



**JAMES LEE SORENSON CENTER
FOR GLOBAL IMPACT INVESTING**

Africa's Future in the Global Economy

October 21st 2014

Investing in Africa's Future Panel Discussion



**JAMES LEE SORENSON CENTER
FOR GLOBAL IMPACT INVESTING**

10/31/2014

The questions everyone wants to ask...

What is **Impact Investing**?

Investing with the **intent** to generate both financial returns and **purposeful, measurable**, positive social or environmental impact...or in short,

“Doing **good** while doing **well**”

Why am I here?

James Lee Sorenson



Entrepreneurial upbringing and business experiences led to my greatest business success which had tremendous social benefit

- In 2003 founded Sorenson Communications, a video Relay Service (VRS) solution for the deaf to communicate with the hearing in American Sign Language
- Transformed communication capabilities for 1,000,000 deaf individuals
- Exceptional growth, grew from \$0 to over \$120M in revenue and \$60M EBITDA in 2 years. When sold in 2005, became the largest private equity transaction to date in the State of Utah

How Could I Give More Effectively?

“Give a man a fish and he’s fed for a day,
Teach a man to fish and he’s fed for a lifetime,
...Teach a man how to teach others how to fish
and future generations are fed for their lifetime”

How Do You Create Lasting Global and Local Change?

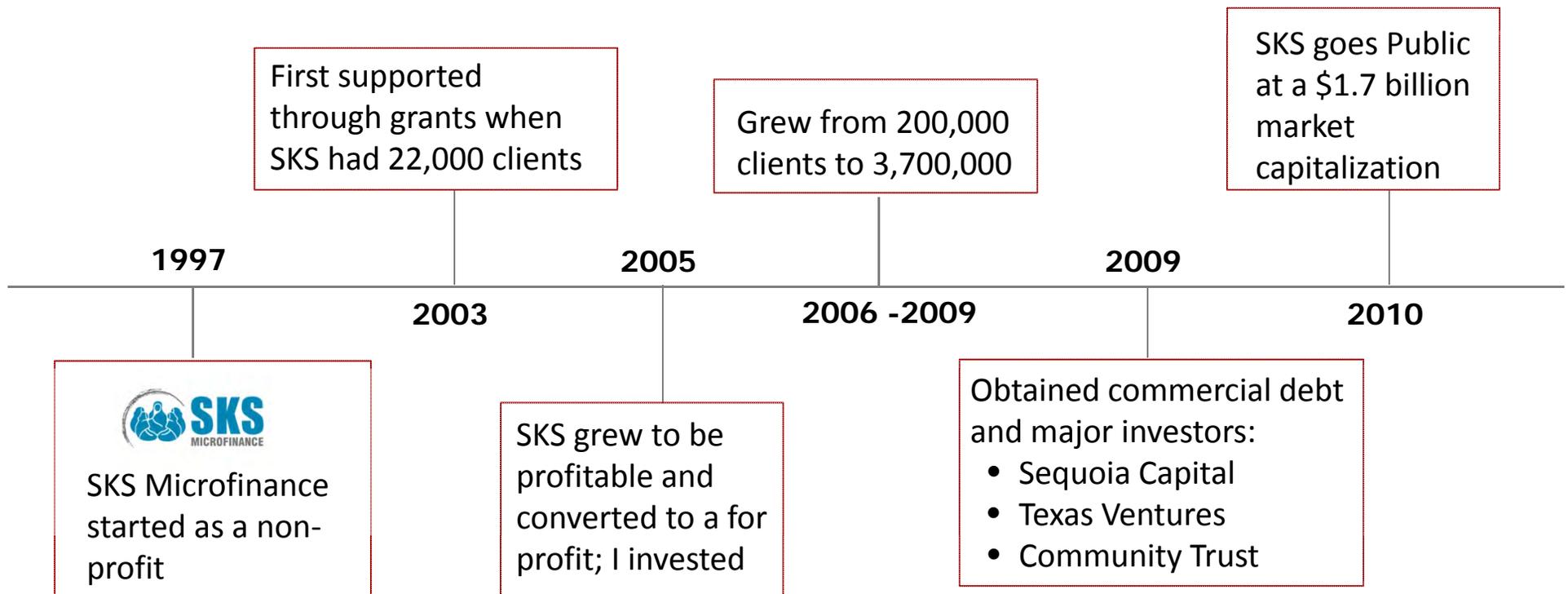
- It must be **Self-sustaining**
- It must be **Scalable**



