



Entrepreneurial Finance, SMEs and Growth

Prof. Glenn Yago, Senior Director

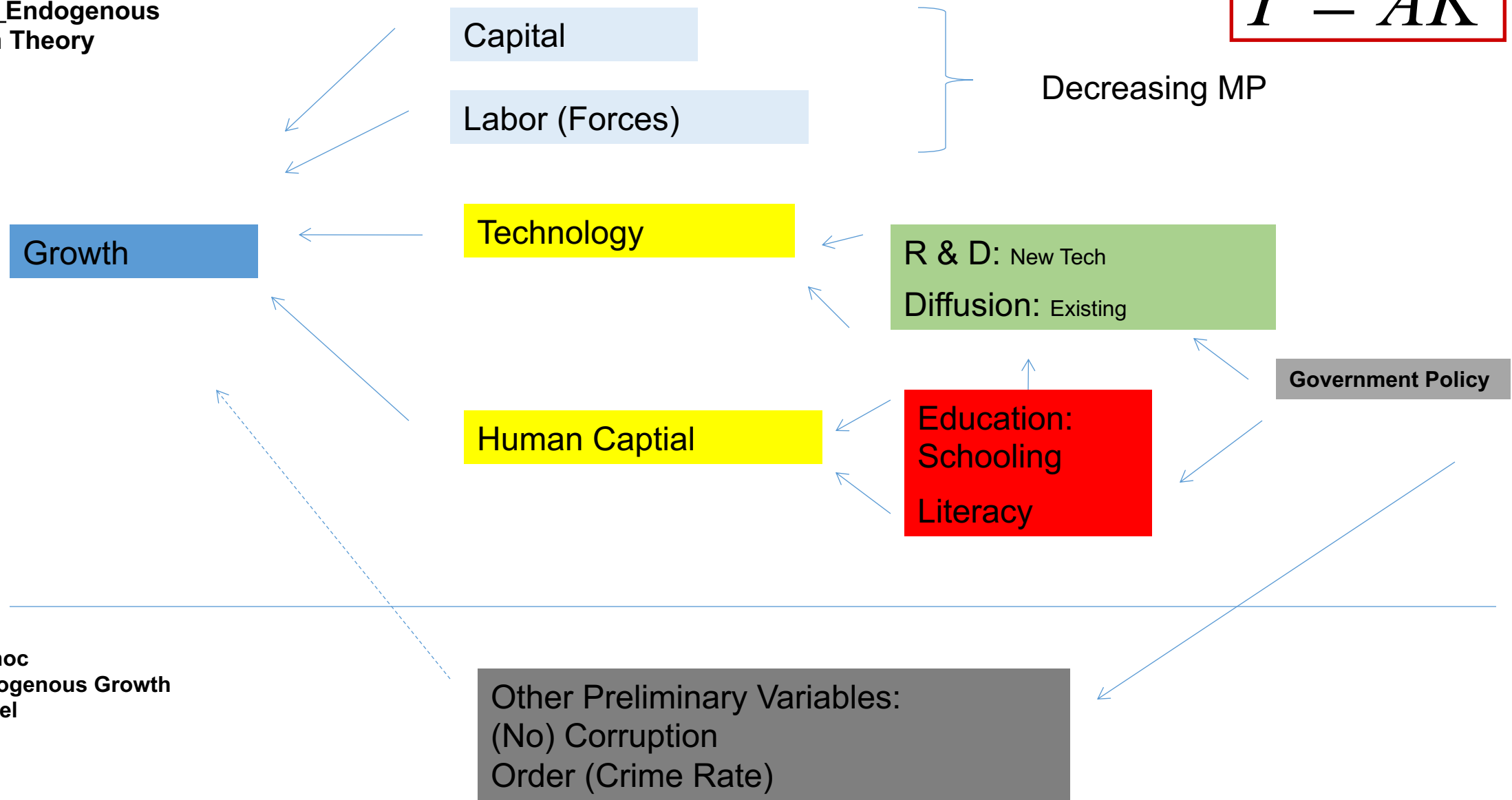
Milken Innovation Center-Jerusalem Institute

Senior Fellow, Milken Institute

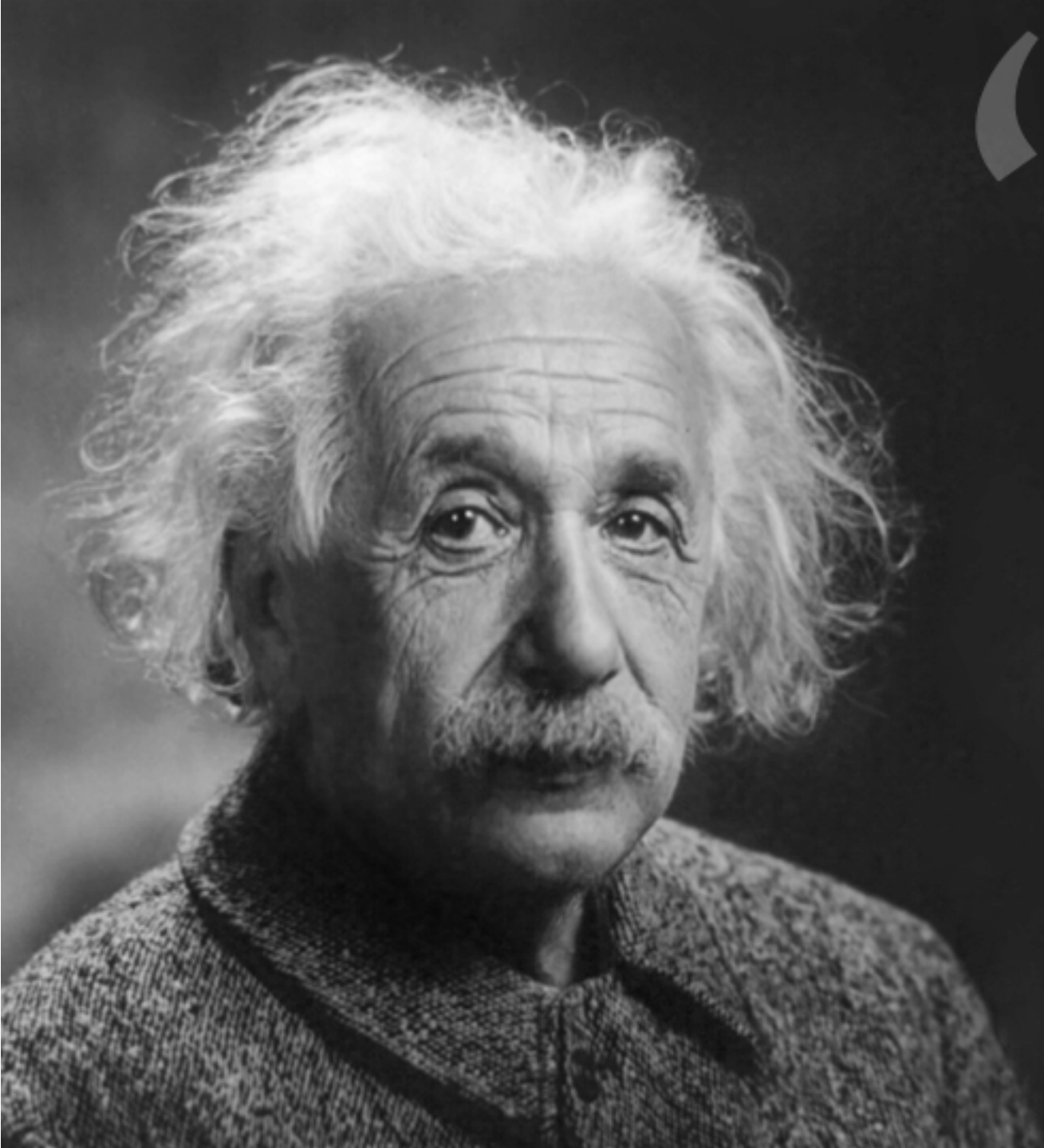


Summary of Growth Theories

Formal Endogenous Growth Theory



Ad hoc Endogenous Growth Model



**“COMPOUND
INTEREST
IS THE GREATEST
INVENTION
THE WORLD HAS EVER
PRODUCED”**

~ Albert Einstein

The Compound Interest Formula

$$A = P\left(1 + \frac{r}{m}\right)^{mt}$$



A = future value

P = principal

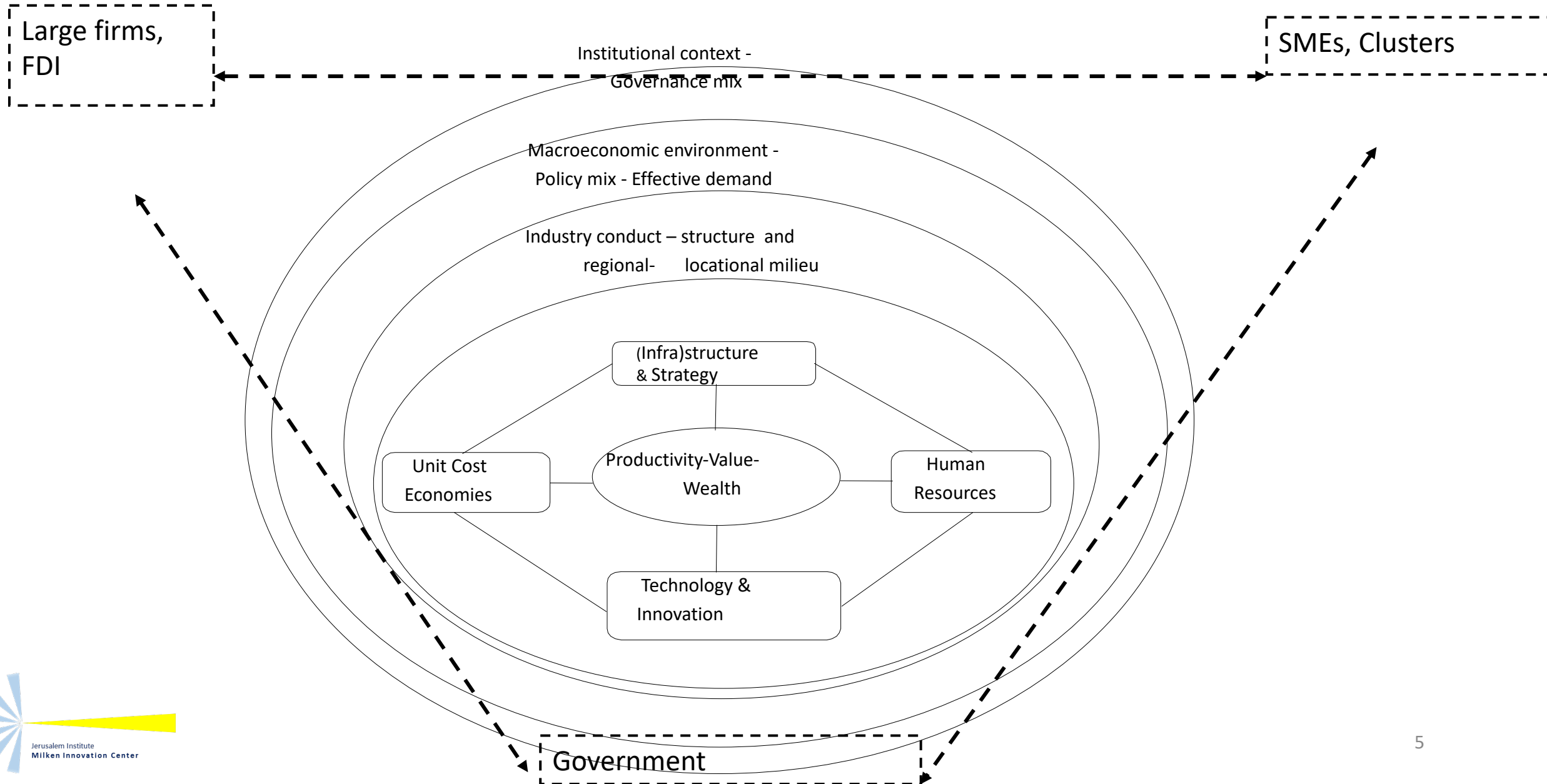
r = annual rate

m = number of compounding
periods a year

t = number of years

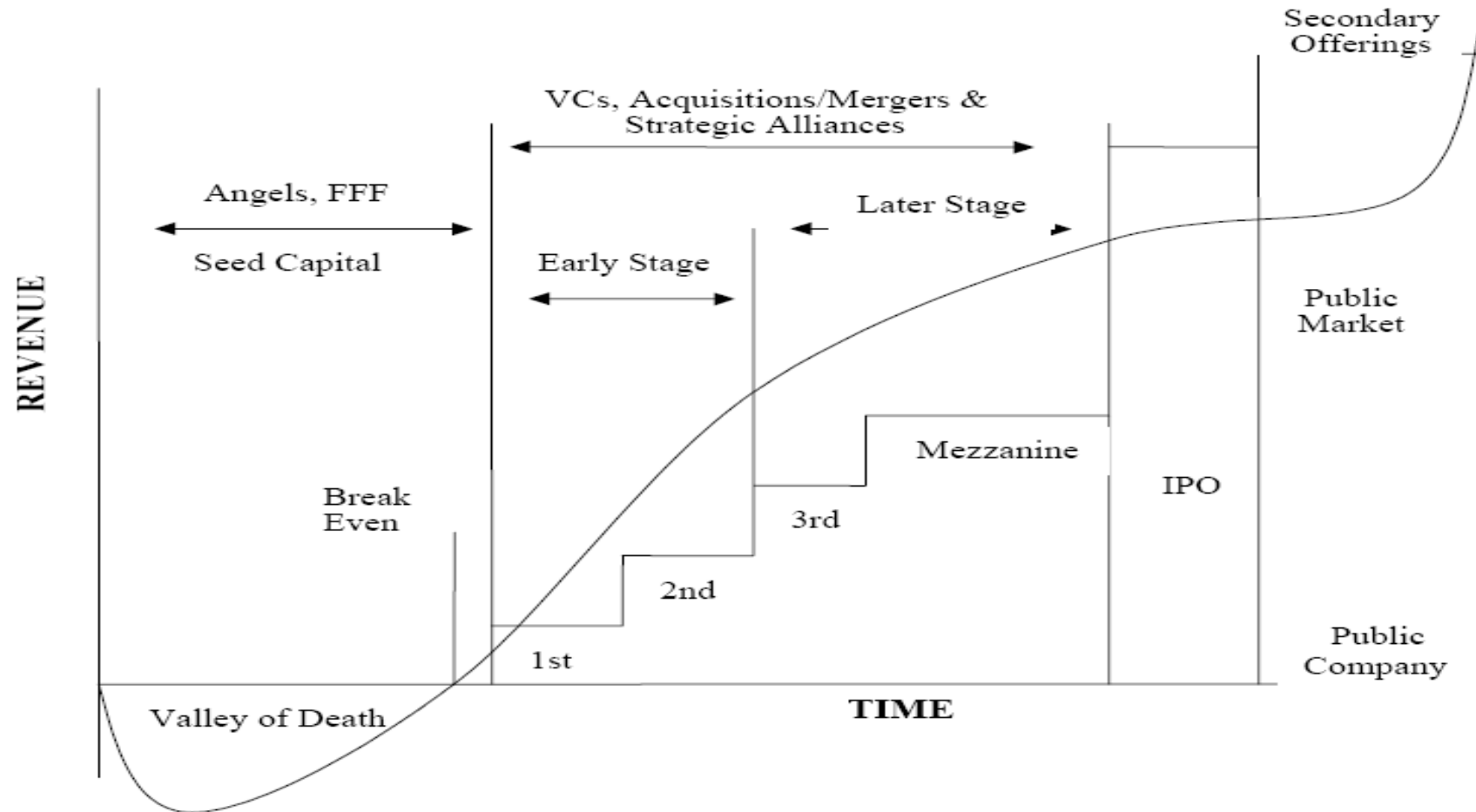
mathbootcamps.com

Three agents of productivity, value and wealth creation



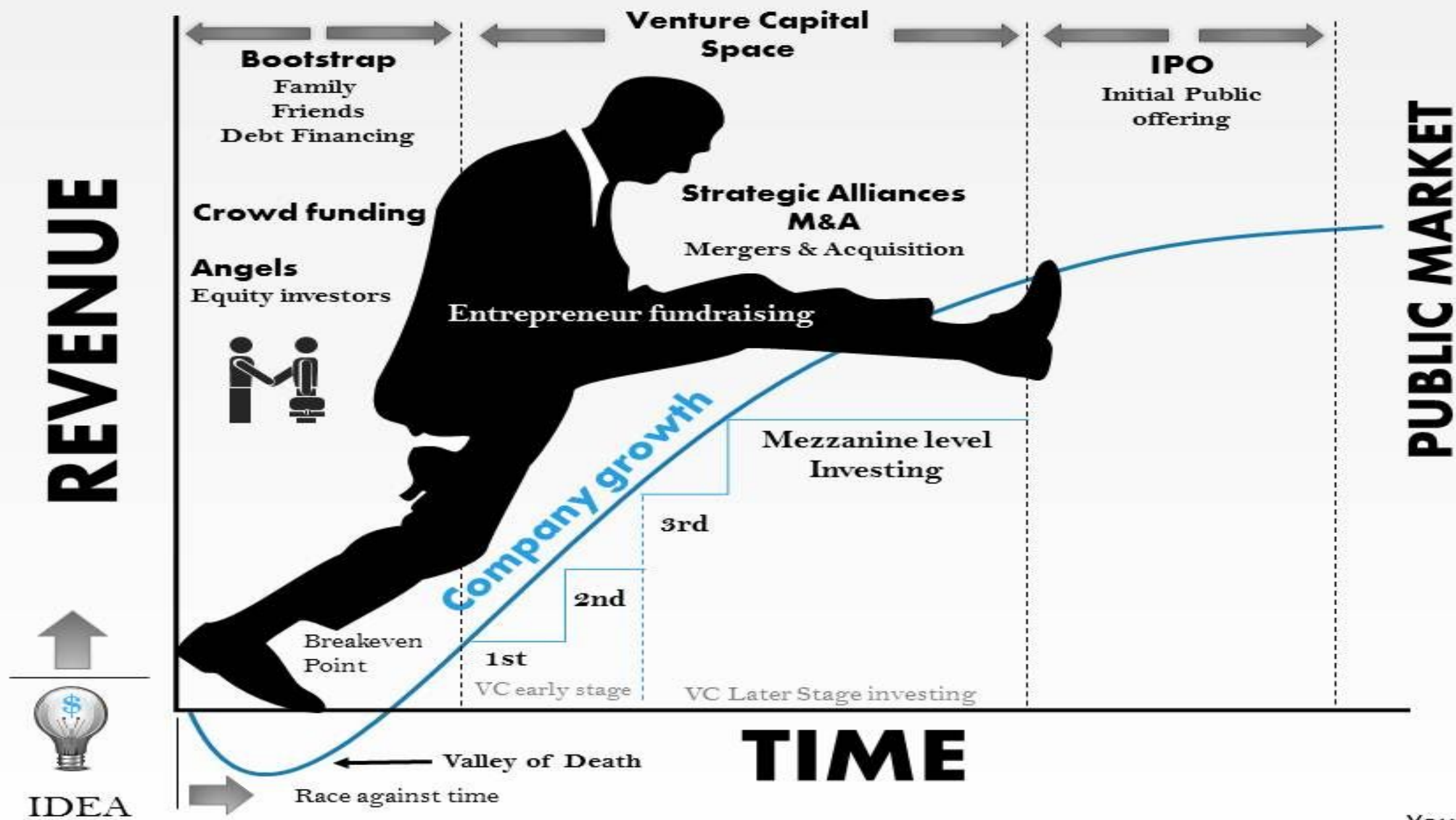
Enterprise Finance: Stages of Firm Development and Innovation

SME Financing Lifecycle

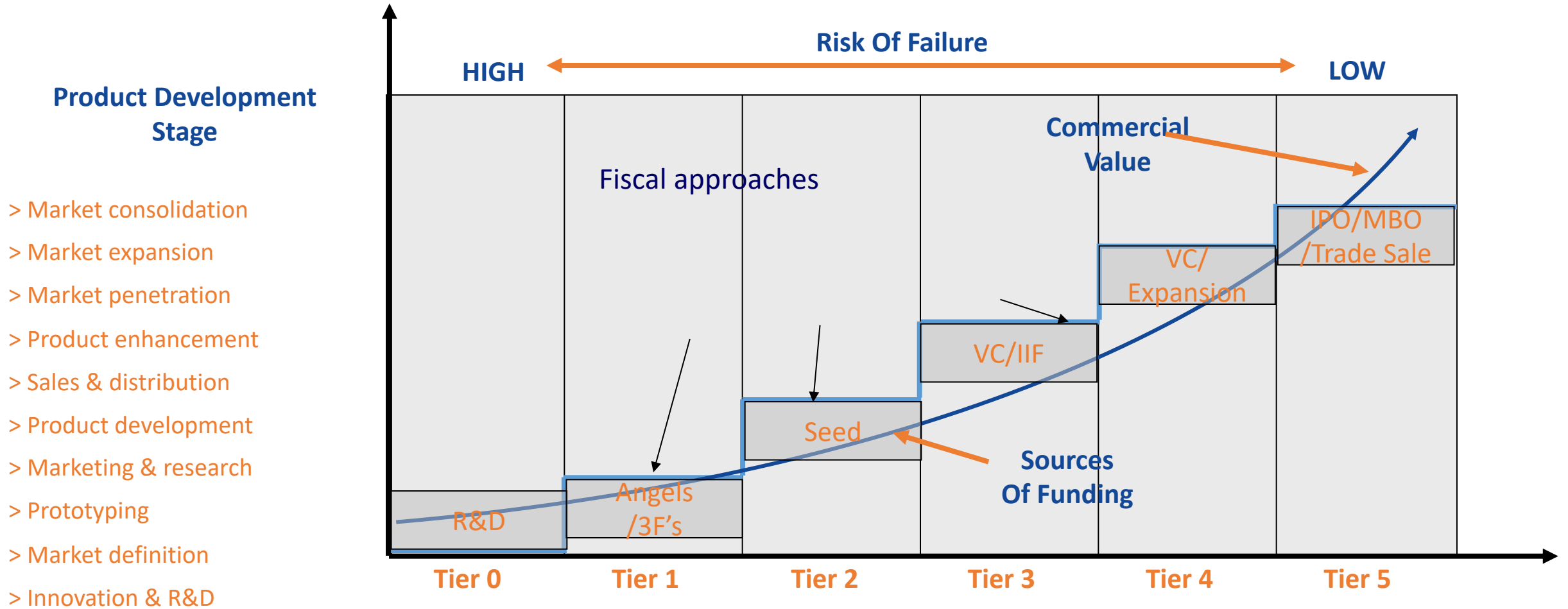


Source: Cardullo (1999)

Raising Venture Capital Leap



The Commercialization Cycle



Tiers 0/1 - Pre-incubation

- Direction
- Collaboration
- Guidance
- Resources etc
- Pre-Seed funding



Business Development Tiers

Tier 2 - Incubation

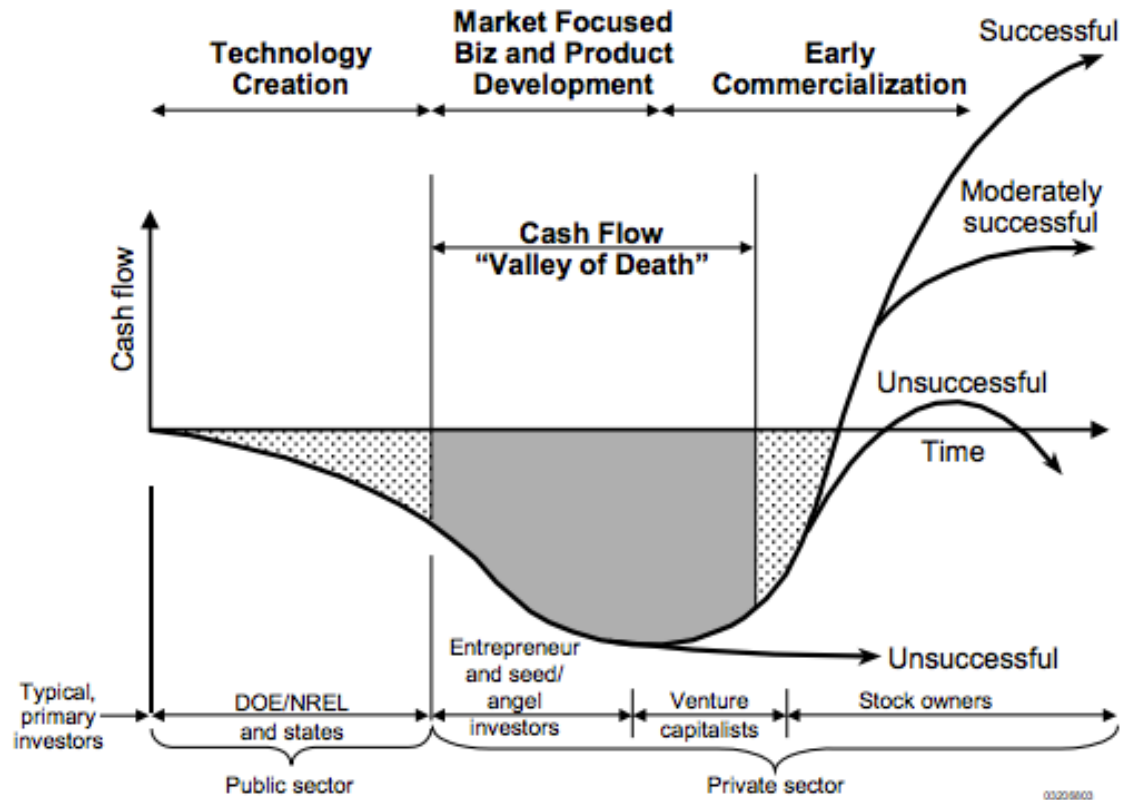
- Mentoring
- Seed funding
- Contacts
- Consulting
- Clients

Tier 3 - Post-incubation

- Funding
- Structuring
- Relationships etc

Tiers 4/5 - Commercial Maturity

The “Valley of Death” (VoD)



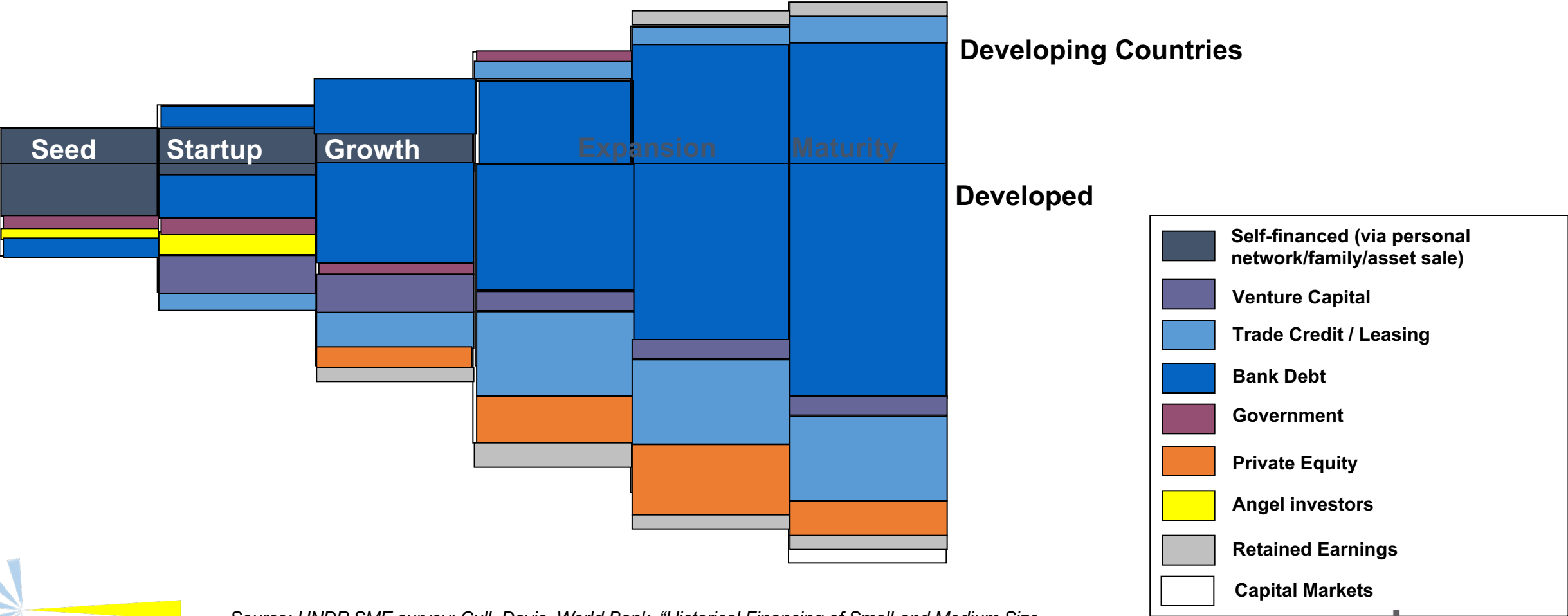
- VoD: Before reaching commercial scale, companies are reliant on external financing to fund operations, when majority of companies fail
- J-curve applicable to venture investments in capital-intensive sectors tend to run deeper and longer

Figure 1. The Cash Flow Valley of Death as a function of development stage (Time), with typical investors shown for the various stages.

Source: Murphy, L. and Edwards P., (2003). Bridging the Valley of Death: Transitioning from Public to Private Sector Financing. Golden, Colorado: National Renewable Energy Laboratory.

Need and Opportunity: Next Generation Financing for SMEs

SME Finance in Developing vs. Developed Countries



Source: UNDP SME survey; Cull, Davis. World Bank, "Historical Financing of Small-and Medium Size Enterprises". World Bank country comparison.

SMEs and Growth: Definitions and Landscape

Some Basic Questions for Developing Economies

1. Where do big businesses come from?
2. How does a country best diversify its economy?
3. Which group of businesses, by size and degree of development, has the greatest incentive to insist on policy reforms and accountable, transparent government?
4. What, in its essence, is an SME?

