

Zero Gap Fund 2022 State of the Portfolio



Driving Impact at Scale

Four years ago, The Rockefeller Foundation set out to invest in bold and innovative financing products and solutions to catalyze new capital to help meet the UN Sustainable Development Goals (SDGs). Our ambition resulted in the development of the Zero Gap Fund (ZGF or the Fund). We are proud to say that, as of August 2023, the Fund will be fully committed across 12 investments.

ZGF has provided catalytic capital during an increasingly challenging global macro environment, addressing the world's most pressing challenges including climate change, financial inclusion, access to essential services, and the ongoing conflict in Ukraine. The Fund has reached beyond mainstream strategies to target new impact themes, for which there are few sources of seed capital yet have potential to deliver significant positive economic, social, or environmental impact.

Launched in 2019 in partnership with the John D. and Catherine T. MacArthur Foundation and its flagship Catalytic Capital Consortium (C3), the ZGF deploys flexible, patient and risk tolerant capital to catalyze private investment into strategies that address the SDGs. The Fund's mandate is to support innovative products and structures that are replicable and scalable and demonstrate how new solutions may drive needed financing for global good.

In 2022, ZGF made two new investments: Seedstars International Ventures II and Horizon Capital Growth Fund IV. Both investments highlight the importance of tech-enabled companies and disruptive technology for delivering impact. Seedstars provides venture capital and training to tech-enabled start-up companies across emerging and frontier markets. Horizon Capital, Ukraine's leading private equity firm, focuses on export-oriented technology companies

with operations that have proven resilient during the ongoing conflict. Their Growth Fund IV supports local enterprises that provide employment opportunities in Ukraine and neighboring Moldova.

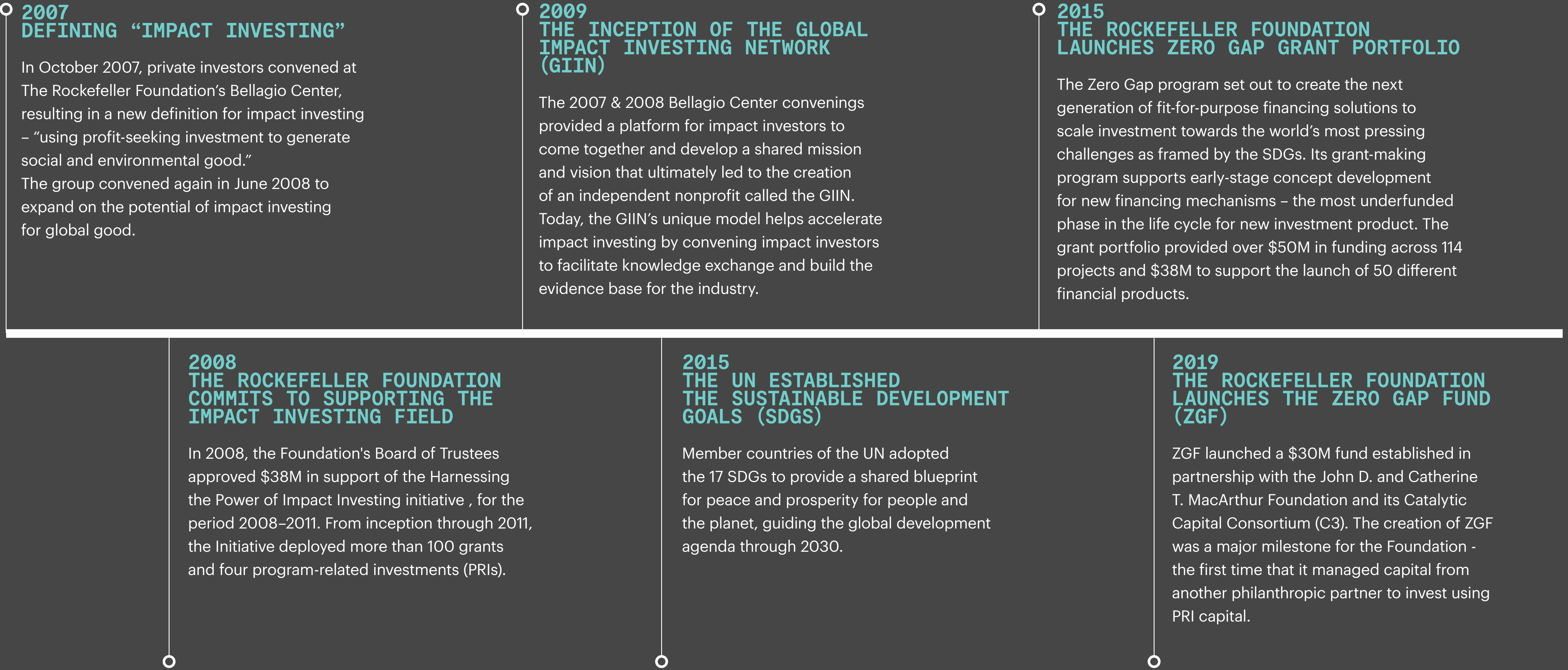
The Zero Gap Fund: 2022 State of the Portfolio report provides details about the Fund's investments and the impact they have been able to achieve. As the Fund matures, we are seeing the power of catalytic capital to mobilize private investment into these impact-driven strategies. Innovative financial solutions like those advanced by ZGF are designed to be replicated and scaled. These and other ground-breaking financing solutions developed through the Fund will play a critical role in channeling meaningful private capital flows into investments that deliver positive impact to underserved and vulnerable people, communities, and ecosystems.



Maria C Kozloski

Maria Kozloski
Senior Vice President, Innovative Finance
The Rockefeller Foundation

Our Legacy in Impact Investing

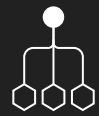




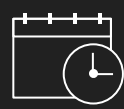
INVESTMENT TYPE
Multi-Asset Class



GEOGRAPHY
Global



PURPOSE
**Addressing the SDG
Financing Gap**



INVESTMENT CLOSE
2019



FUND SIZE
\$30M



**COMMITTED
(ZGF CATALYTIC
INVESTMENT)***
\$25M



**PRIVATE CAPITAL
MOBILIZED TO DATE***
\$795M+



LEVERAGE RATIO**
32x

* As of December 31, 2022

** Catalytic Leverage Ratio = Private Capital Directly Mobilized(\$)/ZGF Catalytic Investment (\$)

The Zero Gap Fund Overview

The Zero Gap Fund (ZGF or the Fund) is a global portfolio of investments employing innovative financial products and structures to deliver positive, measurable social, environmental, and economic impact at scale to underserved and vulnerable people and communities.

The Rockefeller Foundation (the Foundation) has long recognized the importance of mobilizing private sector capital for public good. The Foundation led the impact investing industry into the mainstream in 2008 by launching a new \$38M initiative, Harnessing the Power of Impact Investing which has since evolved into the Innovative Finance initiative. By 2015, the Innovative Finance initiative launched the Zero Gap grant portfolio to provide seed funding to address the world’s most pressing challenges, as defined by the UN Sustainable Development Goals (SDGs), and to catalyze private sector investments to scale.

The Zero Gap program was created to mitigate investment risk by providing grant funding for the development of innovative investment products and financing structures. These financial mechanisms focus on the reallocation of risk, the creation of new relationships between stakeholders and investors, and pioneering investment strategies.

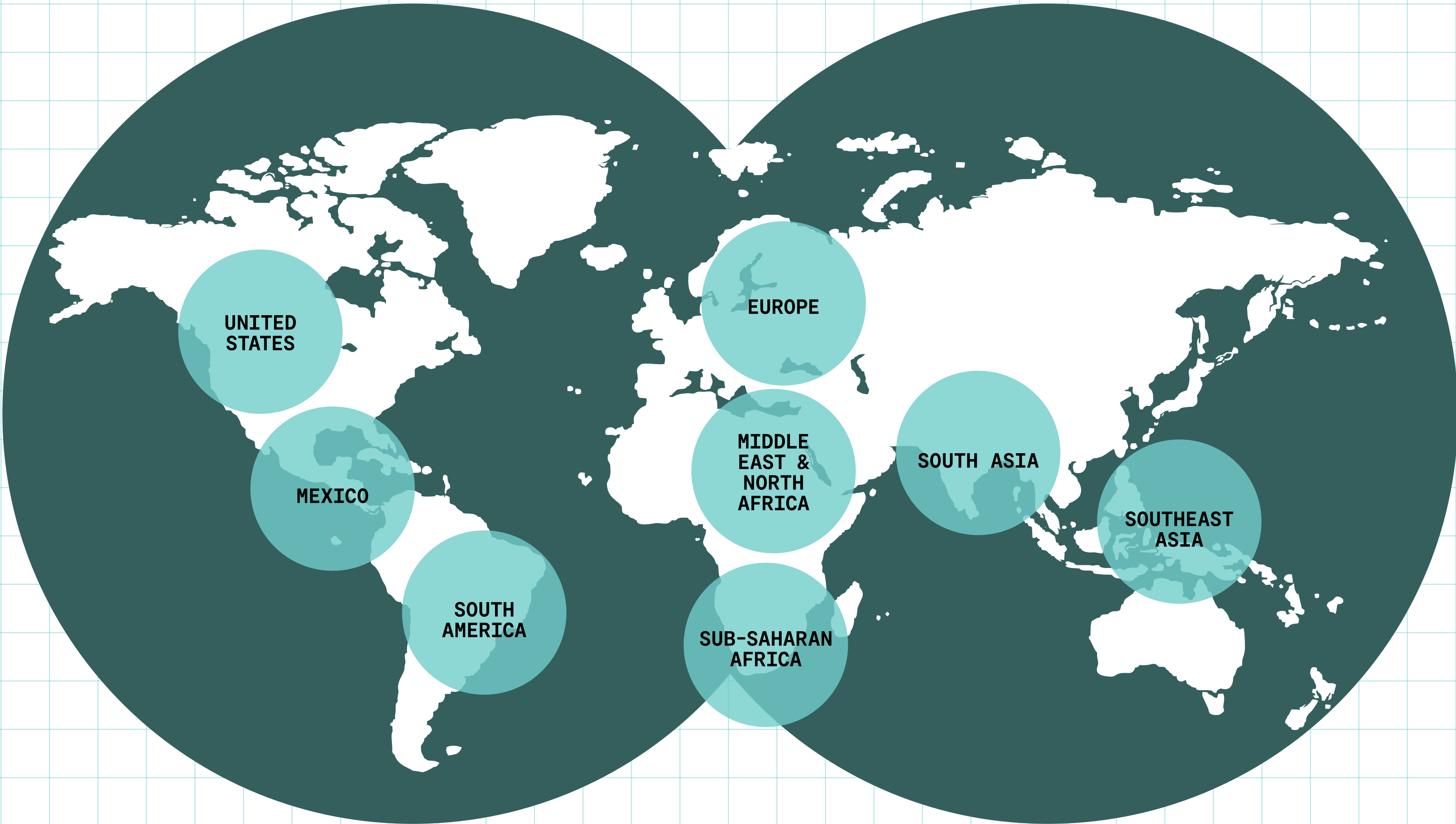
The grant portfolio has funded more than 50 investment instruments across diverse geographies, sectors, and asset classes. While nearly half of the Zero Gap grantees resulted in pilots or successful launches, others typically needed more flexible philanthropic funding to launch.