Emerging Market Investor Experience - Case Study #1

Problem: Lack of Capital for the Bottom of the Pyramid

Solution: SKS Microfinance



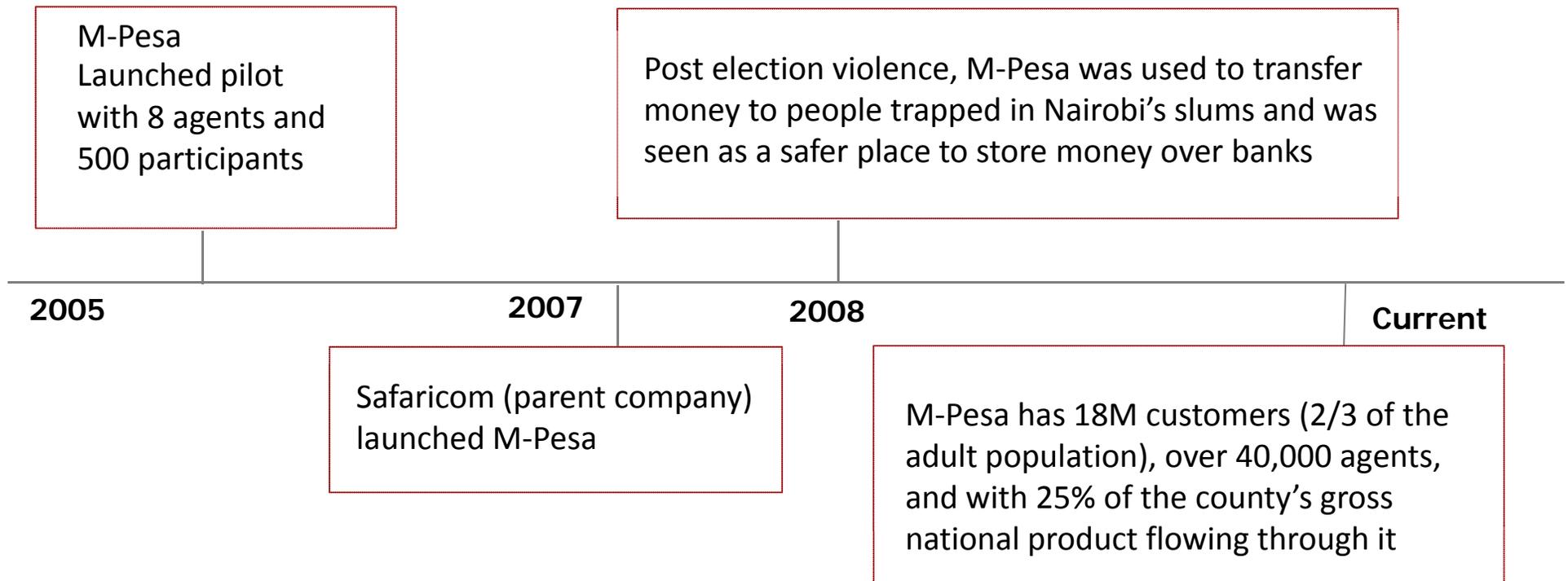
Social Impact: 22,000 bank jobs alone; 2,029 branches; 6,247,000 clients

Financial Return: My investment generated 183% IRR

African Mobile Money – Case Study #2

Problem: Making Payments on Microfinance loans

Solution: M-Pesa, a mobile money solution



Social Impact: after adoption of M-Pesa customers increased their income by 5-30% and kiosk agents saw 4.3X greater revenue than selling an airtime commission product

