

**Good Things Happen Podcast – Season 2**  
**Investing in Social Impact\_Jorge Rubio Nava & Eva Yazhari**  
**Transcript\_Episode 7**

Jorian:

In the very first episode of the first series of Good Things Happened, Citi's Davida Heller and Harlan Singh told us how impact investing had grown from being a might do to a must do in their time with the bank. What began as a strategy to eliminate those companies that investors thought were bad for society is quickly established itself as the investment strategy preference for many, but there is still much to do. To help better understand the evolution and rapid growth and interest for impact investing. I'm delighted to be joined by Eva Yazhari, who is general partner of the women-led Impact venture capital firm Beyond Capital Ventures. Eva is also the founder of the Conscious Investor and author of The Good Your Money Can Do Becoming a Conscious Investor. Our second guest is Jorge Rubio Nava, Citi's Global Head of Social Finance, which has helped mobilize over 4 billion dollars in commercial funding for small business entrepreneurs in over 40 countries, many of which should not previously had access to business capital. Welcome, Eva. You have great experience in the world of venture capital and asset management. Please share your story, which I've heard you describe as a mindset shift towards investing with awareness. Tell us that story in Zurich. I think it was.

Eva:

Yeah, thank you. It's funny because how we tell our stories also evolves over time and while yes, I've lived in many places including Zurich and Los Angeles, and I'm a native New Yorker. I actually think my story started out in New York growing up in a place called Staten Island. Not many people, aside from me and Pete Davidson and Colin Jost actually have grown up there. I'm kidding. But it's definitely an interesting place and very different, but also frankly just secluded from the city in which it is, an island. And I think that what that taught me as an outsider is that not everybody has the keys to finance. Not everybody has the keys to Wall Street, and I was literally separated by a 30 minute ferry boat. So think about those in places where maybe where Citi is focused and Jorge is focused with his work.

I think that, and certainly where we're focused in our venture fund in India and East Africa, there is a very large separation. And so when I was, I say lucky enough because I really did enjoy my Wall Street career when I was lucky enough to kind of work my way through Wall Street work in the hedge fund industry, invest in the top activist hedge funds, everybody wanted to have my job. You know, liaising with Bill Ackman and Carl Icahn. It was so much fun. I started to think a little bit differently though about the access of money and the tools of capitalism to those that were still outsiders, particularly because I came from that background. And so amid the big short trade, and I do write about this in my book as well as Bernie Madoff, stealing millions, hundreds of millions and billions, and then Lehman's bankruptcy, I decided to leave Wall Street and pivot to becoming what we call an impact investor.

I think now what that's really called is an investor and an investor who is thinking about all stakeholders. But 13 years ago, that was not cool, and I would sit at dinner tables and be told, okay, you go talk about that and we're going to talk about making money over here. And that's really my story. I mean, when you alluded to Switzerland, I think while I intellectually entered the impact investing world in 2009, I still had a very kind of Wall Street mindset. And what I mean by that, and I think there are some great things, institutional rigor, knowing how to manage a portfolio, of course being focused on due diligence and quality of due diligence for me. But when I did live in Switzerland and I was told that I couldn't take Philip Morris out of my personal portfolio, that was the Ah-ha moment and that was the mindset shift that really got me to think differently about how there really aren't enough tools around impact. So happy to talk about that, but that's who I am. And I currently reside in Dallas between kind of LA, Dallas and London. So I view myself as a global citizen.

Jorian:

What a great intro. Jorge, follow that. Take us back to Mexico and your early academic career. Tell us a bit about how you got into this world of impact investing in social finance.

Jorge:

Yes, thank you. Thank you Jorian, and good to talk to you Eva, and thank you for the invitation. It's a pleasure. Well, yes, I got into banking over 25 years ago in Mexico City, that's where I joined the bank. And as you probably know, Mexico is a country with some of the highest rates of financial exclusion in Latin America. At that time, I remember more than 70% of the adult population were unbanked, and not surprisingly, the majority of them were women. So as a young analyst out of university starting to explore the industry, I was really intrigued by this massive gap in a middle income country, the second largest economy in Latin America, in the top 20 globally. But with these huge inequalities and this gap in access to financial services was hard to believe, to be honest. So I started to get familiar with early microfinance models.

I remember I had some friends at university that after the massive earthquake in, 1985 in Mexico City, that was kind of a call to action for some of us, and they started to implement microfinance models in the south of the country. So I was really intrigued by that, and I started visiting the communities and talking to people, talking to microfinance borrowers, getting together to receive working capital loans and interacting even in languages other than Spanish, which was really interesting to me. I started then to better understand the financial lives of lower income segments in rural Mexico. That's when I saw for the first time things like group lending in deep rural areas serving mostly women, which was very new to me, or some innovative working capital loan products for small businesses that didn't have any access to formal finance or formal collateral. I sold early forms of life insurance as well.

