

How A Trip Around The World Led To An Impact Credit Fund

Gloria Nelund was ready to retire. After serving as ceo of the U.S. private wealth management division at Deutsche Bank following a career that had included time as managing director of Scudder Kemper Investments and as ceo of BofA Capital Management, she was ready to give back.

So in 2005, she began traveling around the world and involving herself in causes she cared about. After two years, she had come to two realizations.

“One, I actually quickly realized that I was not made to be that person. But the second thing was I couldn’t help but see investment opportunity everywhere I went. My biggest realization was how much emerging market economies had grown and how we had not reacted to that growth or even recognized that growth because we still put everything in one bucket as emerging markets,” she explained. “When you are on the ground, experiencing the real economy, you realize, that’s crazy,” she said. “So, it was this big aha moment.”

Those realizations eventually led to an epiphany of sorts during a 2007 think tank discussion she took part in that focused on how to use capitalism to solve social problems.

“That’s what we should be doing, because if we had real investment opportunities that had the opportunity to also create impact, then we could change the world. So that’s really when I decided that’s what I want to do. I want to be in what is now the impact investing space,” she said.

After finding that many firms she was speaking with had a strategy that was more philanthropy disguised as an investment than a real investment opportunity, TriLinc Global was born.

“I started TriLinc with the idea that we would prove that investors don’t have to give up investment returns to do good. And from the beginning, my idea was to be able to capitalize on the opportunity I saw when I was traveling around the world in the real economy because I noticed that there was this huge financing gap for small and mid-sized businesses,” she said.

Nelund pointed to small and mid-sized businesses being the drivers behind successful economies in the developed markets and believes that providing access to capital to good small and mid-sized businesses in emerging markets can help advance their economies.

Not wanting to be a fund-of-funds because of the extra layer of fees and lack of control, she came up with the idea to convince private credit managers in the various emerging markets to originate for TriLinc.

“If you know asset managers the way I do, you will know that they spend 50% of their time raising money and they hate to do that. It’s the thing they hate to do the most,” she said, explaining that for non-U.S.



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managers, the ability to raise capital from U.S. investors is particularly burdensome. “So, if I solve all of those problems for them, that is my value proposition for them. You don’t have to deal with U.S. regulators, you don’t have to deal with U.S. investors and you get to do what you like, which is originate deals and be known as the guy in the market who brings capital.”

The origination partner model she designed provides feet on the ground in four regions: sub-Saharan Africa, southeast Asia, emerging Europe and Latin America. The firm uses a proprietary quantitative macroeconomic analysis platform that ranks 30 different factors to analyze the growth, stability and access of countries for potential investment.

“That gives us the ability to have a very, very diversified portfolio so that no single macro risk could ever affect the whole portfolio,” she said.

The globally diversified portfolio includes 12-15 origination partners identifying investment opportunities in about 40 different countries across the four regions that are balanced by an internal credit team at TriLinc led by CIO Paul Sanford that also conducts its own underwriting on every deal.

Nelund said the strategy includes trade finance and term loans and said the contracts with the origination partners provide TriLinc a look at every deal that qualifies for the fund, which will range from eight to 20 deals annually with each partner.

“In reality, they are always so desperate for cash to do deals that they are showing us everything,” she said.

The firm also separates ESG and impact, running an ESG screen on every company that includes adherence to the IFC exclusion list, compliance with local laws, standards and regulations, a commitment to implementing environmental, health and safety best practices and a commitment to identify and track at least one of the GIIN’s Impact Reporting & Investment Standards metrics and on the impact side tracking five core metrics: job growth, wage increases, increase in taxes, increase in revenue and increase in employee ownership.

Nelund said TriLinc also asks each firm it invests with to identify one or more impact objectives that they are willing to be held accountable to and then sets up metrics to track and report on their progress.

“We want all of our companies to be engaged in the idea of creating impact,” she said.

With about \$1.5 billion invested in the origination partner model since formation, Nelund has proven its viability. “We’ve created a lot of positive impacts, so I really do believe we’ve delivered on our goal of generating market rate returns and improving impact,” she said, adding that the firm’s impact is all reported in an annual sustainability and impact report.

The firm recently brought on Tim Stidham as head of global distribution to expand its sales, strengthen partnerships and develop new strategic alliances.

“Frankly, when we started it, I really thought everyone would see the light and impact investing would become the way everybody wants to do things and it just took a lot longer than expected. We are definitely seeing the trends in both ESG and impact and because of the environment, a lot of private credit, a lot of fixed-income. So, we are really in a good spot right now,” she said.