Pension Participation in Blended Finance

GastroSocial Pensionskasse and the Microfinance Enhancement Facility

CORE FINDING

GastroSocial's investment in the Microfinance Enhancement Facility (MEF) shows that blended finance can make an unfamiliar emerging market asset investible for a pension fund when targeted risk protection supports a compelling portfolio proposition. Subordinated capital brought the A shares within GastroSocial's risk tolerance, but allocation also required diversification, acceptable return, credible management, internal expertise and a decision process capable of authorizing and overseeing the exposure.

Investment at a Glance

COMMITMENT AND TERM

In December 2014, GastroSocial committed USD 20 million to MEF's A shares and added USD 20 million in 2018, combining both tranches into a USD 40 million position through December 2022.

MOTIVE AND CONDITIONS

Diversification was the primary motive; payment of the target dividend and capital preservation were financial conditions. Development impact was not an investment objective, although the junior investors' explicit development mandates strengthened GastroSocial's confidence in MEF's impact credibility.

OUTCOME AND DISCLOSURE

The investment met its financial conditions: target dividends were paid, complementary dividends raised the return above target, and no capital was lost. The target dividend rate, investor-level IRR and exact total return remain undisclosed.

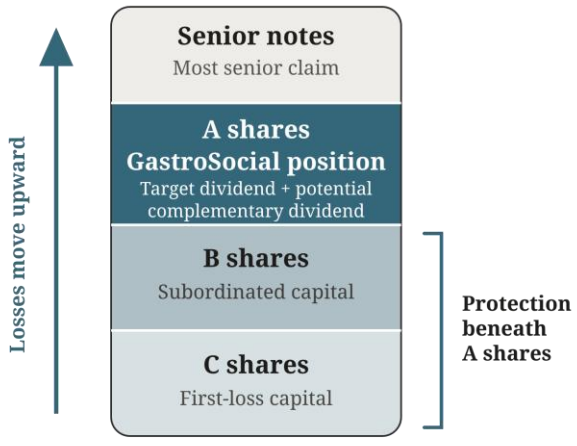
Why GastroSocial Invested

GastroSocial already held emerging-market exposure through public instruments. The unfamiliar element was privately originated debt to microfinance institutions. Before undertaking due diligence, the combined risk, return and diversification proposition therefore had to be exceptionally compelling. MEF offered differentiated return drivers and a target dividend that compared favorably with low or negative Swiss fixed-income yields. Swiss pension regulation permitted the asset type, but GastroSocial's internal requirement for strong protection against capital loss remained the binding threshold.

MEF met that threshold by placing subordinated B- and C-share capital beneath GastroSocial's A shares. This changed the allocation of losses rather than the credit quality of the underlying assets. GastroSocial understood the protection to extend to relevant emerging-market currency losses relative to the US dollar, while it managed its residual USD/CHF exposure separately. The development objectives of the subordinated investors provided a rationale for taxpayer-supported risk absorption and strengthened the credibility of MEF's impact architecture without making it a GastroSocial investment objective.

The structure made the opportunity eligible for consideration, but institutional capability converted it into an allocation. BlueOrchard provided accessible specialist management in Switzerland. GastroSocial's internal team had the expertise and delegated authority to evaluate and select the investment, while the board and investment committee established strategy and risk parameters and exercised oversight through regular reporting.

GastroSocial's Position in MEF's Loss Waterfall



Simplified economic ranking · not to scale

B- and C-share capital absorbed losses before GastroSocial's A shares; senior notes ranked above. Investor categories were not exclusive, as some public investors held more than one class.

Investment Experience and Subsequent Participation

MEF met GastroSocial's financial conditions and prompted a larger commitment in 2018. The position's expiry, followed by MEF's redesign into GGSF, shows why satisfactory performance does not by itself secure continued participation.

PERFORMANCE AND EXPANDED PARTICIPATION

MEF validated GastroSocial's original investment proposition. The target dividend was paid, complementary dividends raised the return above target, and the invested capital remained intact. GastroSocial's additional USD 20 million commitment in 2018 provides direct evidence that its participation expanded after four years of experience with the fund.