SME definitions used by multilateral institutions

<u>Institution</u>	Maximum # of Employees	Max. Revenues or Turnover (US\$)	Maximum Assets (US\$)
World Bank	300	15,000,000	15,000,000
MIF – IADB	100	3,000,000	(none)
African Development Bank	50	(none)	(none)
Asian Development Bank	No official definition. Uses only definitions of individual national governments.		
UNDP	200	(none)	(none)

Proposed formula for defining SMEs

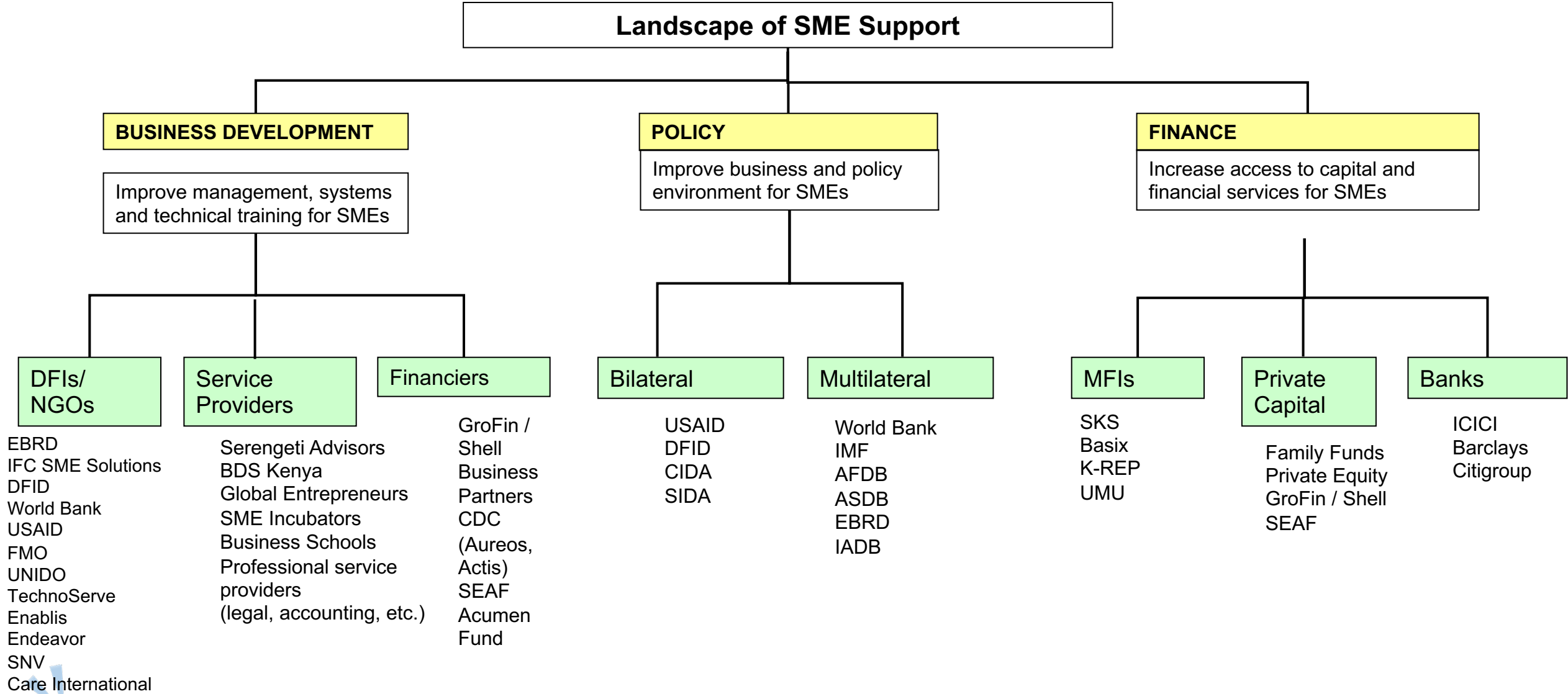
An SME is a formal enterprise with annual turnover, in U.S. dollar terms, of between 10 and 1000 times the *mean* per capita gross national income, at *purchasing power parity*, of the country in which it operates.

Comparisons of SME definitions

<u>Definition Point</u>	<u>PC/GNI PPP</u>	<u>Definition Range by Turnover</u>				<u>Implied Investment Range</u>		
		<u>Min.</u>	<u>Max.</u>	<u>Mid-Point</u>		<u>Min.</u>	<u>Max.</u>	<u>Mid-</u>
World Bank Group		100,000	15,000,000	7,550,000		75,000	11,250,000	5,625,000
Proposed Tanzania	730	7,300	730,000	368,700		5,480	547,500	276,500
Proposed Nicaragua	3,650	36,500	3,650,000	2,000,750		27,375	2,737,500	825,700
Proposed Argentina	15,390	150,390	15,390,000	7,703,000		11,800	11,855,000	5,778,000

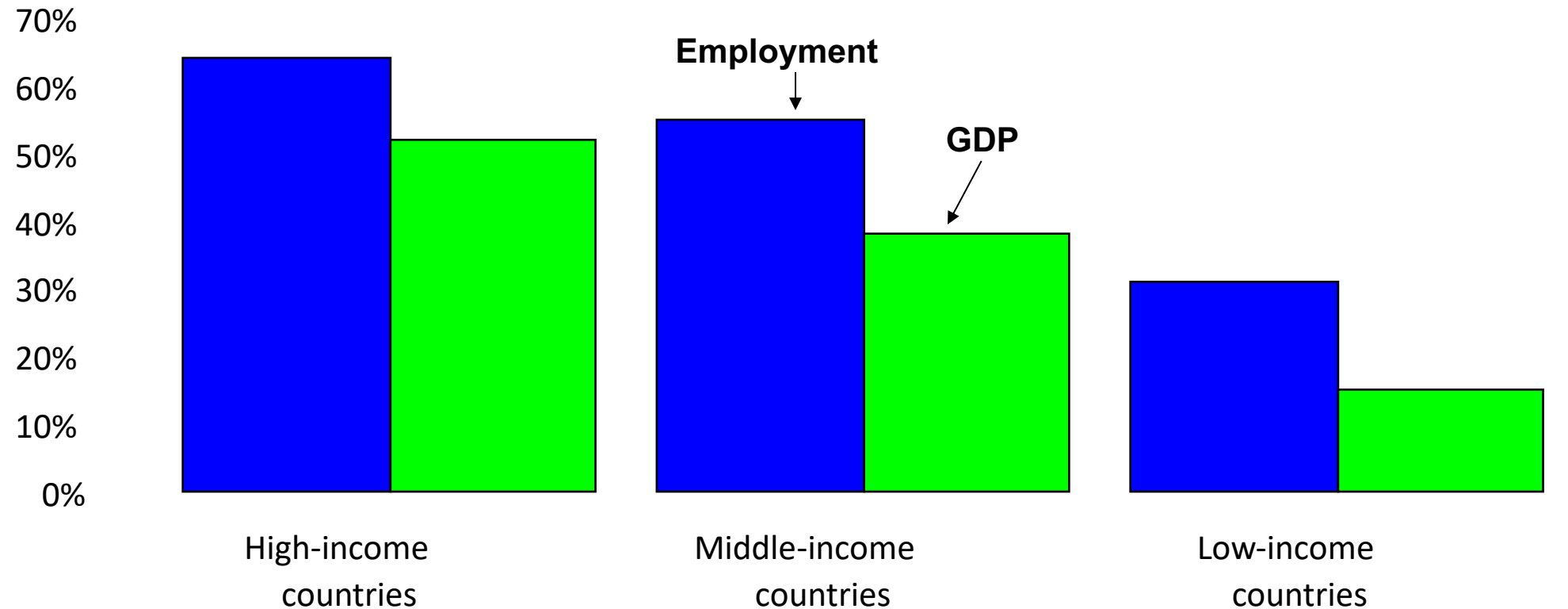
Problem

Problem Landscape



Employment and GDP growth

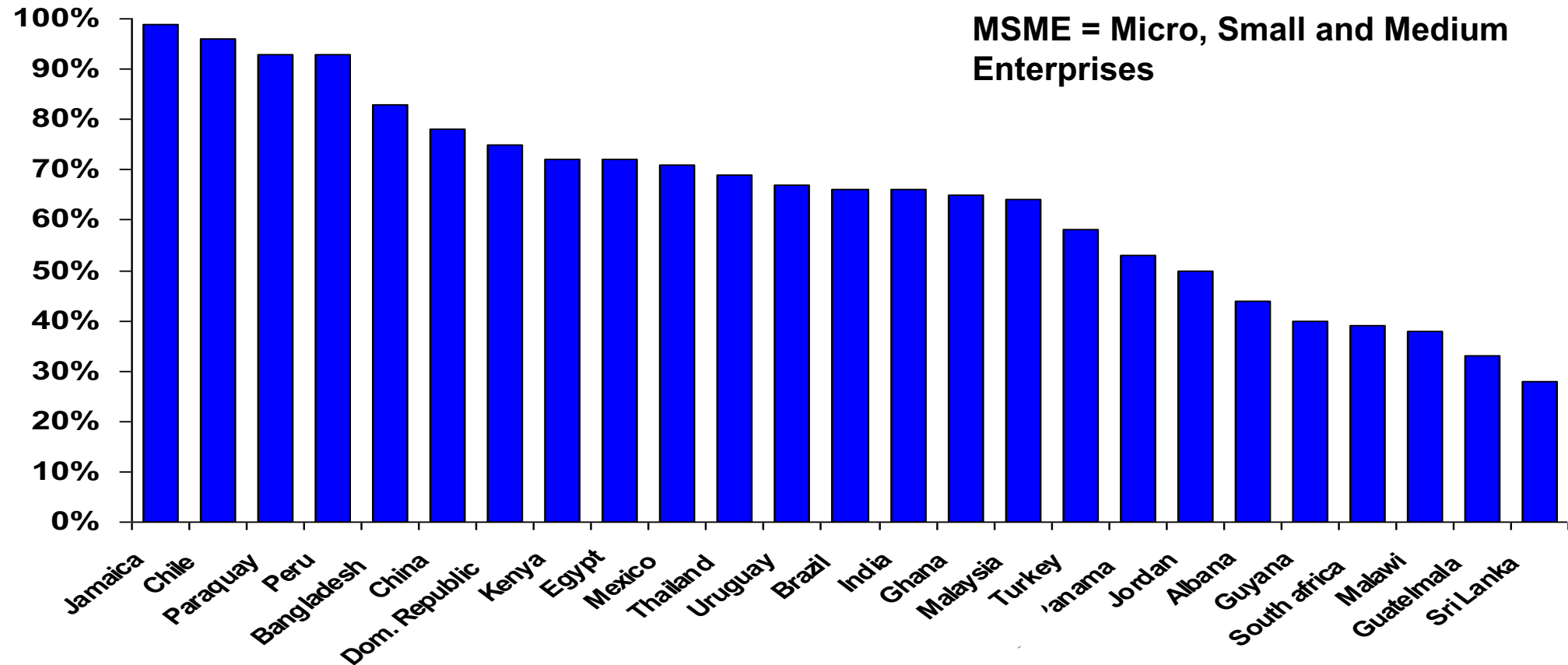
Contribution of SME sector



Source: World Bank, 2003.

MSME employment

Emerging markets, as % of total employment



Source: International Finance Corporation (IFC), 2006.

Main growth obstacles reported by SMEs

Developing Countries, 2007

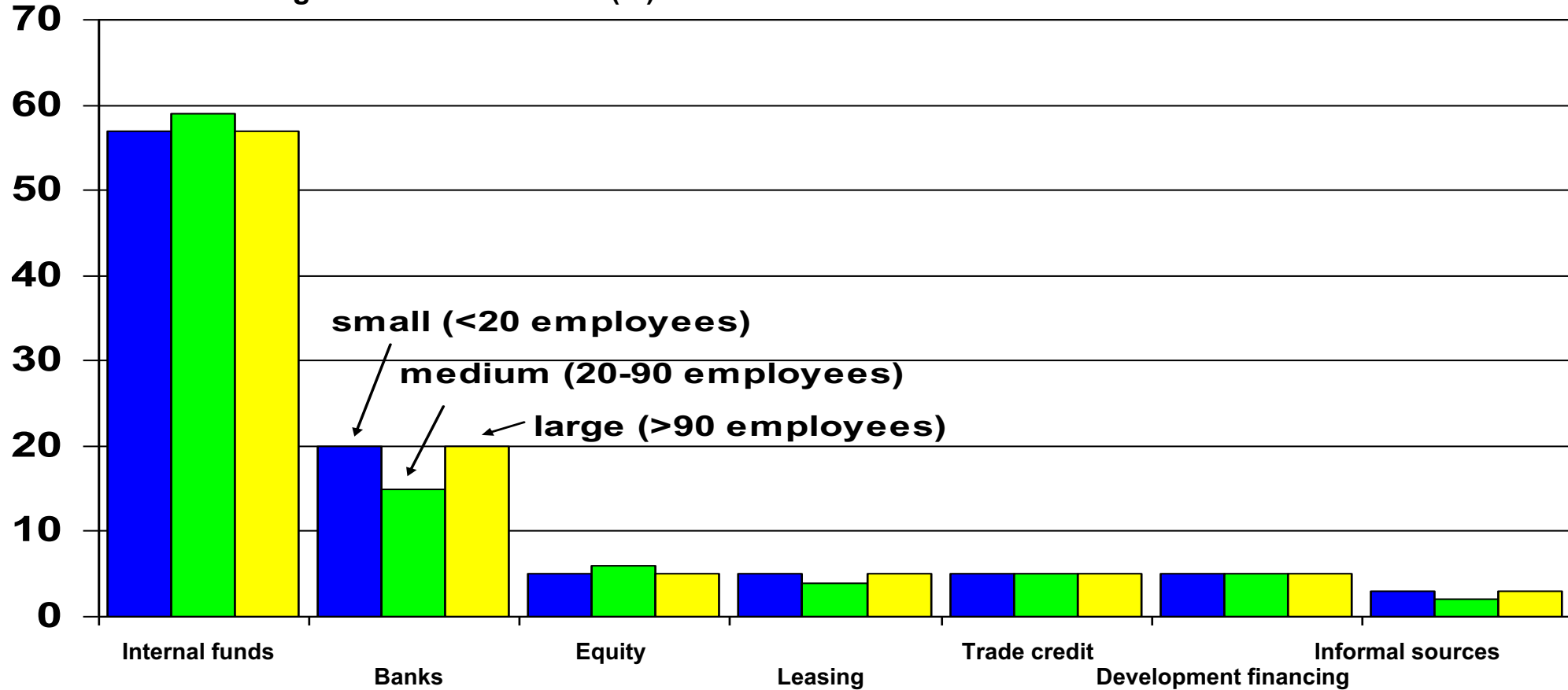
Cost of finance	37%
Tax rates	36%
Macroeconomic instability	33%
Economic policy uncertainty	31%
Corruption	30%
Access to finance	29%
Anti-competitive practices	28%
Tax administration	26%
Electricity	18%
Crime, theft, disorder	18%
Skills of available workers	17%
Legal system	15%
Custom and trade regulations	13%

Source: World Bank.

Sources of new SME investments

Developing countries, 2007

Fraction of financing for new investments (%)



Source: World Bank.

Opportunity

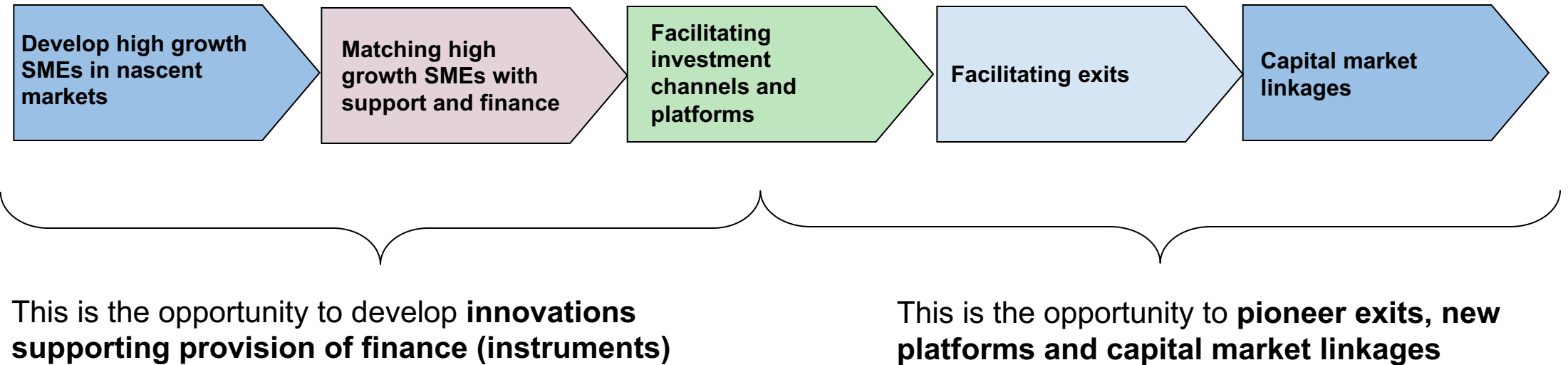
Financing the Missing Middle

- Firms consistently report finance as key constraint*
- There are very high returns in this Gap
 - Evidence is robust & consistent across variety of countries
 - Banerjee & Duflo 2003 (India)
 - McKenzie & Woodruff (Mexico)
 - de Mel, McKenzie & Woodruff (Sri Lanka)
- Returns in excess of 5% a month (80% annual)
- Huge missing potential
 - Imagine the possibility – there is \$3.6 trillion of missing GDP; potentially millions of jobs.
 - Every dollar invested generates an additional \$12 in the economy**

*Source: WB Climate Surveys

** Source: SEAF

Approach Summary



Emerging markets private equity fundraising

US\$ billions

25

20

15

10

5

0

Asia (ex. Japan,
Australia, New
Zealand)

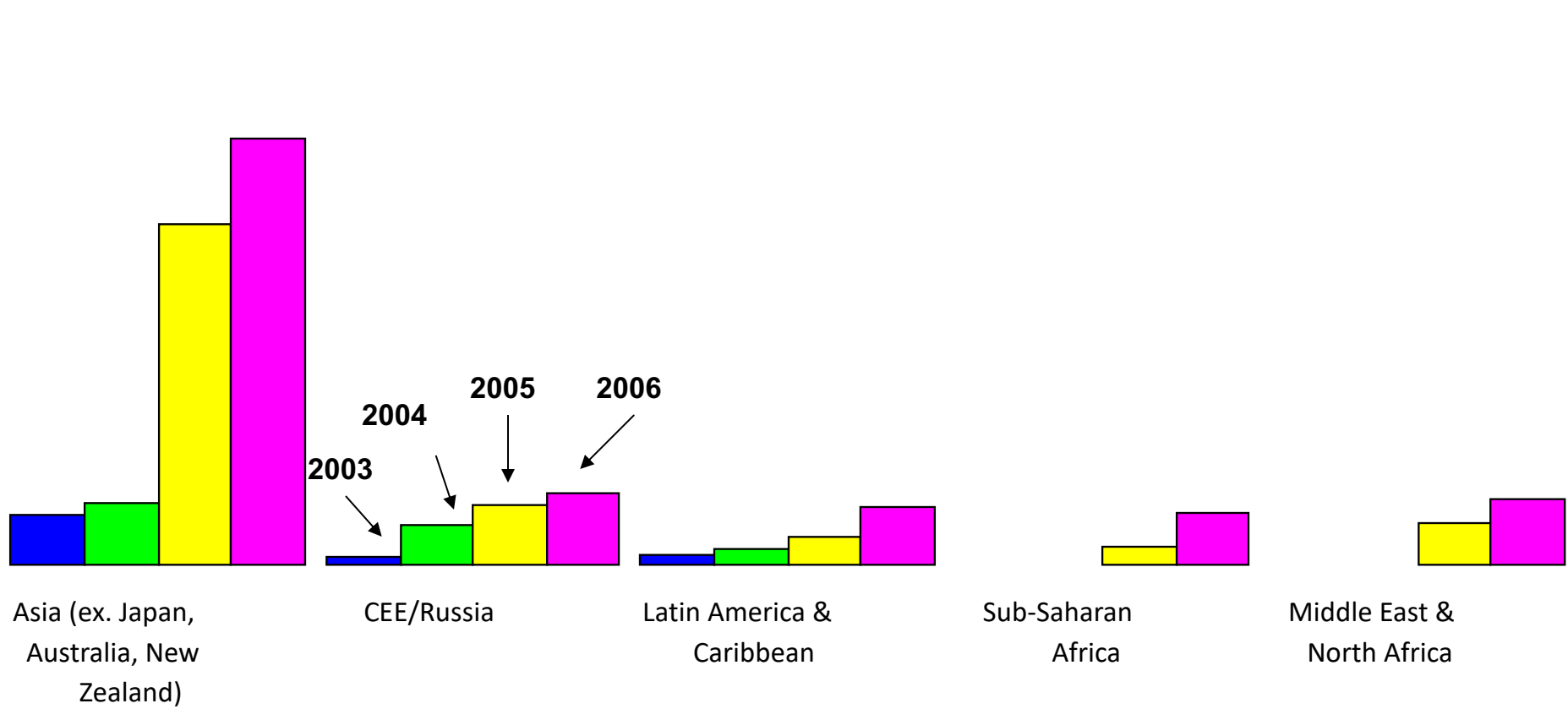
CEE/Russia

Latin America &
Caribbean

Sub-Saharan
Africa

Middle East &
North Africa

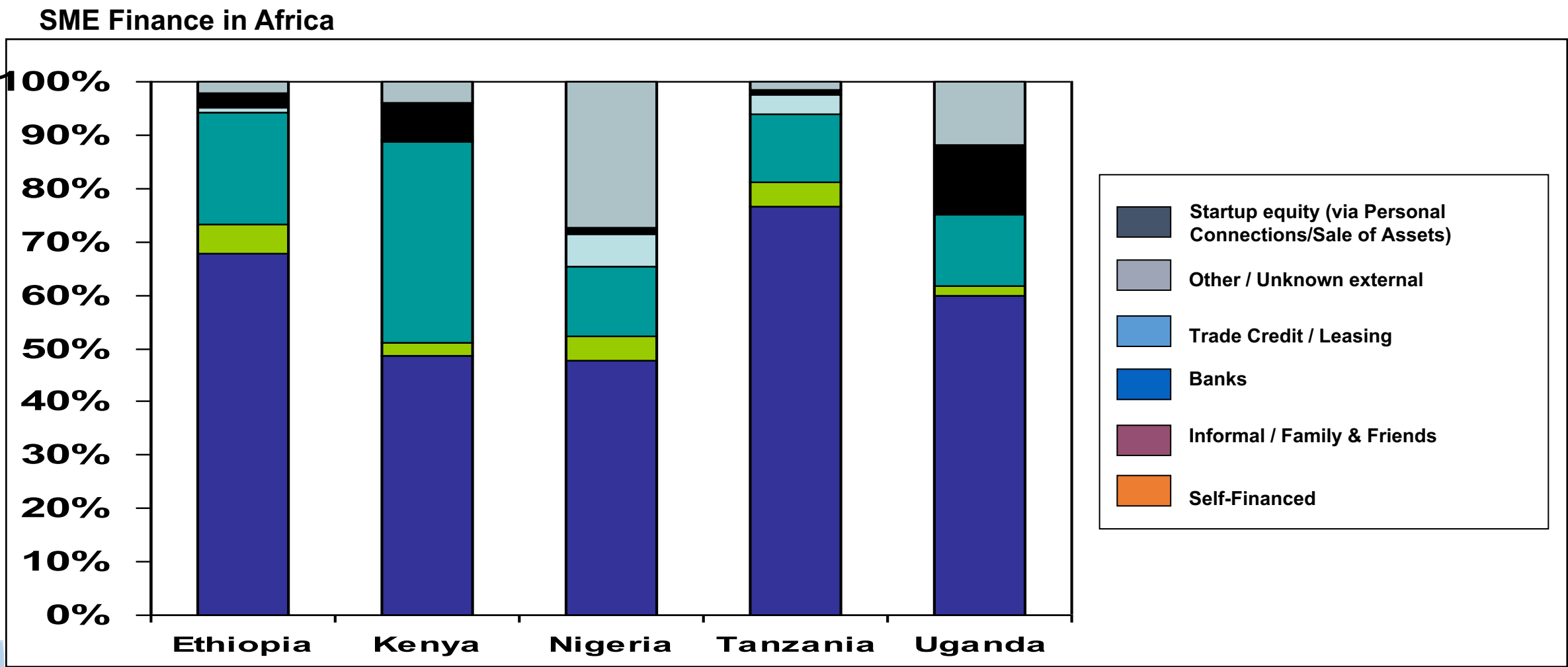
2003 2004 2005 2006



Source: Emerging Markets Private Equity Association, 2007.

Problem

Next Generation Financing for SMEs



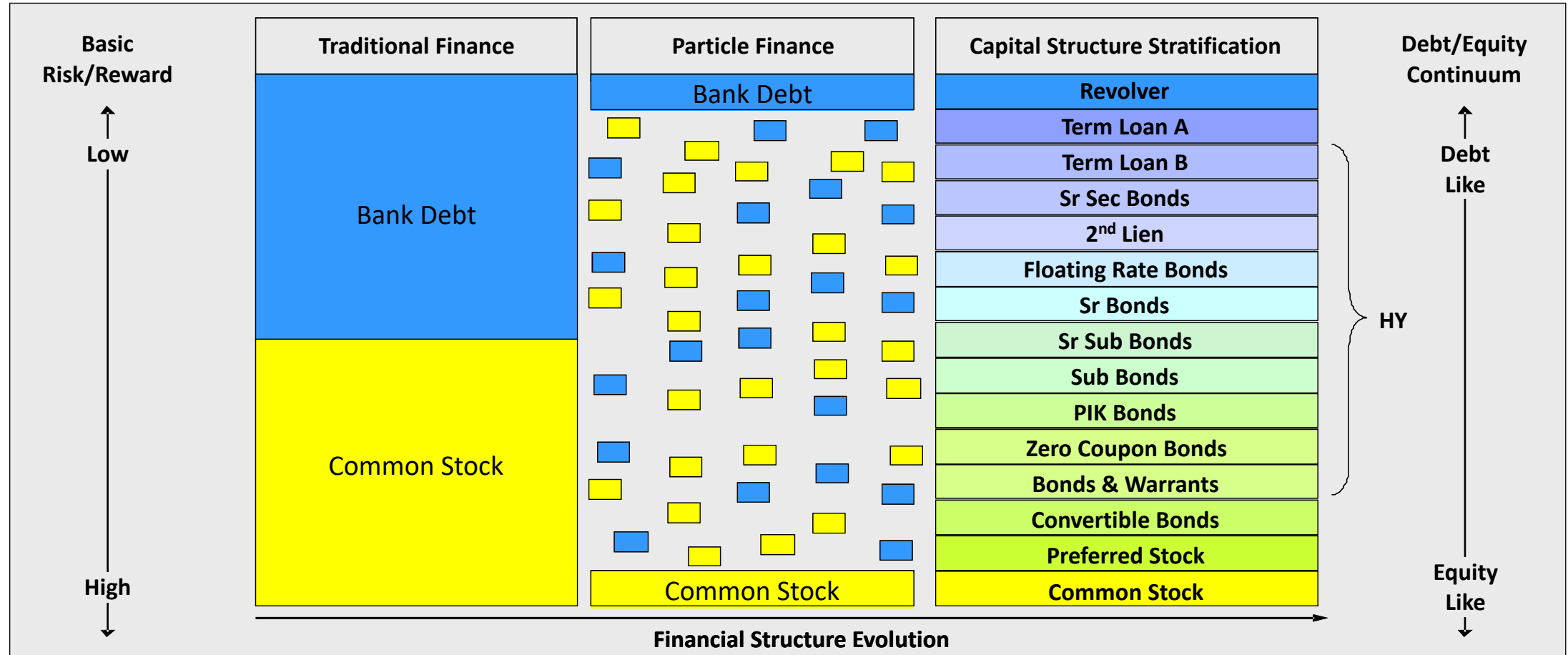
Source: UNDP SME survey; Cull, Davis. World Bank, "Historical Financing of Small-and Medium Size Enterprises".
World Bank country comparison.

Long-Term Debt Finance: What's Missing in Bond Markets?

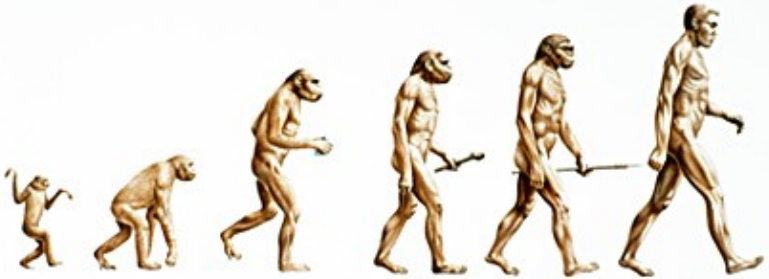
What is high yield? Theory and practice of growth finance

- **High Yield Bond** – High yielding corporate bond with a lower credit rating than investment-grade bonds reflecting a higher risk of default. These bonds have served as a significant financing tool.
- **“High Yield” is a Theory, an Instrument, a Marketplace**
 - United States redeveloped high yield finance.
 - Used to create U.S. Steel in 1901; tool to “democratize” capital in 1980’ s.
 - High yield bonds provide financial structure stratification to lower cost of capital for below investment grade issuers.
 - US\$1.2 trillion outstanding, 33% of U.S. corporates, issuance of \$100 to \$200 billion per year.
- **High Yield Provides Attractive Financing Options**
 - Capital access for a range of issuer sizes and qualities.
 - More flexible or accessible than loans or stock.

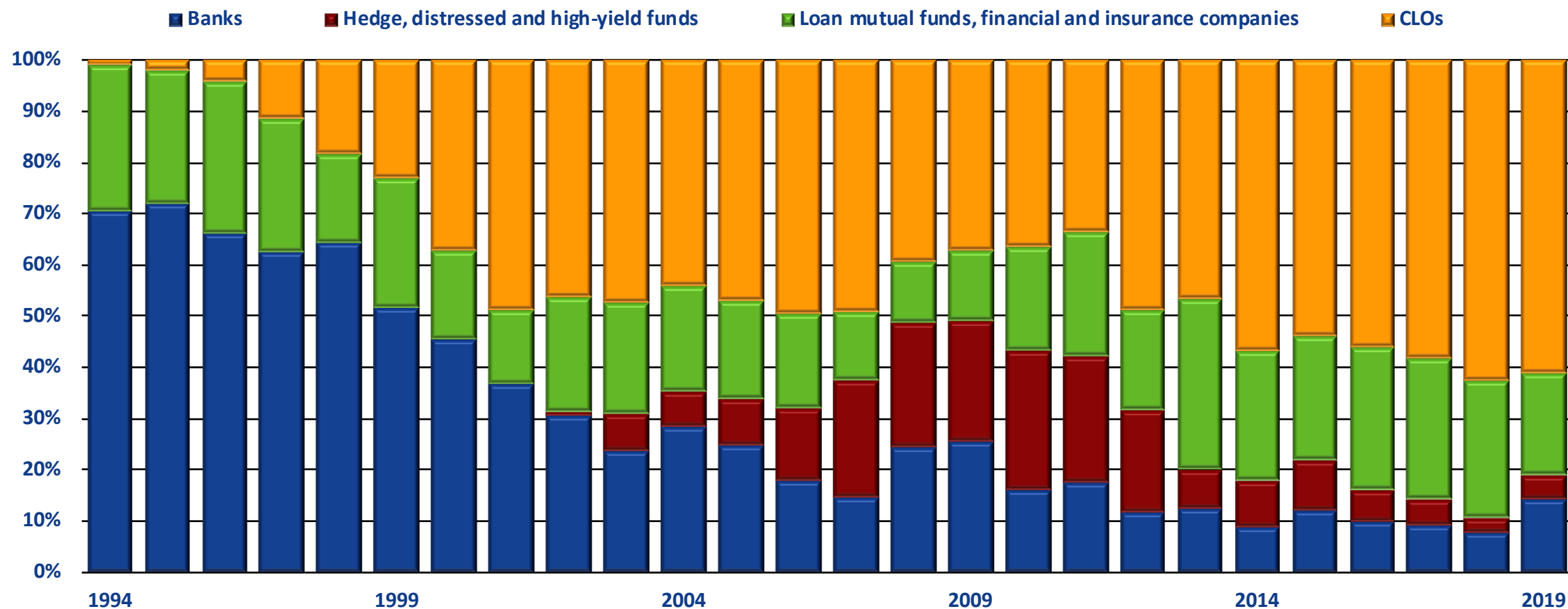
High yield capital structure philosophy



Product options are capital tools: Why Capital Structure Matters?