Source: IFC & Economist. May 2013

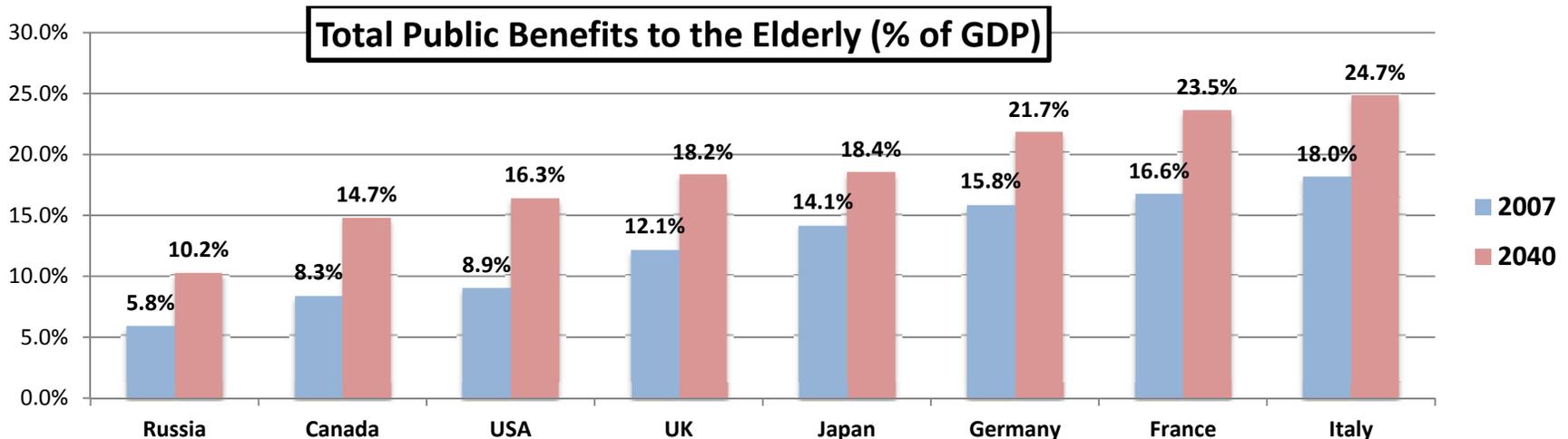
Why Impact Investing

Impact investing has emerged as a growing sector and economy

- Considered by many as one of the most promising approaches to leveraging private resources to create social benefits

Several megatrends are driving impact investing:

- **Massive Pent up demand at the BoP**
 - 4B people with annual incomes below USD \$3,000 & an estimated \$5 trillion of latent demand seeking market solutions [CNNMoney.com]
- **Continued Growth in Sustainably Responsible Investing (SRI)**
 - Estimated to grow to \$3-10 trillion annually by 2050 [WBCSD]
- **Reconfiguration of the Welfare State**
 - Dramatic increase in Life Expectancy and health care costs will force new solutions



Impact Investing's Massive Potential

- **Monitor Institute 2009 report - Potential to grow from \$50B to \$500B by 2020**
 - Driven by increased participation of foundations, family offices, high-net-worth individuals and for-profit organizations
- **JP Morgan 2010 report - Nearly \$1 trillion of investment opportunities** in just a few key sectors (housing, water, health, education, and financial services) targeting global populations earning less than US\$ 3,000 annually

Sector	Potential invested capital required, USD bn	Potential profit opportunity required, USD bn
Housing: Affordable urban housing	\$214-\$786	\$177-\$648
Water: Clean water for rural communities	\$5.4-\$13	\$2.9-\$7
Health: Maternal health	\$0.4-\$2	\$0.1-\$1
Education: Primary education	\$4.8-\$10	\$2.6-\$11
Financial Services: Microfinance	\$176	N/A