In 2019, the Foundation partnered with the John D. and Catherine T. MacArthur Foundation and its flagship Catalytic Capital Consortium (C3) to establish the Zero Gap Fund in order to operationalize the instruments incubated in the Zero Gap grant portfolio and launch groundbreaking investment strategies that advance the SDGs.

The instruments incubated in the Zero Gap grant portfolio were designed to be replicable and scalable. A secondary objective for the ZGF is to have these financing structures and investment products serve as models for the market with the potential to catalyze large-scale private sector capital.

ZGF has seeded financial innovations to catalyze investment in diverse projects such as forest restoration and fire risk mitigation, women-led sustainable farming, and climate adaptation and resilience. As of December 2022, the Fund has invested \$25M and mobilized approximately \$795M in capital across 10 investments.

The Zero Gap Fund is a Global Portfolio



The Zero Gap Fund Portfolio

ORGANIZATION	ZGF INVESTMENT(S)	INVESTMENT YEAR	DESCRIPTION	SDGS TARGETED*
Blue Forest	Forest Resilience Bond – Yuba	2018	Restoring forests and assuring water quality for farmers and communities threatened by wildfires.	<div><div>3</div><div></div></div> <div><div>6</div><div></div></div> <div><div>7</div><div></div></div> <div><div>8</div><div></div></div> <div><div>11</div><div></div></div> <div><div>13</div><div></div></div> <div><div>15</div><div></div></div>

* SDGs broadly targeted by portfolio companies as listed by the companies themselves

ZGF's Alignment with the SDGs

Blue Forest

Acres of terrestrial ecosystems protected: 527

SDG TARGET
15.1 By 2020, ensure the conservation, restoration, and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements

Lightsmith

Global greenhouse gas emissions (tons of CO2) avoided: 395K+

SDG TARGET
13.2 Integrate climate change measures into national policies, strategies, and planning

Blue Forest

Communities protected: 4

SDG TARGET
11.6 By 2030, reduce the adverse per capita environmental impact of cities and municipalities

Founders First

Number of loans distributed: 15

SDG TARGET
9.3 Increase the access of small-scale industrial enterprises to financial services, especially those operating in developing countries

Apis & Heritage

Net new jobs: 60

SDG TARGET
8.5 By 2030, achieve full and productive employment and decent work for all people

SDG TARGET
2.3 By 2030, double the agricultural productivity and incomes of small-scale food producers, especially women, indigenous peoples, family farmers, pastoralists, and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment

Impact Investment Exchange

Women farmers being sourced from: 10K+

SDG TARGET
3.8 Achieve universal health coverage, financial risk protection, access to quality essential health-care services

Leapfrog

Emerging consumers reached through healthcare services: 12M

SDG TARGET
5.5 Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic, and public life

Seedstars

Number of investees with women co-founders: 5

SDG TARGET
6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity, substantially reduce the number of people suffering from water scarcity

Blue Forest

Water supply protected (acre-feet): 1,812

SDG TARGET
7.2 By 2030, increase the share of renewable energy in the global energy mix

Blue Forest

Hydropower generation protected (megawatt-hours): 2,512



- 1. NO POVERTY
- 2. ZERO HUNGER
- 3. GOOD HEALTH AND WELL-BEING
- 4. QUALITY EDUCATION
- 5. GENDER EQUALITY
- 6. CLEAN WATER AND SANITATION
- 7. AFFORDABLE AND CLEAN ENERGY
- 8. DECENT WORK AND ECONOMIC GROWTH
- 9. INDUSTRY, INNOVATION AND INFRASTRUCTURE
- 10. REDUCED INEQUALITIES
- 11. SUSTAINABLE CITIES AND COMMUNITIES
- 12. RESPONSIBLE CONSUMPTION AND PRODUCTION
- 13. CLIMATE ACTION
- 14. LIFE BELOW WATER
- 15. LIFE ON LAND
- 16. PEACE, JUSTICE AND STRONG INSTITUTIONS
- 17. PARTNERSHIP FOR THE GOALS

All data as of December 31, 2022

Investments Overview

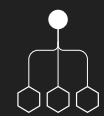




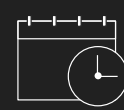
INVESTMENT TYPE
Intermediated Debt



GEOGRAPHY
United States



PURPOSE
Climate Mitigation via
Forest Restoration



YEAR OF INVESTMENT
2018 (warehoused)



ROLE OF CATALYTIC CAPITAL
Enabled participation from
a diverse mix of investors
that were critical to the
success and future scaling
of the investment model



ZERO GAP FUND CATALYTIC INVESTMENT
\$1M



PRIVATE CAPITAL MOBILIZED TO DATE
\$3M

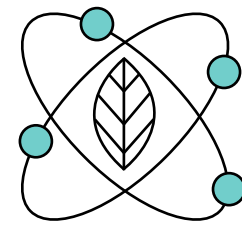


LEVERAGE RATIO
3x

SELECT 2022 IMPACT RESULTS

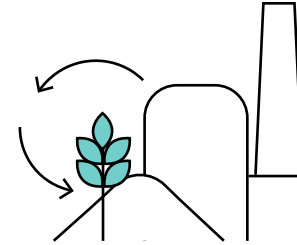
527

Acres of Terrestrial
Ecosystems Protected



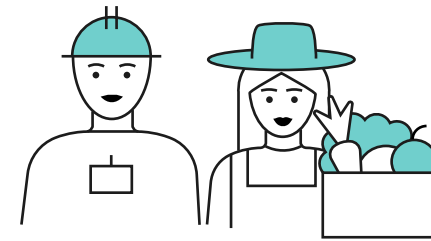
9,780

Biomass
Utilization (tons)



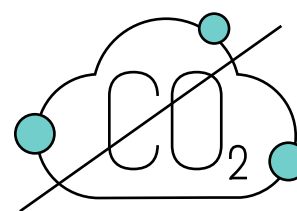
4

Communities
Protected



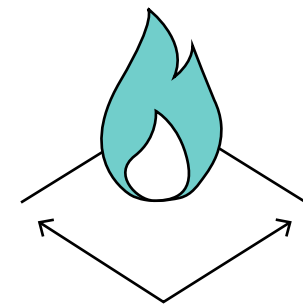
1,791

Avoided Carbon
Emissions (metric
tons of CO2)



176

Acres of Fire Prone
Areas Funded for
Restoration



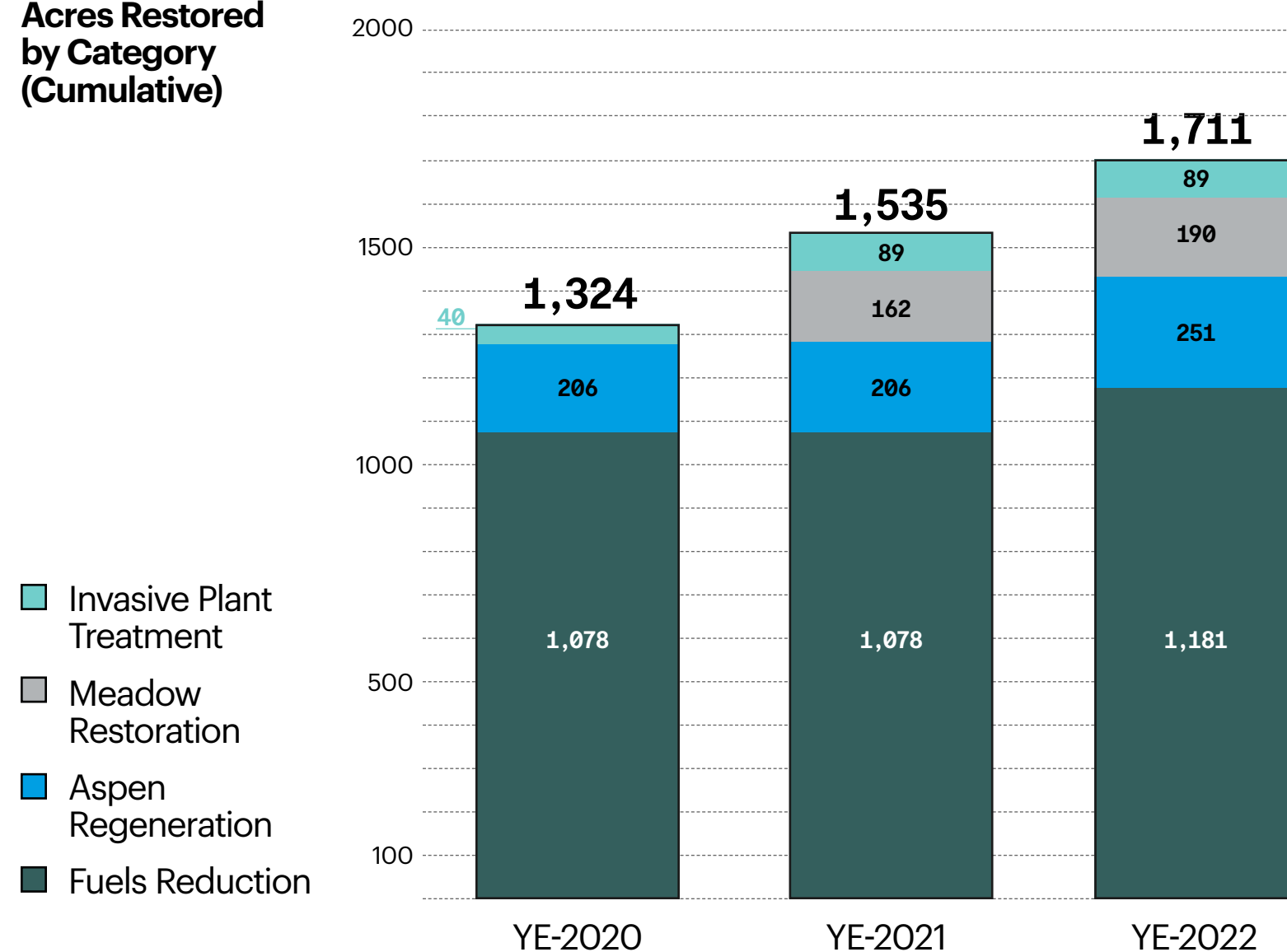
1,812

Water Supply
Protected
(acre-feet)

2,512

Hydropower
Generation
Protected
(megawatt-
hours)

**Acres Restored
by Category
(Cumulative)**



Blue Forest



The Forest Resilience Bond uses an innovative public private partnership structure that mobilizes private capital to accelerate forest restoration and wildfire risk mitigation to protect communities and ecosystems on public lands.