Evolution of Man & Tools							
							
Evolution of Firm & Capital Structure							
	VC	New Public	Midlife		Mature		LBO
			A	B	Industry A	Industry B	
Bank Debt	15	75	200	400	1,000	500	2,000
Sr Notes	-	-	200	300	500	500	1,000
Sub Notes	-	50	-	200	300	-	500
Convert	-	50	-	-	200	-	-
Pref Stock	10	-	-	-	-	-	300
Pub Common	-	75	100	500	1,000	2,000	-
Priv Common	5	-	-	-	-	-	1,200
Book Capital	30	250	500	1,400	3,000	3,000	5,000
Enterprise Value	50	300	750	2,500	5,000	5,000	5,000
Rating	NR	B-	B	BB-	BB	BBB+	B

Institutional Investor Base for Non-Investment Grade Loans

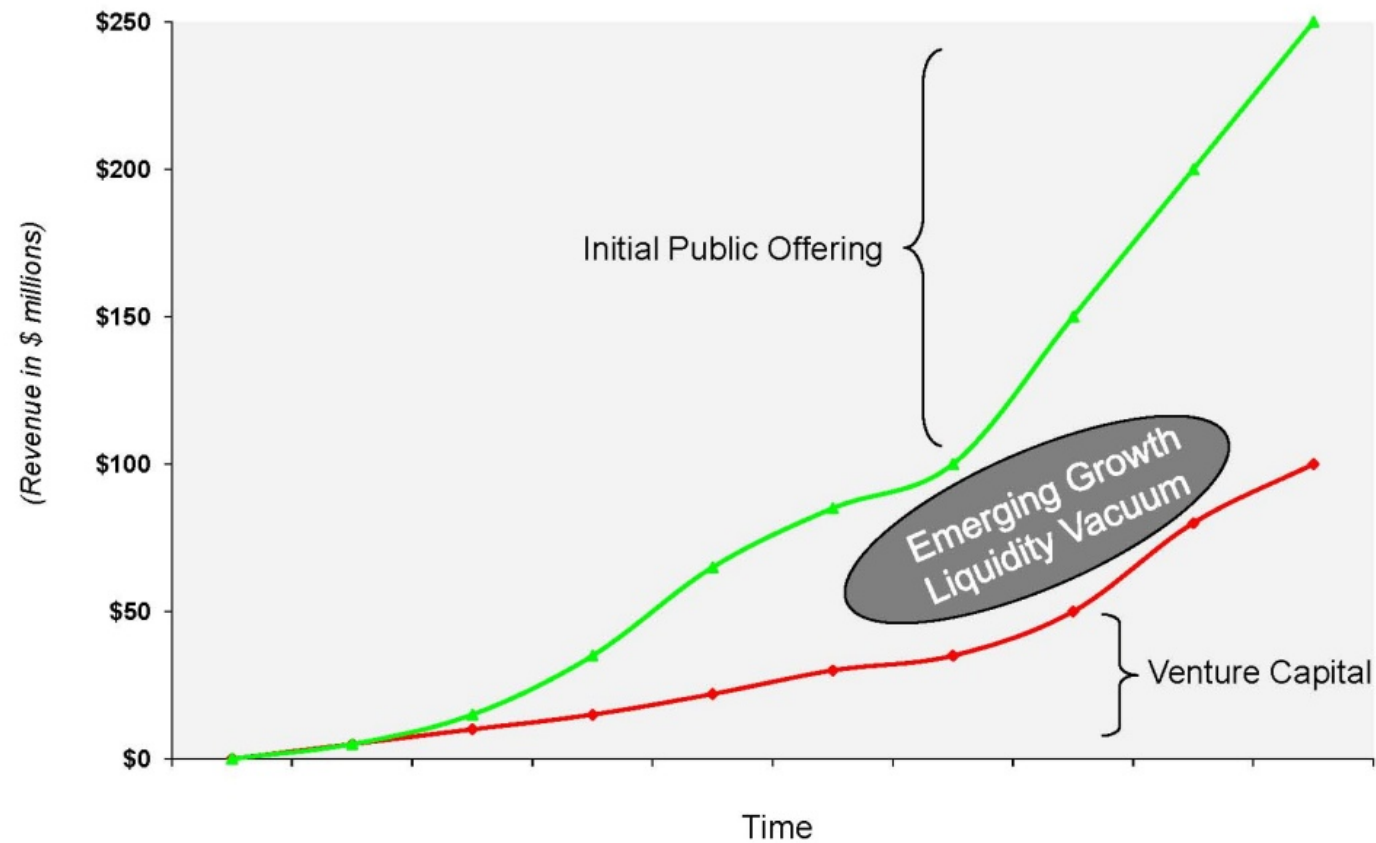


Source: S&P LCD (1/31/2020).

Growth Finance: What's Missing in Equity Markets?

Sarbanes-Oxley Act and Dodd-Frank Act

An Emerging Growth Company Liquidity Vacuum?



2012 Industry View



Growth Equity Definition

- ▶ Company's revenues are growing rapidly
 - ▶ Company is cash flow positive, profitable or approaching profitability
 - ▶ Company is often founder-owned and often has no prior institutional investment
 - ▶ Investor is agnostic about control and purchases minority ownership positions more often than not
 - ▶ Capital is used for company needs or shareholder liquidity and additional financing rounds are not usually expected until exit
 - ▶ Investments are unlevered or use light leverage at purchase. Investment returns are primarily a function of growth, not leverage.
 - ▶ Industry investment mix is similar to that of venture capital investors
-

Case Studies in SME Innovative Finance

- ❑ IMFR
- ❑ Aspada
- ❑ Trade Credit for Rural SMEs
- ❑ Diaspora Funding Platforms
- ❑ Peer-to-Peer Lending
- ❑ Blended Finance
- ❑ Crowdfunding
- ❑ Social Impact Insurance
- ❑ Business Incubators



**Case Study: Structured Finance Solutions
IMFR Trust Company-India**

Sucharita Mukherjee

Indian small enterprises: An overview

- **12 million SSIs in 2006 (registered and unregistered)**
- **55% are in rural areas**
- **Activity**
 - **39.6% are in manufacturing**
 - **43.9% in services**
 - **16.3% in repairing and maintenance**
- **Number of units with outstanding (formal) loans:**
 - **7.39%**
- **Total employment: 29.5 million**

Role of small businesses in India

- **Small industries in India contribute 40% of the country's total industrial output.**
- **Produce more than 8,000 value-added products.**
- **Contribute nearly 35% in direct export and 45% in the overall export from the country.**
- **Are one of the biggest employment-providing sectors after agriculture, providing employment to more than 28 million people.**

Role of Small Business in India (cont.)

- 55% of the 12 million small enterprises in India are in rural areas
- These enterprises are financially constrained by a lack of access to formal financial channels, working capital and the high cost of funds available
- Growth is also hampered by lack of adequate infrastructure, limited education and access to networks
- Interface to markets is weakened by remoteness of rural enterprises, small and disaggregated nature of the sector, lack of standardized tools for evaluation, which results in high transaction costs

IFMR Capital's strategy

- Provide rural enterprises with strong underlying businesses access to debt funding through securitizations
- Pool together portfolios of assets generated by rural enterprises and issue securities providing investors access to a diversified range of rural businesses
- Rating methodologies for rural asset classes and structures with rating agencies
- Provide rural enterprises access to working capital financing
- Use guarantees and credit enhancements to create high quality assets and facilitate debt funding at a cheaper cost
- Create a specialist institution that has expertise in this sector and can evaluate its risks and rewards

Microenterprise vs. small enterprise

Micro

- Target:
 - Roadside vendors
 - Farmers
 - Households
- Family-based income
- Less formal accounting, bookkeeping and management

Small

- Target:
 - Traders with shops
 - Manufacturers
 - Services
- Business income
- Better accounting and management systems

Small Enterprise

Financial Constraints

- Lack of working capital
- Lack of access to finance
- High cost of available funds

Non-Financial Constraints

- Lack of adequate infrastructure
- Deficiency in the multiple skills needed
- International competition for exports
- Social constraints (limited education and access to networks)

IFMR Trust: Overview

- **A for-profit entity that aims to identify and invest in commercial opportunities that leverage the competitive strengths of low-income households in India**
- **Focus: Engaging low-income households as both producers and consumers**
- **Largest partner of ICICI Foundation**

IFMR Trust initiative

Three-pronged initiative to achieve inclusive growth

1. Providing access to finance for rural India

- Regional Rural Financial Services (RRFS): National network of 300 RRFS
- Rural market, last-mile solutions

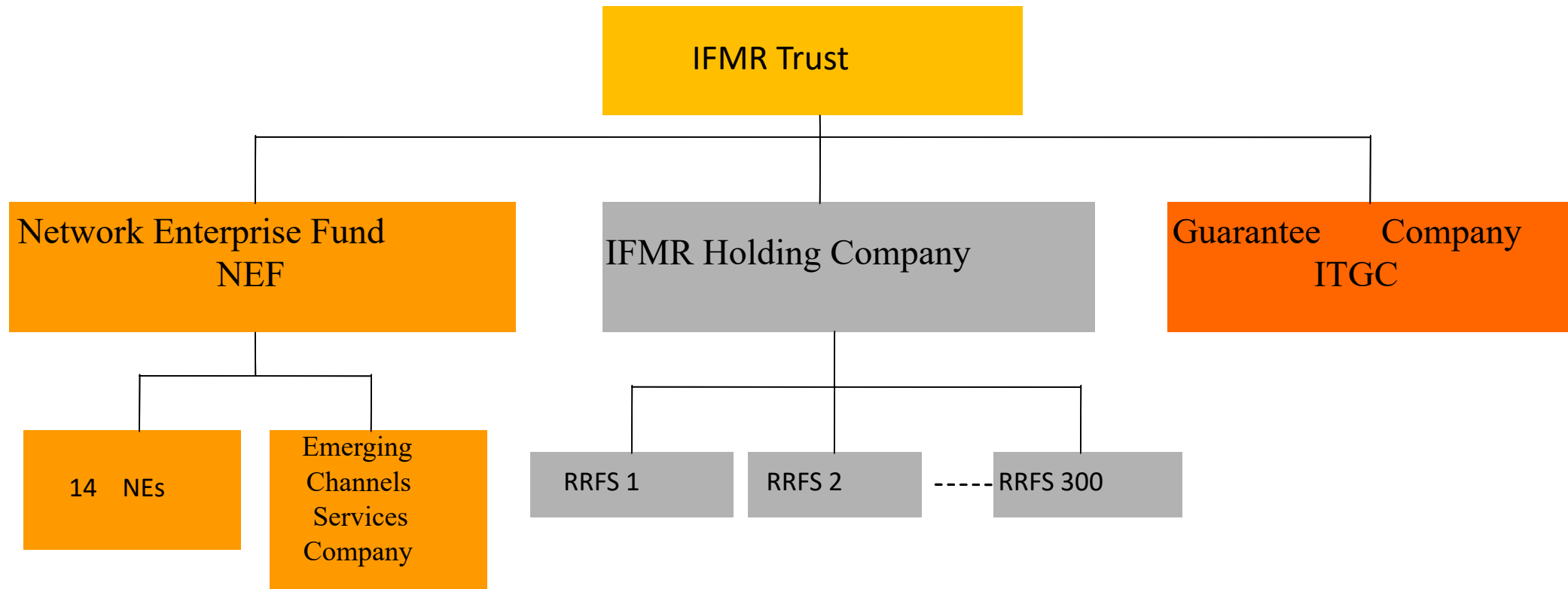
2. Creating sustained economic activity by promoting rural enterprises

- Network Enterprises Fund: a private equity fund
- Active management approach, creating market linkages

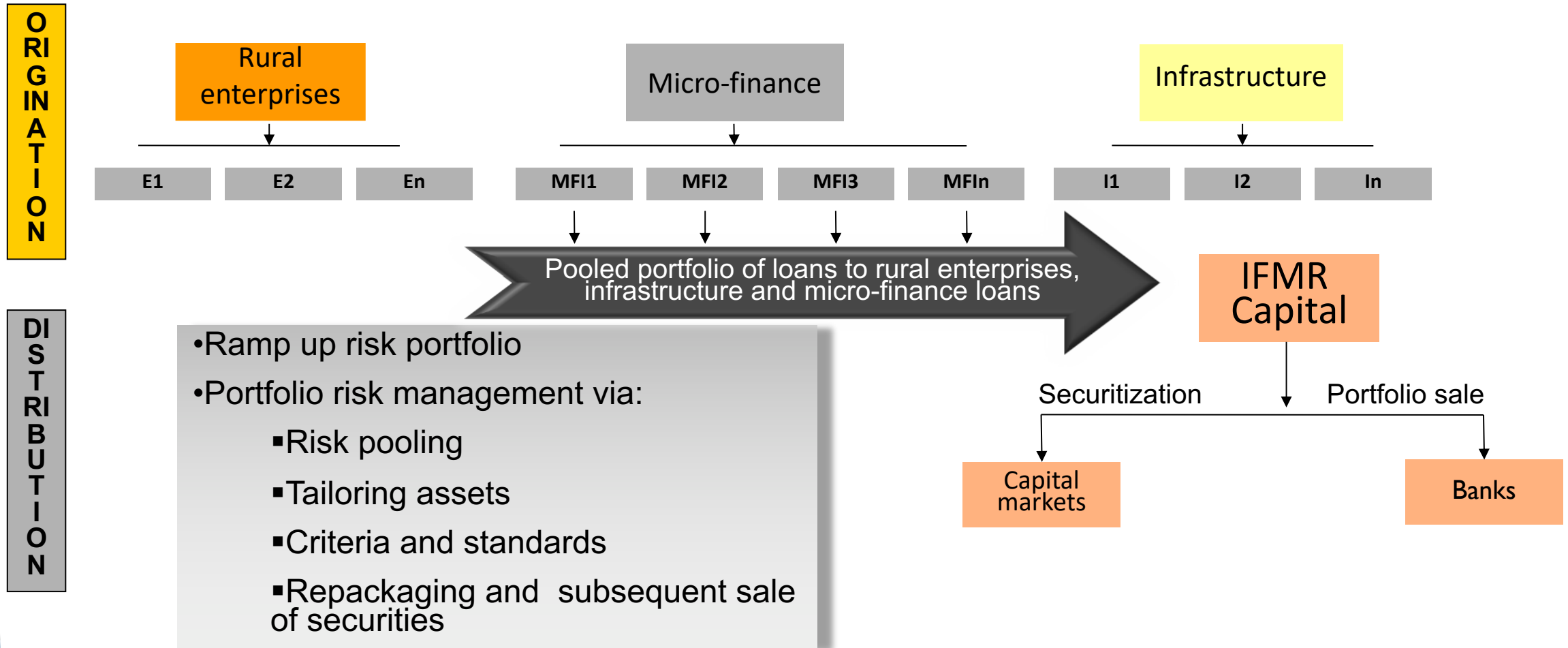
3. Sourcing capital and developing access to capital markets for sectors critical to development

- IFMR Trust Guarantee Company: an NBFC
- Tools: credit enhancement, repackaging, principal capital

IFMR Trust structure



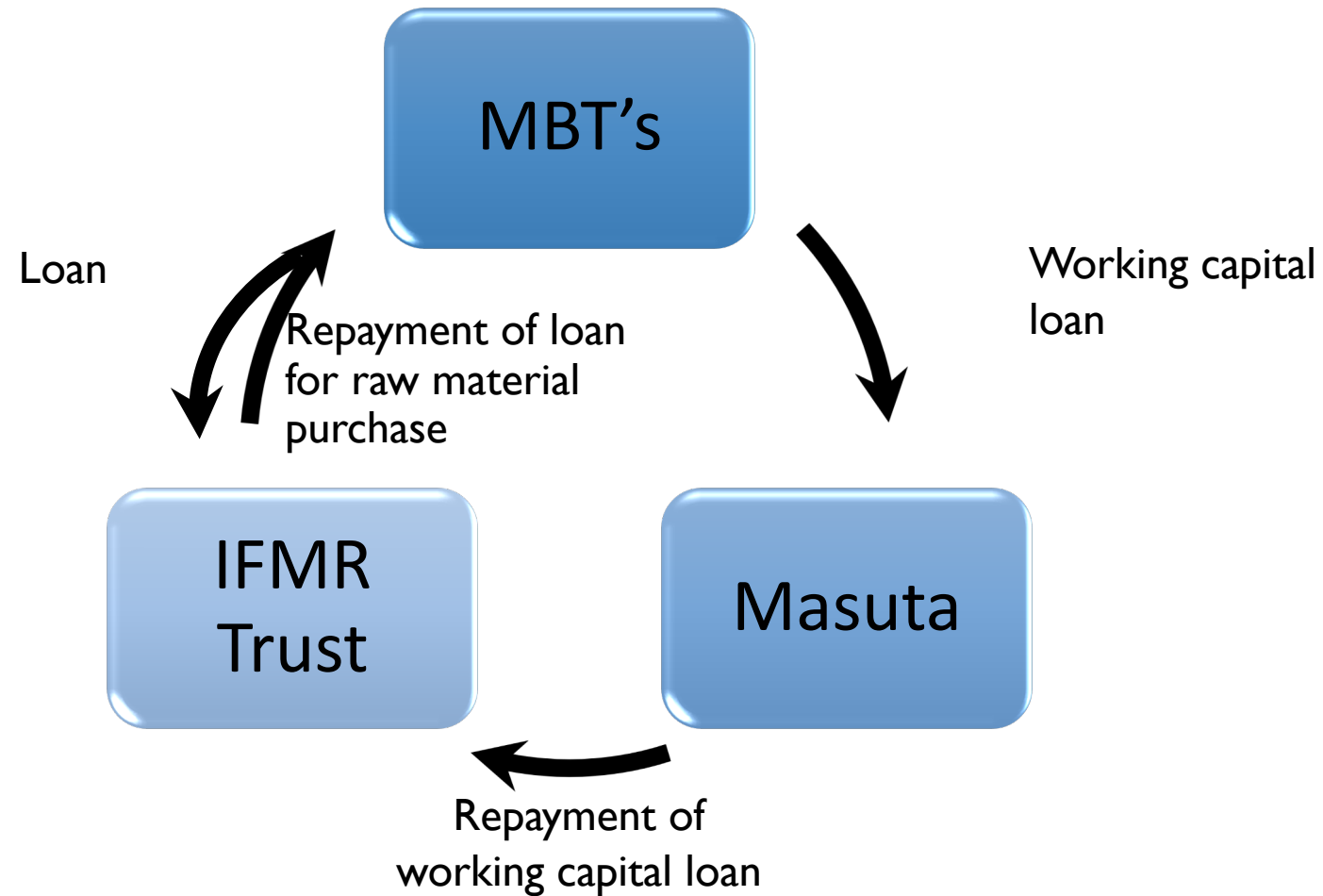
IFMR Capital's strategy



Case study 1: Working capital financing

- Masuta is a producer company involved in the business of procurement, marketing and selling of the tasar (silk).
- The tasar is produced by a Mutual Benefiting Trust (MBT) that is comprised of women producers.
- The MBT requires financing for purchase of raw materials, and Masuta requires funding for its working capital requirements.
- IFMR Trust proposes to structure the loan as a commodity backed financing product under which:
 - The cocoons will be stored in warehouses managed by Masuta
 - Warehouse receipts will be issued by Masuta which certify the quantity and quality of the commodity being held
 - The loan will be extended to each woman MBT producer and is secured by the respective collateral
- The warehousing of raw material and work in progress will be managed by Masuta, who will provide a guarantee on the quality, quantity and storage of the collateral to the lender.
- The Loans will be pooled into portfolios (the “Warehouse Receipt Loan Portfolio”) and purchased by the IFMR Trust at a mutually agreed price.

Case study 1: Working capital

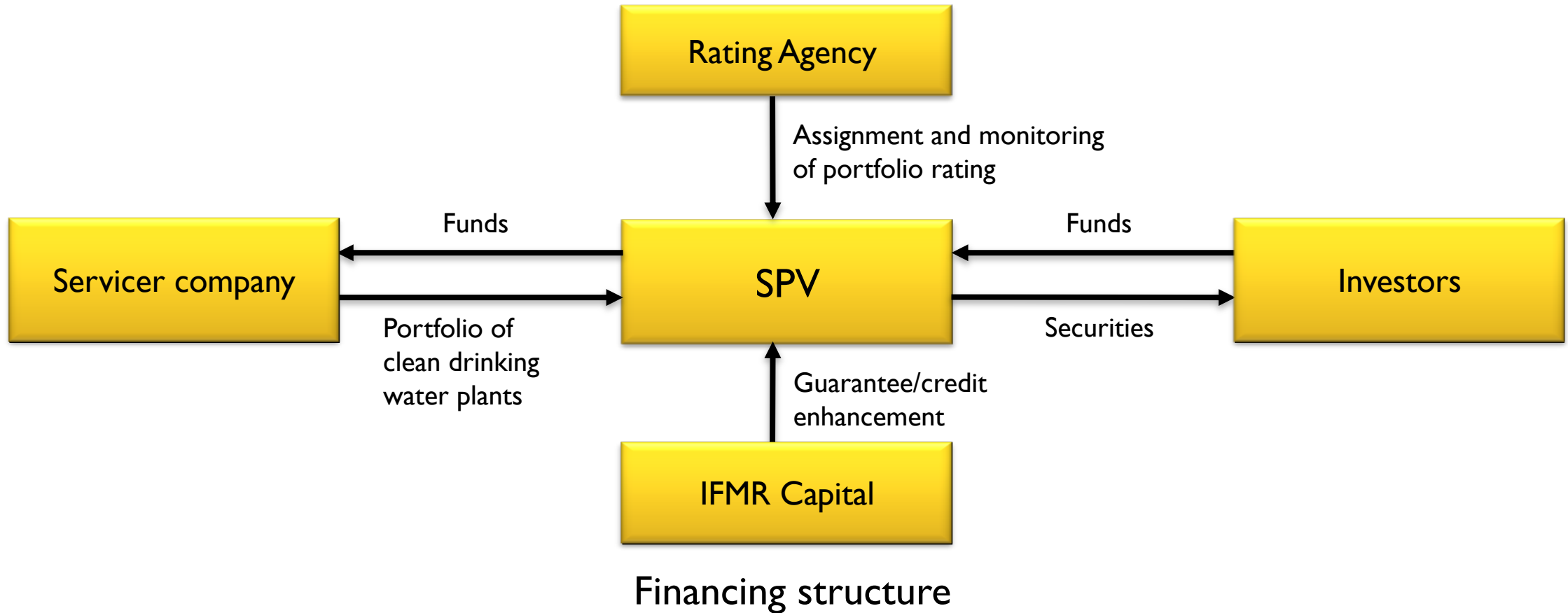


Case study 2: Credit enhancement

An infrastructure case study

- Servicer Company sets up water purification plants in rural India using its patented technologies, gets into long term agreements with the village panchayat for access to surface water and land.
- Panchayat makes a down payment of ~30% of the capital cost of the plant and the rest is financed through long term debt
- Panchayat owns the plant from day one but the company has rights to the user fees generated from water sales to cover debt service and operating expenses
- If user fees collected are insufficient for debt service, the company is liable for any shortfall
- If there is a surplus, it goes into a surplus account, where it stays for 8 years. At the end of 8 years, the surplus is split between the panchayat, the company and the debt provider on a preagreed basis
- At the end of 8 years, the Panchayat gets complete rights to the user fees collected and can choose to go with any operator for O&M from that point forward.

Case study 2: Credit enhancement



Originate to distribute model for MFIs

- Releases capital and improves liquidity
- Access to the capital market for unrated entities
- New avenues to raise funds
 - Lenders will have tools to evaluate risk of loan pools and risk manage exposures
 - Second loss enables larger exposures
- Brings down the cost of capital
- Reduces dependence on a few lending agencies
- **Incentives to improve transparency, quality and efficiency of operations**

Case study: Equitas Microloan securitization structure

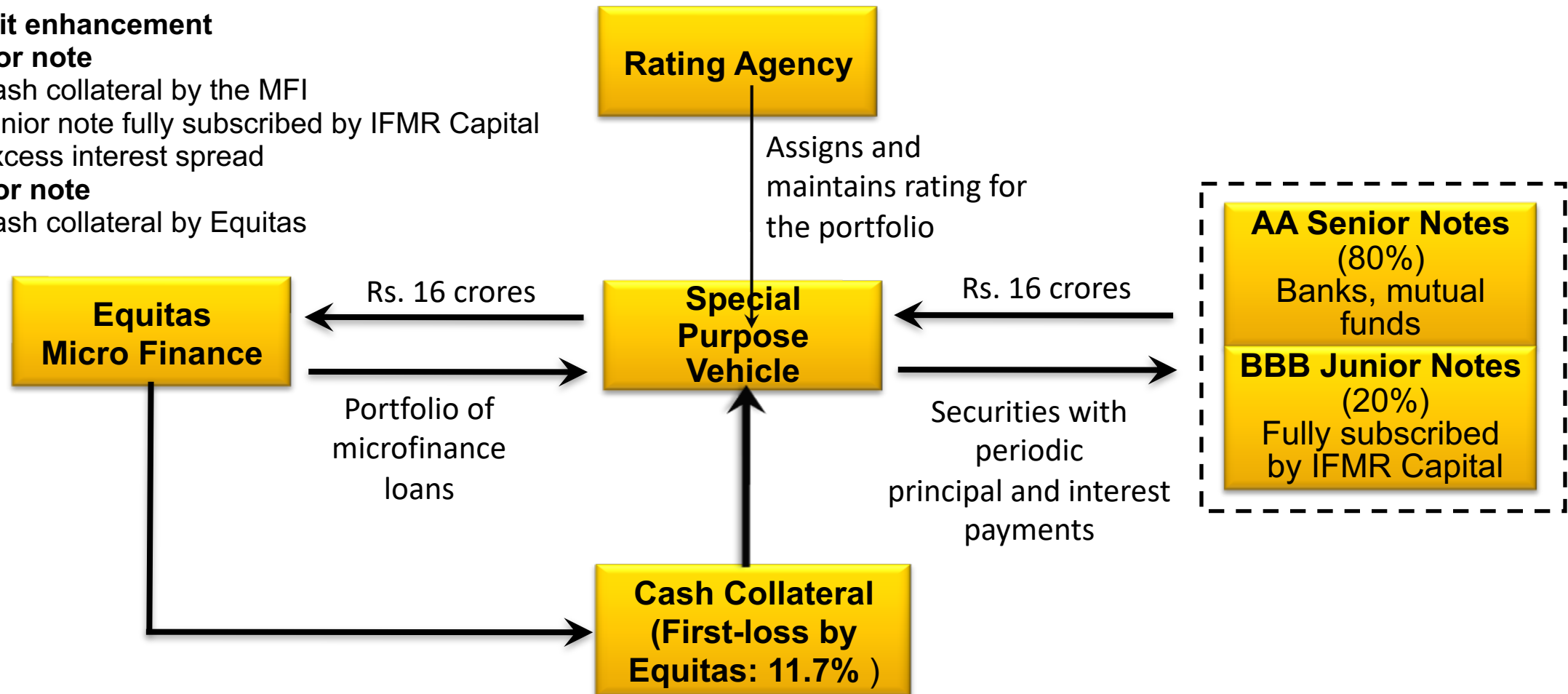
Credit enhancement

Senior note

- Cash collateral by the MFI
- Junior note fully subscribed by IFMR Capital
- Excess interest spread

Junior note

- Cash collateral by Equitas



<u>Origination and servicer risk</u> – credit appraisal, timely follow-up for repayment	<ul style="list-style-type: none"> • First loss risk retained by originator 	MFI
<u>Credit risk (ongoing)</u> – management systems of MFI, leadership and financial aspects of originator	<ul style="list-style-type: none"> • Rigorous due diligence • Underwriting guidelines 	IFMR Capital
<u>Asset class risk</u> - unsecured loans, maturity of asset, end-borrower profile, repayment structure	<ul style="list-style-type: none"> • Group liability • Short-term loans • Linked to client’s business cash flows • Emphasis on timely principal repayment • Transparency in products 	MFI
<u>Structuring risk</u> - role and incentives of financial intermediary	<ul style="list-style-type: none"> • Second loss tranche investment • Involvement in due diligence • Regular monitoring 	IFMR Capital

Network Enterprises Fund

Rural consumers pay more in absolute terms for services (health care, drinking water, credit) relative to urban consumers.

Rural producers have spare capacity even when markets are experiencing severe shortages of products and skills (Ex: furnishing, skills).

Interface to markets appears weakened by remoteness and resultant transaction costs.

Commercial opportunity for dedicated companies that fix supply chain failures.

These companies will create an architecture for large markets to profitably interact with remote rural India.