Source: JP Morgan

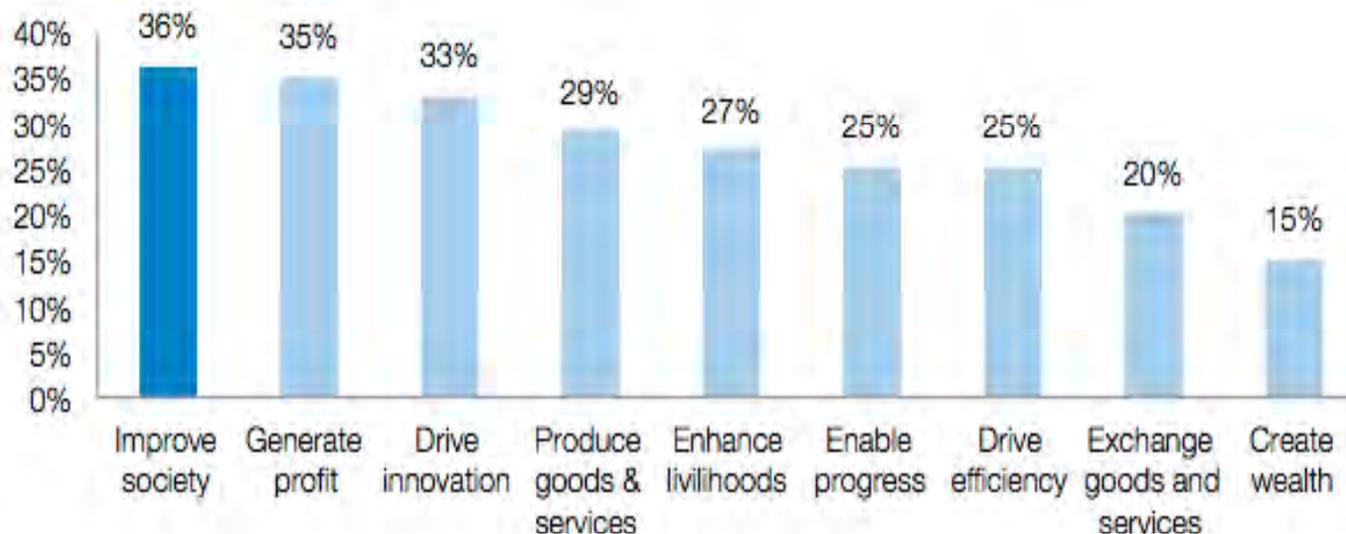
- **In 2012, the Calvert Foundation formed an estimate** through a representative survey of investment managers, applying prospective adoption rates to a global investment management industry of US\$ 26 trillion, **and reached a impact investing market potential of US\$ 650B**

Investor Demand is Shifting Across Generations

- Over the next 40 years, Generation X and the Millennial Generation will potentially **inherit an estimated US\$ 41 trillion** from the Baby Boomer Generation. These generations have grown up in a culture that calls on business to play a more active role in society

Figure 1: Primary Purpose of Business According to the Millennial Generation, % of Survey Respondents

Source: Deloitte



African Investment Trends

JP Morgan 2014 Survey of 125 Impact Investors

Table 1: Respondent sub-groups referenced in the report²

Name of sub-group	Description of the category construction	Number of respondents (all respondents = 125)
DM-HQ Investors	Headquartered in developed markets	102
EM-HQ Investors	Headquartered in emerging markets	17
Fund Managers	Identified themselves as fund managers	61
Non-fund Managers	Identified themselves as anything other than fund managers	64
DM-focused Investors	Have more than 50% of their current impact investment AUM invested in developed markets	54
EM-focused Investors	Have more than 50% of their current impact investment AUM invested in emerging markets	69
Proprietary Capital Investors	Have more than 50% of their current impact investment AUM as proprietary capital	60
Client Capital Investors	Have more than 50% of their current impact investment AUM as client capital	65
Debt Investors	Have more than 50% of their current impact investment AUM as debt	50
Equity Investors	Have more than 50% of their current impact investment AUM as equity	52
Direct Investors	Have more than 50% of their current impact investment AUM invested directly into companies	88
Indirect Investors	Have more than 50% of their current impact investment AUM invested through intermediaries (including fund managers)	28
Early-stage Investors	Have more than 50% of their current impact investment AUM invested in the seed/start-up or venture stages	33
Later-stage Investors	Have more than 50% of their current impact investment AUM invested in the growth or mature (public or private) stages	88
Competitive-return Investors	Principally targeting competitive, market rate returns	67
Closer-to-market Investors	Principally targeting below market, closer to market returns	29
Capital-preservation Investors	Principally targeting below market, closer to capital preservation returns ³	29
Impact Outperformers	Indicated an impact outperformance of their portfolio relative to their expectations	24
Financial Outperformers	Indicated a financial outperformance of their portfolio relative to their expectations	19

