaps with venture philanthropy in an active pursuit of impact but excludes those forms of venture philanthropy where return of principal is not expected or targeted
- It differs from a lot of sustainable investing by actively targeting the creation of positive impact; sustainable investing is generally associated with minimizing or avoiding negative impact

Impact investing in the context of Socially Responsible Investing

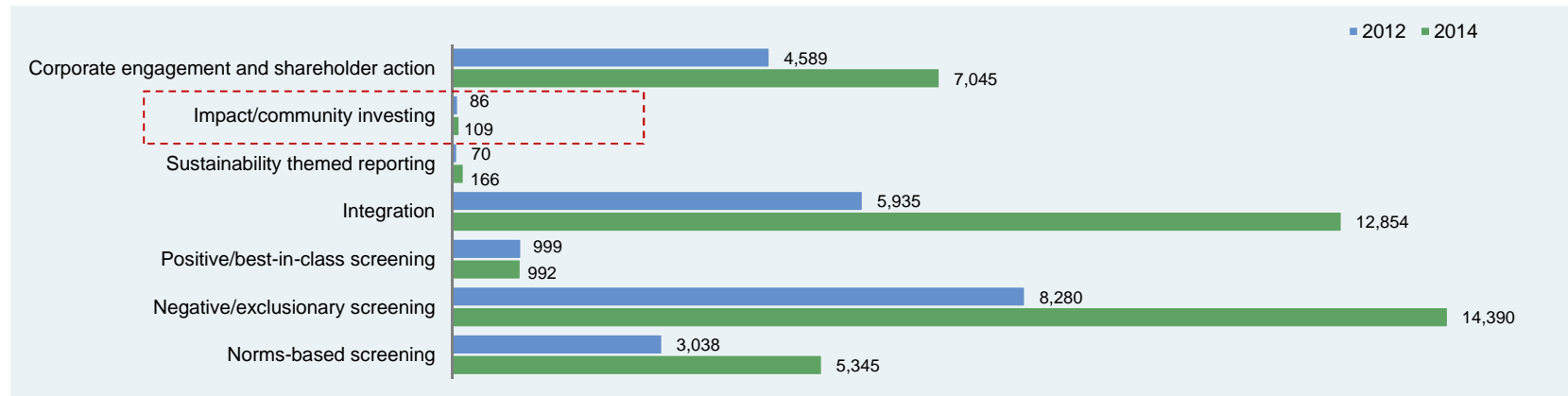
2012-2014 growth of SRI-themed investments, USD Trillion equivalent



- Sustainable and Responsible Investment (SRI) investors evaluate Environmental, Social and Governance (ESG) factors in their decision making process
- The main current drivers for the growth of SRI investments include:
 - Investor demand, motivated by ethical / cultural / moral / religious / philanthropic values, corporate governance or activism
 - Better availability of data (non-financial disclosure on ESG issues) supporting dedicated consultants / certifications
 - Long term outperformance by sustainable companies
 - Regulation, increased governmental action, exclusions

Source: The 2014 Global Sustainable Investment Review

Growth of SRI strategies 2012–2014 (US\$bn)



Source: The 2014 Global Sustainable Investment Review

The impact investment market includes a wide range of investors

Organization type	Examples
Public sector organizations	
Foundations / non-profit organizations	
Corporates / corporate foundations	
Financial services organizations	
Private investors	<ul style="list-style-type: none"> Global high net worth individuals as well as family offices



