

## **SAIL Ventures to push deadline for final close of \$400m fund to end-2022**



*Photo: Reuters*

**By Deviana Chuo**  
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Boutique investment firm SAIL Ventures is targeting to raise \$400 million for its private credit fund, &Green Fund, by end of 2022, nearly two years later than the deadline set earlier, a top executive told DealStreetAsia.

&Green Fund had initially sought to raise the corpus by the end of 2020, targeting the total value of investment into portfolio companies to reach \$2 billion. However, in the wake of the COVID-19 pandemic, the fundraising plan has been shifted to 2022. The delay in closure represents the complexity of sustainable and impact investing as the risk assessments can be time-consuming.

“It’s certainly challenging to get people to understand what we do. Initially, at least, there is a reticence to accept the additional requirements and transparency we require when working with companies. It takes time to build trust and we are careful and pragmatic about how we approach a long-term partnership with our clients,” Sanjiv Louis, the investment director for Southeast Asia, SAIL Ventures, told DealStreetAsia.

Founded in early 2017, SAIL Ventures was appointed to advise and manage private credit fund, &Green Fund, with a mission to catalyse deforestation-free agri-commodity production.

As a fund focused on forestry and agriculture mainly in upstream segments, &Green Fund faces challenges surrounding the negative perception of this sector. Palm oil, for instance, has seen negative campaigns in Europe despite being touted as the most efficient oilseed product.

As a result, the upstream segments of these sectors are largely avoided by big global banks due to reputation risks. On the other hand, these banks continue to finance the downstream and midstream companies through traditional working capital, trade finance and even investment loans.

Meanwhile, on the target company's side, it usually takes longer than the 3-4 months that conventional banks take to process the financing.

"We have to assess the environmental and social risks inherent in their business, and we have to educate the company about how this will be managed....some of these new ideas about landscape protection, how to build partnerships and stakeholder engagement sound overly ambitious or idealistic at the outset," Louis said.

The firm's recent loan investment into Indonesia's palm oil company Dharma Satya Nusantara (DSN) was considered fast, as the process took only around 10 months, he added. Its investment into Brazil's cattle and soy company Agropecuaria Roncador also took more than 12 months to close.

Earlier this month, SAIL Ventures through &Green Fund announced a 10-year, \$30-million credit facility into DSN and an 8-year, \$10-million loan facility to Agropecuaria Roncador. The fund's first investment was a \$23.75 million of notes purchased from Indonesia's rubber company PT Royal Lestari Utama (RLU) in 2019.

Despite the challenges, impact investments are increasingly gaining prominence as companies gear up to address social and environmental concerns.

"Whether as a lender, impact investor, or operating business, people are feeling much more pressure and a sense of urgency about what they need to do around sustainability and monitoring and reporting the impact of their activity," said Louis.

Increased awareness and commitment from global firms signal how these impact investments are being considered 'mainstream'. Even conventional banks are increasing their interest to issue green bonds or foray into the sustainable lending space.

In January 2020, global investment management company BlackRock announced its decision to step up efforts to tackle climate change. The firm reportedly plans to increase its sustainable assets 10-fold from \$90 billion today to \$1 trillion over a decade.

This is expected to trigger a renewed investor interest in the sector, said Louis, adding that SAIL Ventures recently received interest from potential investors.

&Green Fund was established as an open-ended fund for forestry and agriculture sector that makes investments in the range of \$5-30 million per company.

“(But) the average investment duration will be around 7-8 years once we are fully invested,” Louis said, adding that the focus supply chains for the fund are the upstream segment of soy, cattle, timber and palm oil.

In the same year of its launch, &Green Fund received its first \$100-million commitment from anchor contributor Norway’s International Climate and Forest Initiative (NICFI), followed by Unilever with \$25 million worth investment. Later in mid-2019, the fund received a \$2-million contribution from Global Environment Facility, taking the total capital it manages to \$127 million.

### **The road ahead**

Despite the complexity of impact investments in the land-use sector, there are still many alternative financing opportunities for agriculture companies typically shunned by conventional banks.

“We think that disengagement is not the right strategy... So just simply excluding companies or sectors doesn’t really drive the change that you want to see happen in terms of sustainability and responsible management of capital and resources,” Louis said.

&Green Fund is set up to be a patient capital that extends private credit funds with more flexibility, mainly with longer-term and a lower interest rate compared to commercial bank loans. Following its recent financing, &Green Fund will have at least two more loans to provide in 2020, Louis said.

Currently, the fund will focus on investments in Indonesia and Brazil due to their prominence in the global agriculture supply chain. However, it will also eye opportunities in Latin American nations such as Colombia, Ecuador as well as West African countries and Southeast Asia.

“Southeast Asia also presents an interesting opportunity, since several developing nations have experienced increased rates of deforestation as they drive economic development. Much of this is done ahead of prudent sustainable land use management policies which erode the value of the nations’ natural capital,” he added.

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