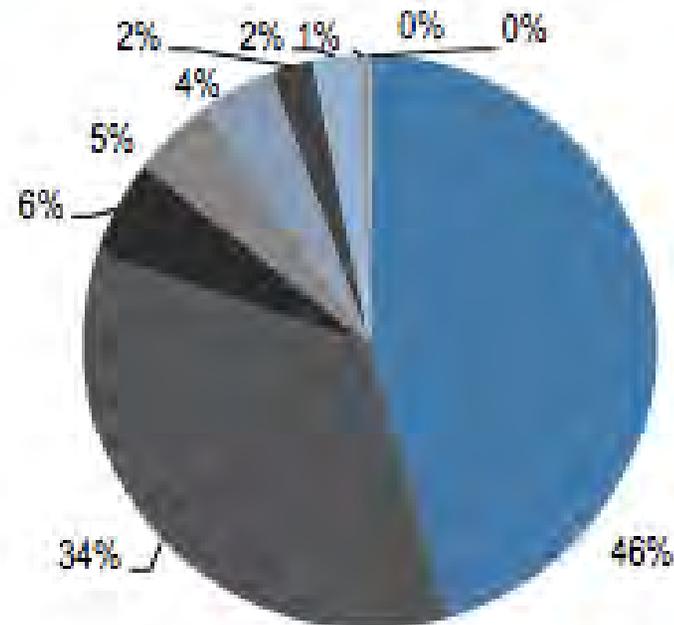
Source: GIIN, J.P. Morgan. AUM = assets under management

African Investment Trends

Figure 12: Location of headquarters

n = 125

- Northern America
- WNS Europe
- SSA
- No single headquarter location
- LAC
- South Asia
- ESE Asia
- Oceania
- MENA
- EEC



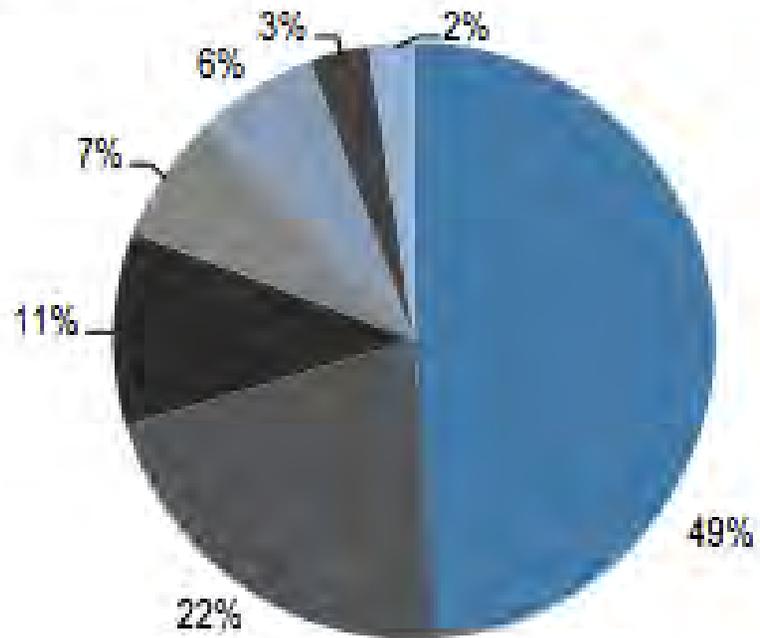
Source: GIIN, J.P. Morgan. See Table 2 for region codes used in the text.