Case Study, Aspada: In Search of the Right Structure for Impact Investing—Permanent Capital Equity Structure Solution

- Michael Chu and Rachna Tahilyani, “Aspada; In Search of the Right Structure for Impact Investing.” Harvard Business School Case 314099, July 2014

Milken Institute Financial Innovations Lab

Google.org Challenge—Developing an Exit Market 2010

- Investors in these markets discussed their expectations, motivations and objectives
- Participants explored two case studies:
 - 1st party exit: Business Partners' investment in Swift Micro Laboratories
 - 3rd party exit: SEAF-Macedonia's investment in On.net
- Fund managers discussed strategies for attracting capital to funds
- Participants brainstormed ways to increase scalable risk capital to emerging market SMEs

Best practices

- Plan exits from the outset
- Expand fund scale to reduce expenses
- Use structured finance to broaden the investor base
 - Align interest transactions to increase IRRs
- Use local investor networks
- Create mechanisms to match investors and entrepreneurs
- Approach standardization
- Reduce information asymmetries

Potential capital solutions

Raising capital

- Regional funds or fund of funds
- Side-by-side technical assistance and investment funds
- Higher return tranches leveraged by PRIs/government funds
- Guarantee fund for local banks
- Public/private fund with high net-worth social investors

Exiting investments

- Royalty model
- OPIC exit finance facility
- Permanent capital vehicle (e.g., business development company)

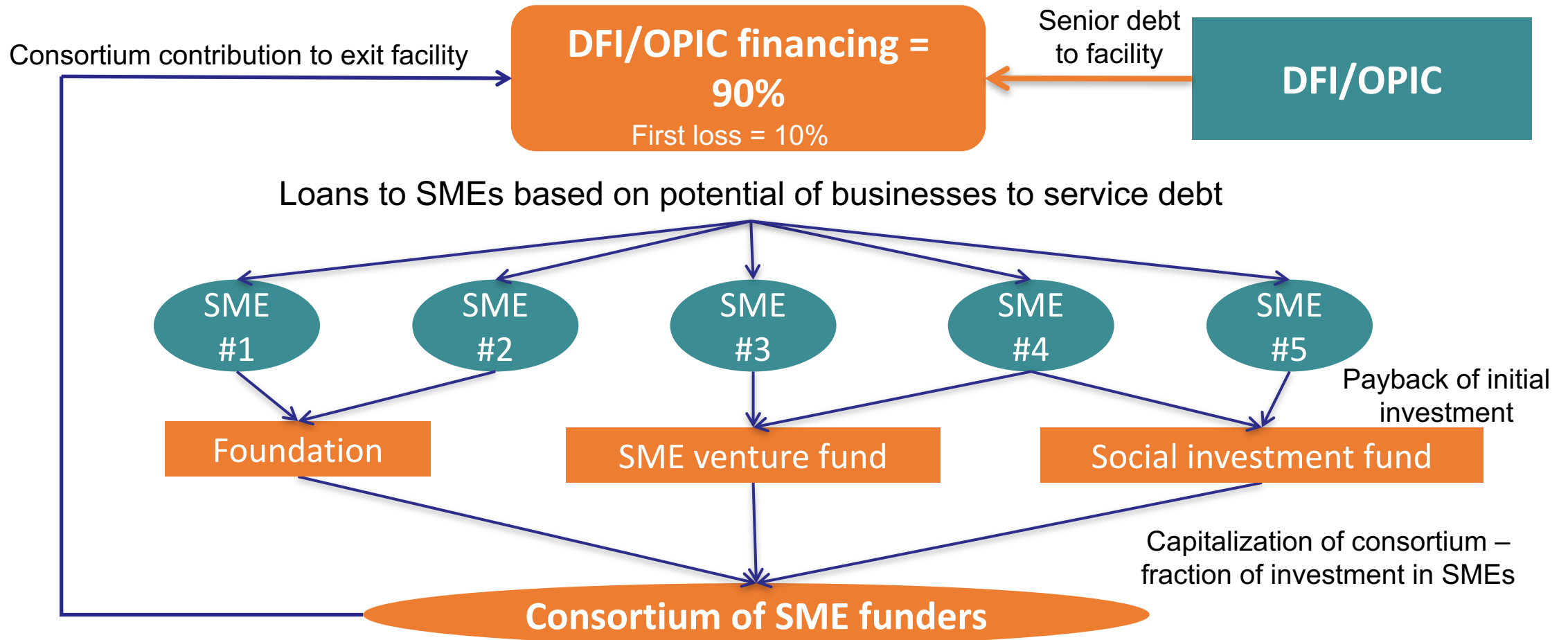
Bridging information technology and financial technology asymmetries

- Map and match vectors / sectors
 - Clean-tech
 - Sustainable agriculture / food processing
 - Health
 - Value chains
- Map and match exit options
 - Map and match deal flow (e.g., BP)
- Map and match back office / overhead / marketing
 - Market coverage
 - Investors / flows
 - FDI
 - Multilateral / bilateral
 - Portfolio
 - Diaspora

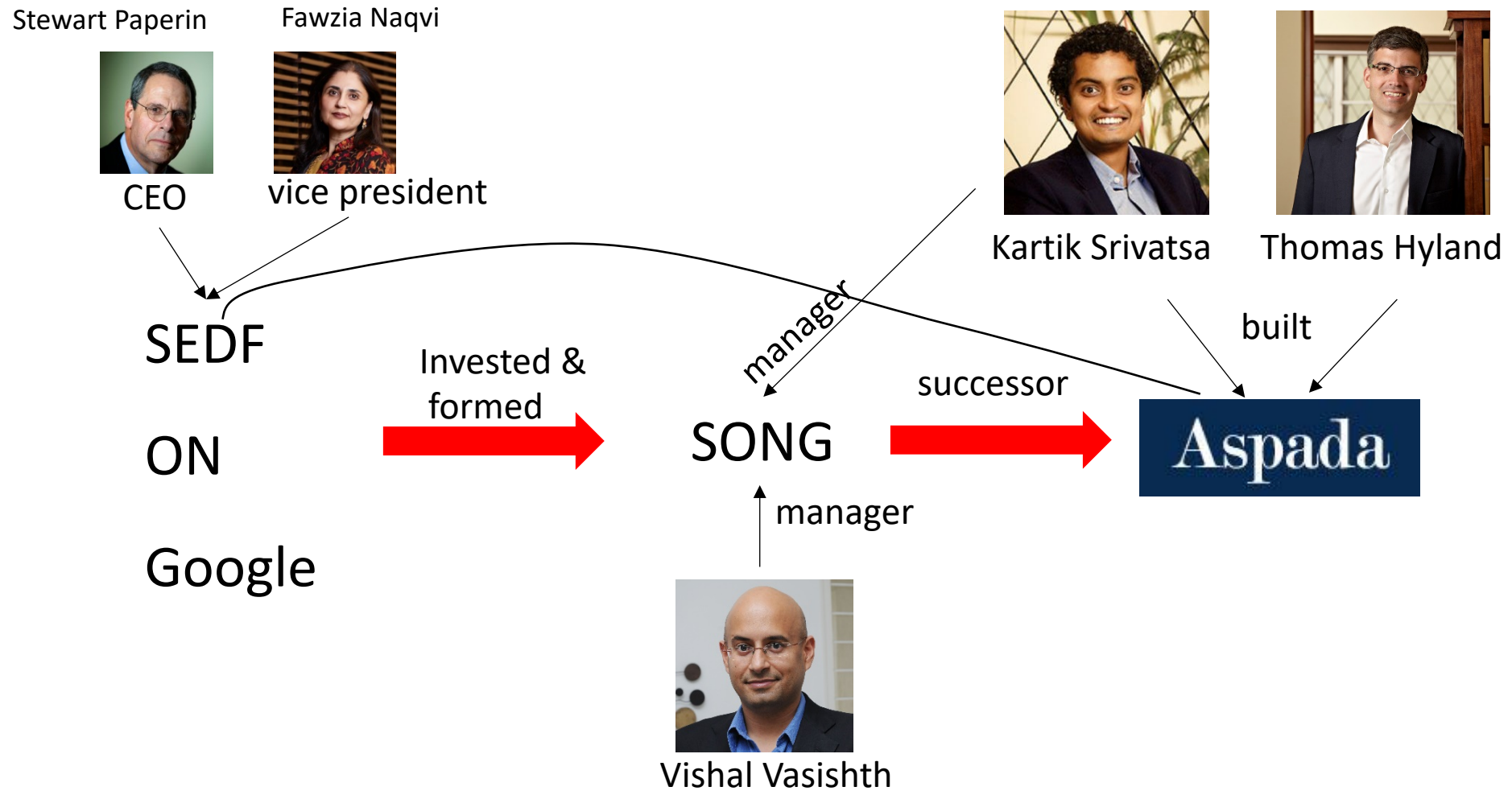
Permanent capital

What would it look like?

SME Exit Facility: Financial Innovations Lab (Google.org) 2010

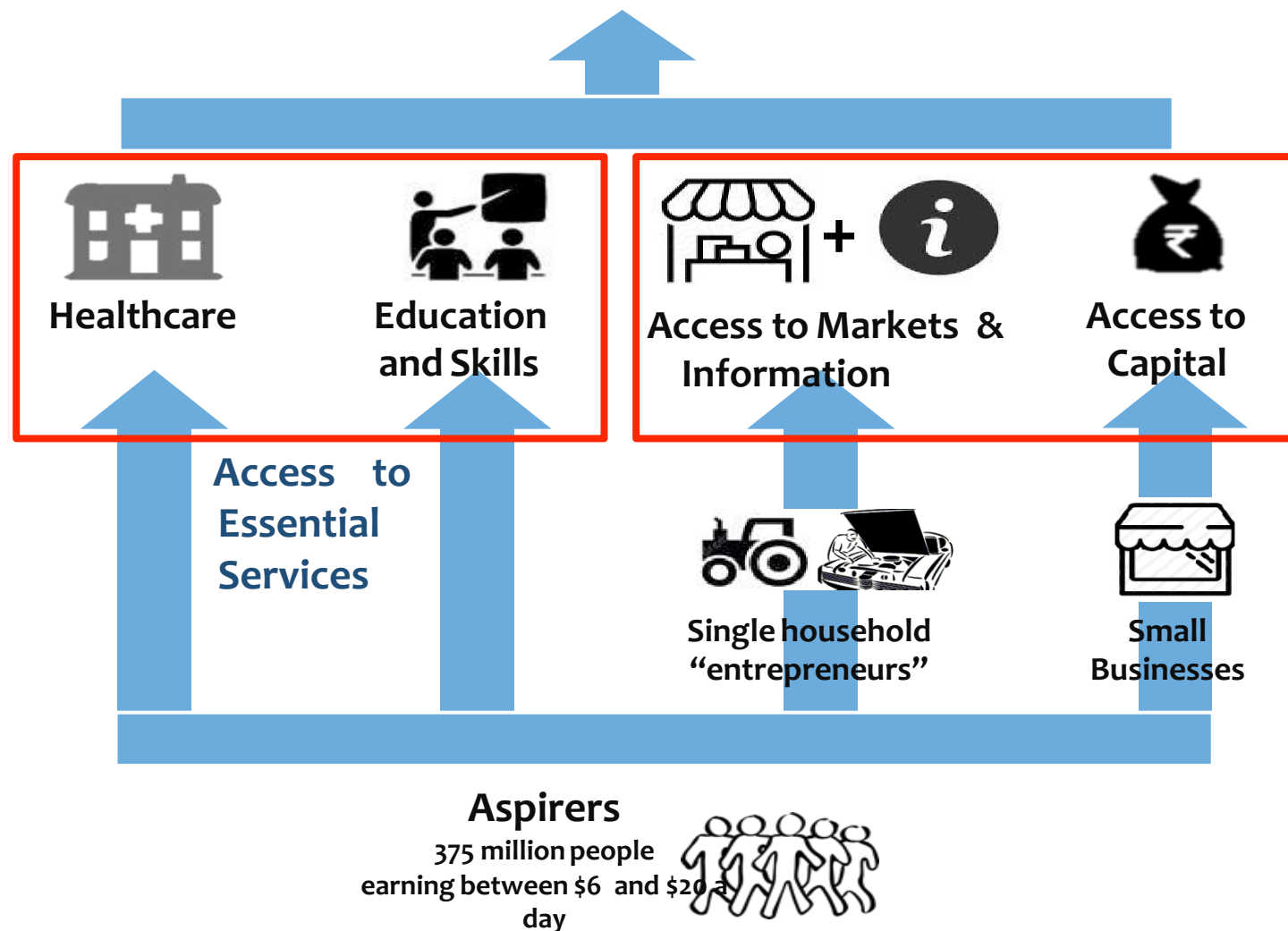


Relationships: Someone read the LAB report



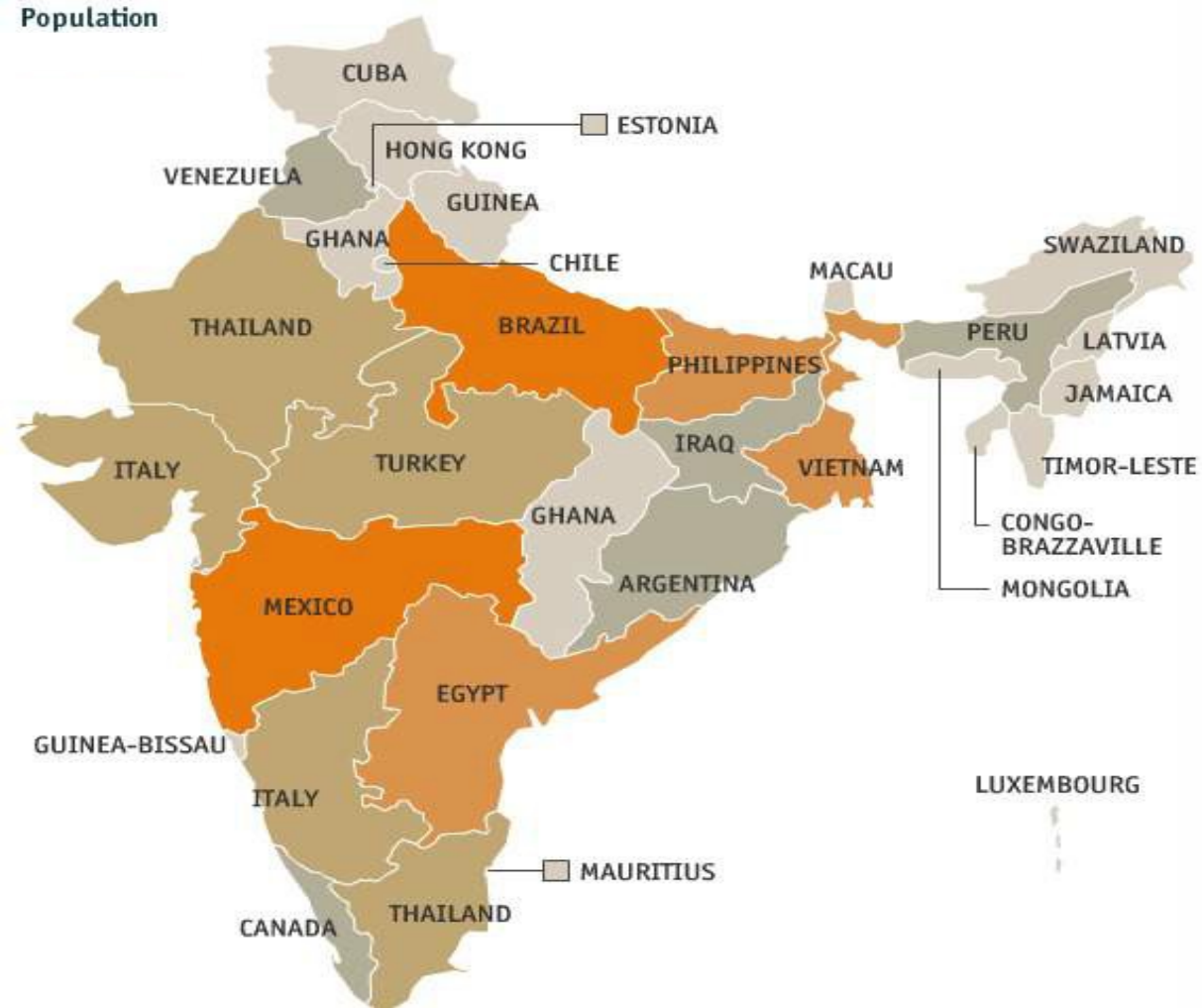
Aspada
invests in
great teams
solving
Hard
Problems
relating to
Access in
India

Economic Advancement for India's Aspirers



Source: BCG "The Tiger Roars, Capturing India's Explosive Growth in Consumer Spending; Single household entrepreneurs: 85% of India's 500 million labor force is informally employed and are one household "entrepreneurs" in either farming or services sectors

India is a large and diverse economy and the **cradle of business model innovation** for problems faced by emerging economies



India's population is larger than the entire continent of Africa's, or the entirety of North & South America combined

Source: TheEconomist

Indian venture capital has focused on the richest 100 million

Aspada invests in businesses targeted at the next 620 million

Annual Household Income (\$ thousands)

Population (in Millions)

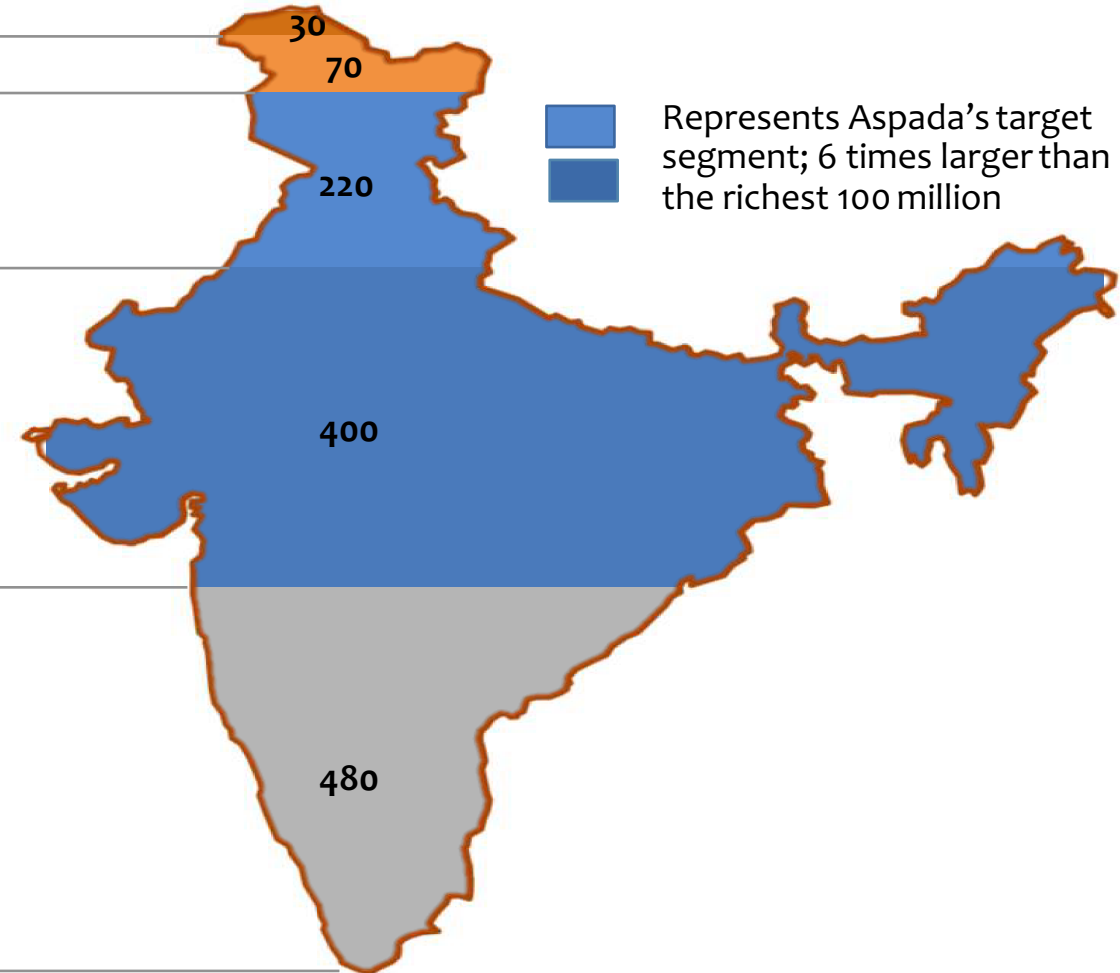
Elite (>35)

Affluent (16 – 35)

Aspirers (7 – 16)

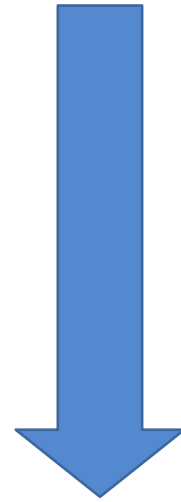
Next Billion (3 – 7)

Strugglers (<3)

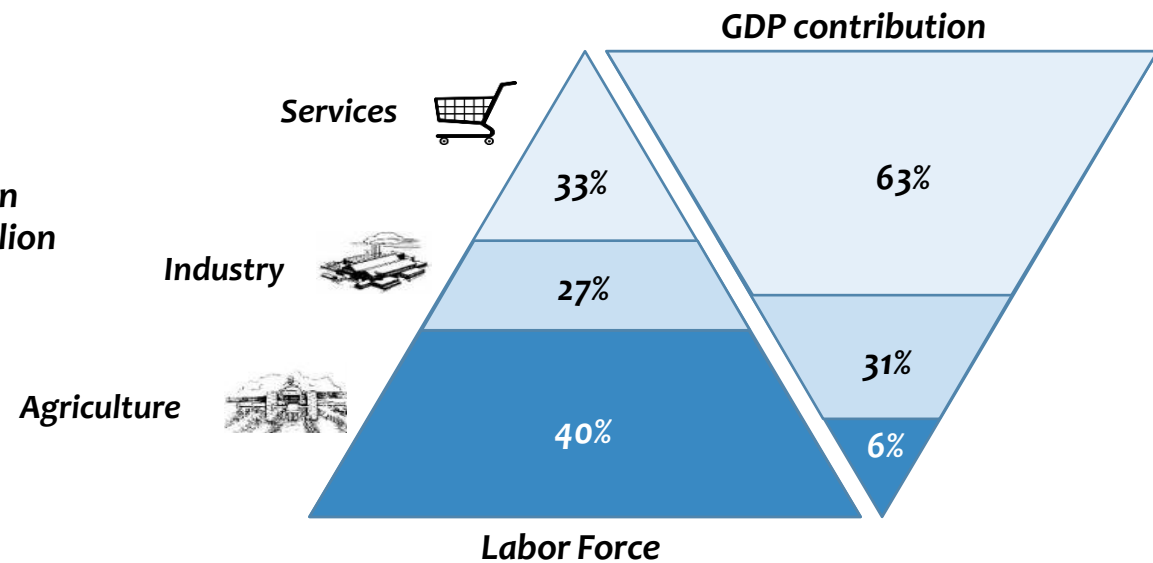
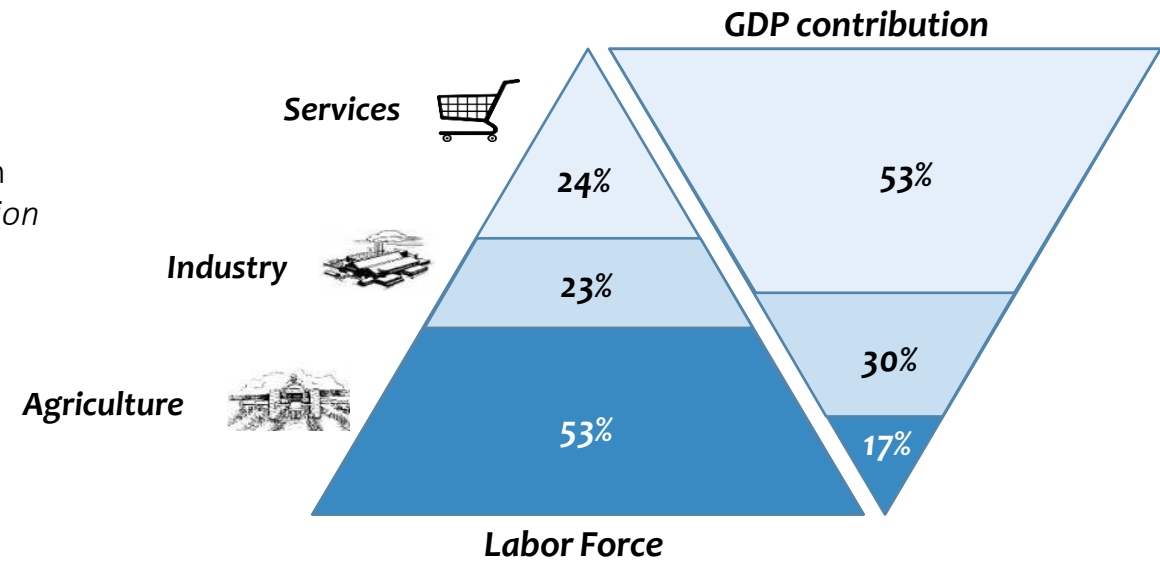


A massive demographic shift is underway, presenting **once-in-a-lifetime investment opportunities** across multiple themes

2015
GDP = \$2.1 trillion
Population = 1.2 billion



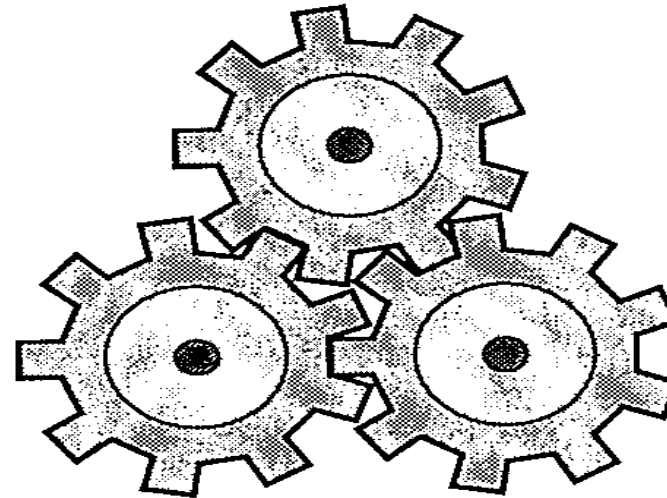
2030
GDP = \$7.2 trillion
Population = 1.5 billion



Three trends
make the present
an opportune
time for
investments in
businesses
addressing
themes of
Access

Entrepreneurship has been unleashed

Entrepreneurship in India has been bolstered by a more enabling environment, numerous homegrown success stories, and highly visible role models and mentors



Delivery of essential services led by private enterprises

Government is transitioning to a payer as opposed to a provider:
70% of healthcare is private, with the average hospital having less than 200 beds; 20% of India's schools are private, yet they represent 45% of enrollments

Technology enables linkage of fragmented supply & demand bases

The cost of mobile phones and data plans in India are among the lowest in the world—over 300 million mobile internet users at current, was 40 million four years ago

Over the last 5 years, Aspada has been the **first investor** in numerous **groundbreaking ventures** solving Hard Problems...