Wildfires in the U.S. are occurring with increased frequency and severity, resulting in degrading ecosystems, detrimental health impacts, and increased carbon emissions. Healthy forests are critical for watershed resilience and quality water supply to surrounding communities. This ecosystem degradation can be reversed through large-scale ecological forest restoration and other conservation measures, though there is a significant funding gap estimated at approximately \$50 billion.

Blue Forest created the Forest Resilience Bond (FRB) structure to address this gap. The instrument aligns the interests of those who will benefit from well-managed forests and watersheds: federal, state and local governments, water supply utilities, hydropower companies, and other public and private entities. Private sector investors targeting projects with a positive environmental impact invest in the FRB, which provides upfront funding for the restoration work. Principal and interest repayments of the bonds are

then contracted through cost-share contributions by the various parties benefiting from the forest restoration work. Blue Forest's efforts protect precious land and water resources and contribute to a greener energy landscape, while creating new jobs in this space.

Blue Forest launched the first FRB in 2018 and the second in 2021, financing the protection of a portion of the Tahoe National Forest in the North Yuba River watershed. As the Yuba I FRB nears completion and the implementation of the Yuba II FRB gains momentum, the FRB has evolved from a new, innovative tool to an accepted mechanism for collaborative landscape-scale restoration. Following the FRB I launch, the North Yuba Forest Partnership (NYFP) was formed as a working forest collaborative to plan, analyze, finance, and implement forest restoration across 275,000 acres of the watershed. The NYFP comprises nine organizations and plans to use the FRB model to finance more than \$100 million of restoration work across the North Yuba River watershed. Blue Forest also plans to test the FRB model in multiple new landscapes and geographies across the Western U.S.



INVESTMENT TYPE

Direct Equity & Intermediated Debt



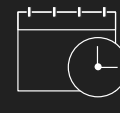
GEOGRAPHY

United States



PURPOSE

Education Financing
Reducing Inequity



YEAR OF INVESTMENT

2018 (warehoused)



ROLE OF CATALYTIC CAPITAL

Augmenting Sixup's lending capacity and providing balance sheet capital to extend the company's runway towards its next round of financing



ZERO GAP FUND
CATALYTIC INVESTMENT

\$4M



PRIVATE CAPITAL
MOBILIZED TO DATE

\$26M



LEVERAGE RATIO

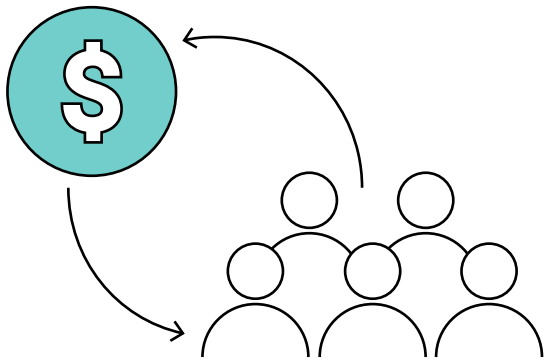
7x

SELECT IMPACT RESULTS THROUGH 2022*



\$3M+

Total Loans Underwritten



76%

Borrowers Received Pell Grants



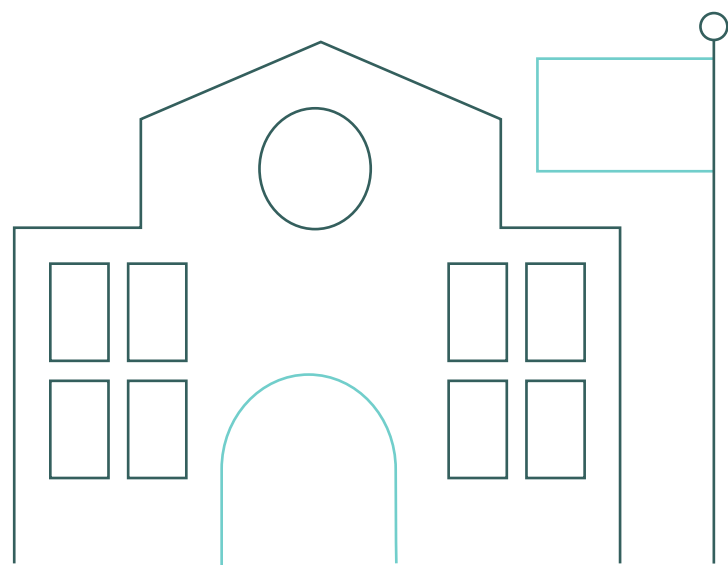
328

Loans to Underserved Students



\$9K+

Average Loan Size



155

Schools Represented by Borrowers

*Reflects data as of 2021; Sixup has paused on new loans as they continue to explore alternative business models

Sixup

SIXUP

Sixup's financing model uses alternative data analytics and wraparound support to underwrite the tuition funding gap for low-income, high performing students with limited access to traditional credit.

The primary barrier for low-income students seeking higher education is access to financing. The estimated national tuition funding gap is approximately \$70 million annually. According to government data, roughly seven million low-income, high achieving students are admitted to college, but lack finances to cover the cost of tuition and room and board. Tuition assistance often falls short in covering total education costs, and low-income students may not have a co-signer or meet the financing requirements to fill this gap.

Sixup is an online lending platform that seeks to fill the financing gap for low-income, high performing students. Unlike traditional lenders, no credit history or co-signer is required. The company's objective is to invest in students to attend better schools ("upfunding") and position them to achieve better outcomes ("upmatching").

Sixup's underwriting model uses alternative data analytics, incorporating academic performance, college selection and financial need to assess risk and set the appropriate terms. In addition to financing, Sixup provides academic and career services to support a student's education and early career development throughout the life of the loan. These additional services are designed to help students succeed and enhance the loan's performance.

ZGF provided catalytic capital that mobilized private sector investment in Sixup. Despite the challenges and lasting effects of the Covid-19 pandemic, Sixup continued to serve its students.

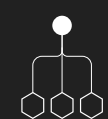




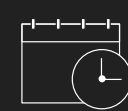
INVESTMENT TYPE
Intermediated Equity



GEOGRAPHY
Sub-Saharan Africa, South Asia, and Southeast Asia



PURPOSE
Addressing Global Inequities & Expanding Access to Healthcare and Financial Services



YEAR OF INVESTMENT
2019 (warehoused)



ROLE OF CATALYTIC CAPITAL
ZGF leveraged its investment contribution through the creation of an innovative insurance product focused on addressing tail-end performance risks to mobilize additional private capital toward investment in low-income emerging consumers



ZERO GAP FUND CATALYTIC INVESTMENT
\$3M



PRIVATE CAPITAL MOBILIZED TO DATE
\$270M



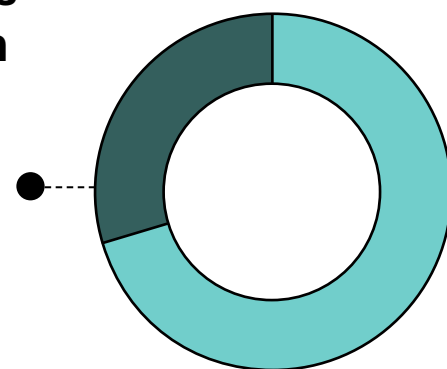
LEVERAGE RATIO
90x

SELECT IMPACT RESULTS THROUGH 2022

Companies Invested In

5

Healthcare



12

Financial Services

94K+

Jobs Supported

134M

Unique Customers Served*

70M

Unique Emerging Customers

48M

Female Unique Emerging Customers

Consumers Reached*

166M

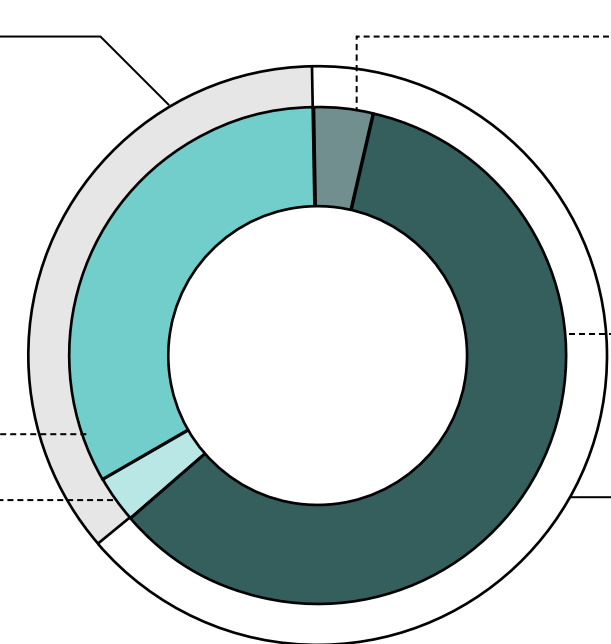
Total Emerging Consumers Reached

154M

Financial Service

12M

Healthcare



15M

Healthcare

277M

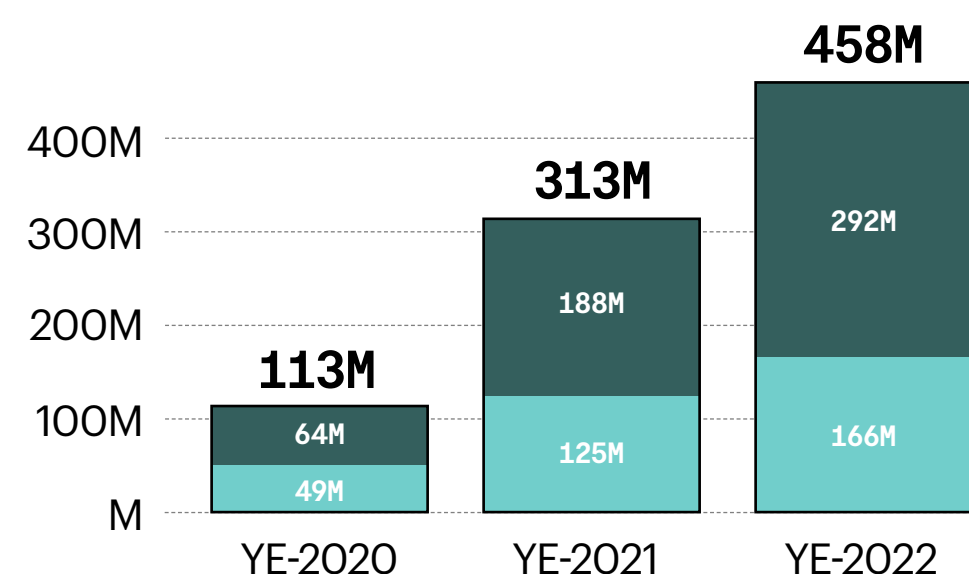
Financial Service

292M

Total Other Consumers Reached

Consumers Reached

■ Other Consumers Reached
■ Emerging Consumers Reached



*"Customers" refers to a portfolio company's direct customers while "Consumers Reached" refers to those customers and their households

LeapFrog



The LeapFrog's Emerging Consumers Fund III is a growth equity fund investing in financial services and healthcare companies serving low-income consumers in Asia and Africa.