African Investment Trends

Figure 13: Organization type

n = 125; Category that BEST describes the organization

- Fund manager
- Foundation
- Other
- Diversified financial institution / Bank
- Development finance institution
- Pension fund or Insurance company
- Family office

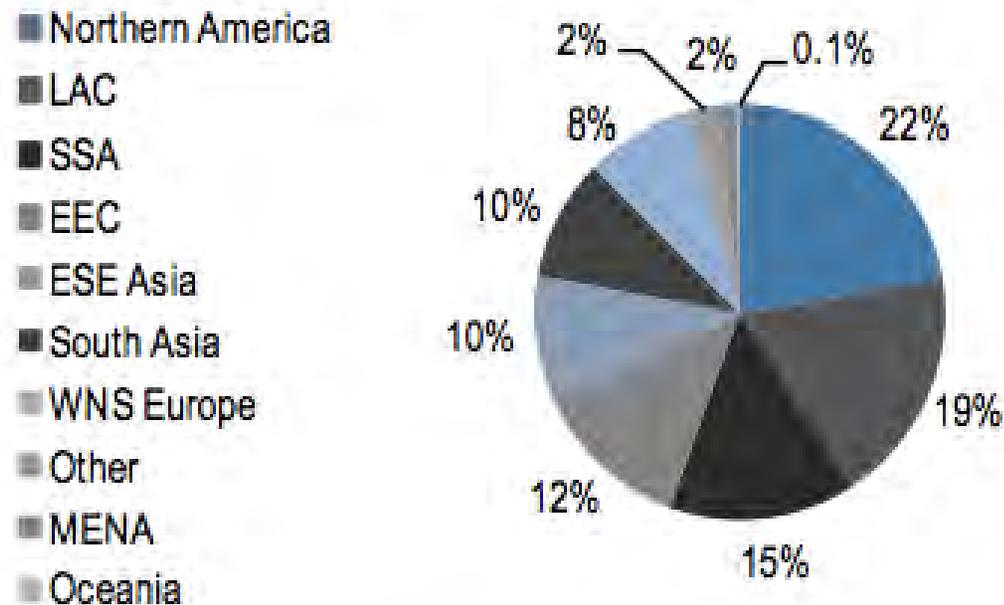


Source: GIIN, J.P. Morgan.

African Investment Trends

Figure 2: Total AUM by geography

n = 124; AUM-weighted average; Total AUM = USD 46bn



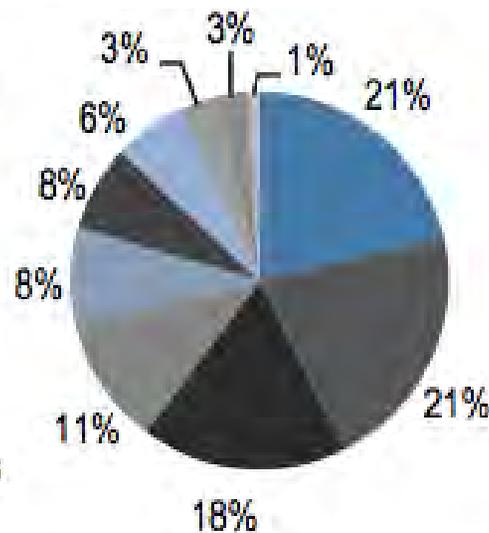
Source: GIIN, J.P. Morgan. See Table 2 for region codes used in the text.