India's #1 small business lender in the digital credit space (2014)



Fast growing data-driven personalized learning solutions for K-12 schools (2014)



Leader in digital enablement of Indian languages on the mobile phone (2015)



Largest chain of eye hospitals in Tier 2/3 cities in India (2010)





Pioneer in mechanized farm services on a pay-per-use basis (2015)



3 investments collectively India's largest diversified fresh fruit and vegetable brand (2012-14)

...and has
demonstrated a
track record of
 delivering strong
financial returns
 coupled with
developmental
impact

	Fund 1: song	Fund 2: Aspada
Fund size	\$17 M	\$50* M
Portfolio Companies	4	14
Average age of portfolio* (years)	4.5	1.2
Follow-on and co-investors		
Exits (full + partial)	1+2	
Gross IRR (INR) at FMV as on Dec 31 2015	33%	Early, although tracking above expectations and several breakout companies in portfolio
Gross IRR (USD) at FMV as on Dec 31 2015	26%	
% of invested capital (net of expenses/fees) divested	54%**	
Direct Social Impact (# of people served per annum)	>500,000	>300,000

* A further \$20 million commitment from SEDF currently under consideration

** Will be 100% once ongoing exit discussion in a portfolio company completed

We are a
**strong cross
functional team**
that possesses
significant
capabilities
across the
investing value
chain



Thomas Hyland
Co-Founder/ Partner



Kartik Srivatsa
Co-Founder/ Managing Partner



Kushal Agrawal
CFO



Sahil Kini
Principal



Payal Goel
Vice President



Praveen VS
Finance Manager



Rushil Gambhir
Associate



Ireena Vittal
Senior Advisor



Aspada
intends to
raise a **third**
fund of
\$125 million

Fund 1: **song**
\$17 million

Investors



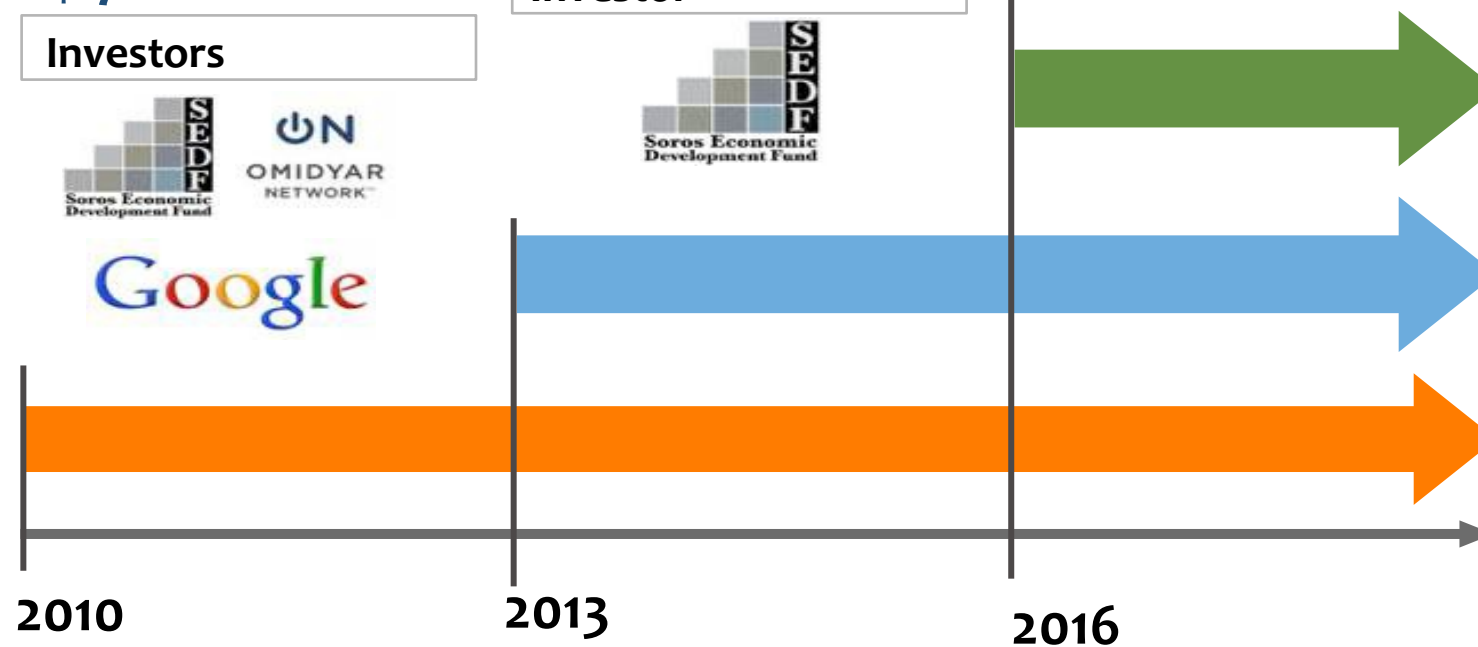
Fund 2: Aspada
\$50 million*

Investor



Fund 3: Aspada II
\$125 million target

(SEDF likely to commit as
anchor investor)



* \$70 million including pending commitment

Aspada: **Detailed** **Overview**

- I. Overview of Market Opportunity
 - I. Essential Services
 - II. Market Linkages & Information Access
 - III. Access to Capital
- II. Portfolio Construction Strategy**
 - I. The 8 fold Path
- III. Portfolio Execution Strategy**
 - I. Deal Sourcing
 - II. Deal Evaluation
 - III. Portfolio Value Add & Management
- IV. Team and Advisor Bios**
- V. Appendices**

Market Opportunity: Essential Services

Market
Landscape

+

Enabling
Conditions

=

Investment
Ideas



Need additional
3.5M hospital
beds

Need additional
3M doctors and
specialists¹

86% of
healthcare
expenditure is
out of pocket²

Need 120M skilled
people in non-
farm sector³

Private players
dominate
healthcare and
education

Mobile phones
account for 65% of
internet traffic⁴

Data-driven
innovations
appearing in
traditional
sectors

960M people have
been enrolled in
unique digital ID
program Aadhaar

Low cost
digital higher
education

Digital and
telemedicine
platforms

Healthcare and
education
financing

Micro
insurance and
managed care

Tech led
employability
enablers

Aspada
song



Largest eye-care chain in
small town India



Emergency care
hospitals in South India



Data driven
personalized school
education provider



Skilling and employment
platform for blue and grey
collared workers



Affordable school chain

Sources: 1. PwC – The Future of India: The Winning Leap; 2. WHO Global Health Expenditure; 3. National Skill Development Corporation India; 4. TRAI

Market Opportunity: Market Linkages & Information Access

Market Landscape

+

Enabling Conditions

=

Investment Ideas



Fragmented labor market with low skills, wages and productivity

90% of India's 500M strong labor force is unorganized¹

Limited market access results in lower price realizations for farmers

>30% loss of value across the supply chain²



Increase in middle class incomes

Discerning consumption patterns make investments in supply chain viable

Rapid technology deployment

Increased information flows make linkages possible

Data tools allow for value chain mapping



Market linkages for small SMEs

Data driven farmer marketplaces

Aggregated end-to-end supply chain holdings

Productivity tools for small businesses and service providers

Aspada song



End-to-end management of fresh produce value chains



Digital enablement of Indian languages



Cold chain for fresh produce and pharma



Farm services on a pay per use basis

Sources: 1. EY – Reaping India's promised demographic dividend; 2. McKinsey – India's tech opportunity: Transforming work, empowering people

Market Opportunity: Access to Capital

Market Landscape

+

Enabling Conditions

=

Investment Ideas



Most borrowers 'invisible' to formal credit

400M people borrowed money in 2014, but only 1 in 7 were approved for a bank loan¹

41% of India's 48M SMEs do not have access to institutional credit; financing shortfall of \$48B²

Advances in big data science

Availability of data from ubiquitous adoption of mobile phones (900M mobile users in India³)

World's largest biometric ID program

Large capital inflows leading to greater SMB opportunities (FDI inflows in 1H2015 surpassed that of China)⁴

Credit scoring and loans for underserved

Specialized vertical financing

Farm loans and finance products

Blockchain enabled low-cost remittances and record keeping

Aspada
song

CAPITALFLOAT
Digital SME Finance

Working capital loans for small businesses

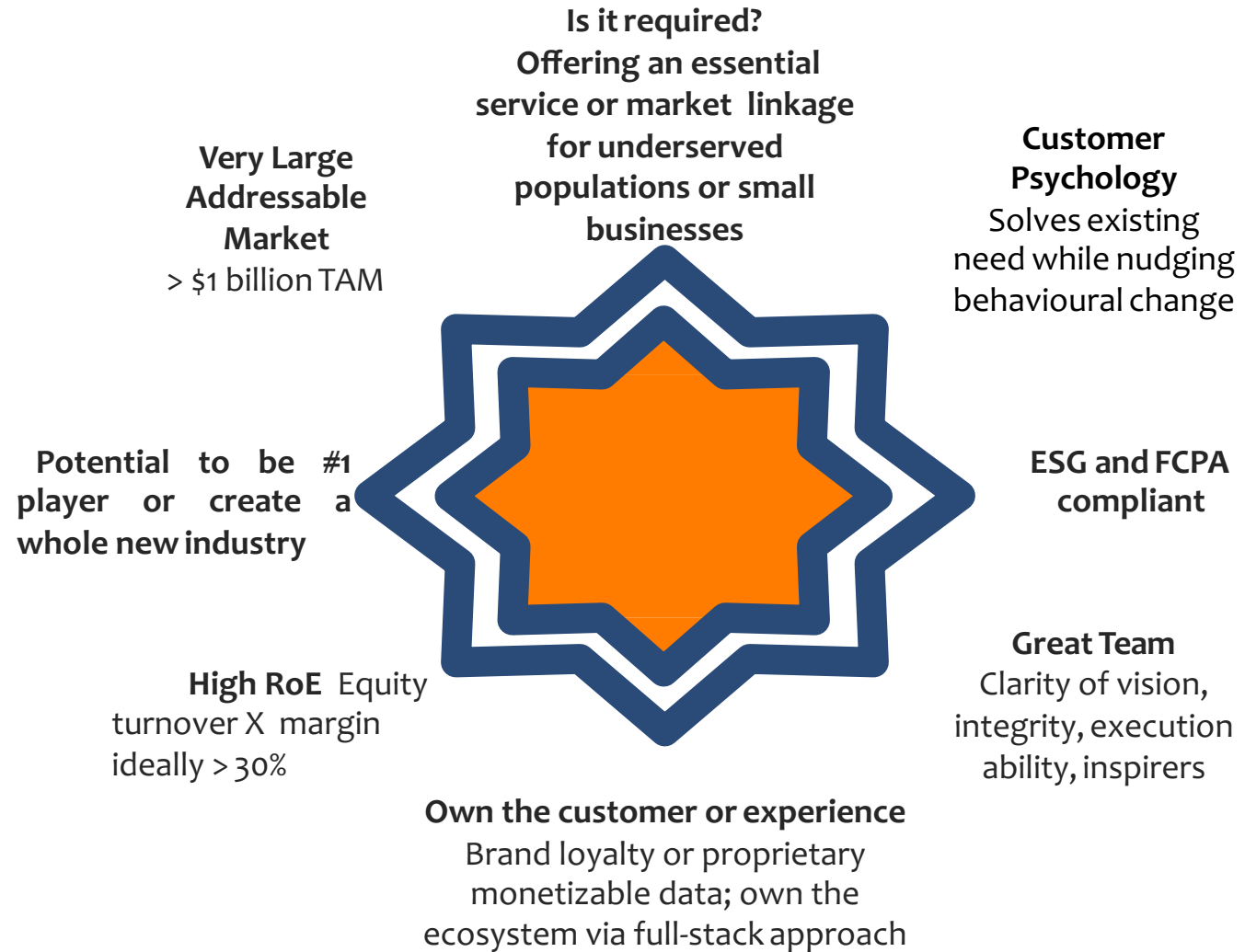
NeoGrowth

Merchant cash advance for small merchants and retailers

Sources: 1. Omidyar Network – Big Data Small Credit: The Digital Revolution and Its Impact on Emerging Markets; 2. KPMG – Impact of e-commerce on SMEs in India; 3. Mary Meeker Internet Trends 2015; 4. Financial Times – “India grabs investment league pole position”

Portfolio Construction: **The 8 Fold Path**

All Aspada investments must walk the 8 Fold Path



APPENDICES

- PORTFOLIO COMPANY PROFILES
- **CASE STUDIES ON PORTFOLIO VALUE ADD**
- THOUGHT LEADERSHIP

Aspada Portfolio (Jan 2016)



Portfolio Overview: Agriculture



Full range of customized inputs, finance and advisory services aided by strong analytics

Non-perishables (grains / cash crops)



Precision agriculture services from planting to harvesting on a pay-per-use basis

Small farmers
(<3 ha. land holding)



Modern trade and traditional retailers



Perishables (fruit and veg)



End to end value chain management from seed to shelf

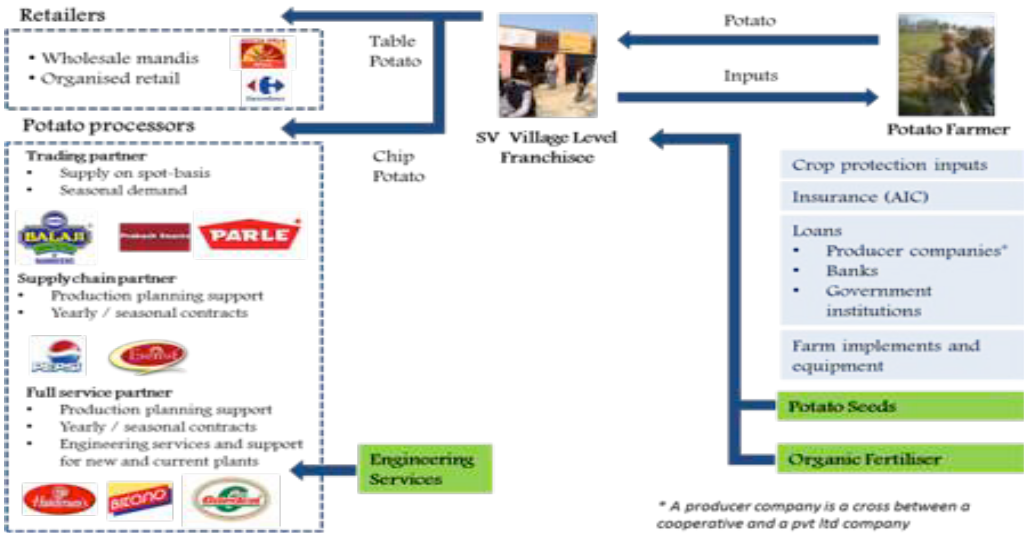
India's largest branded fresh produce company

20-100% increase in farmer net realizations due to productivity improvements and increased access to markets



SV Agri is India’s leading player in the managed potato supply chain, offering high quality seeds, inputs and process grade potatoes to farmers, food processors and large domestic and international snack makers. By providing support and creating end-to-end market linkages, the company has helped thousands of small- hold farmers to significantly improve yield and price realisations.

BUSINESS MODEL



GLOBAL COMPS



TEAM & PREVIOUS EXPERIENCE



MARKET OPPORTUNITY

42 Million Tons

Up to 2X

20%

India is the world’s second largest potato producer

Potential productivity improvement through farm extension and inputs

Growth rate of potato processing industry

TOTAL ADDRESSABLE MARKET

\$2 billion covering over 1 million small hold farmers

KEY DIFFERENTIATORS

Unique social engineering model to deliver farm extension services to small hold farmers at low cost

Partnership with world’s number one seed manufacturer (AgriCo)

Wide product portfolio (Seeds, Table Potato, Processed products, starch) to help manage price risk

KEY METRICS

(FY17 =year ending March 31 2017)

REVENUES
(FY17 PROJECTED)

\$15 Million

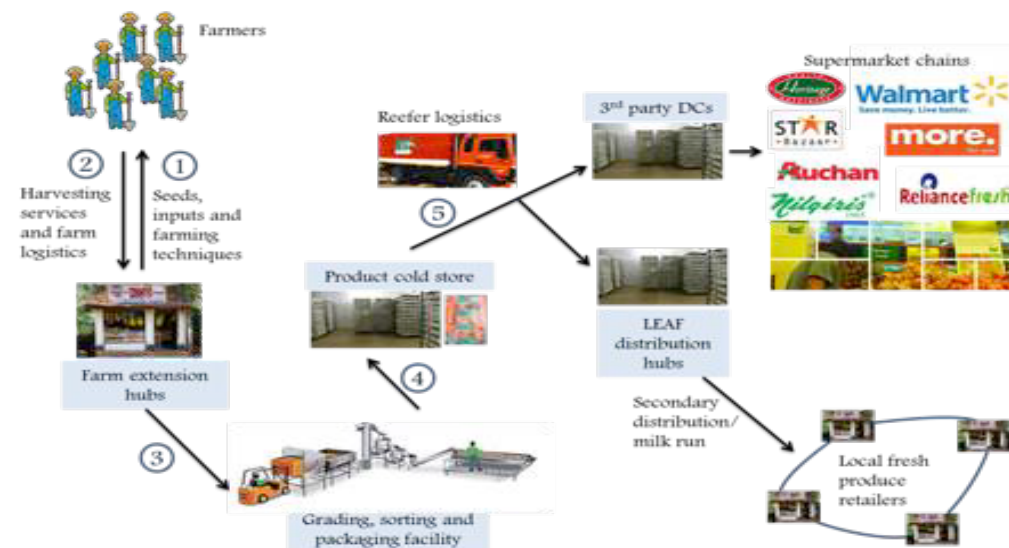
ONS OF PRODUCE
MANAGED (FY17 PROJECTED)

50,000



LEAF is a branded end-to-end fresh fruit and vegetable supply chain company in South India that aggregates, processes, and distributes fresh produce such as carrots, potatoes, and exotic vegetables from small holder farmers to major retailers in a branded, traceable and hygienic packaged format.

BUSINESS MODEL



TEAM & PREVIOUS EXPERIENCE



Vijay Raghavan

20 years experience spanning contracting, farming and food processing

MARKET OPPORTUNITY



70%

Volume share of vegetable production held by small farmers



20%

Premium paid by domestic consumers for consistent quality, freshness and traceability



35%

Produce lost due to poor handling and lack of cold chain

TOTAL ADDRESSABLE MARKET

\$ 10 billion covering 2.5 million small hold farmers

KEY DIFFERENTIATORS



India's first branded vegetable supply chain player



End-to-end traceability to the farm source



State of the art processing and distribution facilities with reach to over 7 cities

KEY METRICS

(FY17 = year ending March 31 2017)



REVENUES
(FY17 PROJECTED)

\$8 Million



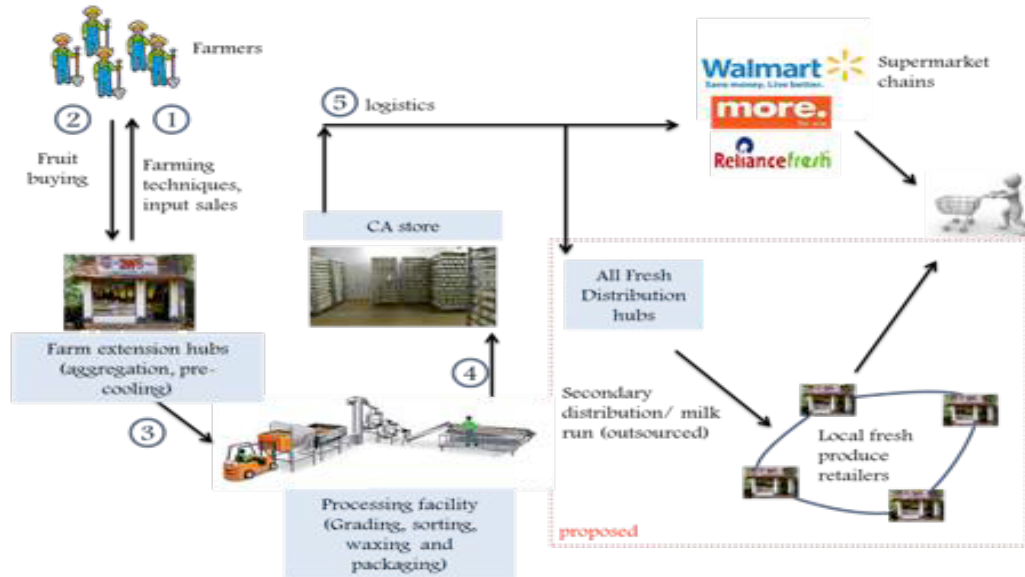
QUANTITIES OF PRODUCE SOLD (FY17 PROJECTED)

15,000



AllFresh is a fresh produce company focused on end-to-end management of apple, stone fruits and citrus value chains across North and West India. AllFresh operates across the entire value chain from farm extension services for small-hold farmers to managing the entire post-harvest controlled atmospheric supply chain and creates market linkages by selling branded produce to major modern retailers.

BUSINESS MODEL



MARKET OPPORTUNITY



88 Million Tons



10%



20%

India is the world's 2nd largest fruit producer

Apples and citrus fruits are the fastest growing segments in domestic agriculture

Premium paid by Indian consumers for high quality and consistency

TOTAL ADDRESSABLE MARKET

\$ 6.5 billion covering 500,000 small farmers

KEY DIFFERENTIATORS



Direct procurement of fruits from small farmers

Pioneer in organizing the citrus and stone fruits market in India

Strong capabilities in post harvest technologies

TEAM & PREVIOUS EXPERIENCE



KEY METRICS

(FY17 = year ending March 31 2017)



REVENUES
(FY17 PROJECTED)

\$8 Million



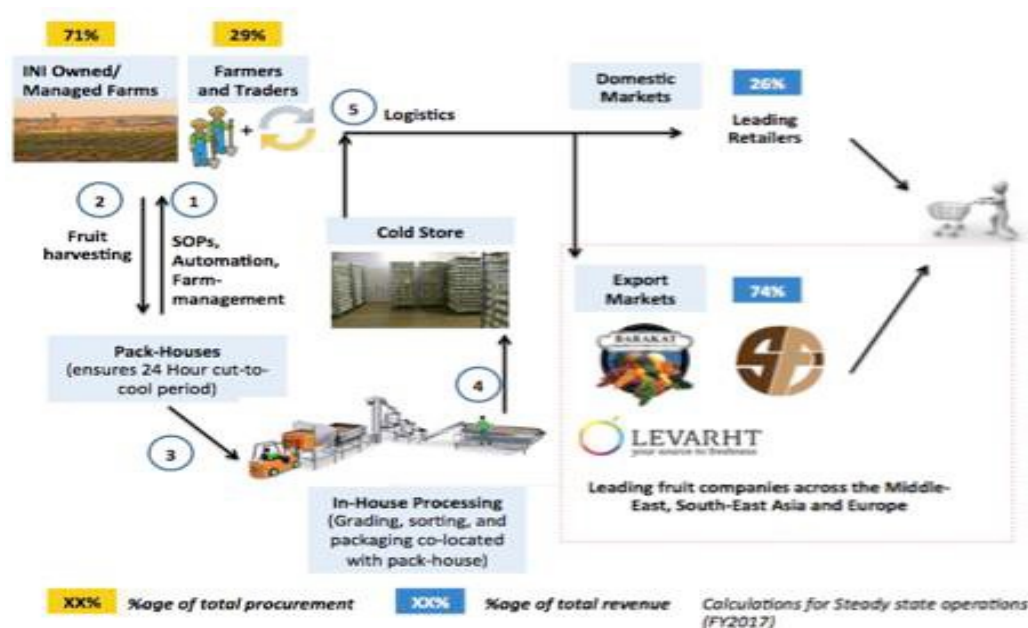
TONS OF PRODUCE
SOLD (FY17 PROJECTED)

10,000



INI Farms is a leading fresh produce company focused on cultivation and end-to-end management of pomegranates and banana in the states of Gujarat, Maharashtra and Madhya Pradesh. The Company sells its produce under the brand “Kimaye” in both export and domestic markets, and is India’s single largest producer and exporter of pomegranates.

BUSINESS MODEL



TEAM & PREVIOUS EXPERIENCE



Pankaj Khandelwal

McKinsey & Company



Poornima Khandelwal



MARKET OPPORTUNITY



38 Million Tons

India is the world's 2nd largest fruit producer



Year Round Harvest

Pomegranates and bananas can be harvested all year round; mitigates risk against seasonality



35%

Company-managed farm produce yields high margins

TOTAL ADDRESSABLE MARKET

\$ 14 billion covering over a million small hold farmers

KEY DIFFERENTIATORS



Number 1 pomegranate exporter in India with experienced team that built India's largest organized player in banana



Pioneer in implementing SOPs in contract farming to ensure high productivity and quality



Branded, packaged arils raise value and boost margins

KEY METRICS

(FY17 = year ending March 31 2017)



REVENUES (FY17 PROJECTED)

\$15 Million



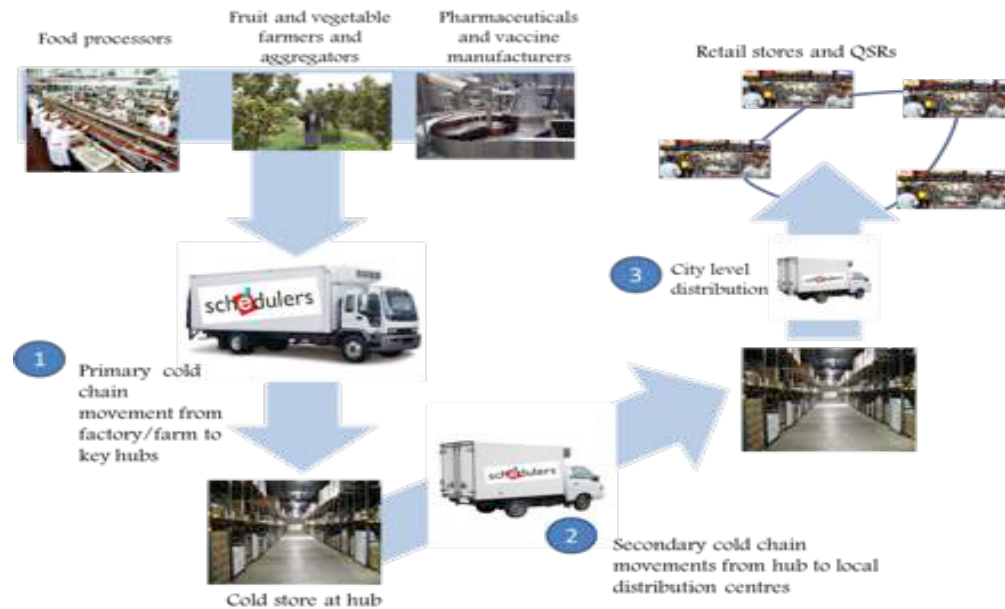
QUANTITY OF PRODUCE SOLD (FY17 PROJECTED)

25,000



Schedulers Logistics operates a Pan-India end-to-end cold trucking, storage, and secondary distribution network for dairy, QSR, fresh fruit & vegetable, food processing, and pharmaceutical sectors. The Company operates with a capital efficient leasing model and has invested in technology to manage its fleet more efficiently.

BUSINESS MODEL



TEAM & PREVIOUS EXPERIENCE



MARKET OPPORTUNITY



<4%
Penetration



3.5X in 4
years



35%

Only 4 of 104 million tons of perishable produce is transported annually using reefer trucks

Cold chain transport demand to rise from 4 Million tons to 14 million tons by 2017

Perishable produce lost due to poor handling and lack of cold chain

TOTAL ADDRESSABLE MARKET

\$ 1 billion in transportation with 3.5x growth in 4 years

KEY DIFFERENTIATORS



Part
load



LTL cold-chain logistics capabilities to deliver small loads profitably

Integrated logistics solutions spanning primary, secondary and intra-city cold chain and warehouses

Network presence in underserved Tier 2-3 cities in India, including North-Eastern states

KEY METRICS

(FY17 = year ending March 31 2017)



REVENUES
(FY17 PROJECTED)

\$13 Million



TRUCKS IN FLEET
(FY17 PROJECTED)

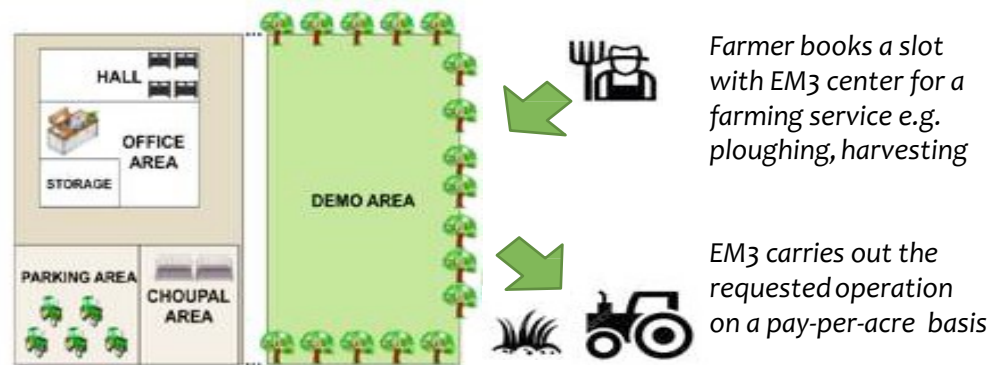
400



EM3 AgriServices provides pay-per-use farm mechanization services including land preparation, transplantation, sowing and crop harvesting for smallhold farmers in India. The firm has established long-term partnerships with leaders in the Indian agricultural value chain such as ITC, SFAC and IFFCO, as well as with equipment manufacturer John Deere.

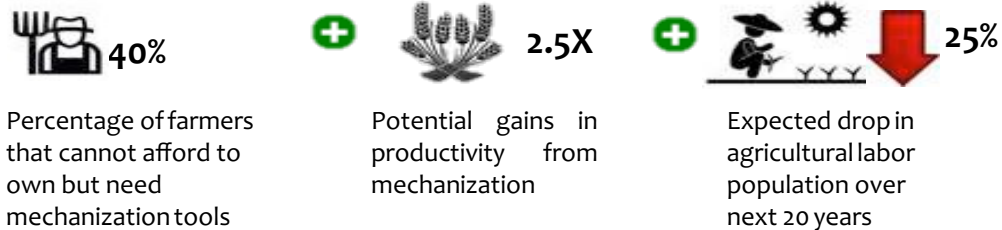
BUSINESS MODEL

Operating model of a village center (Samadhan Kendra)



TEAM & PREVIOUS EXPERIENCE

MARKET OPPORTUNITY



TOTAL ADDRESSABLE MARKET

\$ 15 billion covering 120 million smallholder farmers

KEY DIFFERENTIATORS



KEY METRICS

(FY17 = year ending March 31 2017)



Portfolio Overview: Access to Markets and Capital



Digital commerce and service platforms



Digital translation, transliteration, input and search across 18 Indian languages



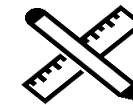
Over 400 million mobile internet users in India by 2018 but only 60 million can read English



Working capital and term loans to small businesses that have not been served by formal financial institutions

CAPITAL FLOAT
Digital SME Finance

NeoGrowth



Market centric design of loan products over current models



Data intensive underwriting using sophisticated algorithms



High degree of automation across the loan value chain



Aspada portfolio company



Over 1 million “single entrepreneurs” in the informal sector enabled over next 5 years



Access to capital for over 200,000 small businesses in India over next 5 years



NeoGrowth is a non-banking financial company (NBFC) that extends credit to small merchants that possess point-of-sale (PoS) terminals but are unable to access mainstream bank loans. Loans are secured against future card sales as well as payment histories. NeoGrowth endeavors to become India's leader in lending to merchants across all forms of non-cash transactions.

BUSINESS MODEL



Loan Size: \$8,000 - \$60,000
Tenure: 3 – 12 months **Mode of repayment:** Fixed percentage of PoS terminal sales to repay loan (daily settlement)



TEAM & PREVIOUS EXPERIENCE



MARKET OPPORTUNITY



TOTAL ADDRESSABLE MARKET

\$26 billion covering 2.1 M underserved small businesses

KEY DIFFERENTIATORS



India's first Merchant Cash Advance business



Technology platform enables branchless lending and collections



Algorithmic early warning systems for fraud detection

KEY METRICS



TOTAL DISBURSED (UNTIL FY MAR 2016)

\$65 Million



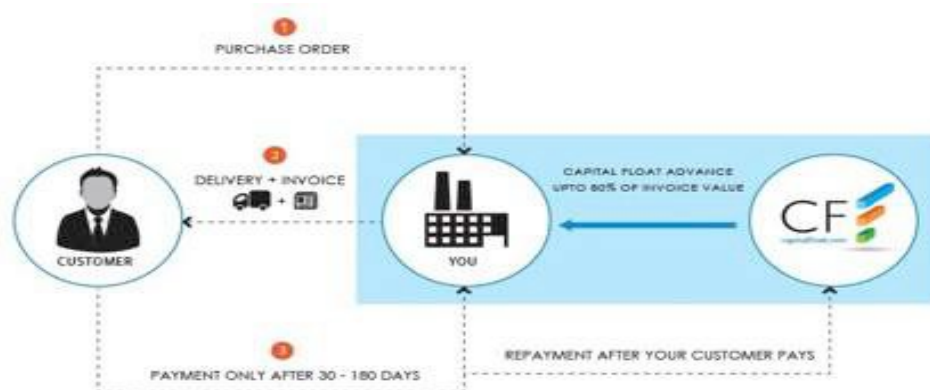
TOTAL # LOANS (UNTIL FY MAR 2016)

2500



Capital Float is a non-banking financial company (NBFC) that provides small businesses with short-term working capital finance against invoices and corporate receivables. The loan is structured as a bill discounting facility, and is extended to SMEs in manufacturing and services that derive a large percentage of their revenues from large corporations.