Low-income consumers and communities in emerging markets often have limited access to essential products and services, such as bank accounts, insurance, and adequate, affordable healthcare. These emerging consumers, who earn less than \$10 a day*, are particularly vulnerable to any financial or health shocks. LeapFrog's Emerging Consumers Fund III (Fund III) aims to fill this gap by investing in tech-enabled companies whose products and services improve access to these critical financial and health services for low-income consumers.

LeapFrog, AXA and the U.S. Overseas Private Investment Corporation (OPIC, now the U.S. International Development Finance Corporation) joined the ZGF to create a blended finance insurance mechanism to mitigate tail-end performance risks of the private equity investments, thus allowing OPIC to join the fund. With a \$3 million investment from the ZGF, this insurance product enabled nearly \$270 million in additional private capital mobilized.

In 2021, Temasek, the Singapore government-owned investment fund, pledged a \$500 million investment in LeapFrog. This was the largest single commitment ever made to an impact manager and will enable LeapFrog to further scale their business and positively impact more emerging consumers.

As of June 2022, Fund III is fully invested and has deployed more than \$580M to support and scale 17 companies across more than 9 countries in Asia and Africa. Most recently, it invested in a Nigeria-based payment processing company, Interswitch, and an India-based mortgage provider, Shubham, for low-income households.

By the end of 2022, Fund III has reached 134 million unique customers, who, together with their households, make up almost half a billion emerging and other consumers with improved access to health and financial services who are likely to benefit from enhanced resilience to financial and health shocks.

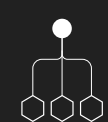
*LeapFrog defines emerging consumers as those living on less than \$10 (2011 PPP) for those investments made before February 2022 and has since increased to those living on less than \$11.20 (2017 PPP) - <https://impact.leapfroginvest.com/>



INVESTMENT TYPE
Intermediated Equity



GEOGRAPHY
Global



PURPOSE
Climate Adaption



YEAR OF INVESTMENT
2019



ROLE OF CATALYTIC CAPITAL
ZGF was the first private investor in CRAFT and gave credibility to a new fund manager seeking to catalyze a novel strategy in impact-driven growth equity in climate adaptation



ZERO GAP FUND CATALYTIC INVESTMENT
\$4M



PRIVATE CAPITAL MOBILIZED TO DATE
\$182M

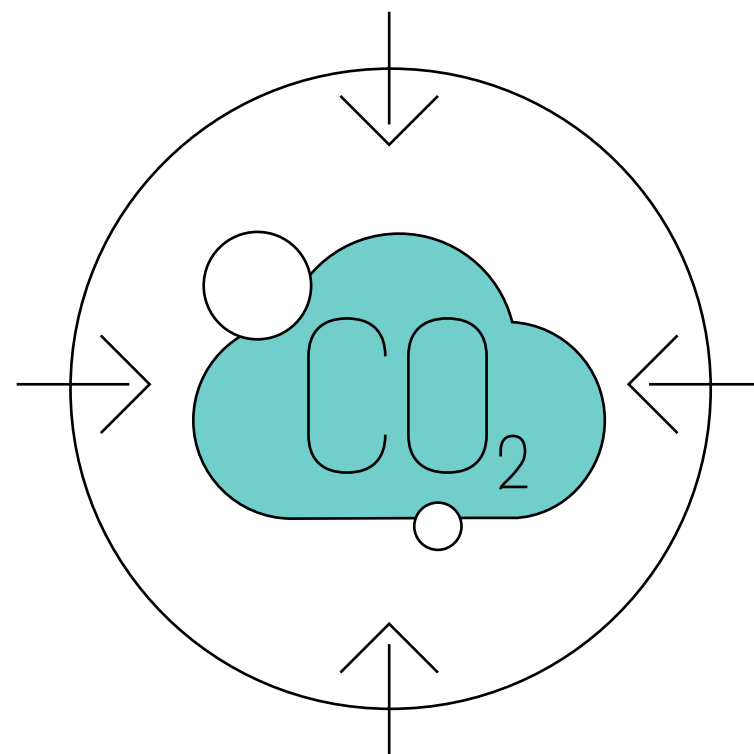


LEVERAGE RATIO
46x

SELECT IMPACT RESULTS THROUGH 2022

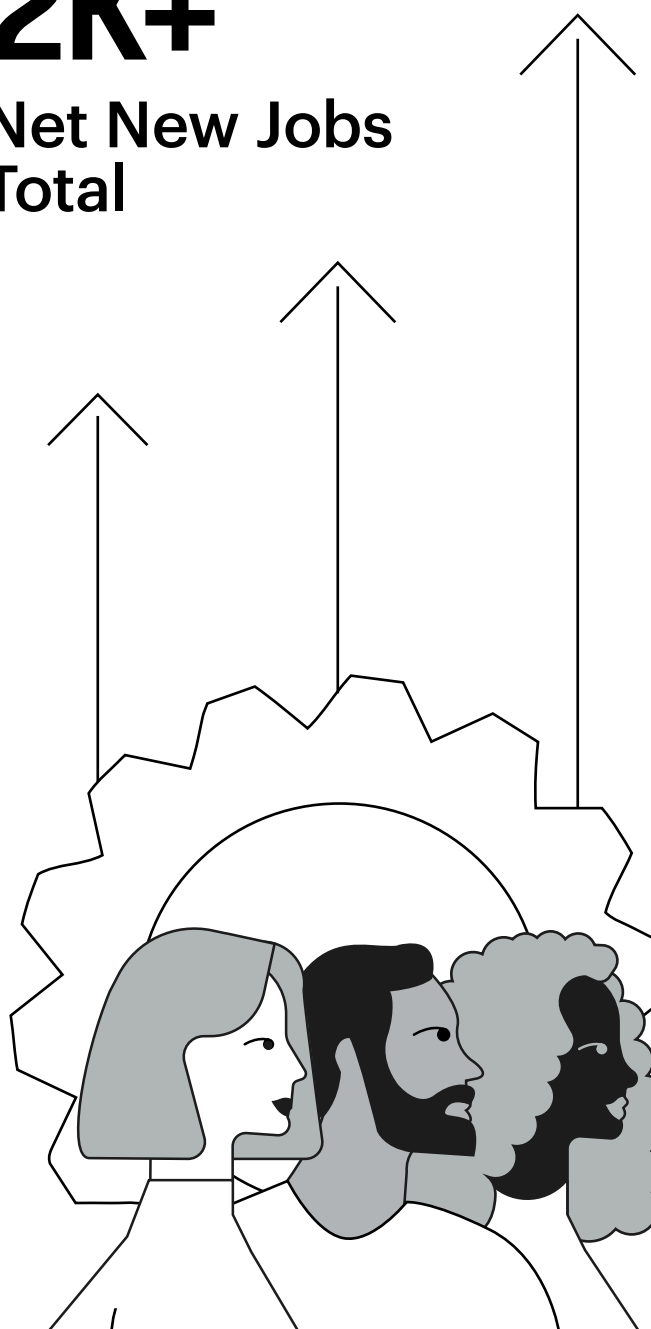
395K+

Tons Net GHG Emissions Reduction



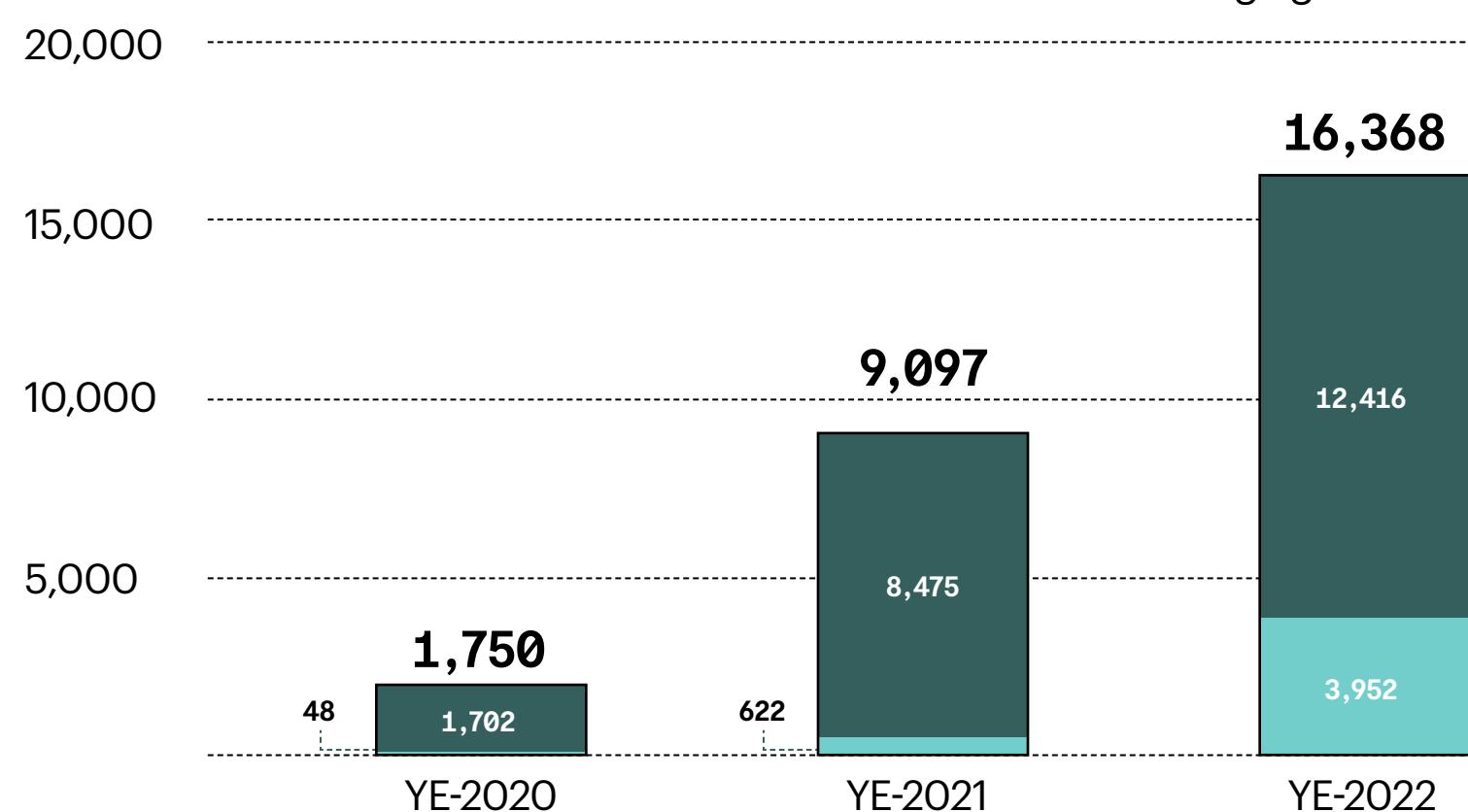
2K+

Net New Jobs Total



Beneficiaries Served by Market (Cumulative)

■ Developed Markets
■ Emerging Markets



Lightsmith

The **Lightsmith** Group

CRAFT is the first private investment fund exclusively focused on climate adaptation, mobilizing capital towards innovative companies that deliver technologies to build community resilience.