Very simple, quick to pay claims, easy to understand with no small print or exclusion. So I started to think how in the bank we could partner with these institutions at the same time and help them access adequate funding in local currency to help them expand their portfolios and develop a more inclusive financial system at the same time. So we were able to partner with a few of them, and I remember we started lending to a couple of microfinance institutions, the leading institutions in the country at that time. It was evident for us because they were expanding so rapidly that they needed to be connected to the capital markets if they really wanted to expand their outreach. So we had them issue their first bonds in the local market with the support of the World Bank. I remember. So without us knowing it was the first time that a microfinance organization in the world was issuing an investment grade bond, meaning that institutional investors, insurance companies for the first time were supporting rural women in the country through the use of proceeds of this bond. That's when I realized that there was no way back for me. I've dedicated my life ever since through development finance, my career at Citi, and I'm privileged to work in an organization that is present in 96 countries around the world. So I've been able to replicate these ideas and solutions across the world.

Jorian:

Impact investing, it seems to me it means different things to different people, and it is also evolving in its understanding. Eva, tell us us, how do you define it if people are still asking you at conferences, what impact investing is? How do you describe it?

Eva:

I don't love to use this classical definition of impact investing is the intention to have social and or environmental return alongside financial return? I think everybody knows that. Where I think impact investing gets really interesting is around the mindset shift of this is not a zero sum game. Jorge could, he's a banker, he could easily kind of look at the world from only when I win, you know, lose kind of paradigm. I think that's like that's, and not just taking the banker paradigm and certainly that's what I learned on Wall Street. I'm making money and I don't really know what's happening on the other side or I actually do know, and I'm willing to ignore that. And so I think the mindset shift of impact investing and the definition that I like is that the pie is not finite and that somebody in East Africa can have a access to the goods and services that they want and need that they have a budget for, and a business can earn money and profits and even make millions or billions serving those customers.

And investors can also win in that equation. And just like Jorge referred to the institutional investor, the power of that institutional investor having access to the female borrower in Mexico who is underserved

and undervalued, I think that there are tremendous amount of opportunities like that fall into the impact investing category. So for me, that's really what it comes down to. I also thank you for mentioning, I did write a book called *The Good Your Money Can Do*, and I do use a paradigm of a conscious investor as well in that book simply because conscious investors are thinking about not just their money or their investments, but they're thinking about all their resources as well in that equation of this is not a zero sum game.

Jorian:

And this is about growth, isn't it, Jorge? This isn't about charity, this isn't about doing good to make us feel better. This is about building the global economy and helping communities build wealth.

Jorge:

Oh, absolutely. And for us, it has really been a revolution. The work in microfinance and social finance in the early days, let's say in the seventies or in the eighties, was pioneered by foundations and philanthropic organizations, including by the way the Citi Foundation that were supporting early versions of microfinance models around the world. What they really did was to demonstrate that these segments were bankable and that this could be done at scale. And the way to do it at scale was to make it sustainable and make it profitable. Why not? So the bank realized that we had to change our approach and treat these early microfinance institutions and inclusive companies as clients. So that's why we created this team because you're very right, Jorian. The keyword here is scale. And we realized that we could add value because we have a presence in all of these countries where these institutions were growing and we have unique local capabilities, local products, access to local currencies, but also global investors. And this was what these clients really needed access to adequate local solutions. What we had to demonstrate was that we could do this at scale and that we could replicate and we could bring institutional investors, as we've said previously. So that is how we define it at the moment, and that's how we've been able to expand our portfolio to more than 40 and to mobilize more than 7 billion dollars in capital to clients, Citi clients that expand access to basic services in the last mine emerging markets.

Jorian:

Eva, tell us about some of the changes that you've seen because this is work in progress, this is evolving rapidly. Maybe give us some examples of the work that you do or the investments that you are making.

Eva:

I actually don't know if I agree that it's evolving rapidly. I am an optimist, but I think there are a lot more places that investors should take a look in the mirror and be authentic about supporting. And one of those is women and people of color. When it comes to my investments, I'm very lucky to have a fund. I have incredible investors who have backed me, institutions and individuals, and we have supported companies across East Africa where my family actually lived many decades ago and in India that are providing need to haves, so access to need to have. And they're all led by conscious leaders. And we have a scoring system for leaders who are thinking about all stakeholders. But a couple of great examples are Africa's leading fem tech company called Kasha, and Kasha focuses on access to women's health in urban and rural settings.