EXPIRY AND REDESIGN

The combined position expired in December 2022 without a separate redemption decision. GastroSocial reports that it would have renewed had MEF continued in the same form. GGSF instead changed the instrument, mandate, manager configuration and credit-governance arrangements. Information about the successor proposition was not sufficiently firm or timely for GastroSocial to complete a new assessment. Its absence from GGSF was therefore not a documented rejection of the successor vehicle's protection, economics or gender mandate. This transition-specific shortfall was distinct from MEF's routine reporting, which included quarterly financial and holdings information, ad hoc communication and regular meetings with BlueOrchard.

SUBSEQUENT BLENDED-FINANCE PARTICIPATION

At the time of stakeholder review in November 2026, GastroSocial reported several subsequent blended-finance investments and USD 200 million in current commitments. The composition of that total, including whether it incorporates Allianz Credit Emerging Markets (ACE), has not been disclosed. The record supports institutional influence and recurring participation, but not direct causation between MEF and any particular later investment.

Evidence and Transferability Boundaries

EVIDENCE BOUNDARIES

- The case confirms that GastroSocial's financial conditions were met and supports investor-level mobilization additionality: GastroSocial would not have invested without substantial protection against capital loss.
- It cannot quantify the target dividend rate, investor-level IRR, exact total return or minimum subordination required. Nor does it establish MEF-wide mobilization additionality, determine whether the catalytic capital was optimally calibrated or attribute development outcomes to GastroSocial.
- The reported USD 200 million in subsequent commitments has not been disaggregated.

TRANSFERABILITY BOUNDARIES

- GastroSocial's established private-markets function, internal expertise and delegated authority are not shared by all pension funds.
- Smaller or less-resourced pensions may need pooled vehicles, delegated platforms or external advisers to provide equivalent functions, while large pensions may face capacity constraints when a specialist vehicle cannot absorb their minimum investment without creating excessive concentration.
- GastroSocial's experience therefore offers a proposition for comparison rather than a model for direct replication. Additional cases, including declined investments, are needed to test which conditions recur across different institutional settings.

Case Insights and Implications

The findings point to a conditional model of pension participation. Catalytic protection can address a binding risk, but allocation still depends on the quality of the investment proposition, the investor's institutional capabilities and a decision process able to evaluate the opportunity.

01	**The overall investment proposition comes first**	An unfamiliar exposure must be compelling across expected return, diversification and risk. Catalytic protection cannot rescue an otherwise unattractive investment.
02	**Catalytic capital should address a binding constraint**	MEF enabled participation because subordination addressed GastroSocial's requirement for protection against capital loss. The evidence does not establish whether MEF used the minimum or most efficient amount.
03	**Structure and institutional capability are complementary**	Risk allocation brought the investment within GastroSocial's tolerance, while management access, internal expertise and delegated authority converted eligibility into an allocation.
04	**Investor objectives need not be uniform**	MEF accommodated GastroSocial's commercial requirements and the junior investors' development mandates through different risk and return positions. Their impact objectives also strengthened the credibility of the vehicle's development rationale.
05	**Mobilization is a sequence, not a single event**	Entry, continuity and recurrence require separate assessment. Material changes can trigger renewed underwriting, while experience with one investment can support participation through later vehicles.

Pension Decision Lens

The three dimensions below translate the case findings into questions that pension investors can apply when assessing an unfamiliar blended-finance opportunity.

Dimension	Questions for pension investors
Transaction	What portfolio objective does the opportunity serve? Which risk prevents allocation, and does the catalytic structure address that risk without weakening the required financial proposition?
Investor	Who has the expertise and authority to conduct due diligence, select the investment, monitor the position and support governing-body oversight?
Process	Are management accountability, financial reporting and investment terms sufficiently credible, complete and timely? Which changes would require renewed underwriting?

ABOUT THIS SUMMARY

This executive summary accompanies the SIRI case study "Pension Participation in Blended Finance: GastroSocial Pensionskasse and the Microfinance Enhancement Facility". The full case study provides the supporting evidence, source notes and methodological qualifications underlying the findings presented here.