Investments targeting climate have primarily focused on climate change mitigation. However, the effects of climate change – from wildfires to massive flooding and drought, must be addressed through climate adaptation and resilience. Funding for climate adaptation enables businesses and communities to manage the effects of extreme weather. Despite the significant funding need, adaptation represents a small percentage of total climate investment – which has largely come from the public sector.

In 2019, the Zero Gap Fund became the first private investor in the Lightsmith Group as a part of its first closing. Through its investment vehicle, CRAFT (Climate Resilience and Adaptation Finance and Technology Transfer Facility), Lightsmith seeks to scale private sector investment in climate adaptation and resilience. The fund invests in companies that use digital technology and artificial intelligence to assess

the effects of climate change, as well as businesses that produce products and services targeting resilient water, food, and agriculture.

In 2022, CRAFT closed its third investment, Brazil-based Soflintec, which uses digital technologies and artificial intelligence to optimize and automate farming operations, promote sustainable land management and increase crop productivity. CRAFT also made follow-on investments in SOURCE Global – to support the global expansion of their water harvesting technology – and WayCool Foods & Products, a large food distributor in India that uses digital technology to improve food supply chain efficiency and reduce food waste. Demonstrating that climate change adaptation and mitigation can be accomplished together, each of these investments helps adapt to disruptions from climate change while also measurably reducing greenhouse gas emissions.

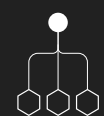
CRAFT also launched a Technical Assistance Facility in 2022 to expand access and deployment of climate solutions in vulnerable communities in low-income and developing nations, which are often particularly vulnerable to climate change.



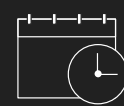
INVESTMENT TYPE
Intermediated Debt



GEOGRAPHY
Asia



PURPOSE
Decent Work and
Economic Growth, Gender
Equality, Climate Action



YEAR OF INVESTMENT
2020



**ROLE OF CATALYTIC
CAPITAL**
The ZGF was critical in
supporting the initial close
of WLB2, mobilizing senior
investors via its sub-
ordinated role in the
capital structure, and
paving the path for
replication



**ZERO GAP FUND
CATALYTIC INVESTMENT**
\$1.5M

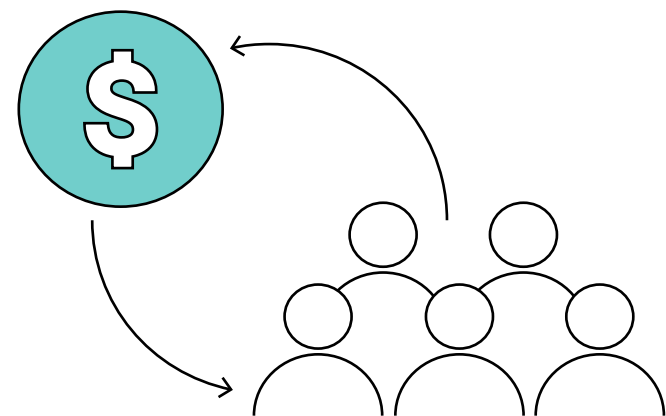


**PRIVATE CAPITAL
MOBILIZED TO DATE**
\$10.5M



LEVERAGE RATIO
7x

SELECT IMPACT RESULTS THROUGH 2022



\$3.42
(SROI)*

*Social Return on Investment is calculated as amount of social value derived per every \$1 of investment capital

3K+

Women in emerging
markets who attend
financial literacy training
sessions



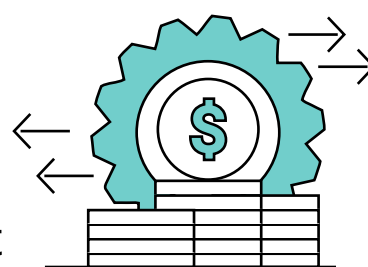
10K+

Women farmers
formally
integrated into
the agricultural
supply chain

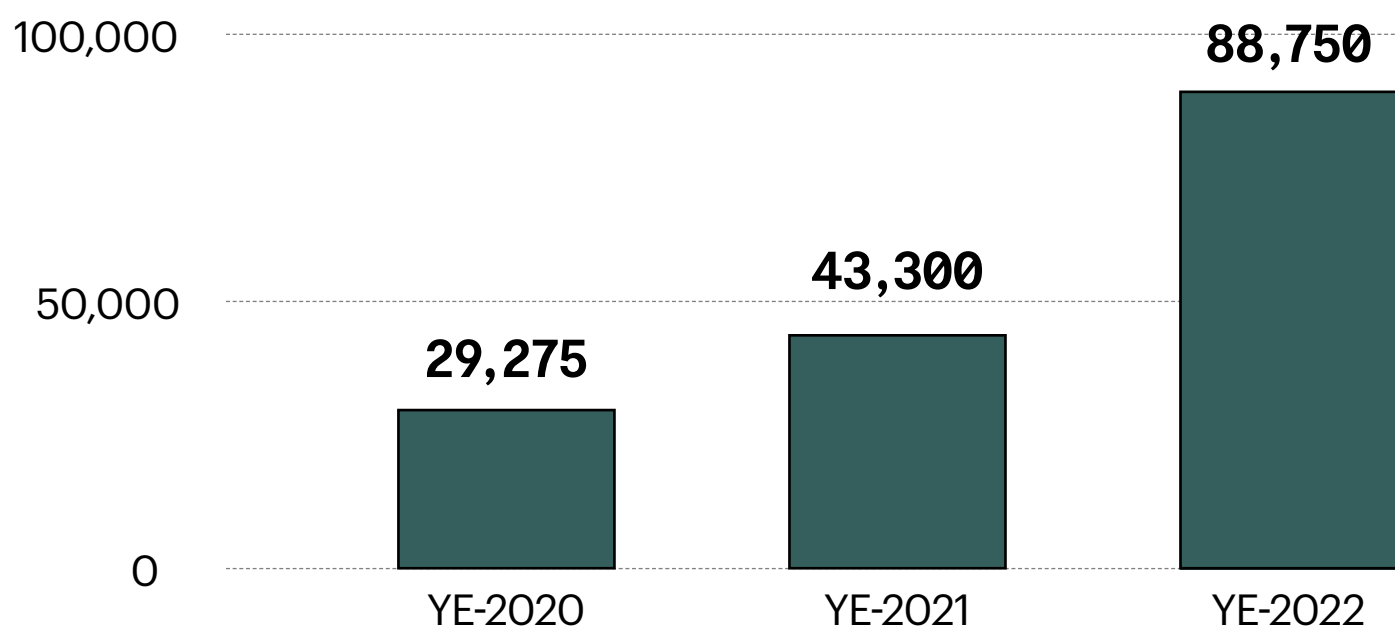


78K+

Women
accessing
affordable credit
to sustain their
business



Unique Women Emerging Consumers Served (Cumulative Direct)



Impact Investment Exchange



The Women's Livelihood Bond II (WLB2) generates deep impact through support of women-owned businesses in Southeast Asia, introducing a new investment structure to the market.

Throughout Southeast Asia, aspiring women entrepreneurs face multiple obstacles, one often being limited access to financing. Larger microfinance institutions, which are typically a primary source of funding for female entrepreneurs, can attract investor capital, while small microfinance organizations remain underfunded.

To address this financing gap, Singapore-based Impact Investment Exchange (IIX) developed and launched the Women's Livelihood Bond (WLB) series, beginning with the first issuance (WLB1) in 2017. The WLB series is the world's first gender bond designed by women for women that was listed on the Singapore stock exchange.

Following the inaugural WLB1, WLB2 launched in 2020 to leverage blended finance structure, including a layer of first loss capital provided by the ZGF and a 50 percent loan portfolio guarantee

provided by United States Development Finance Institution (DFC)*, to catalyze private sector capital for investments that empower women entrepreneurs to achieve sustainable livelihoods. The blended structure enables IIX to attract investors with diverse risk/return profiles. Proceeds from the bonds are lent to micro-finance institutions and impact enterprises that provide access to credit and vocational training for women business owners. WLB2's underlying borrowers are based in Cambodia, Indonesia, and Sri Lanka and operate across microfinance institutions and sustainable agriculture.

IIX uses a proprietary impact assessment framework to assess gender-lens outcomes and to measure, monitor, and manage the impact of the WLB series. The WLB series now comprises five bond issues, all focused on empowering women to achieve sustainable livelihoods and build their resilience to socioeconomic and environmental shocks and stresses.