I mean, if I think about my life here in the US, I don't have a one-stop shop for women's health. So this is truly an innovation and it can scale across the continent. We're also invested in a medical supply business, and this is kind of a category of business that I really love, which is an industry that has not yet been disrupted. That is what a VC wants to find. If they could rub the lamp and ask the genie for a wish, it would be give me an industry that hasn't been disrupted. And so med supply in Africa is very much so that in that category we're invested in. I sit on the board of a company called VBag. We invest at the pre seed stage. We do a lot. We lead a lot of deals. So we're very active, we're very hands-on. We have a strong GP value add.

And then in India, we're invested in India's largest B2B artisan platform. And this is one of our impact themes is livelihoods. It's good jobs, not just employment, it's making employment better. And so this

company helps upskill artisans, and I'm not talking about handycrafts that you buy on holiday, I'm talking about things like this vase. I'm not sure where it was made, but there are a lot of kind of Crate and Barrel or John Lewis sell a lot of these products that we all have in our homes, we all use for decoration or even functional in the kitchen. And a lot of these are made by artisans that for generations and their families have been making these products, but they don't have the connection to the buyer. And so 10 is a tech platform that provides access to that connection. And so these are three examples in the portfolio. These are all companies at early stages. And my personal investing, I try to integrate more public options because I think there are good and authentic ones out there. You have to look for them.

Jorian:

Jorge, Eva says that maybe I'm over optimistic in saying it's rapidly evolving. What change needs to be done? How do we get acceleration in this space?

Jorge:

Yes, that's a good question. One of the partnerships that we have developed over the years, for example, has been with the DFC, the Development Finance Corporation of the US government. This is an institution that leads the development work for the US Government, but we also partner with the Ford Foundation. And we created together a program to lend in local currency to some of these companies that are early stage that it might be that they're still pre profit, I mean they are not really profitable yet, but they have very ambitious plans and many of them even want to go international. They have regional aspirations from their own markets. So they are a good fit for the Citiplatform because we can travel with them, but because they lack a credit track record, they're very early stage. They do not enjoy access to commercial borrowing from local banks.

So this program enables us to, in partnership with the DFC and Ford, provide them with local currency so that they can start scaling their business. We could provide them with access to local funding and help them grow and potentially help them access other forms of commercial borrowing. We can use programs like this to take them to the next level. We take them to the capital markets and you know, who knows? But these early stage financing is one of the ideas that I think has worked very well for us. We have a couple of other examples of transactions that we've closed using this program in the healthcare space, in the financing of small holder farmers space, in the education space, or even in inclusive financial technologies, the so-called fintechs. In Latin America, for example, we closed a transaction in Mexico for a FinTech that finances small and medium enterprises that are underserved in the country. SMEs, as we know, constitute the backbone of the economy, but they have very limited access. So this company uses technology and different data sources in their credit on the writing process to provide 'em with working capital to grow the business. So we're funding this company so that they can expand their outreach.

Jorian:

Is it just about accelerating awareness or is there a need for structural reform and innovation to accelerate change? Eva, you take that.

Eva:

I don't believe that we will achieve, let's say the SDGs if we're looking for that as a measurement. I mean, I think we're not on track to achieve those goals by 2030, but I think we won't come close to them unless we truly structurally innovate. And one of the things that we're doing at Beyond Capital Ventures is we're giving a percentage of the profit share to every founder in the portfolio. This was a no-brainer to me, and it is my money that I'm giving away. So just to be really clear, we're not asking for our investors to do something concessionary. We don't believe in concessionary investing when it comes to impact. At least we don't believe that it has to be that way. Of course, there are areas that need philanthropy and other blended capital sources, but for our investments, we really believe that they can be highly profitable but also have a very, very strong impact.

And so by making our founders owners, we're creating a community around our work. We're also solving the problem of my US and European investors decide that they want emerging markets exposure and we invest into Africa and India and then we give them the returns back and they do who knows what with it. So I think that creating ownership, creating wealth amongst marginalized groups, and that is of course women in Mexico that don't have access to finance, but it's also people like me and people like the founders in my portfolio, Arlan Hamilton for example, who raise Backstage Capital. But there are many examples of fund managers. In fact, my call after this was is with the fund that I'm invested in personally run by two women, one who is Latina. And what I learned is that there are about 20 Latina VCs in the whole US, females.

So I think these are things that are so important and I don't know any other way to change them, but structural, because the biases run so deep and I think it is much harder for marginalized groups to raise money. And so I think again, our solution was equitable venture. It was to just truly just take a slice of our carry 10% and give it as a grant, use it as a carrot. We also give founders two times more of that carry if they commit to specific gender positive policies and having women on the management team and changing, decreasing the gender pay gap if they initially had one when we invested. So I see this as all kind of all good things. Why not have extra incentive for your portfolio companies and then have a positive outcome at the end of the day?