BUSINESS MODEL



Loan Size: \$5,000 - \$50,000
Tenure: 30-180 Days
Funding type: Up to 80% of invoice
Mode of repayment: One time bullet



TEAM & PREVIOUS EXPERIENCE



**Sashank
Rishyasringa**

McKinsey & Company

Bain Capital



STANFORD
GRADUATE SCHOOL OF BUSINESS



MARKET OPPORTUNITY



60 Days



\$10 M



KYC

Period after which 60% of Indian SMEs get paid (10% wait for 150 days or more)

Minimum business revenues to be eligible for formal sector working capital financing

Bank KYC process is time consuming and tedious

TOTAL ADDRESSABLE MARKET

\$ 10 billion covering 12 M underserved small businesses

KEY DIFFERENTIATORS



Online lead generation and automated collection for branchless lending

Wide suite of working capital products

Algorithms that use multiple qualitative and quantitative inputs for credit evaluation

KEY METRICS



**TOTAL DISBURSED
(UNTIL FY MAR 2016)**

\$40 Million



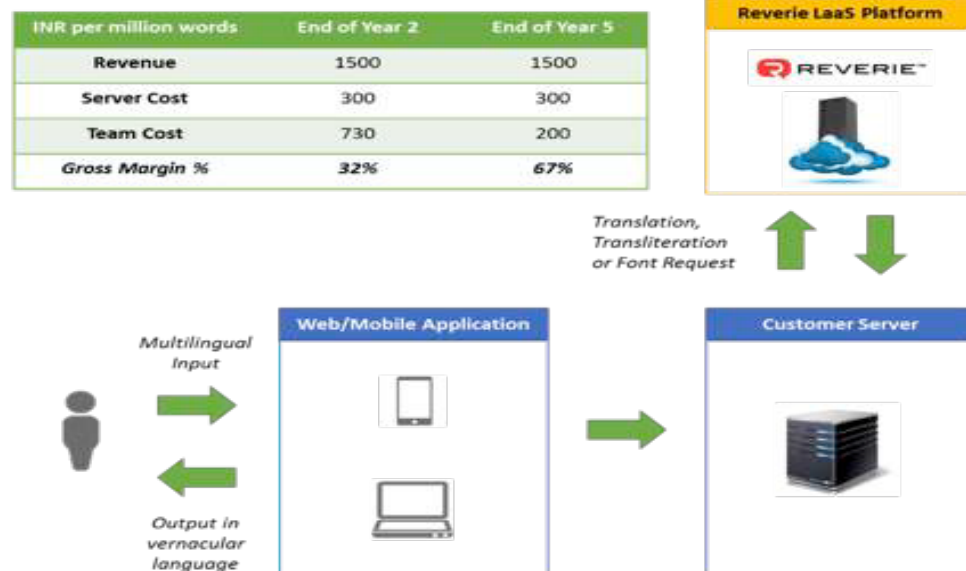
**TOTAL # LOANS
(UNTIL FY MAR 2016)**

1200



Reverie Language Technologies provides an end-to-end platform that enables “digital language equality” through the creation, search, and discovery of local language content on both web and mobile platforms. Indian languages account for <0.1% of digital content currently. Reverie’s platform enables large and small businesses to extend their offerings in vernacular languages without significant engineering effort, and at a low-cost pay-per-use basis.

BUSINESS MODEL



TEAM & PREVIOUS EXPERIENCE

MARKET OPPORTUNITY



300M



175M



< 0.1%

Number of mobile internet users in India in 2015

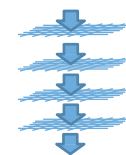
Number of non-English speakers in India in 2015

Percentage of internet content in Indian languages

TOTAL ADDRESSABLE MARKET

\$2.5 billion by 2020

KEY DIFFERENTIATORS



Offers a full stack solution to vernacular technology including search, keyboard input, fonts, rendering, and transliteration

Strong partnerships with OEMs, banks and service providers

Seamless integration with mobile apps ensures a world class UI/UX

KEY METRICS

(FY17 = year ending March 31 2017)



REVENUES (FY17 PROJECTED)

\$3 Million

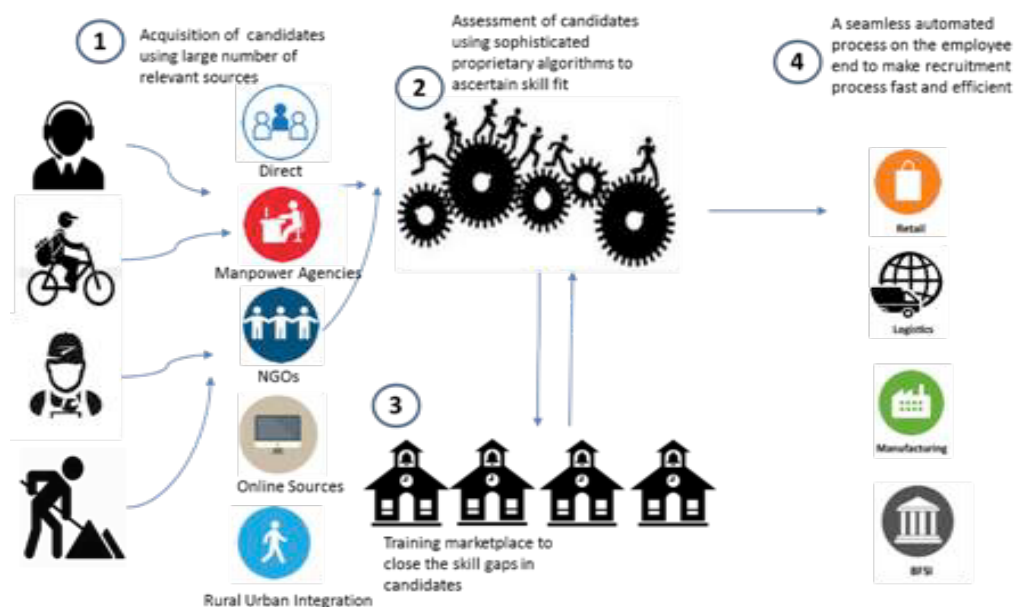


INSTALLED BASE ON MOBILE DEVICES (AUGUST 2015)

350 Million

Aasaan Jobs is an employability solutions firm that provides assessment, training, and job placement support for grey and blue collared job seekers in India. The Company has built a mobile-led product to enrol potential job seekers, analyse their capabilities and skills through video interviews and skill assessments conducted through the mobile phone, and then immediately place them in suitable firms or offer targeted training in an effort to improve job prospects.

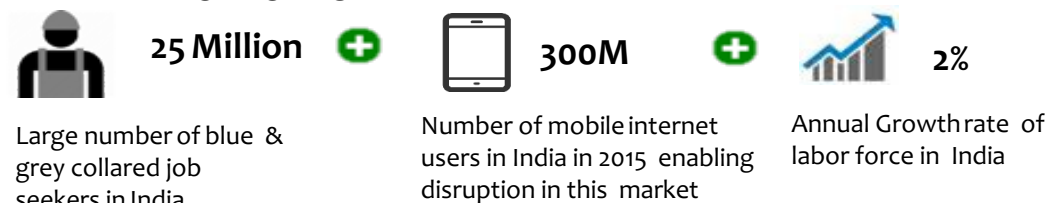
BUSINESS MODEL



TEAM & PREVIOUS EXPERIENCE



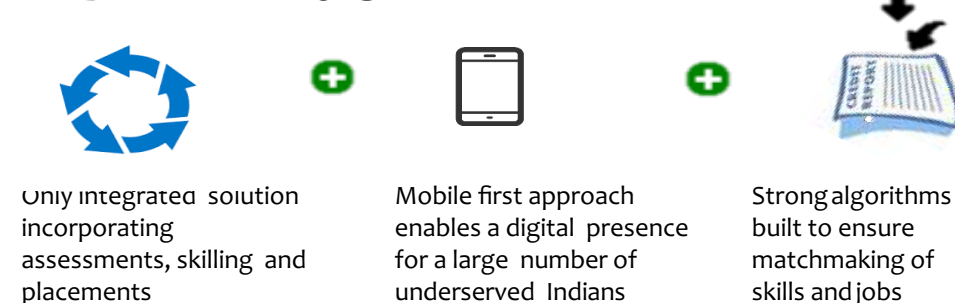
MARKET OPPORTUNITY



TOTAL ADDRESSABLE MARKET

\$1.5 billion employability solutions for blue & grey collared job force in India

KEY DIFFERENTIATORS



KEY METRICS (FY17 = year ending March 31 2017)

REVENUES (FY17 PROJECTED)
\$2 Million

NUMBER OF JOB SEEKERS REGISTERED (FY17 PROJECTED)
100,000

Portfolio Overview: Education and Healthcare

Developing a unique learning genome for every student through routine assessments

Delivering customized content for every student based on strengths, weaknesses, fears and aspirations



Personalized learning delivered seamlessly across schools in India



**10 million students in 5 years;
100,000 students in first year of operations**



Rapid deployment of cost-efficient world class healthcare facilities



Robust IT systems and technology to improve economics and scale rapidly



Clinical pathway driven healthcare to manage and scale clinical outcomes



Training the next generation of healthcare workers and technicians



World class healthcare at affordable prices in small towns across India



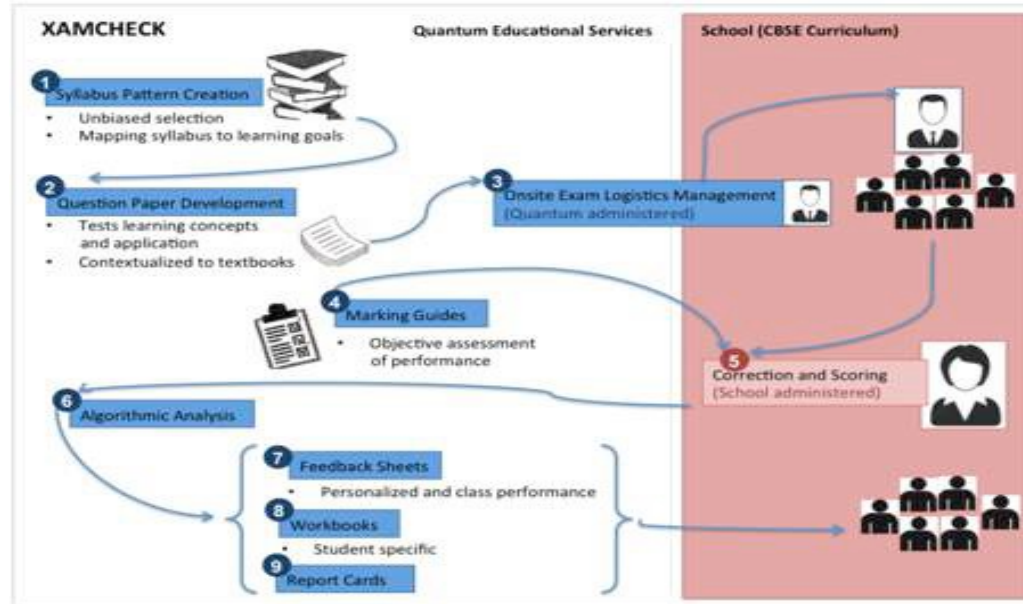
**1 million patients treated over the last 4 years
across 35 hospitals**

Aspada portfolio company



Xamcheck is a fast growing edtech company that has developed a “learning genome” that delivers personalized content across mid-range and low-cost private K-12 schools in India. The firm integrates assessments and personalized content delivery through proprietary algorithms that require little change in the school operating model or student behavior.

BUSINESS MODEL



TEAM & PREVIOUS EXPERIENCE



Varun Kumar



MARKET OPPORTUNITY



101 Million



60%



40

Number of students enrolled in private K-12 schools

Schools with fees between \$15-30 which are typically underserved

Number of exams delivered to each student annually

TOTAL ADDRESSABLE MARKET

\$ 1 billion covering 338,000 private K-12 schools

KEY DIFFERENTIATORS



Pioneer in delivering technology enabled testing and feedback for state-syllabus schools

Individualized feedback and remedial interventions for students delivered at scale; “Pandora” of education

Hundreds of data points captured per student enabling powerful analytics on student learning

KEY METRICS

(FY17 = year ending March 31 2017)



REVENUES
(FY17 PROJECTED)

\$8 Million



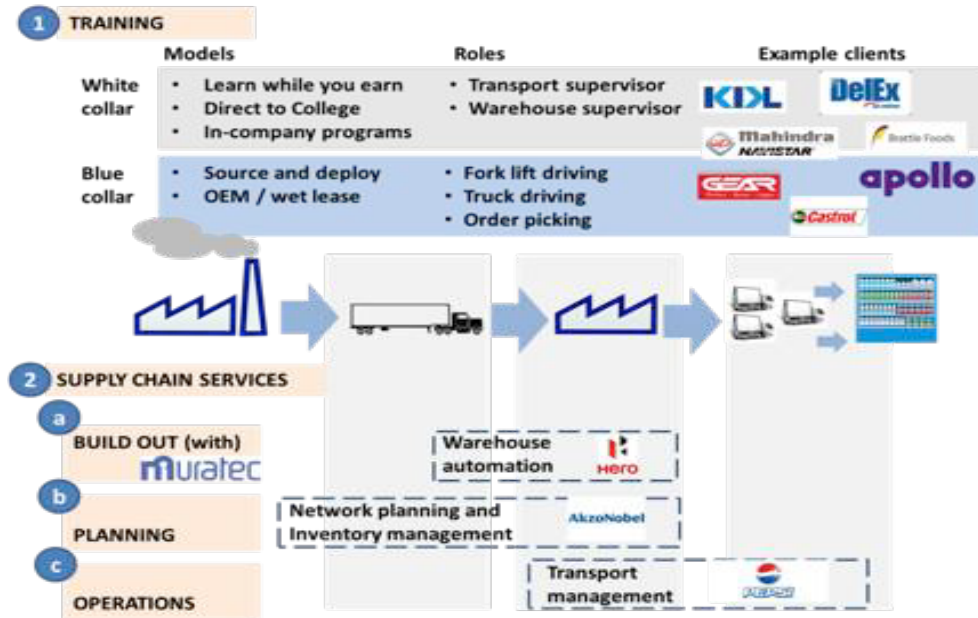
OF STUDENTS ENROLLED
(FY17 PROJECTED)

500,000



ThinkLink Supply Chain Services provides turnkey project management, automation, and design in India's logistics and supply chain sectors. Through ThinkLink Learning, the company offers professional development, vocational skills, and staffing services by working within India's supply chain sector to enhance and create career paths for managerial, entry level, and blue-collar professionals.

BUSINESS MODEL



TEAM & PREVIOUS EXPERIENCE

MARKET OPPORTUNITY



Vertical Warehouses



High Wages



17 Million

High real-estate prices, large SKU counts and rising wages driving warehouse automation

Shift from high volume/ low skill labor to low volume/high skilled employees

Jobs in logistics and supply chain by 2016 driving need for training

TOTAL ADDRESSABLE MARKET

\$30 billion spend in logistics infrastructure

KEY DIFFERENTIATORS



Integrated approach to supply chain management (H/W, S/W, Human ware)



Designed and executed one of Asia's most complex material handling automation and warehousing projects



Earn while you learn blue collar training programs

KEY METRICS

(FY17 = year ending March 31 2017)



REVENUES
(FY17 PROJECTED)

\$5 Million

CLIENTS SERVED

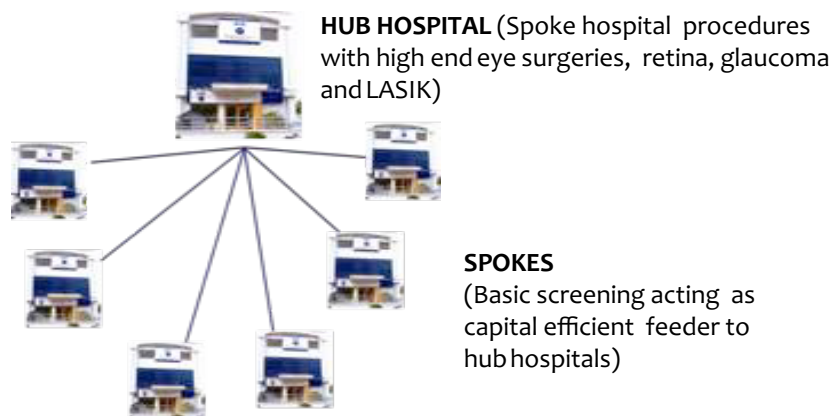
(FY17 PROJECTED)

100



Eye-Q is a leading chain of specialty eye-care hospitals that offers high quality but affordable eye treatments. Eye-Q currently operates in over 30 locations across Tier 2 and smaller towns in North and West India. The company runs an efficient hub & spoke operational model, which allows it to deliver high-quality care while keeping costs low through optimal use of capital, manpower and equipment.

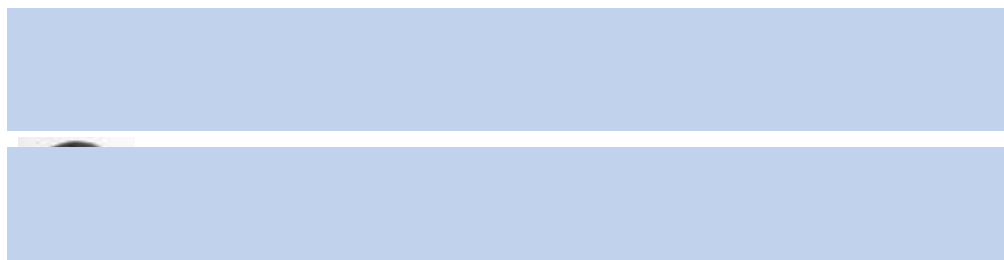
BUSINESS MODEL



COMPARABLE VENTURE BACKED BUSINESSES



TEAM & PREVIOUS EXPERIENCE



MARKET OPPORTUNITY



45%

Untreated cataract blindness cases in India



3.6 Million

Annual market potential for major eye surgeries in North India



81%

Share of eye-care spend captured by the private market

TOTAL ADDRESSABLE MARKET

\$3.5 billion market growing at 17% CAGR

KEY DIFFERENTIATORS



Number 1 Eye care provider in Tier 2 and below towns in North India



Best-in-class medical outcomes ensured by SoPs



2012 Frost & Sullivan award – Eye Care Service Provider Company of the year

KEY METRICS

(FY17 = year ending March 31 2017)



REVENUES
(FY17 PROJECTED)

\$20 Million



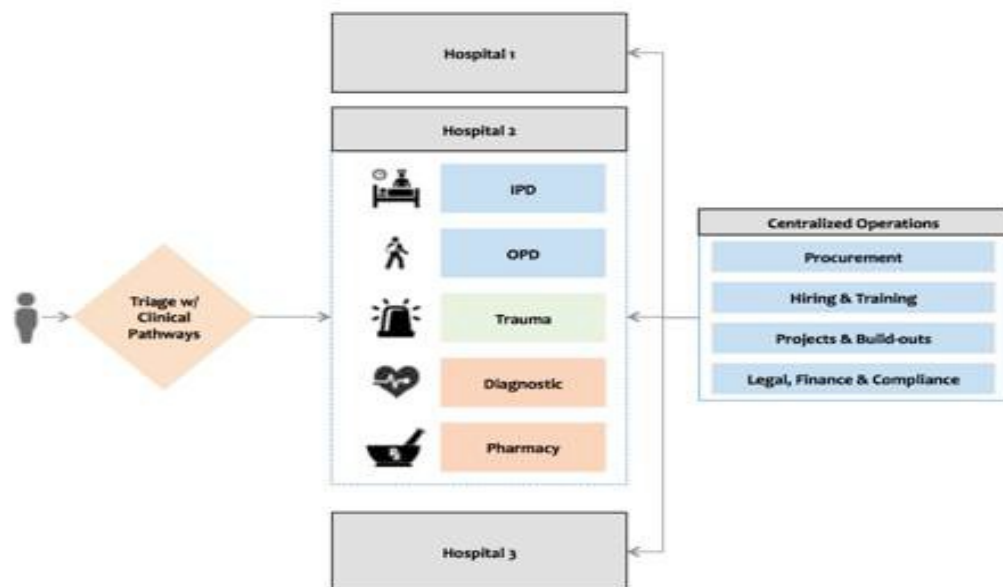
OF PATIENTS SERVED
(CUMULATIVE
PROJECTION FY17)

> 1.5 million



Be Well is a chain of affordable, high quality secondary care hospitals in semi-urban markets in South India. It offers high-quality medical infrastructure and protocol-driven patient care to deliver outstanding clinical outcomes. Be Well operates in geographies where access to reliable, 24-hour emergency and critical care services is scarce.

BUSINESS MODEL



TEAM & PREVIOUS EXPERIENCE



MARKET OPPORTUNITY



80%



No
SOPs



Prefer
Private

Secondary care market with single doctor-led hospitals with no standardization

Little adherence to clinical protocols and poor infrastructure standards

Private healthcare providers are viewed as higher quality

TOTAL ADDRESSABLE MARKET

\$ 10 billion for private secondary healthcare providers

KEY DIFFERENTIATORS



Number 1 secondary care provider in Tier 2 and below towns in Tamil Nadu



Best in class triage and clinical pathways established to ensure medical outcomes

Rapid and cost efficient hospital build out process

KEY METRICS

(FY17 = year ending March 31 2017)



REVENUES
(FY17 PROJECTED)

\$8 Million



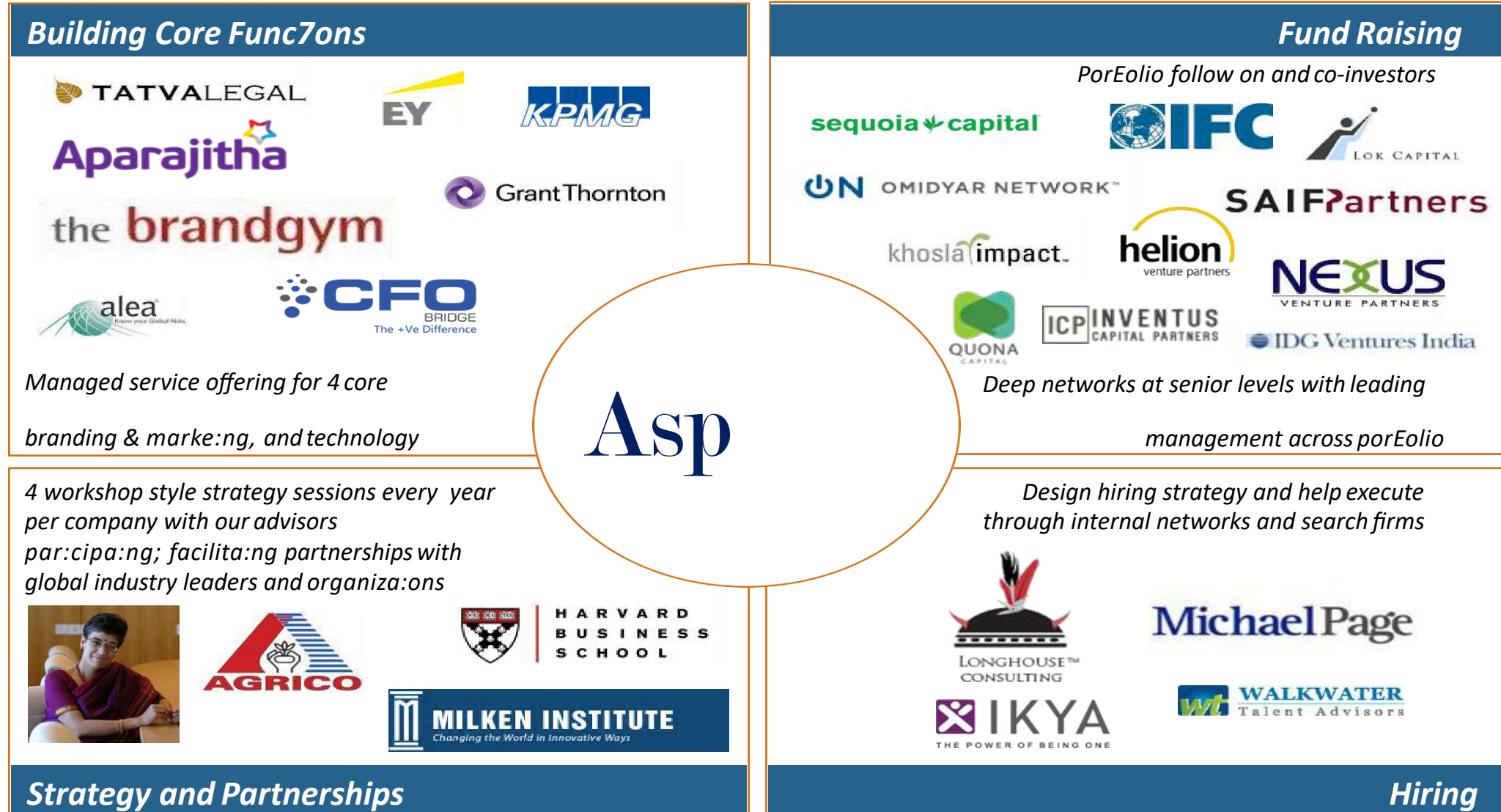
OF PATIENTS SERVED
(CUMULATIVE
PROJECTION FY17)

> 500,000

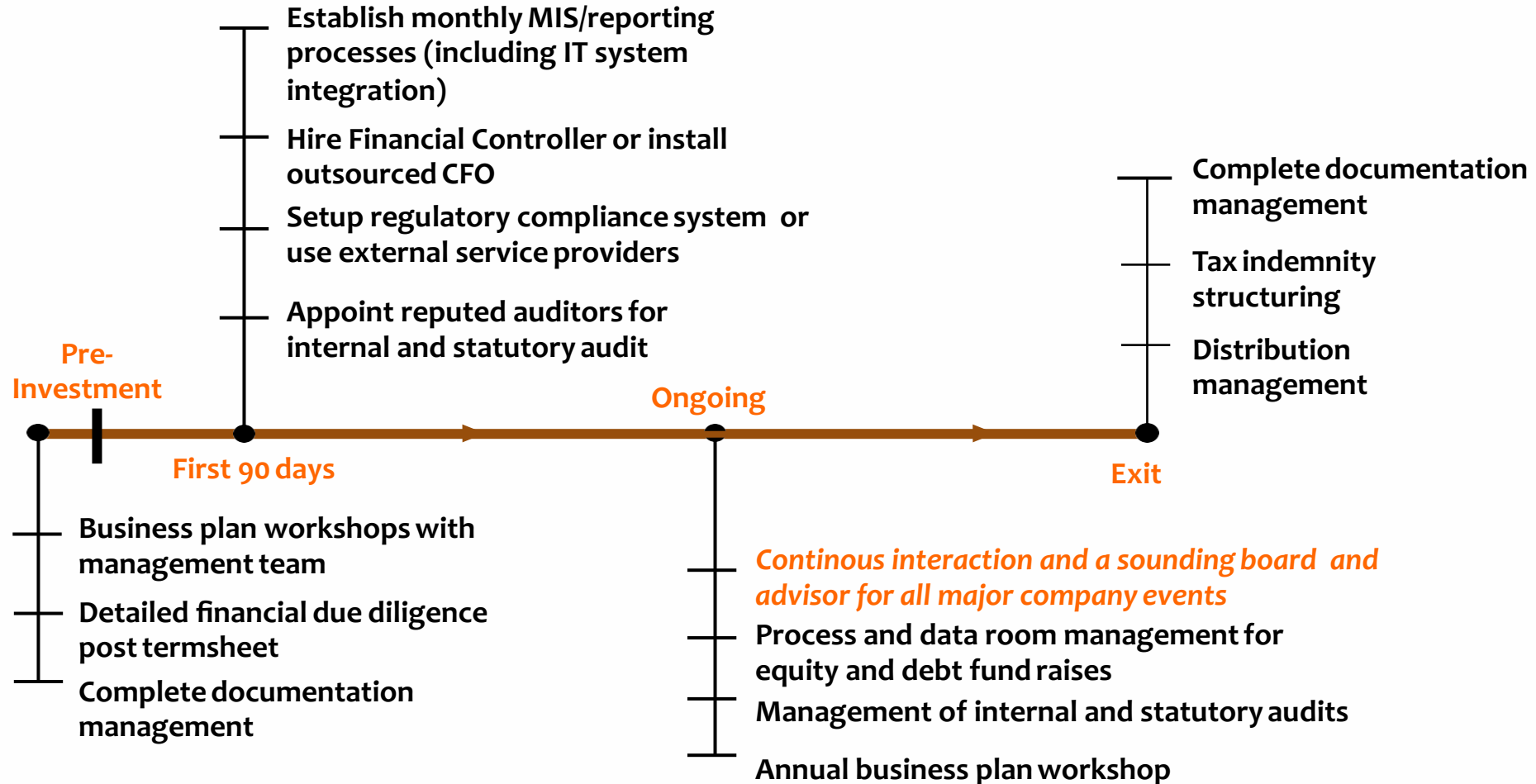
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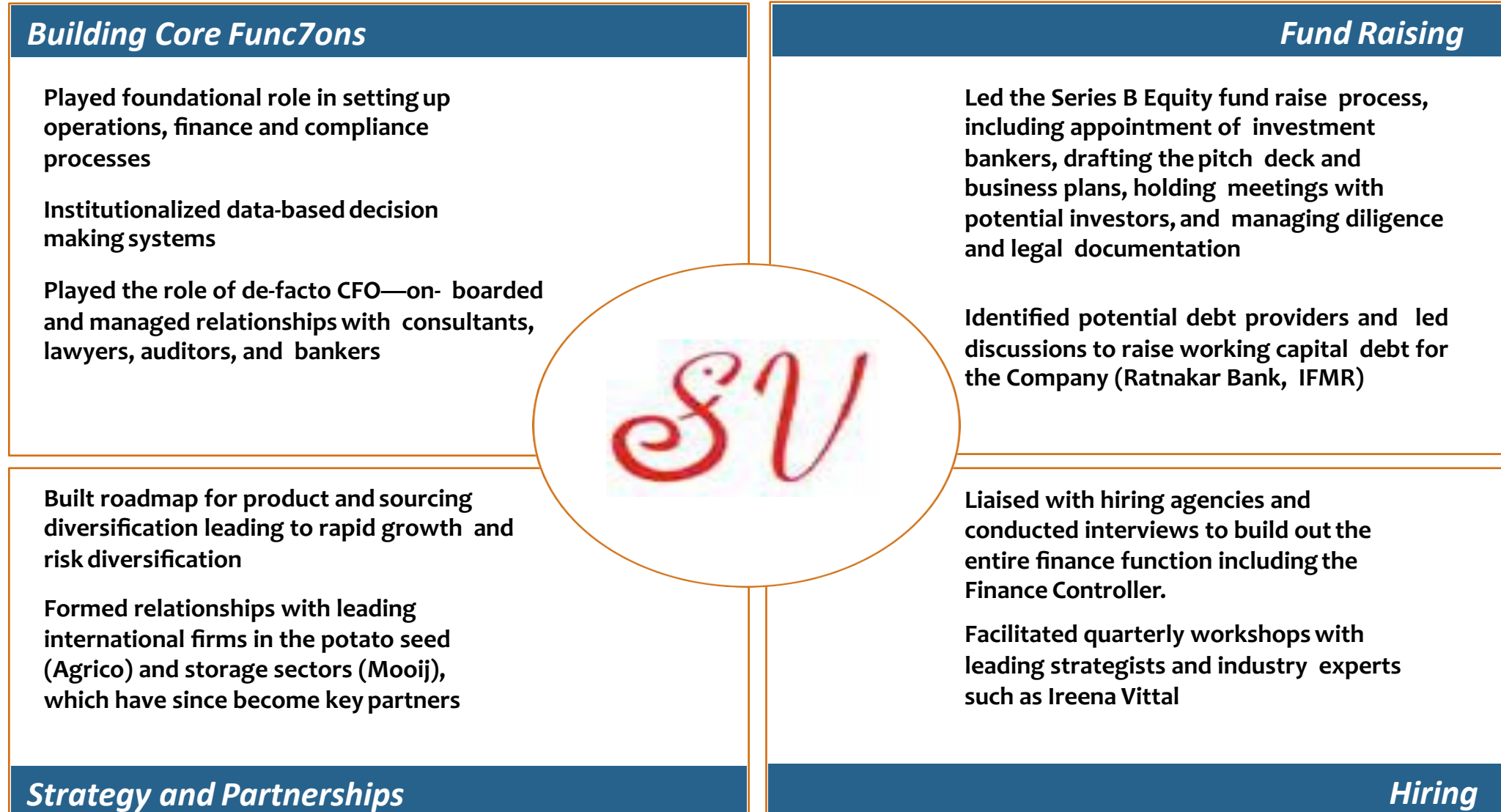
Systematic approach towards portfolio value creation