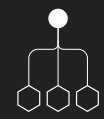
*Prior to 2020, the guarantee was provided by USAID and has since shifted to DFC



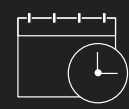
INVESTMENT TYPE
Direct Equity



GEOGRAPHY
United States



PURPOSE
Increased Access to
Funding for Minority-
Owned Businesses



YEAR OF INVESTMENT
2020



ROLE OF CATALYTIC CAPITAL
Direct investment into an innovative revenue-based lending platform to provide an operational track record that demonstrates the credit model and mobilizes at least \$100M towards minority led small and medium sized businesses in the United States



ZERO GAP FUND CATALYTIC INVESTMENT
\$1.5M



PRIVATE CAPITAL MOBILIZED TO DATE
\$110M



LEVERAGE RATIO
73x

SELECT IMPACT RESULTS THROUGH 2022

\$4.3M

Capital
Deployed

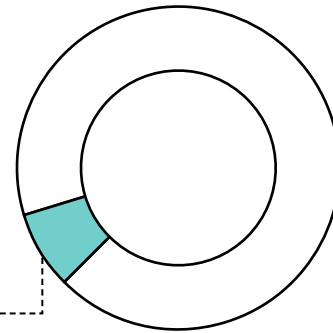
15

Loans
Distributed

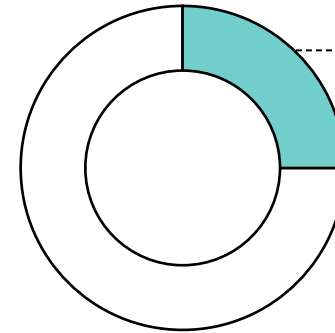
\$288K

Average
Loan Size

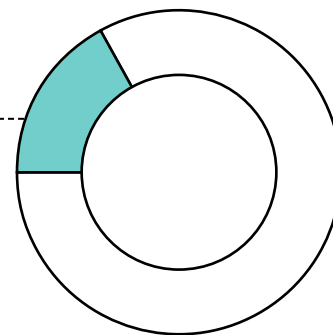
8%
Loans to Low
and Moderate
Income*
Communities



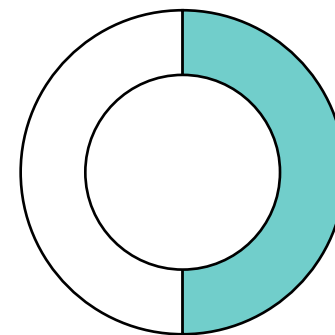
25%
Loans to
Women



17%
Loans to
Veterans



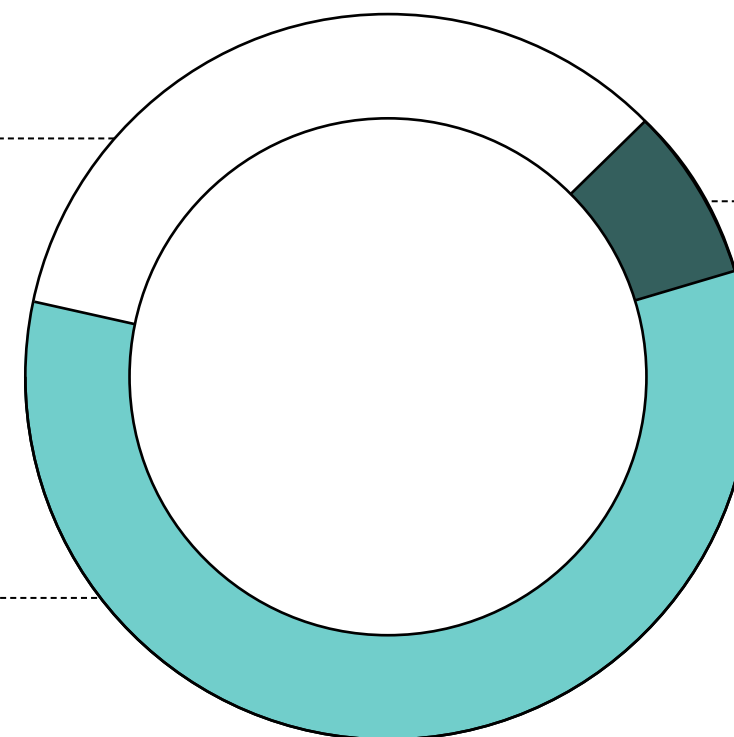
50%
Loans to Ethnic
Minorities



Business Type

34%
Other

58%
IT / Software



8%
Healthcare

* Low income considered income less than 50% of the area's median income. Moderate income considered income 50% to less than 80% of the area's medium income

Founders First Capital Partners



Founders First uses a revenue-based financing model to fund small and medium-sized businesses led by women and minority founders.

Founders First focuses on addressing the funding gap for underserved small businesses led by women, military veterans, LGBTQIA+, and BIPOC founders. While diverse businesses represent an increasing percentage of firms in the United States, access to capital remains a challenge – stifling growth prospects. Even when credit is available, minority-led businesses often pay higher interest rates than their non-minority peers.

Founders First offers a revenue-based product-enabling businesses to pay a fixed percentage of their revenue up to a pre-determined cap, which aligns with business performance, self-liquidates, and avoids ownership dilution. This flexible financing method allows the payments to vary based on the monthly revenue of the company. Equity capital invested into Founders First Capital Partners is used to originate and service the loans through a separate wholly-owned credit facility.

Along with revenue-based financing, Founders First helps scale these businesses with technical assistance provided through its accelerator program, Founders First Community Development Corporation (CDC). CDC is funded by grants that enable it to offer accelerator program services at subsidized rates. It also publishes research on small and medium-sized business sector.

Founders First successfully closed a Series A financing round in 2021. This will enable it to continue its work to build an inclusive and scalable platform supporting the growth of diverse and minority-led small and medium-sized businesses.





INVESTMENT TYPE
Intermediated Debt



GEOGRAPHY
United States



PURPOSE
Wealth Creation for Low-Income Workers, Especially BIPOC Workers



YEAR OF INVESTMENT
2021



ROLE OF CATALYTIC CAPITAL
Anchor new A&H fund managers (majority Black and Brown) and flagship Legacy Fund I to send strong impact signal to the market and catalyze engagement from other tentative early partners, including reputable organizations with a history of addressing income and opportunity inequality



ZERO GAP FUND CATALYTIC INVESTMENT
\$3M



PRIVATE CAPITAL MOBILIZED TO DATE
\$55M

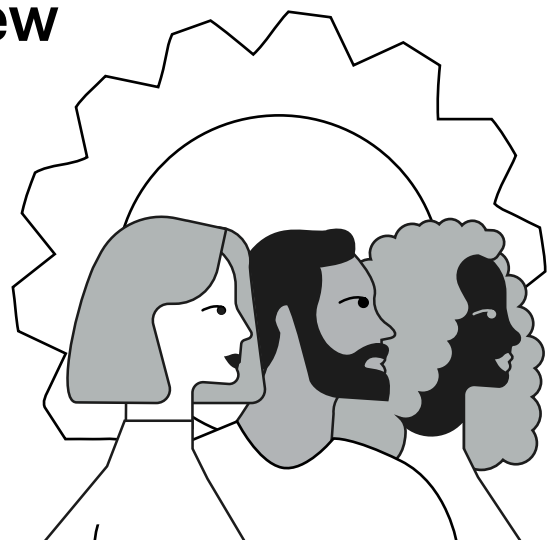


LEVERAGE RATIO
18x

SELECT IMPACT RESULTS THROUGH 2022

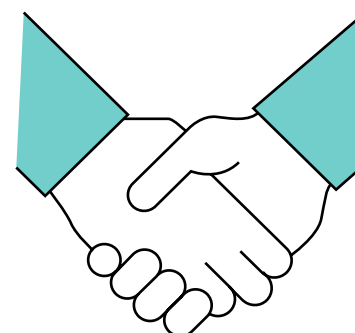
60+

Net New Jobs

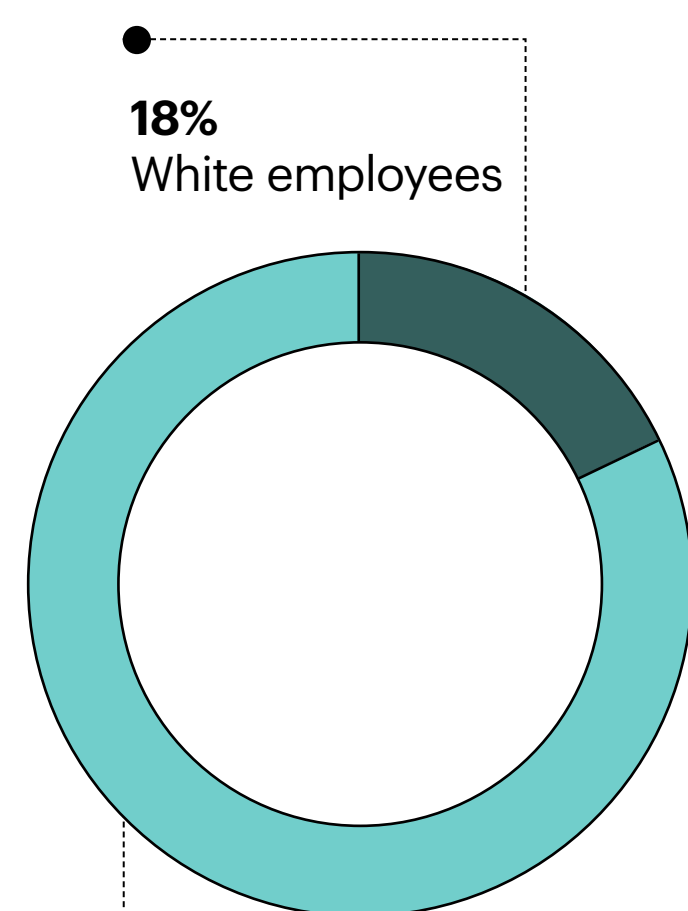


2

Family-Owned Businesses Converted into Employee-owned Firms

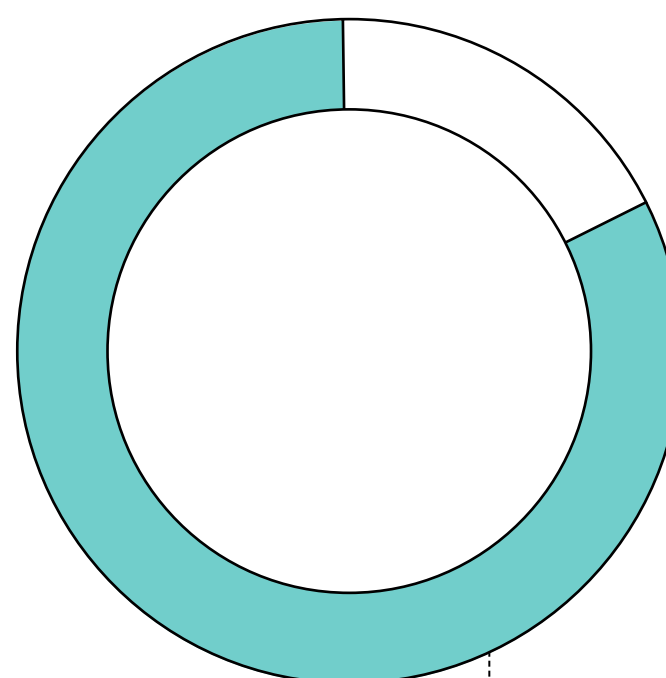


Employee Demographics



18%
White employees

82%
BIPOC employees



83%
Portfolio company employees considered low and moderate income

Apis & Heritage

A&H

Apis & Heritage
Capital Partners

The Legacy Fund I finances the conversion of companies with large low- and moderate-income and Black, Indigenous, and People of Color (BIPOC) workforces into 100% employee-owned businesses using an employee-led buyout structure.