Jorian:

Is this a generational thing? I kind of get a sense from some of the people that I talk to that it's like the parents are being pushed to do more by their children and the children or the real change makers, or is that a cliché? Is that a stereotype?

Eva:

In my book, the dedication was to a few Gen Zers that I know and love and I'm inspired by their commitment to change. I think my kids will also be committed. My son is, he's like, why aren't we doing a takeaway dinner once a week? Because we're working parents and it's a lot. And he's like, it's, it just causes pollution. I don't want that sushi. And so my kids are much more aware. But I think that by stating over and over and over again that this is a generational thing, we are allowing for the older generation to just do what the status quo is. And we're not asking more from them. And this is a common excuse. It's like, oh, the family office is not ready. The patriarch is not ready. Okay, well I don't see that as an excuse. Maybe you should focus on another client where the patriarch actually is ready in this system because it's not going to help us to just say either the next generation isn't going to do anything.

Or the other common thing is hiding behind the veil of being a fiduciary. I see that a lot, which is separate from what you brought up. But I think also another interesting excuse that comes up a lot, well, I can't consider this because I'm a fiduciary. Well actually more information when you have more impact data, so you actually are a better investor. So actually it helps you be a fiduciary. And I'm a fiduciary and I know where that line is, and that line has nothing to do with impact. That line has a lot to do with obviously executing on your investment strategy, et cetera. But there are many ways to weave impact into that. So sorry for my little tangent, but these are kind of common excuses and I think that we need to move beyond them. It's kind of getting old these points for me.

Jorian:

I don't think that's a tangent at all. I think of Fiduciary's job is to lean into change and progress, and we are seeing more and more figures that the companies that are run well attract the best talent. They perform better. It is a virtuous circle, isn't it, Jorge?

Jorge:

Absolutely. And you know it's interesting because we get a lot of interest from young analysts and we are constantly asked to talk to these new generation of bankers. In fact, the reality is that many of them are very curious to know more about how we do and how a bank, a global bank like Citi can make a

change. How you're using our footprint, how you're using our balance sheets to not only grow our philanthropy, but really use our balance sheet to initiate this change. I just think it's very interesting and it's a great trend that gives us hope. As we had a change in leadership a couple of years ago. In fact, we have a new CEO that has been keen from day one that we become a bank with a soul. She likes to say that. So we made public commitments for us to mobilize 1 trillion dollars by 2030.

We also put a global commitment to reach 15 million households in emerging markets. These are low income households, including 10 million women through our funding and our client partnerships. So we are being much more articulate in the way we do things as part of our sustainability strategy. And I think it's a good direction, and it's a sign of the times, which is welcome. Because for us that have been working on this space for over let's say 15, 20 years, like Eva and myself, it is a validation of the work that we've been doing that now has potential to grow more.

Jorian:

Eva, I've been watching some of your YouTube videos from the Conscious Investor. Tell our audience about that, the work that you are doing there, what's its purpose?

Eva:

Yeah, so I'll rewind just to say that I was kind of staring out my office window a couple years ago, probably around 2018 and maybe 17. And I just thought, Gwyneth Paltrow. And that sounds really strange in the context of impact, but when you unpack it, what I realized was that Goop was telling everybody to detox their homes, to detox their bodies, to detox their minds, to detox their relationship, to detox their closets, but they weren't talking about money. And so I reached out to the creative director at Goop and we've done a series of articles including the Seven Steps to Becoming a Conscious Investor, which was the most recent one. And it's like a nice little kind of quick guide to becoming a conscious investor. But I worked with an incredible journalist named Stacy Lindsay, whom I then launched a magazine with, and it's called The Conscious Investor, the ConsciousInvestor.co.

And what we intended to do throughout the period where we were active was shed light on change makers, shed light on impact, but do it in a journalistic style. And while Impact Alpha is great, you get your quick fix, you know, listen to the podcast, it's perfect. Podcasts like this, I think go very deep. We really wanted to almost take the Goop editorial approach to impact and package stories in a very different way. And so we featured many incredible investors, incredible founders. We did a collaboration with a group called The Maverick Collective of women who've kind of like a mini version of the Giving Pledge who have committed to giving a large sum of capital to specific women's causes. And we had those women write their own essays. And so we've also done Guides, beginner's Guide to Impact Investing, Guide to Racial Equity, especially around the murder of George Floyd.