Impact Investing - Top trends from J.P. Morgan research

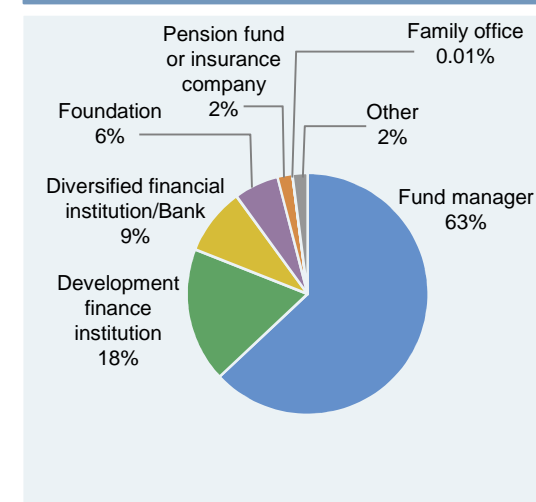
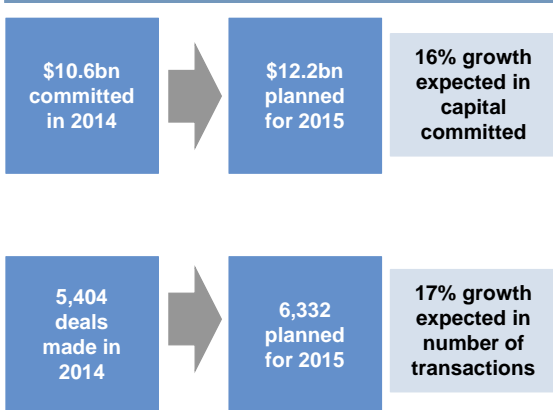
Overview | Impact investing continues to grow | Diversified investor base¹

Key trends:

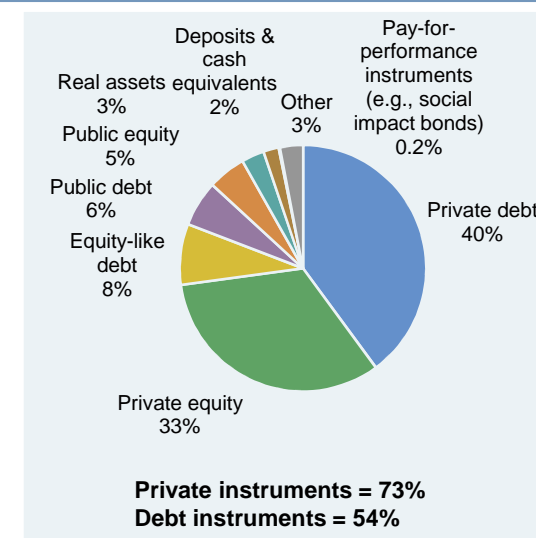
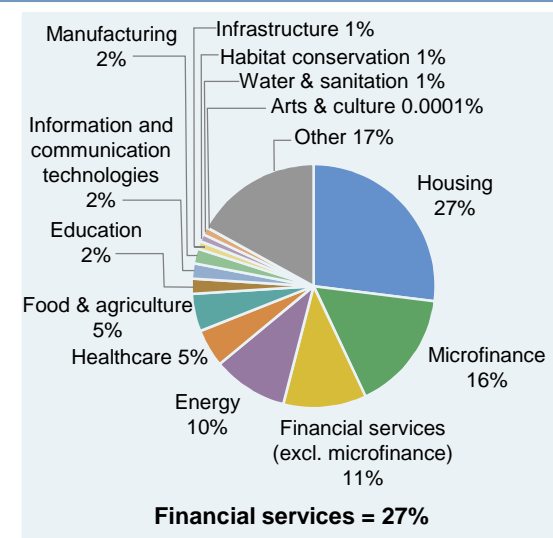
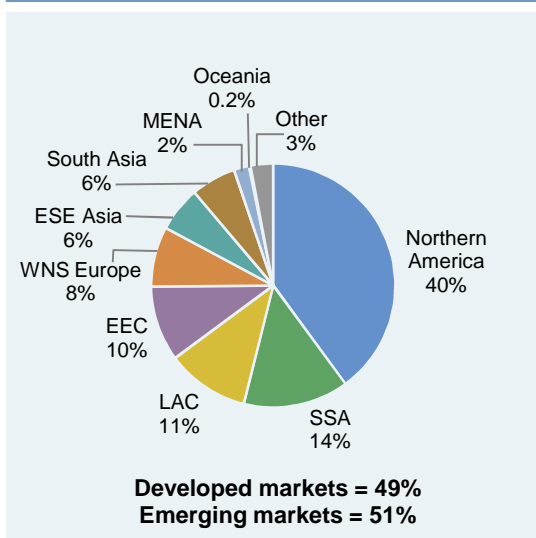
- Small but growing market (+16%)
- Diversified and expanding investor base, across categories and return targets
- Investments fairly balanced geographically, but fairly concentrated in terms of instruments and sectors (financial services)
- Performance in line with expectations
- Increased support from governments