The average American white family has nearly eight times the wealth of the typical Black family and five times the wealth of the typical Hispanic family. Sixty percent of Black workers and 75 percent of Latino/a workers retire with no retirement savings. The Apis & Heritage (A&H) Legacy Fund 1, a Black-led investment fund, seeks to build wealth and preserve jobs among communities of color using business ownership as a lever to create intergenerational wealth and reduce the racial wealth gap.

Through the Employee-led Buyout (ELBO®) model, A&H finances the conversion to 100% employee ownership through a combination of mezzanine debt from Legacy Fund I, senior debt from bank partners arranged by A&H, and sometimes Seller Notes from existing owners.

For founders and retiring owners, the model preserves their legacies, provides

them with a competitive alternative to traditional private market buyout options, and gives them fair value for their business. For companies, the model capitalizes on the tax benefits of ELBO structures and the benefits of an engaged workforce. For workers, the model facilitates a path to employees owning equity in a thriving business. A&H expects an average worker who benefits from these assisted buyouts to retire with savings of \$70,000 to \$120,000*.

ZGF anchored the first close of Legacy Fund I in June 2021; subsequently, the fund successfully achieved final close in September 2022 at \$58 million, surpassing its initial cap of \$50 million, with investments from large foundations and impact investors committed to creating greater equity and opportunity for historically marginalized communities.

In 2022, Legacy Fund I also completed its first two transitions, Apex Plumbing Co. and Accent Landscape Contractors Inc.

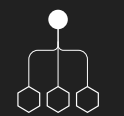
*The target amount focuses on workforces in industries that tend to be stable yet with lower margins/lower growth



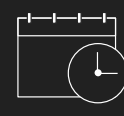
INVESTMENT TYPE
Intermediated Equity



GEOGRAPHY
Global



PURPOSE
Enable access to capital and technical assistance for promising entrepreneurs seeking to scale tech-enabled startups across emerging and frontier markets



YEAR OF INVESTMENT
2022



ROLE OF CATALYTIC CAPITAL
Anchor investment that enables Seedstars to reach a minimum fund size to execute, demonstrate the fund strategy and catalyze capital into either Fund II or subsequent fund vehicles



ZERO GAP FUND CATALYTIC INVESTMENT
\$4M



PRIVATE CAPITAL MOBILIZED TO DATE
\$17M

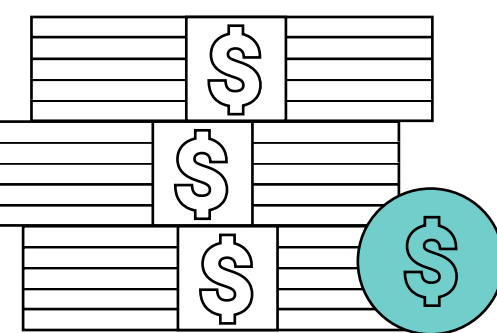


LEVERAGE RATIO
4x

SELECT IMPACT RESULTS THROUGH 2022

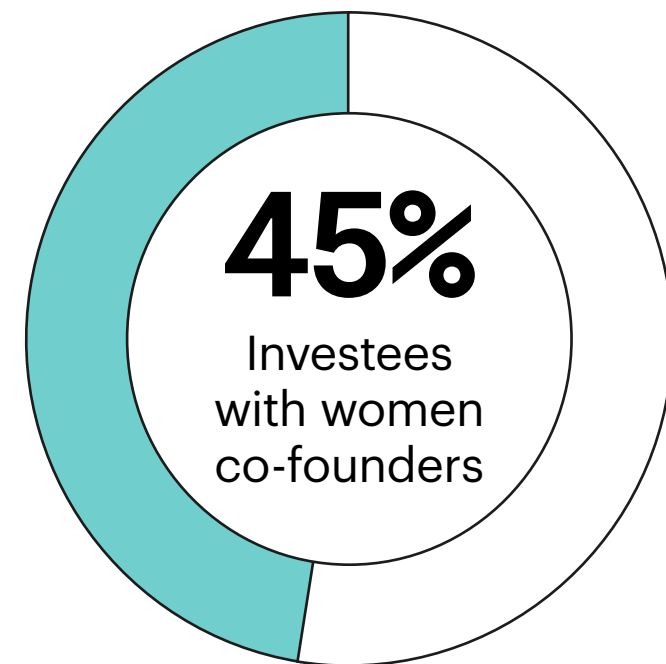
\$1.8M

Committed to Portfolio Companies



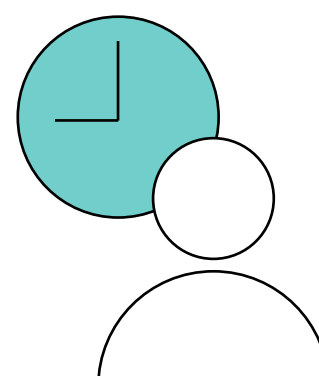
11

Portfolio Companies Financed



205

New Full-time Employee Positions Created by Portfolio Companies



5

Investees with Women Co-founders

Distribution of the investees across countries



Seedstars



Seedstars International Ventures II is a seed-stage venture fund that invests in tech-enabled startups across emerging and frontier markets globally, providing capital, formal growth training, technical support, and mentorship to help scale the businesses.

Through technology innovation, emerging markets have the potential to leapfrog their developed market counterparts. However, although venture capital flows to emerging market entrepreneurs have been increasing at a 40% year on year rate, it represents less than 5% of total global venture capital funding. This funding gap is particularly significant for seed-stage capital, which is critical for companies to scale and attract institutional investors. Additionally, only 11% of seed capital in emerging markets is dedicated to companies with a women founder or co-founder.

Following the proof of concept of Seedstars' first global seed fund, the ZGF invested in Seedstars International Ventures II to scale this strategy across more emerging and frontier markets. Fund II will invest in companies that address one or more of the SDGs and allocate at least 30% of the portfolio to companies with woman founders. The goal is to invest in 100 pre-seed and seed-stage scalable technology companies

focused on addressing challenges in finance, commerce, healthcare, work, and education, with follow on investments up to Series A.

Alongside its investment, Seedstars offers its investees access to its innovative Growth Track, a 13-week tailored consultancy program aiming to implement lasting growth strategies. The practical training is based on global best practices and focuses on tools and methodologies of data-driven growth, allowing companies from emerging markets to adopt a framework to identify the best growth opportunities and execute them quickly.

ZGF helped anchor Fund II, along with the International Finance Corporation (IFC), Visa Foundation, and Symbiotics. Fund II includes a blended finance component, funded by IFC, providing a first loss tranche for investments in the lowest income markets.

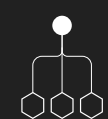
To further scale their strategy, Seedstars launched Seedstars Capital, a fund platform for multiple regional and thematic funds. Among the initial funds are Seedstars International Ventures and Seedstars Africa Ventures.



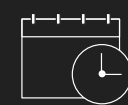
INVESTMENT TYPE
Intermediated Equity



GEOGRAPHY
Ukraine & Moldova



PURPOSE
Support Ukrainian businesses with capital and expertise in order to (1) preserve and create meaningful employment and (2) facilitate long-term economic stability and growth in the face of extreme hardship



YEAR OF INVESTMENT
2022



ROLE OF CATALYTIC CAPITAL
Provided the first non-DFI capital to the fund to help catalyze private investment towards the fund's first close.



ZERO GAP FUND CATALYTIC INVESTMENT
\$3M



PRIVATE CAPITAL MOBILIZED TO DATE
\$122M

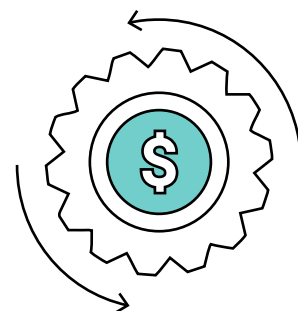


LEVERAGE RATIO
41x

SETTING THE STAGE FOR INTENDED IMPACT

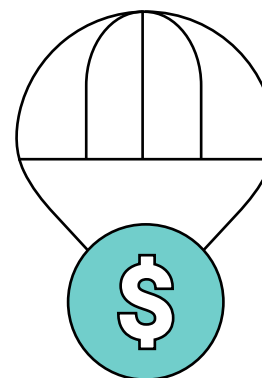
\$750B

Estimated amount needed from 2022 – 2032 for Ukrainian recovery plan



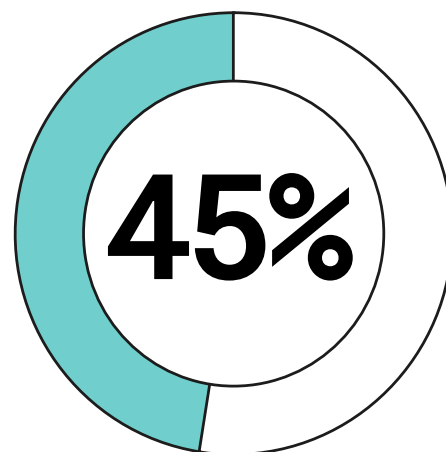
\$32B

Financial aid received by Ukraine during 2022



\$7.3B

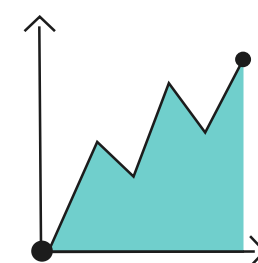
Amount contributed by IT companies to the Ukrainian economy in 2022



IT's share of Ukrainian service exports in 2022

\$350M

Amount raised by Ukrainian startups and tech companies in 2022



450

Companies joining Ukraine's Daa City* in 2022

*Daa City established special legal/tax benefits to attract IT companies in hopes of making Ukraine the largest tech hub in Europe.



Horizon Capital



Horizon Capital

Horizon Capital is Ukraine's leading private equity firm, focused on innovative, export-oriented, asset-light technology companies that can withstand volatile macro environments.

Private investment in technology companies is crucial to the long-term economic growth and stability of Ukraine. The Ukrainian tech industry grew threefold from 2016–2021, reaching \$8 billion of export revenue in 2021. Despite the ongoing conflict and the ensuing scarcity of capital and other disruptions, IT exports grew 23% in the first half of 2022 versus the same period in 2021. The Ministry of Digital Transformation of Ukraine estimates that technology will represent 10% of the economy by 2030 and has put in place rigorous policy and tax reforms to support this growth.