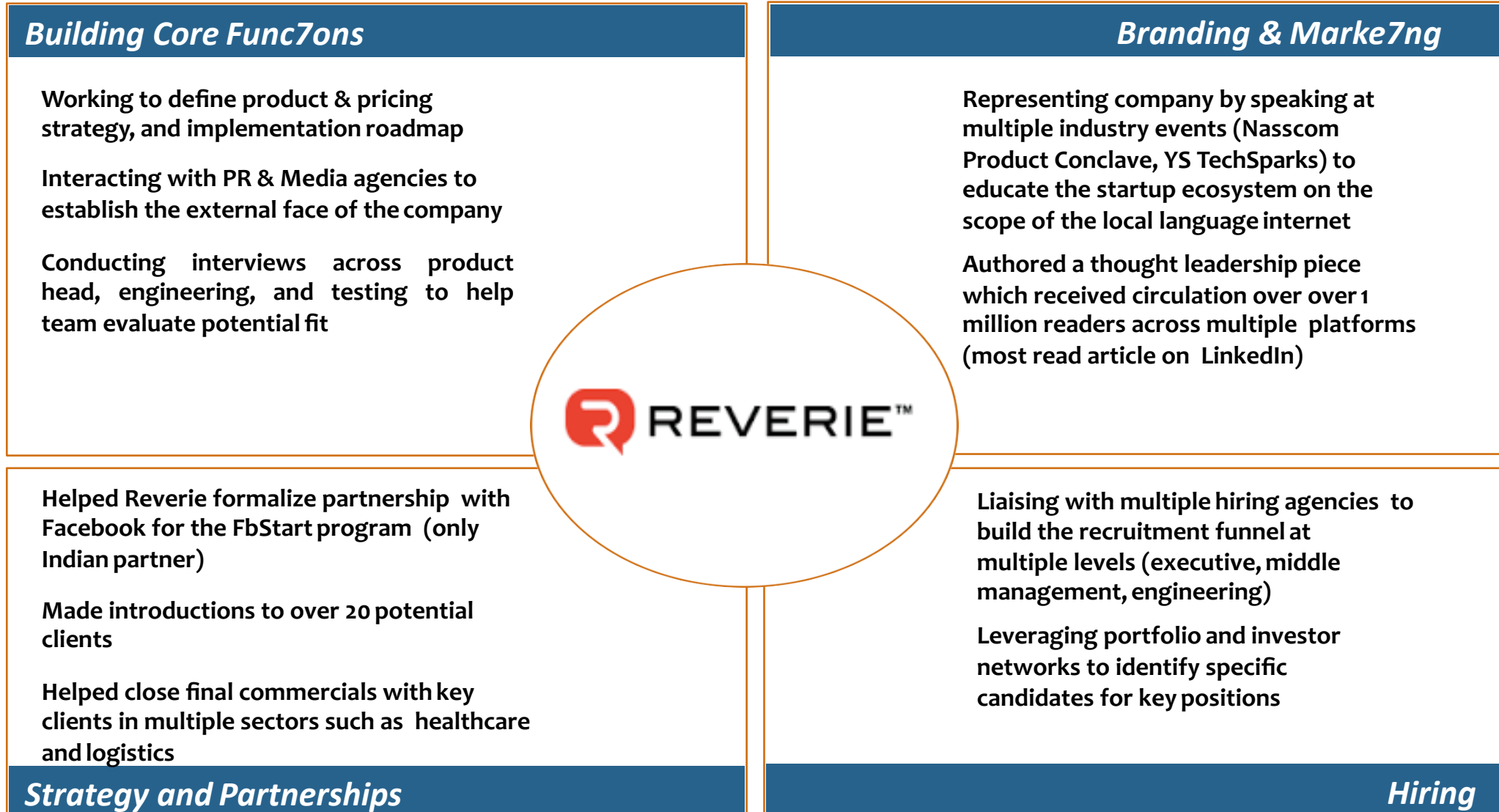
Portfolio Value Add: Finance Function



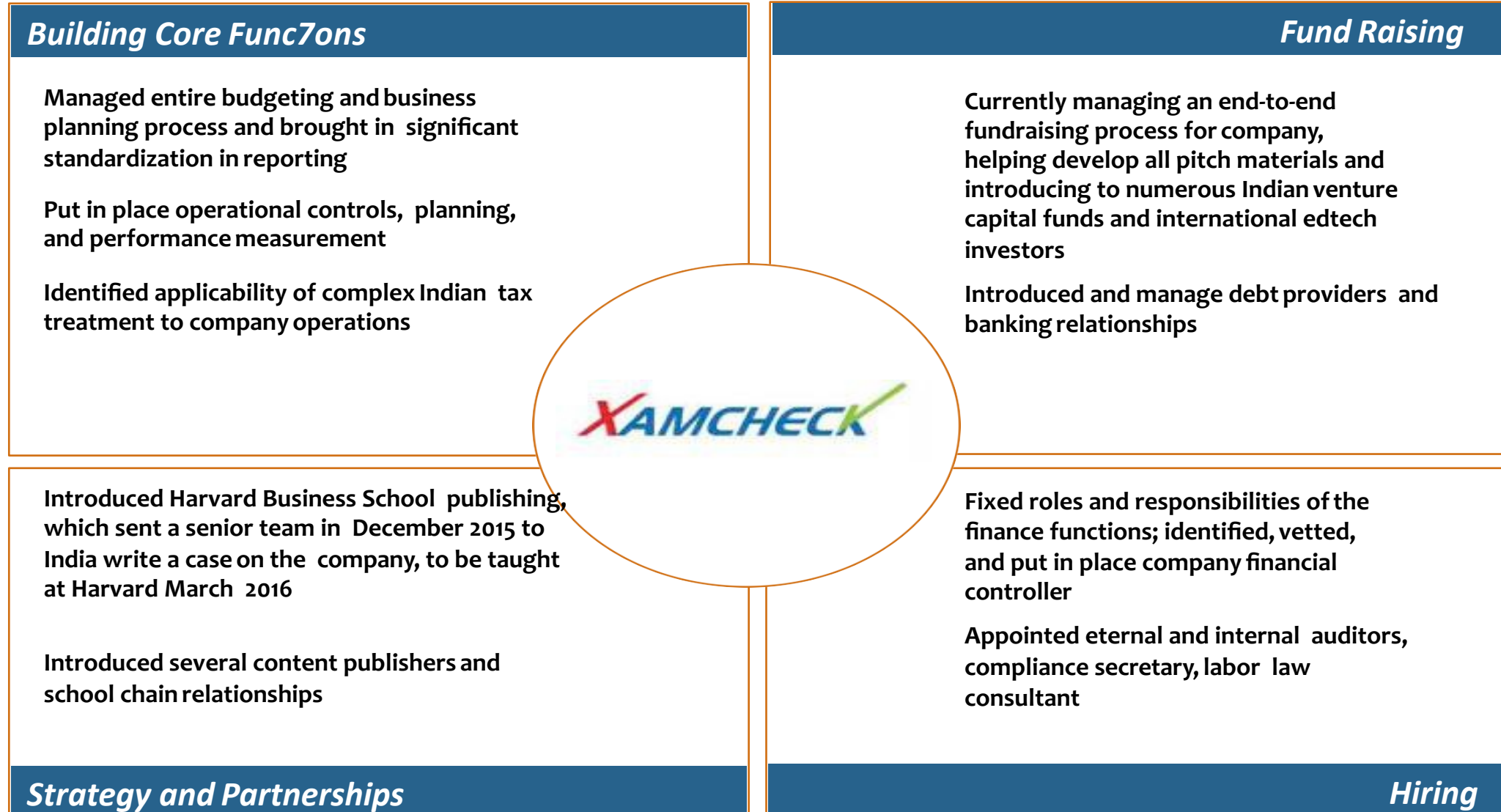
Portfolio Value Add: Case Study 1



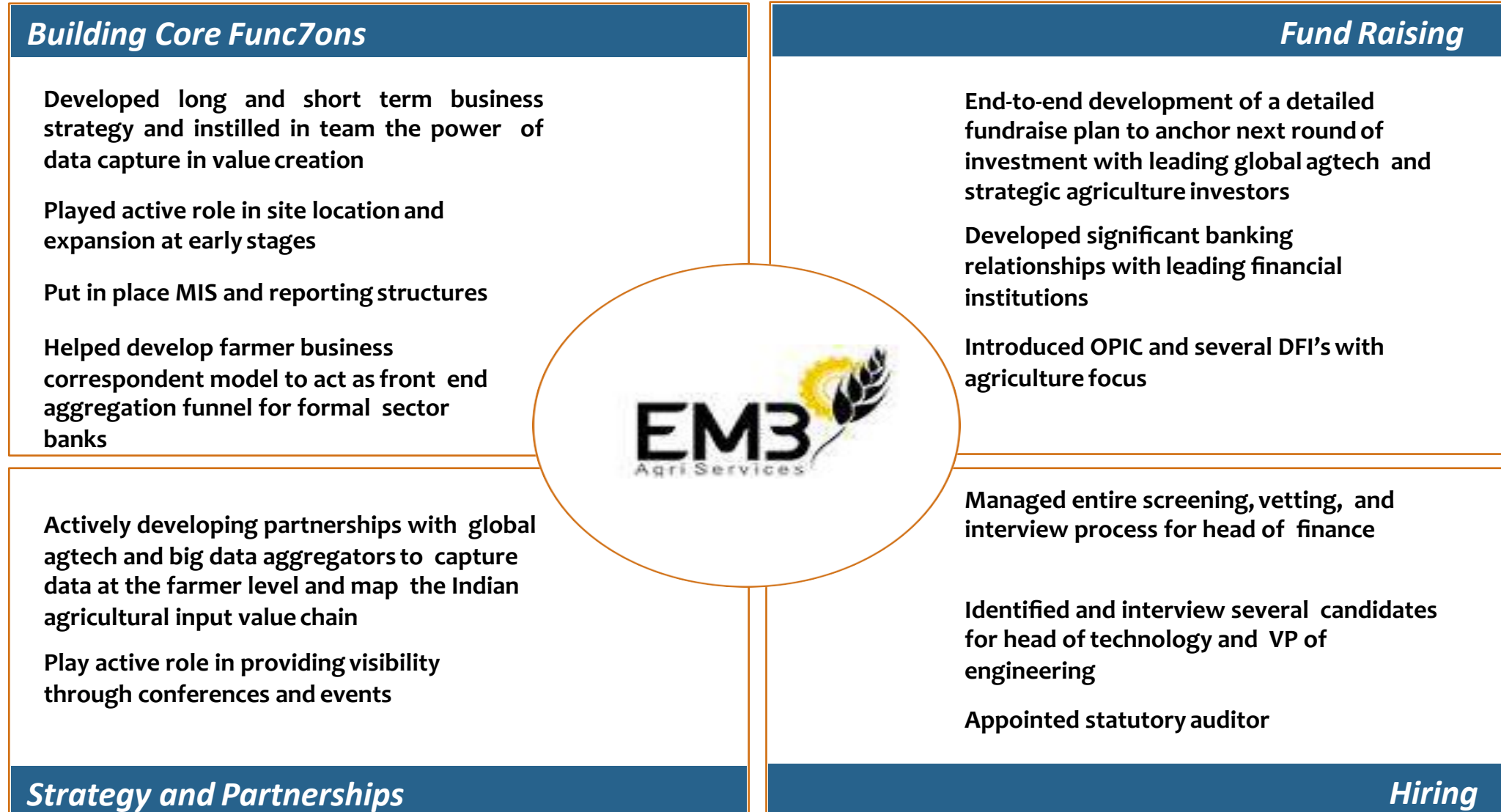
Portfolio Value Add: Case Study 2



Portfolio Value Add: Case Study 3



Portfolio Value Add: Case Study 4



APPENDICES

- PORTFOLIO COMPANY PROFILES
- **CASE STUDIES ON PORTFOLIO VALUE ADD**
- **THOUGHT LEADERSHIP**

We are
actively
involved in
shaping the
debate in our
themes of
interest

The future of K-12 education in India: <http://www.aspada.com/blog/250-million-students-in-250-million-classrooms-the-future-of-sc>

The future of payments in India:
www.aspada.com/blog/khuljaa-simsem-or-how-alibaba-and-its-40-will-help-paytm-disru

Our portfolio company Reverie, and vernacular language in India:
<http://www.aspada.com/blog/one-laa-thing-building-the-indian-internet-in-local-languages>

Our portfolio company EM3, and Farming-as-a-Service:
<http://www.aspada.com/blog/on-the-faas-track-to-reclaiming-indian-agriculture>

Our thesis on full stack businesses (1/2):
<http://www.aspada.com/blog/move-fast-and-join-things-the-dawn-of-full-stack-businesses-in>

Our thesis on full stack businesses (2/2):
<http://www.aspada.com/blog/unpacking-the-stack-what-a-full-stack-thesis-means-at-aspada>

Portfolio Execution: Deal Sourcing

▲ Key entrepreneurial hubs

**Small Investment
banks**
200 across 10 cities

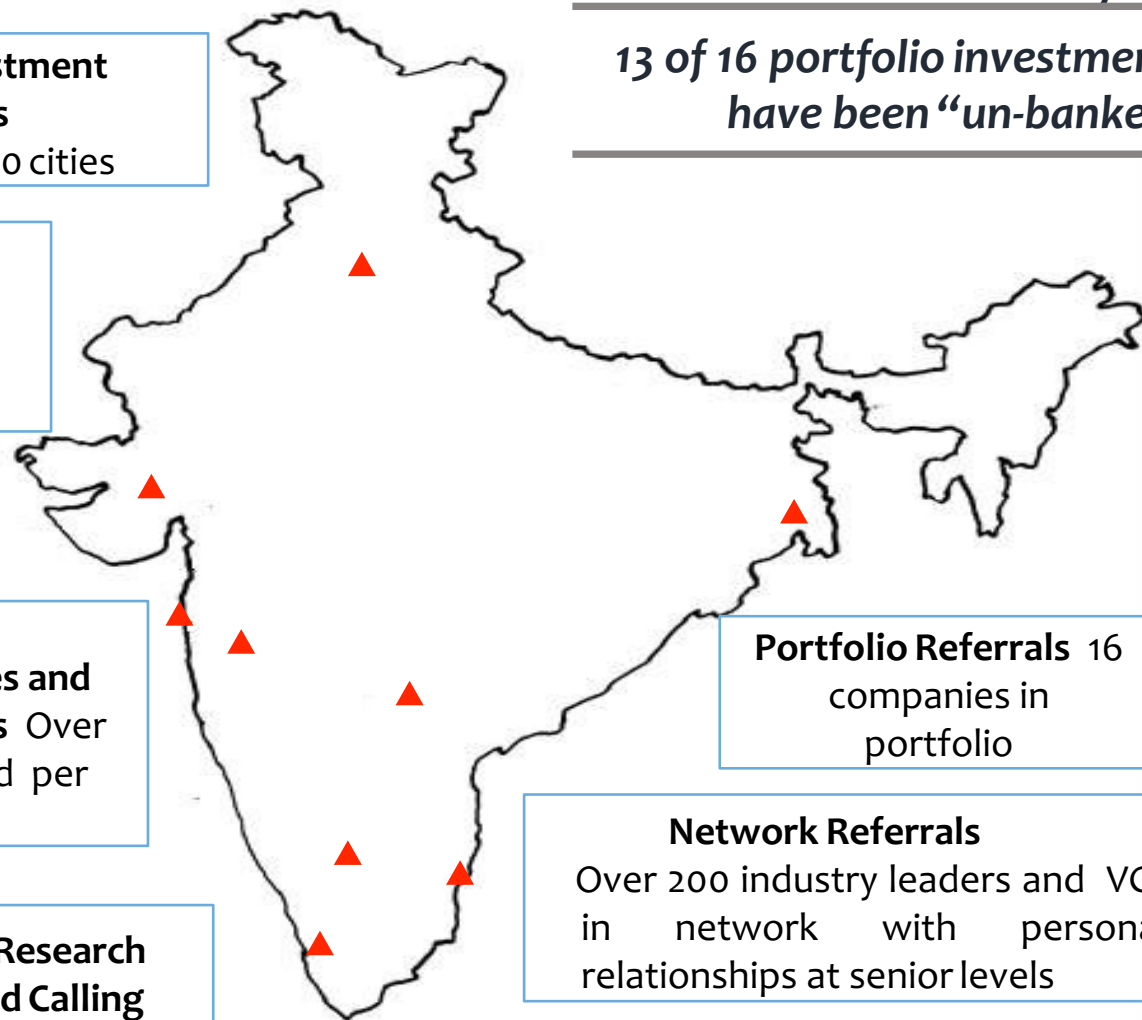
**Accountants
and Lawyers**
150 across 10
cities

**Conferences and
Trade Shows** Over
50 attended per
year

**Sector Research
and Cold Calling**

*Aspada has a multi-channel
sourcing strategy that has
identified 2,500 opportunities
over the last five years*

*13 of 16 portfolio investments
have been “un-banked”*

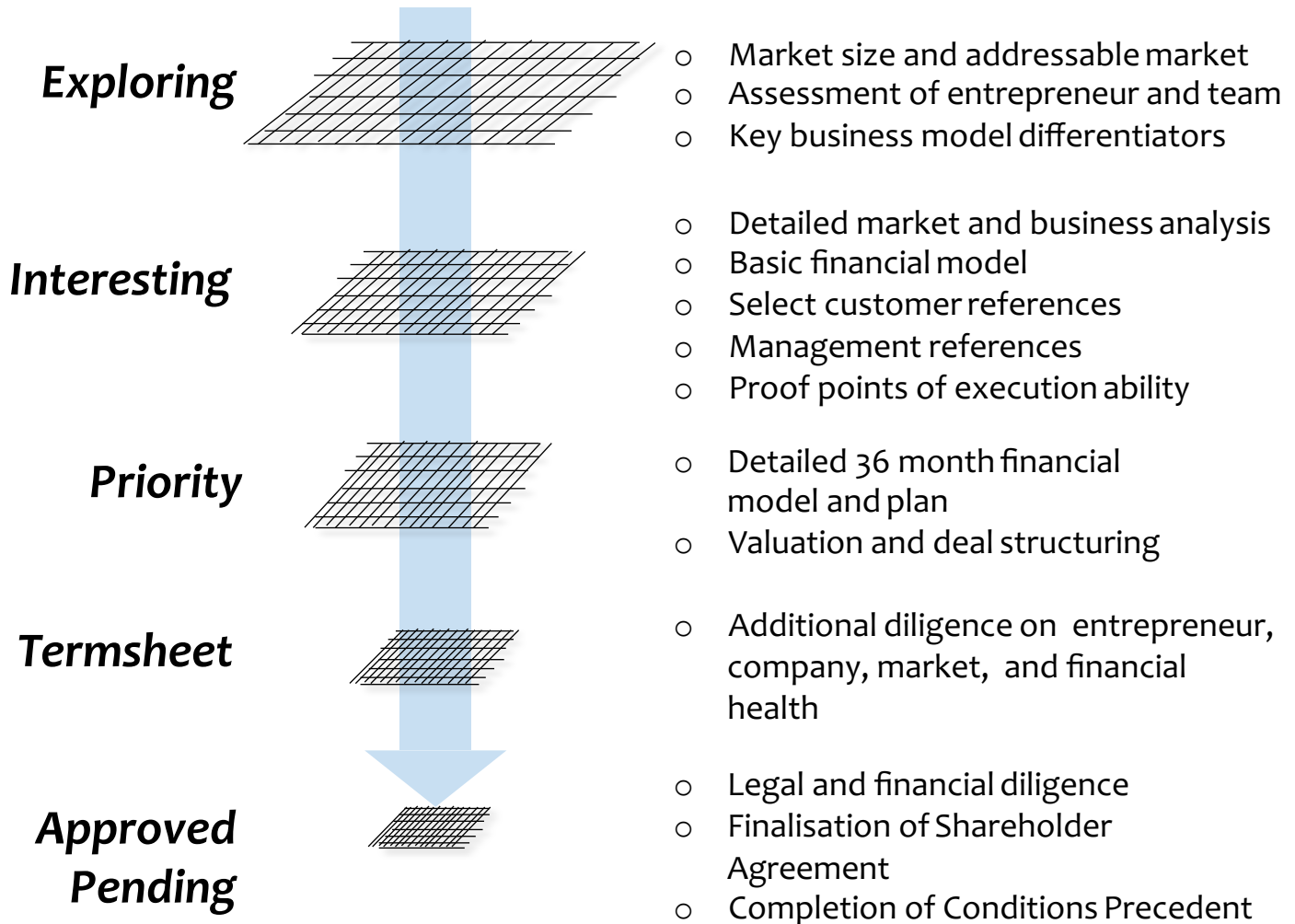


Portfolio Referrals 16
companies in
portfolio

Network Referrals
Over 200 industry leaders and VCs
in network with personal
relationships at senior levels

Portfolio Execution: **Deal Evaluation**

Tried and tested rigorous deal evaluation process



comparison

	SONG	IGNIA	Aspada
Geographic Focus	India	Mexico	India
Fund Size	US\$ 17 million in equity	US\$77 million in equity, US\$25 million in debt	
Investment Period	Three years	Five years from initial closing (May 2008)	No fixed period
Fund Term	Ten years	Twelve years with three renewable one year terms, subject to 2/3 Limited Partners vote	No fixed period
Management Fees	3.5% of fund size for first 3 years and then 2% adjustable on a year-on-year basis	2.25% per annum of aggregate commitments, 1.75% per annum of net invested capital after commitment period	Yearly budget approved by board of directors of Aspada
Management Incentive Structure	First, Investors will receive 100% of their invested capital and a hurdle rate of 4%. Next, distributions will be paid 80% to the Investors and 20% to the Investment Managers.	First, Limited Partners will receive 100% of their invested capital and a hurdle rate of 8%. Next, distributions will be paid 80% to the Limited Partners and 20% to General Partners.	First, Investors will receive 100% of their invested capital and the preferred hurdle rate. Next, Management will earn dividends on their shareholding in Aspada. Managements' shareholding is through an employee stock option plan linked to investment performance and is capped at 20%.

INVESTMENT VEHICLE INNOVATIONS

Investment Vehicle Innovations, Skoll Centre, Oxford
University; Bertha Centre Graduate School of
Business, University of Cape Town, 2015

- ☐ Trade Credit for Rural SMEs
- ☐ Diaspora Funding Platforms
- ☐ Peer-to-Peer Lending
- ☐ Blended Finance
- ☐ Crowdfunding
- ☐ Social Impact Insurance
- ☐ Business Incubators

1. Trade Credit for Rural SMEs

2. Diaspora Funding Platforms

3. Peer-to-Peer Lending

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What is a Trade Credit?



A trade credit is an agreement where a customer can purchase goods on account (without paying cash), paying the supplier at a later date. Usually when the goods are delivered, a trade credit is given for a specific number of days – 30, 60 or 90.

Rural SMEs (Communities) – make up 75% of the world's poor



1. Trade Credit for Rural SMEs

2. Diaspora Funding Platforms

3. Peer-to-Peer Lending

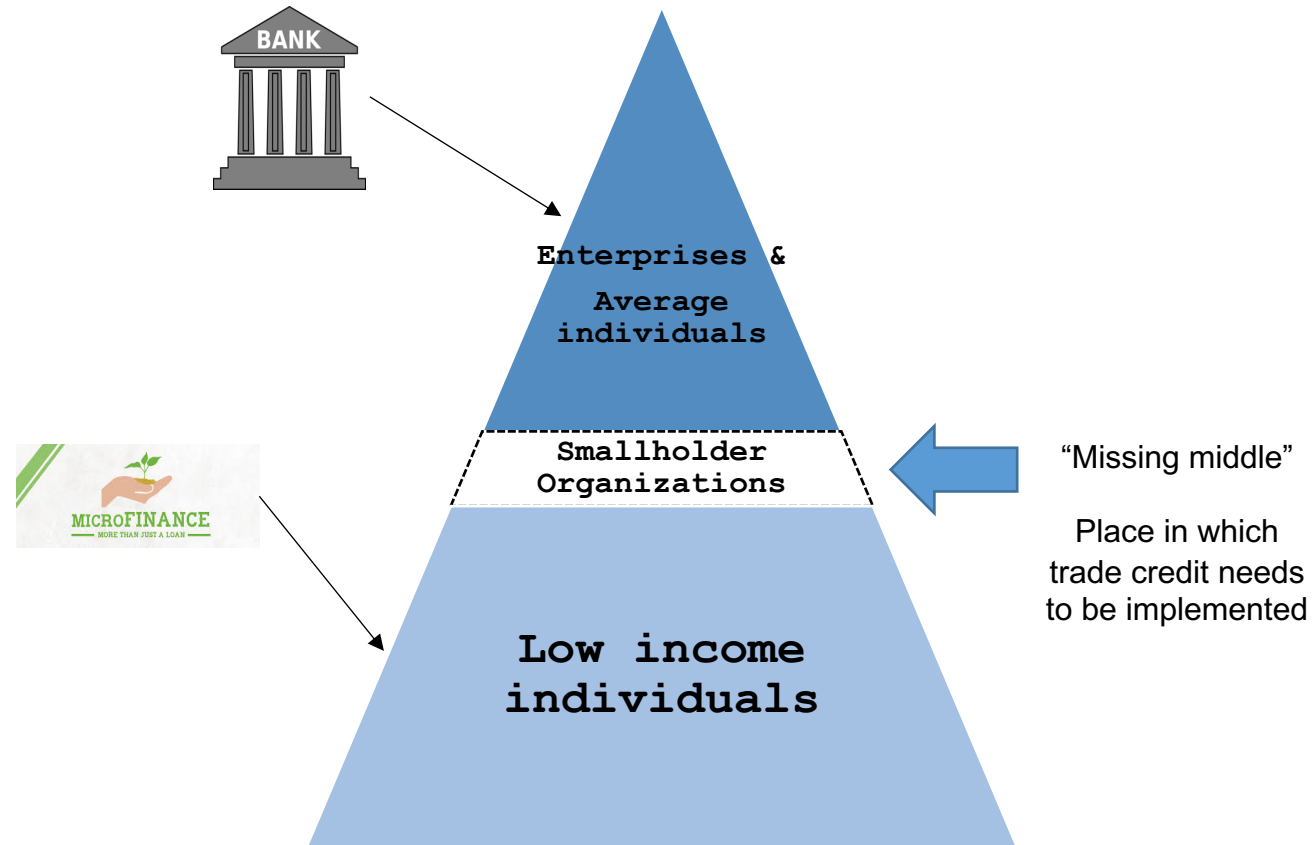
4. Blended Finance

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Typical means of financing



1. Trade Credit for Rural SMEs

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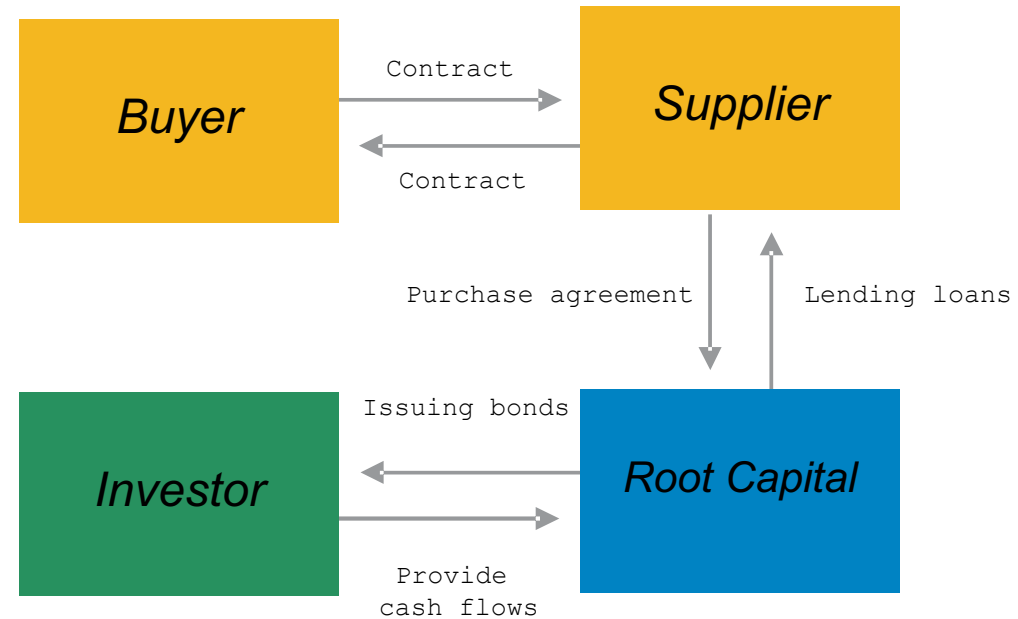
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Let's look into the actual case of Root Capital



1. Trade Credit for Rural SMEs

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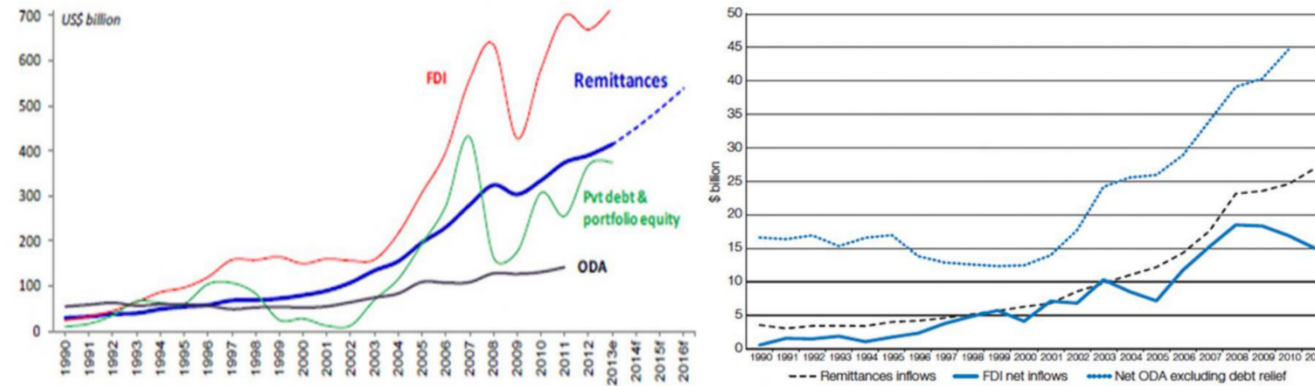
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Background

- Global remittances from individuals in foreign countries to their home communities have been growing.