Key challenges:

- Lack of appropriate capital across the risk/return spectrum
- Shortage of high quality investment opportunities with track record
- Difficulty exiting investments



Assets under management: 145 respondents, USD 60b in impact investment assets¹



¹Source: JPM annual impact investor survey 145 respondents, USD 60b in impact investment assets

Achieving risk-adjusted market rates of return are very much feasible in impact investing but, like in any private investing, investment selection is the key to success



Financial performance of impact investing funds

- In June 2015, Cambridge Associates and the Global Impact Investing Network (GIIN) Introduced the First Benchmark to Provide Financial Performance Data on Private Investment Funds in Growing Impact Investing Industry

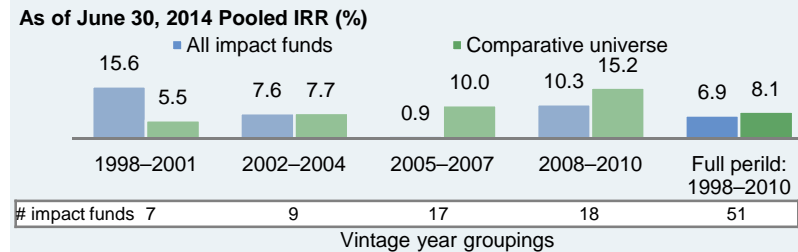
Key trends:

- Impact investing funds launched from 1998 through 2004 performed in line with or better than the comparative universe of non-impact investing funds. Funds launched in more recent periods are trailing the comparative universe but their returns remain largely unrealized
- Emerging market impact investing funds launched from 1998 through 2010 performed in line with emerging market funds in the comparative universe of non-impact investing funds
- Emerging market impact investing funds raised between 1998 and 2004 generated a pooled net internal rate of return (IRR) of 15.5%, versus returns of only 7.6% for emerging market funds with those vintage years in the comparative universe
- In addition, smaller impact investing funds often outperformed smaller funds in the comparative universe of non-impact investing funds. For instance, for all vintage years, impact investing funds that raised under \$100 million returned a pooled 9.5% net IRR—outperforming similar-sized funds in the comparative universe of non-impact investing funds in each vintage year grouping except 2008 to 2010

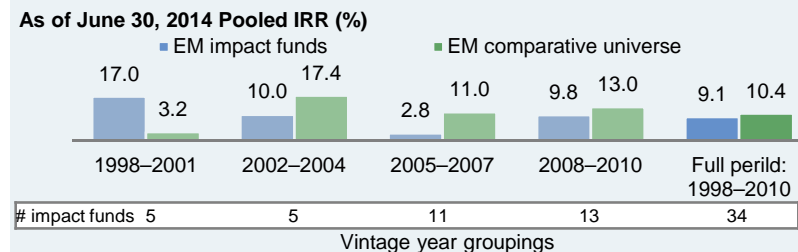
There are funds within the Impact Investing Benchmark that have performed in line with top quartile funds in the comparative universe, showing that market rates of return for impact investments are possible and also reinforcing that manager skill is paramount

Source: Impact Investing Benchmark Performance Analysis, GIIN and Cambridge Associates, June 2015

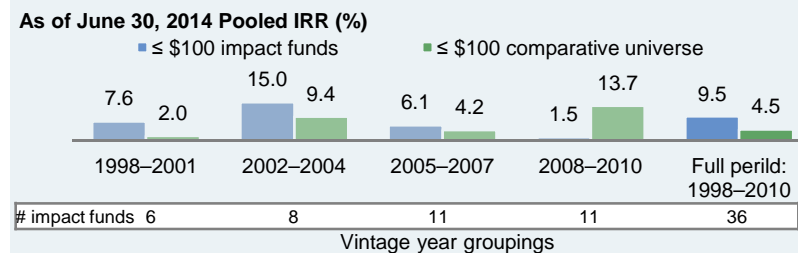
Performance by vintage year



Performance by vintage year and geography: EM funds



Performance by vintage year and fund size: ≤ \$100mm



Note: Pooled IRRs are net to LPs

JPMC Social and Sustainable Finance: Dedicated capacity to serve the social and environmental priorities of our clients