Horizon Capital has been active for over 29 years in the region and managing over \$1.4 billion in assets, making it the most active private equity investor in the Ukraine and Moldova region. It is the country's largest tech investor, backing fast-growing, export-oriented companies generating global revenue from cost-competitive platforms in Ukraine and Moldova, thus mitigating currency and macro risks, at the same time, it is focused on delivering high impact, including job creation, reversing brain drain, promoting gender equality in their industry, and expanding

the tech sector which is a cornerstone of the country's resilience and has become a hard-currency lifeline for Ukraine since the full-fledged invasion.

ZGF's investment will enable Horizon to continue investing at a time when it is most needed. The fund's hard cap is targeting \$300 million to invest in export-oriented technology companies in Ukraine, with up to 20% of the portfolio in Moldova.

Given continued geopolitical challenges in Ukraine, in 2012, Horizon Capital pivoted to export-oriented, asset-light technology companies that are, or can become, internationally competitive, making them more resilient to the effects of the conflict and attractive to private capital.

Through its investments, Horizon Capital Growth Fund IV will support businesses that provide employment opportunities for Ukrainians, are owned or led by women, provide essential goods and services and employment, and pay taxes to fund heightened public expenditure. Though most of the Horizon team is back to Ukraine along with its companies' employees, Horizon maintains a formal business continuity plan, security procedures and contingency plans so that it can maintain operations and protect itself and its companies' employees during the ongoing conflict as necessary.

The Zero Gap Fund Impact Measurement and Management Approach

The Zero Gap Fund must answer the following questions on each of its investments:

- What are we trying to achieve?
- Who are we trying to reach?
- How much change do we expect to see, and how quickly?
- What is the investment’s contribution toward generating this change?
- What are the risks of unintended consequences?

5 Dimensions of Impact – Impact Management Project
<https://impactmanagementproject.com/impact-management/impact-management-norms/>

With the Zero Gap Fund fully committed as of June 2023, and some of our first investees able to provide 3+ years worth of data, The Rockefeller Foundation’s Impact Measurement and Management (IMM) continues to evolve towards a more systematic approach. Our approach continues to be informed by our investees, our 2021 BlueMark* assessment, and a foundation-wide commitment to learning from our successes and challenges. Our IMM work is driven by our Strategic Learning and Impact (SL&I) team and aligns with the Foundation’s vision of strategic learning and impact:

“The Rockefeller Foundation is committed to measuring our impact, learning from our and our partners’ successes and challenges, and transparently sharing insights to promote dialogue and inform action, both internally and externally. We believe that learning is integral to adapting and improving our strategies, so that we may strengthen our collective efforts to advance equity, make opportunity universal and sustainable, and improve the well-being of the people we serve.”

Measuring impact across a diverse fund is complex and challenging, especially with investments that range in scope, topic area, and positioning in the ecosystem of innovative finance. We embrace these challenges not only because IMM is

essential to understanding how our own portfolio is driving equitable impact, but also because of our belief in how IMM can support ZGF’s ultimate impact vision of catalyzing private sector financing to close the SDG financing gap. As an investor, we encourage ZGF investees to adopt best practices and provide IMM support when appropriate.

For this year’s report, ZGF worked closer with our SL&I team and with an external IMM consultant, Hollod Impact, to synthesize data and to advise on opportunities to further strengthen our methodology. We prioritized two major areas this year:

1. Enhancing our data management through a more streamlined process for capturing and managing data, especially year-over-year data
2. Exploring areas of deeper connectivity, at an investee level, to outcomes in external frameworks like the SDGs

As we attempt to strike a balance between learning and accountability, burden and rigor, relevance and standardization, we would welcome thought partnership and collaboration with other investors to continue advancing the IMM ecosystem.

*The Rockefeller Foundation, our affiliate and ultimate parent company, provided grant support to Tideline Verification Services, Inc. (dba BlueMark) in 2020 and 2021. ZGF’s subsequent engagement of Bluemark, and Bluemark’s assessment of ZGF referenced herein, were completed independently of such grant support in an effort to ensure the objectivity of the analysis.

BlueMark’s Key Elements of Quality Impact Reports

Clarity	Defined objectives and expectations	<ul style="list-style-type: none">• Articulated objectives• Investor contribution• Transparent expectations
	Relevant metrics	<ul style="list-style-type: none">• Clear link to objectives• Standardized indicators• Breadth and depth
	Relative performance results	<ul style="list-style-type: none">• Performance relative to targets• Performance over time• Performance relative to external benchmarks
	Integrated stakeholder perspectives	<ul style="list-style-type: none">• Description of stakeholders• Stakeholder relevance• Stakeholder feedback and outcomes
	Transparency into risk and lessons learned	<ul style="list-style-type: none">• Impact risk• Lessons learned

Completeness

Impact Measurement

	WHAT	WHO	EXPECTATION	INVESTMENT CONTRIBUTION**	KEY IMPACT RISKS
Blue Forest	Long-term ecological restoration to reduce the frequency and severity of wildfires and increase forest resilience.	Communities and forests within the western U.S.	Active treatment across ~3,300+ acres in North Yuba	\$1M investment Direct: \$3M / 3x	<ul style="list-style-type: none">• Blue Forest does not achieve financial sustainability• U.S. Forest Service withdraws support• Regulatory differences may limit replication• Large fire in target region obscures impact
Sixup	Bridge the financing gap that prevents individuals from attending four-year colleges by identifying, underwriting, and incubating undervalued students.	High-achieving, low-income students; often first-generation students and students of color.	Decrease the number of low-income students that are accepted but cannot afford to attend higher education; close the degree attainment gap between high- and low-income adults	\$4M investment Direct: \$26M / 7x	<ul style="list-style-type: none">• Student over-indebtedness• Sixup insolvency• Loans not disbursed to low-income or underserved students
LeapFrog	Invest in businesses that address basic healthcare and financial services needs in emerging markets.	“Emerging Consumers” in sub-Saharan Africa, South Asia, and Southeast Asia and MSMEs that employ between 5 and 100 people.	Serve 70 million Emerging Consumers	\$3M investment Direct: \$270M / 90x	<ul style="list-style-type: none">• Under-service of the most vulnerable and low-income consumers
Lightsmith	Global private equity fund focused on climate adaptation.	Poor and vulnerable populations.	Accelerate expansion and deployment of climate resilience solutions	\$4M investment \$182M / 46x	<ul style="list-style-type: none">• Funding low- or negative-impact companies• Under-service of the most vulnerable populations
Impact Investment Exchange	Gender-focused capital markets product funding high impact enterprises focused on women’s empowerment.	Women entrepreneurs from low-income, rural, or marginalized communities in Southeast Asia.	100,000 direct women beneficiaries. SROI of >3.0*	\$1.5M investment Direct: \$10.5M / 7x	<ul style="list-style-type: none">• Underrepresentation / under-service of lower-income women

* SROI = Social Return on Investment. Calculated as amount of social value derived per every \$1 of investment capital.
** Investment contribution reflects ZGF investment. Direct refers to private capital raised alongside our investment in the vehicle ZGF is invested in.

Impact Measurement

	WHAT	WHO	EXPECTATION	INVESTMENT CONTRIBUTION*	KEY IMPACT RISKS
Founders First Capital Partners	Fill the funding gap for under-served businesses or businesses owned by under-served persons with flexible, non-dilutive, revenue-based lending.	Small businesses led by women, ethnic minorities, military veterans, and LGBTQIA+ persons, located outside major capital hubs or operating in low to moderate income areas.	Serve 250 small and medium businesses	\$1.5M investment Direct: \$110M / 73x	<ul style="list-style-type: none">• Under-performance of portfolio companies• Under-representation of underserved businesses and owners
Apis & Heritage	Invest small businesses with meaningful workforces of color and transition them to 100% employee-owned to reduce the racial wealth gap.	Essential services businesses and other businesses that have large representation of low-income workers and workers of color.	500+ workers over 10 years will own enterprises worth approximately \$35 million	\$3M investment Direct: \$55M / 18x	<ul style="list-style-type: none">• Under-performance of employee-owned enterprises and attendant lessening of value of employee ESOP accounts• Under-representation of underserved businesses and employees
Seedstars	Fill the funding gap for emerging market entrepreneurs and provide technical support (training, mentorship, etc.) to help their businesses scale, while also enabling local economic growth.	Invest in startup companies located in emerging markets (including frontier markets, as defined by IDA**) to address one or more UN SDGs. Support women founders that have been historically underfunded	Deploy \$25-30M+ into 100+ start-ups over a 5-year investment period	\$4M investment Direct: \$17M / 4x	<ul style="list-style-type: none">• Startup companies are high risk investments, many of which are expected to fail due to a wide range of factors (limited consumer uptake, competition, insufficient capital, economic, etc.)• Under-representation of female founders
Horizon Capital	Support meaningful employment opportunities that allow Ukrainians to maintain quality of life, utilize their talents, and remain in Ukraine in the long term. Provide investment and operational support to Ukrainian businesses during a period of extreme stress, to help facilitate Ukraine’s long term economic stability.	Preserve and create meaningful jobs – including in management roles – for Ukrainians facing immediate physical and economic hardship. Support women leadership and/or owners that have been historically underserved and underfunded. Invest in Ukrainian businesses that need capital now, not later.	Deploy up to \$250M into 10-15 small- and mid-sized businesses with primary operations in Ukraine, and up to 20% in Moldova, over a 5-year investment period	\$3M investment Direct: \$122M / 41x	<ul style="list-style-type: none">• Underperformance could deter future private investment (despite being in a challenging environment). Companies may need to move workforces out of Ukraine if conflict escalates• Under-representation of female owners
<div><div>*</div><div>Investment contribution reflects ZGF investment. Direct refers to private capital raised alongside our investment in the vehicle ZGF is invested in.</div><div>**</div><div>https://ida.worldbank.org/en/about/borrowing-countries</div></div>					

The Rockefeller Foundation
Impact Investment Management

420 Fifth Avenue
New York, NY 10018

[Rockefellerfoundation.org/initiative/zero-gap-fund](https://rockefellerfoundation.org/initiative/zero-gap-fund)

Acknowledgments

Alex Bashian, Thomas Belazis, Ghita Benabderrazik, Krysta Copeland, Kim Crittenden, Diane Damskey, Weili Dong, Lily Han, Laura Hollod, Maria Kozloski, Lorenzo Mendez, Nahal Mottaghian, Carli Roth, Sunit Shah, Sasha Zoueva