Diaspora funding platforms provide a means for diaspora or long-term expatriates in a foreign country to invest for impact in their home countries

Why do people actually need such platforms?



Lack of transparency



Lack of information



Legal issues

1. Trade Credit for Rural SMEs

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[Affiliate Register](#) | [Member Register](#) | [Login](#) | [Select Language](#)



HOW IT WORKS

[BROWSE INVESTMENTS](#)

[EVENTS](#)

[NEWS AND ANALYSIS](#)

[ABOUT](#)

[TERMS](#)

How it works

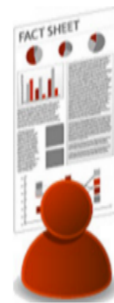


SELECT



STEP 1

INVEST



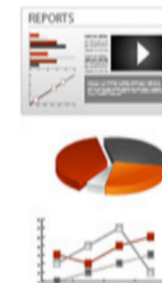
STEP 2

IMPACT



STEP 3

MONITOR



STEP 4

Find Investments

Find projects that make a difference in the world.

[Register Investor >](#)

Raise Funding

Use our platform to raise finance for your business.

[Register Opportunity >](#)

Create Portfolio

Discover our innovative funds, bonds and projects.

[Register Institution >](#)

1. Trade Credit for Rural SMEs

2. Diaspora Funding Platforms

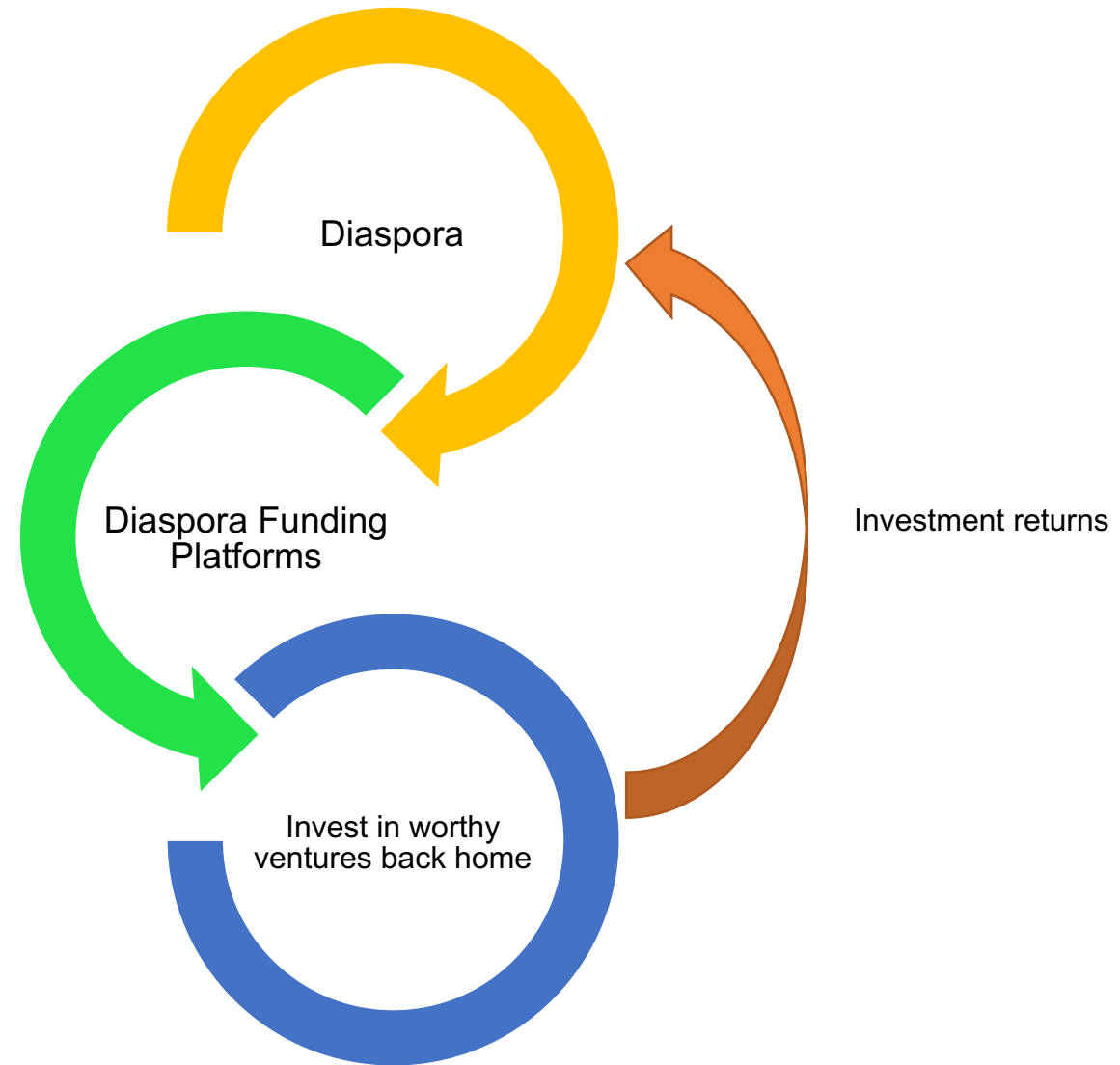
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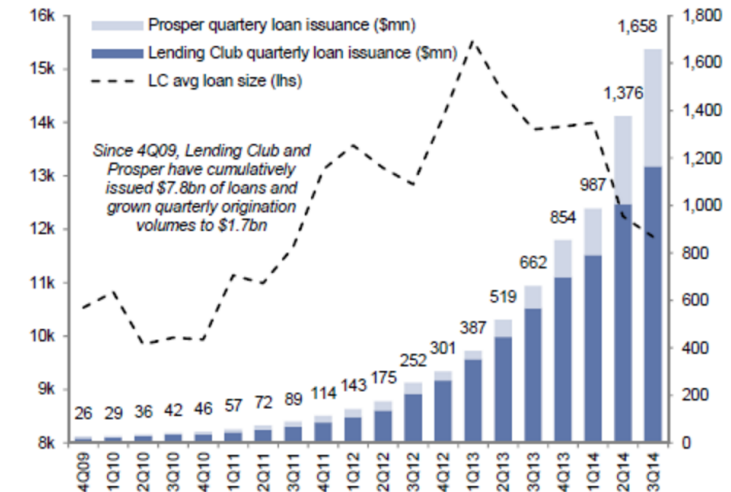
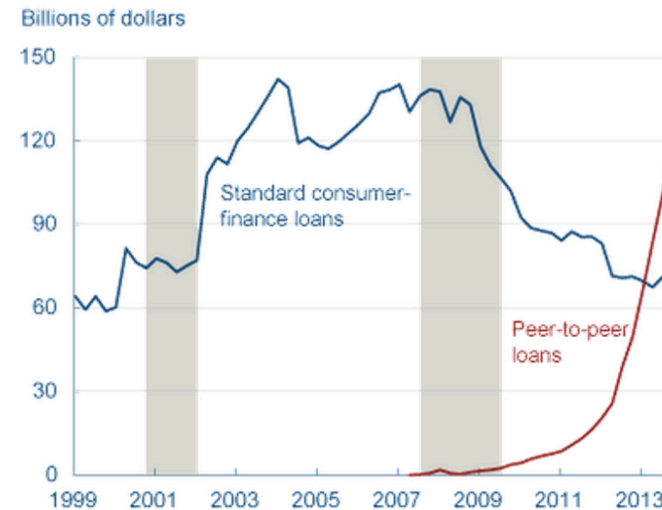
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P2P lending

- An alternative financial service that involves lending money to peers, or unrelated individuals
- Generally provided by an online lending marketplace that connects borrowers and investors directly



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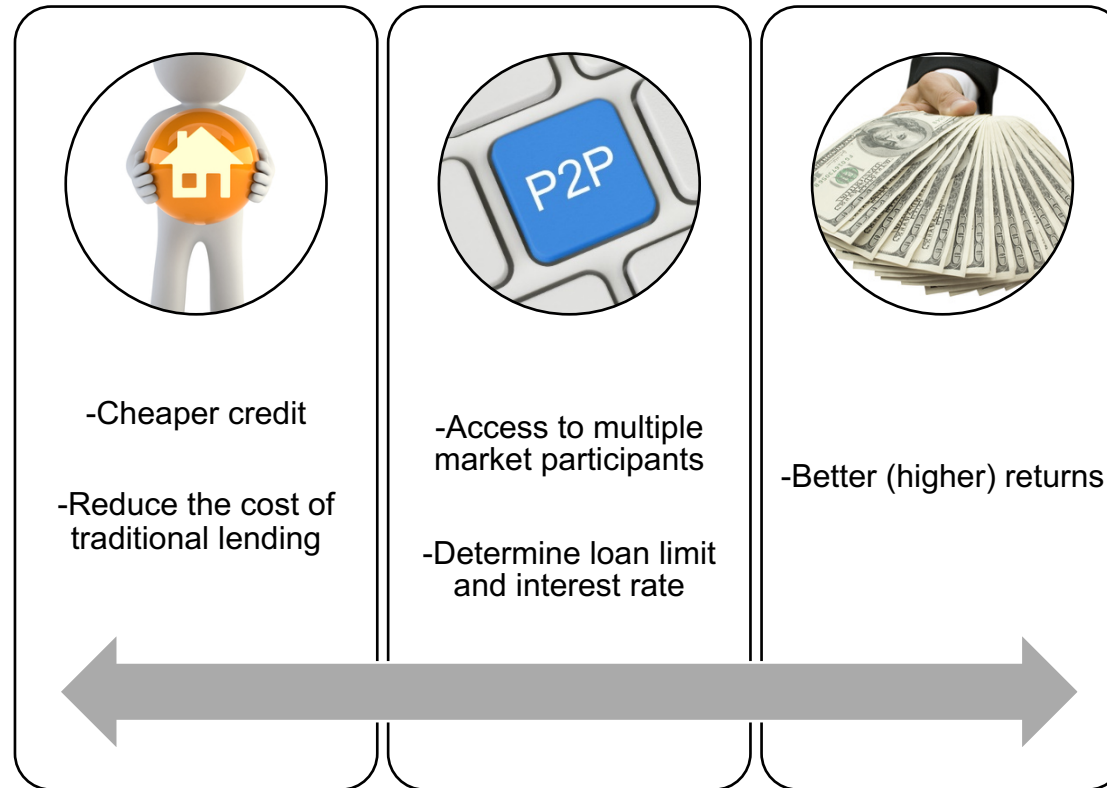
4. Blended Finance

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❑ Benefits



❑ Risk factor

- Most loans are unsecured (No guarantee that borrowers will not default)
- Regulations can vary as time passes (No fixed set of regulations yet)

1. Trade Credit for Rural SMEs

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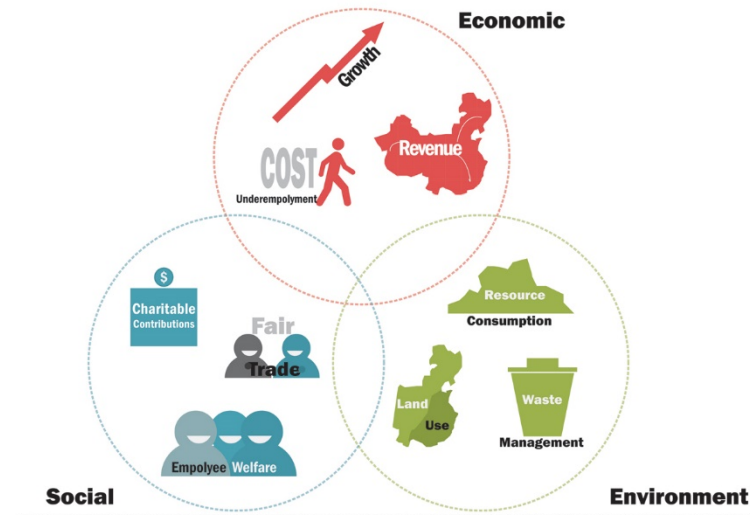
5. Crowdfunding

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7. Business Incubators

Blended finance

- A development finance model combining concessionary loans or grants and private investment
- Public-private partnership



Purpose

To attract more private capital towards projects or geographies that would otherwise be perceived as too risky for private investors

Goal

- To bring more private capital for economic development
- To turn impactful projects into commercially viable ones
- To create economic stability

1. Trade Credit for Rural SMEs

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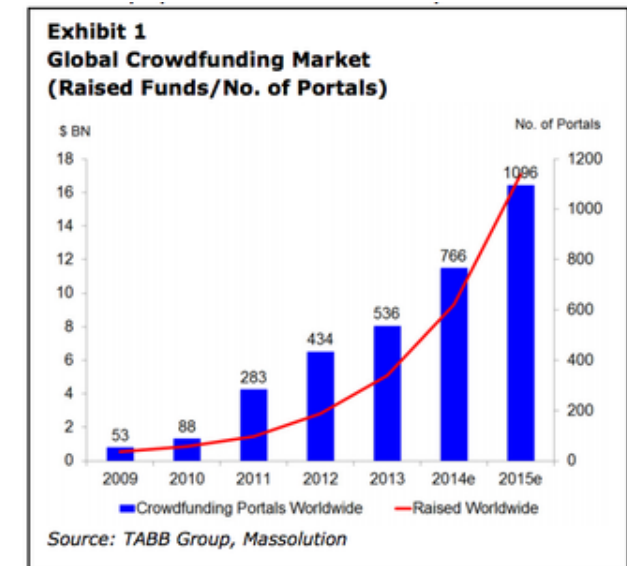
7. Business Incubators



SARONA

The Sarona Frontier Markets Fund is a fund focused on small and medium enterprise investment in frontier and emerging markets. The Canadian government has provided first-loss capital while OPIC provided a US government guarantee to support Sarona's initiative by allowing the Fund to raise debt at US treasury rates.

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Featured Projects



Get the Tin Bucket Drum to Prague

By Jade Bowers

Award-winning theatre performance Tin Bucket Drum has been invited to the Prague Fringe Festival, and needs support to get there...

R3,451 Raised

R130,000 Goal

Gauteng

21 Days left



Josh Hundermark Films : New & Improved

By Josh Hundermark

I don't just film weddings, I tell real life love stories in cinematic short films. It's time to take the next step and I need your help!

R6,500 Raised

R120,000 Goal

The Western Cape

18 Days left



Pre-Order 'Game for Anything' and 'Rhino Walking Safari'

By Nikki Meyer

Pre-order 'Game for Anything' and/or the sequel 'Rhino Walking Safari' to receive great discounts and get them first.

R14,170 Raised

R80,000 Goal

Mpumalanga

21 Days left



Delicious, Healthy Salads & Soups in a Jar!

By JarBar

JarBar creates delicious, healthy soups & salads which are pre-ordered online and delivered straight to your door!

R10,100 Raised

R95,000 Goal

The Western Cape

15 Days left



Improving lives of people with disabilities through sports

By Jessica Josias

"WE NEED A VILLAGE TO RAISE A CHILD, BUT A NATION TO RAISE A PERSON WITH DISABILITIES"

R4,200 Raised

R15,000 Goal

The Western Cape

24 Days left



The Armed Man

"A Mass for Peace"
by Karl Jenkins

To be performed by The Philharmonia Choir of Cape Town

Staging "The Armed Man"

By The Philharmonia Choir of Cape Town

The Armed Man – A musical argument for peace in a world hooked on war. Bring this exciting modern choral work to the stage in South Africa.

R26,535 Raised

R210,000 Goal

The Western Cape

37 Days left

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Investment return

Some models utilize “rewards” (products or services) as compensation, while others use interest-bearing or equity structures to compensate investors

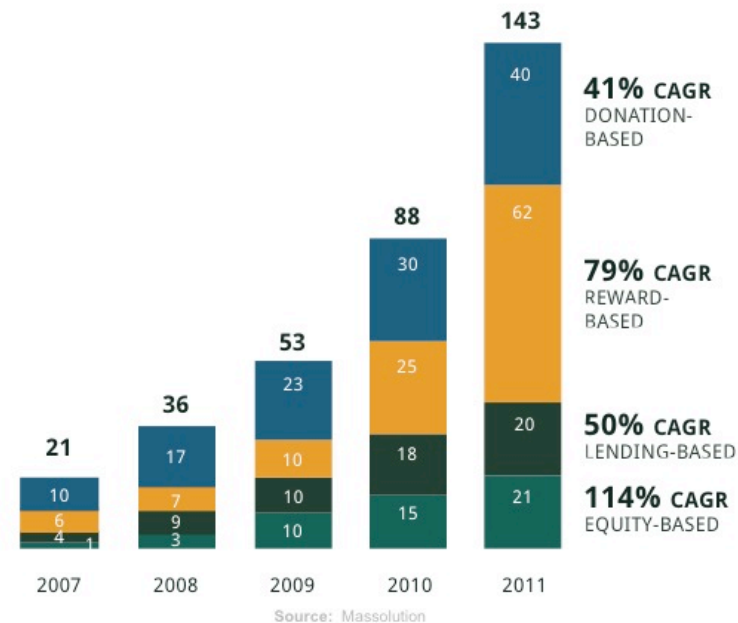
MARKET GROWTH AND COMPOSITION (CFPs BY CATEGORY)



THE REWARD-BASED CATEGORY IS THE LARGEST CROWDFUNDING, WHILE EQUITY-BASED IS THE FASTEST GROWING

GROWTH IN NUMBER OF CFPs BY CATEGORY

Based on a sample of 143 CFPs



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Rewards-based: entrepreneurs pre-sell a product or service to launch a business concept without incurring debt or sacrificing equity/shares.

Equity-based: is the online offering of private company securities to a group of people for investment. It is a mechanism that enables broad groups of investors to fund startup companies and small businesses in return for equity. Because equity crowding involves investment into a commercial enterprise, it is often subject to securities and financial regulation.

Lending-based: also known as "peer to peer" or "P2P".

Donation-based: Charity donation-based crowdfunding is the collective effort of individuals to help charitable causes.

A famous online video game which has collected about 100m dollars.



1. Trade Credit for Rural SMEs
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- 6. Social Impact Insurance**
7. Business Incubators

*The importance of social and environmental impact investing and corporate social responsibility is well understood and has been steadily rising in prominence in recent years. A 2009 Monitor Institute report estimates that impact investing alone has the potential to grow to about 1% of total managed assets, which would result in about \$500 billion to \$1 trillion of capital channeled toward projects that have social impact. However, we estimate that **only 15% to 40% of this capital has been deployed, with \$300 billion to \$850 billion “in-waiting.”***

1. Trade Credit for Rural SMEs

2. Diaspora Funding Platforms

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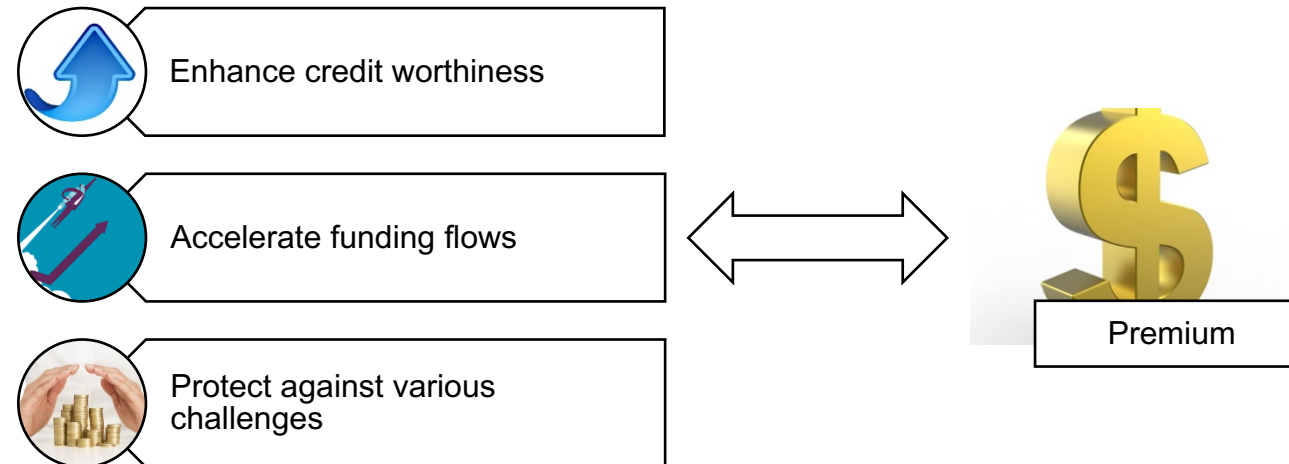
6. Social Impact Insurance

7. Business Incubators

What are the obstacles?

- **limited ability** of social impact organizations to **access funding** from financial institutions
- **limited size of investments** made by funders due to **constraints** in using the latest risk management techniques
- **lack of a readily accessible insurance market** that results in long approval processes and administrative delays, thus preventing the efficient and timely deployment of capital

Social Impact Insurance provides risk mitigation products to these organization



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Case

COMPANY PROFILE

Company: HUGinsure (HUG= Humanitarian Universal Guarantee)

Year founded: 2013

Website: www.huginsure.com

Legal structure/ownership: Pty, jointly owned by D. Capital Partners and Hollard Insurance

Industry segment: Specialist insurance underwriting

Business model: Provides bespoke cover at an affordable premium to ensure the distribution of funds from donors or finance institutions to organisations who implement social impact projects

Countries: Global

Customers: NGOs, social enterprises, local communities, governments, donors, and financial intermediaries such as banks and micro-finance institutions

INVESTOR PROFILE

Investor profile: Investment by joint venture owners, but aims to expand to include institutional and impact investors

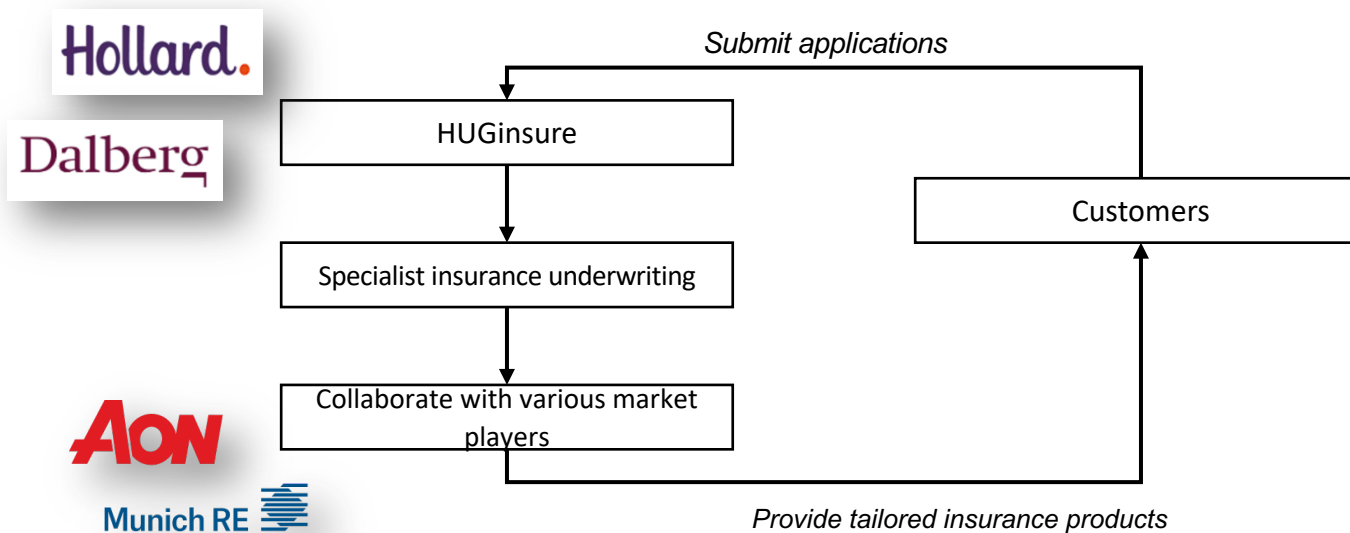
Investment type: Equity

Investment size: Not available at this stage

Investment date: Not available at this stage

Investment return: 0-10% returns expected depending on source of capital

Risk: Utilises a specialist risk model to measure and manage the risk involved with funding streams to social impact organizations. The determined risk will be reflected in the premium to be paid for the products



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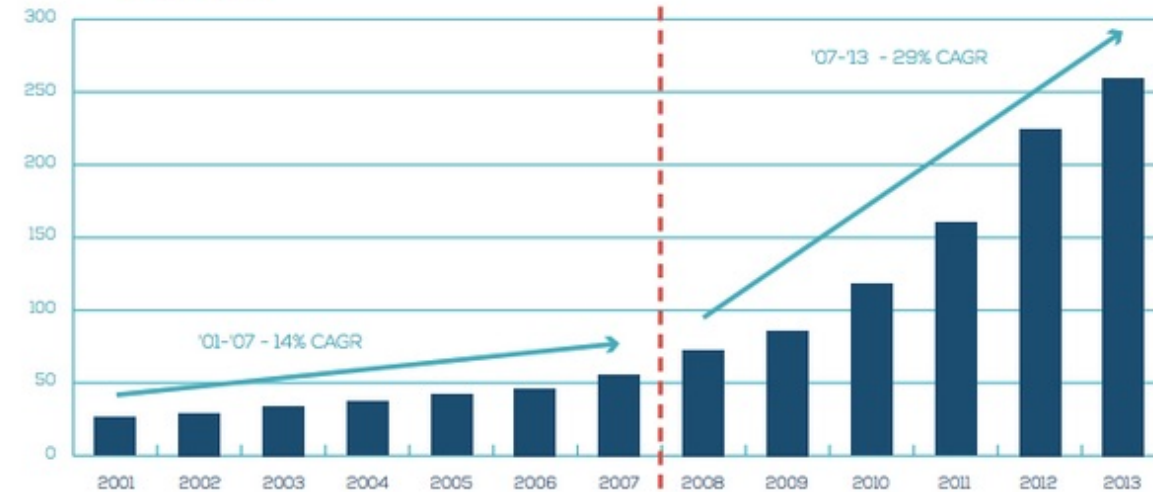
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7. Business Incubators

Business Incubators (accelerators)

Seek to assist entrepreneurs and early-stage enterprises to survive the start-up phase and to develop into operationally and financially self-sustaining businesses

Chart 1 Accumulated number of incubators and accelerators in the 10 survey countries since 2001



Source: Telefónica Global Affairs and New Ventures, 2013

***10 countries** - United State, Ecuador, Brazil, Republic of Korea, United Kingdom, Spain, Italy, Sweden, German, Turkey, Singapore

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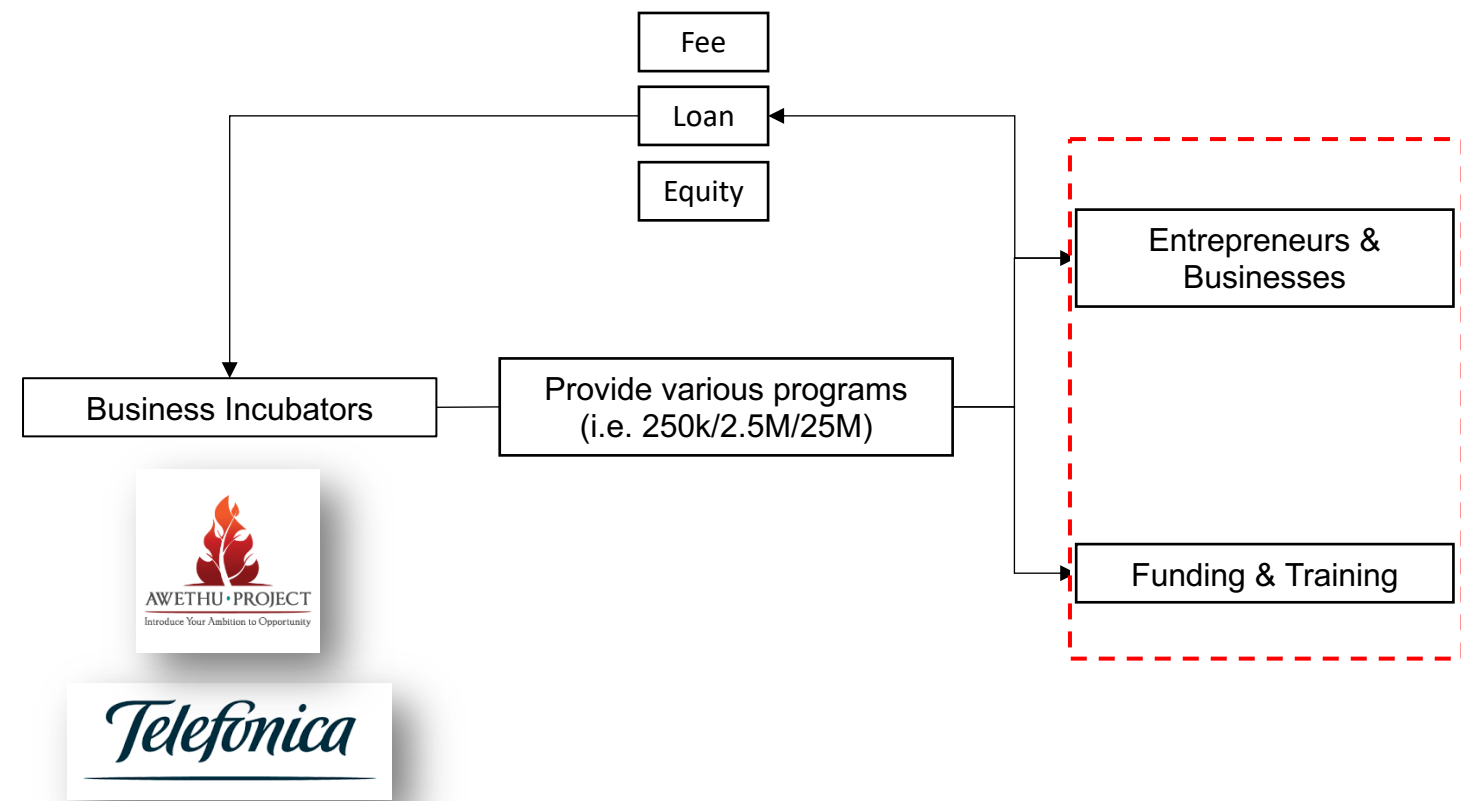
How does it work?



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Business model



Conclusion

- Complexity
- Increasing demands for new financial instruments

Investment vehicles are evolving due to

1. Social impact investing trends
2. Market inefficiency

“Throughout history, advances in financing have expanded opportunities and democratized societies and their potential is still, ready to be grasped today. If the right tools are deployed responsibly, financial innovation have the capacity to help us shape a more sustainable and prosperous future”.

Financing the Future: Market Based Innovations for Growth

Allen and Yago, 2010

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