Social & Sustainable Finance

- Leverages the scale, resources and expertise of the firm to support clients achieve their social and environmental objectives
- Delivered through a dedicated and diversified team of 20+ professionals globally
- Committed US\$63mm to develop JPMorgan's Social and Sustainable Finance Principal Investment Portfolio



Working in partnership with lines of business across JPMC

Corporate & Investment Bank

Commercial Bank

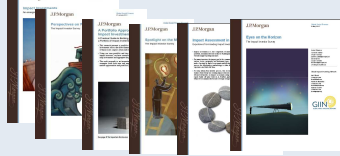
Asset Management

Corporate Responsibility

JPMC Social and Sustainable Finance: Accomplishments to date

Thought Leadership

Since 2010



Social Finance research

Building the most comprehensive dataset and research library on the impact investing market

Ongoing

Leadership role in global initiatives

*Co-authored the Green Bond Principles
Leading role in the Social Impact Investment Taskforce*

February 2013

Launch of the Cross Sector Biodiversity Initiative

This initiative aims to support the broader goals of innovative and transparent application of the mitigation hierarchy in relation to biodiversity and ecosystem services. Joint workshops were organized around protected areas and the biodiversity mitigation hierarchy.

Operational Best Practices

Ongoing

Client engagement around environmental and social opportunities

Advising clients on environmental and social opportunities and challenges via a forward looking approach that combines commitment and capacity on topics such as; membership advisory, increased and better quality reporting, and sharing operational best practices across different sectors

April 2014



Partnered with The Nature Conservancy to create a forum for thought leadership on investments in conservation

Financing Solutions

April 2014



Develop and execute innovative financial transactions that help protect and restore critical land and water ecosystems

December 2013
\$108mm



Advised the Gates Foundation on structuring and raising capital for a private equity fund investing in R&D for diseases such as HIV, tuberculosis and malaria

February 2012

Global Health

Advised a multilateral development organization on its capital structure and ratings

March 2015

Dementia Discovery Fund

Advised the UK government on funding options invest on the development of potentially disease modifying pre-clinical assets

Since November 2007

\$6bn+

Green Bond

JPMC has underwritten over \$6.0 bn of Green Bonds across 63 transactions, 4th in terms of total market share since November 2007

September 2011

\$25mm



Co-structured and invested in a fund supporting small and medium-sized agriculture-related businesses in East Africa

Case study: Innovative solutions

J.P. Morgan advised the UK Government and Department of Health in structuring the innovative Dementia Discovery Fund

\$100mm March 17, 2015

**Dementia
Discovery Fund**

Advisor to the UK Government **J.P.Morgan**

Initiative overview

- On March 17, 2015 J.P. Morgan announced its role as advisor to the UK Government and the Department of Health in structuring a new Dementia Discovery Fund (the “Fund”)
- The Fund will invest on the development of potentially disease modifying pre-clinical assets
- The Fund aims at improving the likelihood of identifying treatments to slow the progression of the disease and improve the quality of life of dementia patients and their carers
- As part of this initiative the UK Government committed £15mm to the fund supported by other institutional investors including:
 - Leading Big Pharma companies: GSK, Johnson & Johnson, Pfizer and Biogen Idec
 - Charitable institutions: Alzheimer Research UK
- The Fund is one of a series of initiatives promoted by the World Dementia Council and intended to improve regulatory pathways and data sharing across research organisations

“I’m delighted that J.P. Morgan has worked with us to design this Fund to help turn innovative research into new drug development. It’s significant step in our fight against dementia” (Jeremy Hunt, UK Secretary of State – March 17, 2015)

Source: J.P. Morgan, World Health Organization, Press

Dementia Discovery Fund supporters



Key facts on Dementia

- Dementia is a syndrome causing a progressive deterioration in memory, thinking, behaviour and the ability to perform everyday tasks
- Worldwide, 47.5 million people have dementia and there are 7.7 million new cases every year
- Alzheimer's disease is the most common cause of dementia and may contribute to 60–70% of cases
- Dementia has physical, psychological, social and economical impact on caregivers, families and society estimated at \$604bn annually
- In spite of the huge social and economic cost, only three dementia drugs have been produced in the past 15 years

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Case study: Innovative solutions