And so we've been committed over the years because I'm in a venture fund raise, we decide to take a little pause, but we are coming back as is the podcast. But this brings up a more important point, which is I don't believe that the PR of impact investing is where it should be. Partnerships are important, but the largest investor in my country, in the US is retail investors. And they have no idea what their power is as a collective. And I think that that's why we need to go Kardashian style and start making this really cool. And I'm sitting here as an impact investor watching all these brands including Good American, started by Chloe Kardashian, which is size inclusive, body inclusive, almost like allowing gender fluidity, but allowing people to be who they want and diverse for sure in their marketing. And I think that impact investing needs a little bit of a rebrand. And that was my intention. I think that others should start to take queue, let's hire the best PR firm and let's make impact. Really cool.

Jorian:

Yeah. I guess the clues in the question, it shouldn't be about making an impact on status quo. The status quo needs to be about behaving in these ways. Jorge, what could banks be doing? You speak very proudly of what Citi's doing and there's clearly a lot of progress there, but a global banks just scratching the surface.

Jorge:

Well, yes. Well, obviously there's a local banks in all these markets where we operate. One thing that these emerging markets have in common is the high levels of financial exclusion. So I think for banks that have a consumer model in any of these countries, there is a big opportunity to be more inclusive now because improvements in technology or access to smartphones, access to the internet and more digital channels, there's now an opportunity to reach customers that were more difficult to reach in the past. But I think there is also an opportunity to reel these more inclusive financial systems using digital channels. And I think for global banks, if we partner with the right clients with some of these local financial institutions, with some of our corporate clients and digital disruptors to help them access international investors, including impact investors or development finance institutions and the capital markets at some point so they can start expanding these portfolios.

And there is a huge area of opportunity for all of us. In general, I think global banks like ourselves when we have dedicated portfolios and we have the markets we did last year with our social finance bonds where we are committing to use or the proceeds of the bond to be allocated to these specific areas like healthcare, education, connectivity, affordable housing or financial inclusion for low income segments in emerging markets, that in its own right sort of creates or helps build this idea for investors that through their investments, they can reach countries in Sub-Saharan Africa or South Asia just by investing in bonds like this one and going really, really deep.

Jorian:

Got you. So my last question for both of you is what advice you would give to young listeners who are wishing to make an impact on the world who may not have previously thought about banking and finance as the means to do it? I mean, let's be honest, banks kind of have a reputation for being the bad guys, but the more and more I learn about the world that you guys operate in, you are making tangible differences. So how could people get involved? What advice would you give to a young liberal arts undergraduate who might not be thinking about banking or investments as a career? Eva, you go first.

Eva:

I don't think making anybody the bad guy is a good thing. It's actually the opposite of the mindset that kind of goes along with this is not a zero sum game. We're not making enemies here. I want everybody to win. And when it comes to advice and thinking about tools, I think capitalism is a fabulous tool. Of course, I agree the system doesn't work for everybody. Of course, I want that to change. I go as far to think that the language of finance is intentionally built to exclude people. I'm lucky that I understand it. The advice I would give is no matter where you are to constantly question the system. Somebody gave me great advice. She's a very early impact investor, which is just, she just said, keep outing the system. Activism is not bad. In my book, I write about this, why do we have to view gender equality or caring about the climate as activism? This should be real. So let's keep pushing this envelope further. And this is not woke capitalism. For the listeners who have a specific view, this is not woke capitalism. This is opening up new opportunities. And so my advice is really to just keep questioning and finding new opportunities. And I can't imagine any investment, any manager that you would work for that would say no to you, finding new opportunities to invest in. So, I think that using capitalism as a tool and rejecting it is actually problematic.

Jorge:

I think this is not only related to financial services or banking, by the way. I think whatever you are, whatever your career might take you, there is an opportunity to think outside the box, to be disruptive, as Eva says, to question the system. I think most of us that are working in development, finance, at some point in our career, were told you know, that's not possible. Why are you doing this? It doesn't make sense. It's, it's not aligned with our profitability or our returns expectations. But you have to somehow overcome all of these, and that probably means that you are on the right track, to be honest. Because these things, you see the possibility you have to push for that. I remember when we presented to a committee, a transaction in Sub-Saharan Africa to expand access to solar home systems. There were so

many questions and people were saying, should we really be doing this? Is this the best use of our capital? Is this the best use of our time? How can that be scalable? And we are now doing these transactions more commonly. So this is really happening. So it is about, as Eva says, questioning and being resilient when you're said now, it cannot be done.

Jorian:

Well, thank you so much. You're both doing such inspiring work and thank you for your time. Thank you for sharing your thoughts and observations on this critical area. Thank you.

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