Funding research and development for neglected diseases:

Global Health Investment Fund



Structuring

Advised the Bill & Melinda Gates Foundation (BMGF) on the structure of a partial guarantee for a private equity fund designed to support the clinical development of new drugs and vaccines for diseases such as tuberculosis, malaria, rotavirus and cholera

- J.P. Morgan Social Finance, in partnership with several other teams in J.P. Morgan's Private Bank and Investment Bank, built an innovative private equity fund designed to advance BMGF's charitable objectives by attracting private sector capital to invest in promising new technologies for global health
- To increase the marketability of the fund, JPMorgan Chase advised upon the size and structure of a partial guarantee that was funded from BMGF's program-related investments budget

GHIF Guarantee Framework

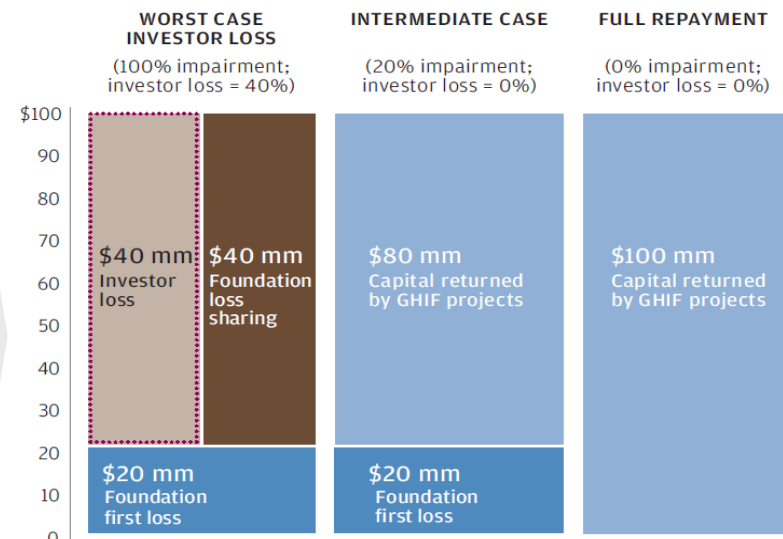
The guarantee had to balance numerous competing concerns for the Gates Foundation

- Minimize financial burden while attracting a critical mass of investor commitments
- Maximize "leverage" achieved through use of the guarantee (minimum 1:1 with a 5:1 target)
- Needed investors to have "skin in the game" and demonstrate a willingness to partner on a mission-driven investment
- Wanted to syndicate the risk with other mission-aligned partners

Placement

- J.P. Morgan Social Finance also helped enlist our Private Bank to serve as placement agent for the fund
- The fund announced \$94mm of commitments from a diverse group of investors in September 2013 and had a final close at \$108mm in early 2014
 - Private foundations, development finance institutions and strategic investors anchored the fund
 - High net worth individuals and family offices represented the largest number of investors

Illustrative Loss Sharing Scenarios
(Assumes \$100 mm in contributed capital to the Fund)



JPMC impact investment portfolio: \$63mm in total commitments to date



Jan. 2009
\$60mm

MicroVest II: Provides equity capital to low-income financial institutions to help build capital markets serving low-income individuals in emerging markets

Representative deal: India non-bank financial company that provides financial services to poor women entrepreneurs



Dec. 2012
\$108mm

GHIF: Invests in the development of drugs, vaccines, diagnostics that address global health challenges that impact emerging markets

Representative deal: Oral, single-dose cholera vaccine that is effective in less than 7 days



May 2010 \$135mm
Sep. 2014 \$400mm

LeapFrog I & II: Invests in companies that distribute microinsurance and related products to low-income and excluded people in Africa & Asia

Representative deal: South African life insurer serving people with HIV/AIDS who commit to follow health monitoring/treatment programs



Sep. 2013
\$35mm

EcoEnterprises: Invests in small and medium-sized enterprises that create positive conservation and community impacts in Central & South America

Representative deal: Company selling tea beverages made from the leaves of the native Amazonian tree



June 2010
\$77mm

IGNIA: Invests in entrepreneurs with scalable businesses that deliver high impact to low-income populations in Mexico

Representative deal: Business that helps rebuild communities by acquiring, refurbishing and selling foreclosed homes in low-income housing developments



Apr. 2014
\$75mm
Target: \$80mm

Novastar: Invests in entrepreneurs with scalable businesses that deliver high impact to low-income populations in East Africa

Representative deal: Distributor of cookstoves and other basic products in peri-urban and rural environments



Jan. 2011
£12mm

Social Entrepreneurs Fund: Supports scalable, high-impact social enterprises serving the most deprived 25% of the population in the UK

Representative deal: Community transport business which reinvests its profits to fund local transport services for mobility-impaired



Dec. 2014
\$66mm
Target: \$125mm

FIRST: Invests in entrepreneurs with scalable businesses that deliver high impact to low-income populations in Brazil

Representative deal: Network of affordable healthcare clinics offering to low-income individuals where the government health programs are poorly established



Sep. 2011
\$25mm

AACF: Invests in small and medium-sized agriculture-related businesses in East Africa directly benefiting small-holder farmers

Representative deal: Floriculture business that exports summer flowers grown by a network of 3,000 small farmers in Kenya



Dec. 2014
\$52mm
Target: \$70mm

Elevator: Invests in businesses delivering essential services to disconnected communities in Latin America and Asia underserved by global networks

Representative deal: Company providing infrastructure and project loans to help affordable private school entrepreneurs in India grow and improve their schools

Note: Where a fund is still fundraising, the target is noted in italics

Select companies within the Social Finance impact investment portfolio



Novastar
Ventures

Bridge International Academies (Novastar)

- **Description:** Provides affordable, primary education to low-income populations across Kenya
- **Investment:** US\$3.5mm investment as part of a US\$50mm round to support expansion of the school network in Kenya and international growth plans (likely Nigeria, Uganda or India)
- **Impact:** To date, Bridge has built and opened over 250 schools in Kenya serving 90,000 pupils and achieved test scores in math and literacy that exceed neighboring government schools by a wide margin (validated through independent testing)



LEAPFROG
INVESTMENTS®

Express Life (LeapFrog)

- **Description:** Provides savings and insurance products, including life and hospitalization cover, for emerging consumers in both urban and rural areas of Ghana
- **Investment:** US\$5.5mm to acquire a majority stake in order to restructure the management team and strengthen operating processes; exited in Dec'13 at much higher return than estimated
- **Impact:** At the time of the exit, Express Life reached more than 730,000 people—most of them first-time users of insurance and savings products—vs. 60,000 when LeapFrog first invested



IGNIA

MexVi (IGNIA)

- **Description:** Builds housing solutions in rural and semi-urban areas on a customer's land, enabling low-income families to buy a high-quality house in a way that is affordable, fast and safe
- **Investment:** US\$8.9mm to establish a retail sales channel, making the business less dependent on government contracts and allowing it to reach a broader customer base
- **Impact:** Since its founding, MexVi has built 6,600 homes, providing housing for more than 33,000 people living at the base of the pyramid in Mexico



Eldoville Dairies Ltd. (AACF)

- **Description:** Established milk processing business which distributes premium-branded yogurts, cheeses, butter and cream to larger catering institutions (e.g., flight food service), hotels, and hospitals
- **Investment:** KES 200mm (US\$2.4mm) to establish a new milk processing facility that will more than triple its capacity
- **Impact:** AACF expects to help Eldoville grow from 1,500+ smallholder suppliers of raw milk to more than 7,000 by its fifth year of investment

J.P. Morgan thought leadership library

J.P. Morgan thought leadership library

The Impact Investor Survey
Our annual survey in collaboration with the Global Impact Investing Network (GIIN) sheds light on the impact investment market and its growth and development by collecting data on investors' expectations and experiences (Nov 2010, Dec 2011, Jan 2013, May 2014, May 2015)



Impact Assessment in Practice
Findings from interviews with leading impact investors and related desk research on current impact assessment practices (May 2015)



A Portfolio Approach to Impact Investing
Our guide for investors on constructing targets, assessing individual opportunities and aggregating the impact, return and risk profile of an impact investment portfolio (Oct 2012)



Counter(imp)acting Austerity
Survey of developed market governments' financial support of the impact investment market (Nov 2011)



Available at www.jpmorganchase.com/socialfinance