African Investment Trends

Figure 3: Total AUM by sector

n = 124; AUM-weighted average; Total AUM = USD 46bn

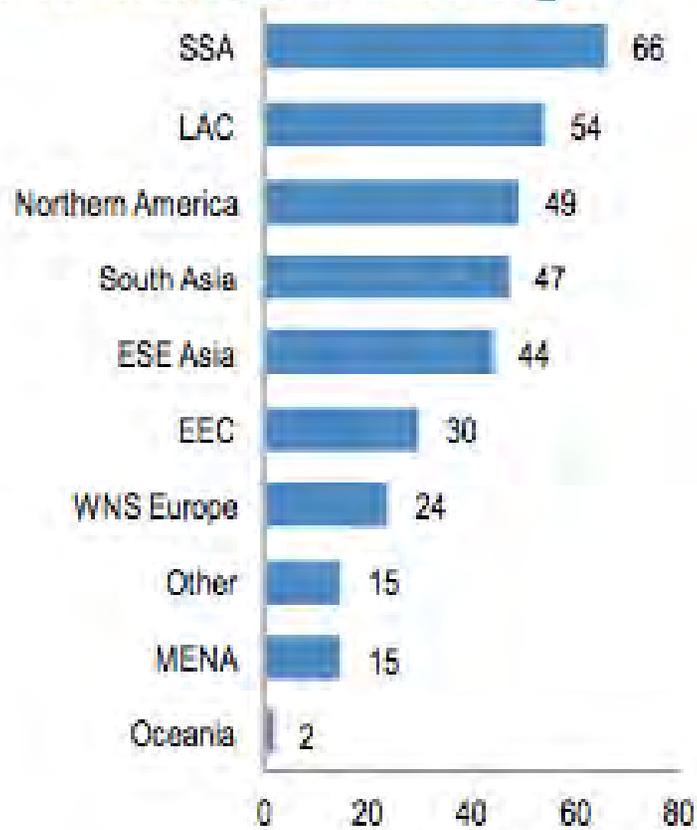
- Microfinance
- Financial services (excluding microfinance)
- Other
- Energy
- Housing
- Food & agriculture
- Healthcare
- Information and communication technologies
- Education
- Water & sanitation



Source: GIIN, J.P. Morgan. NB: Some of the "other" categories reported include forestry, land conservation, sustainable agriculture, arts & culture, and manufacturing

African Investment Trends

Figure 25: Number of respondents that have an allocation to the region

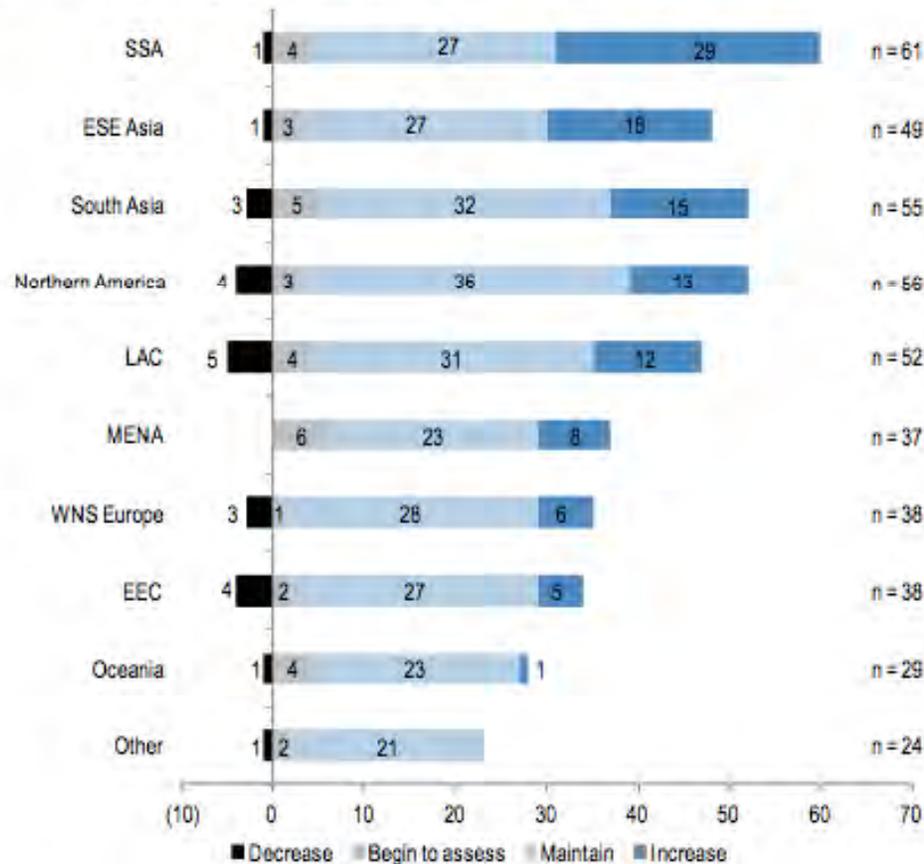


Source: GIIN, J.P. Morgan.

African Investment Trends

Figure 6: Change of allocation planned for 2014, by geography

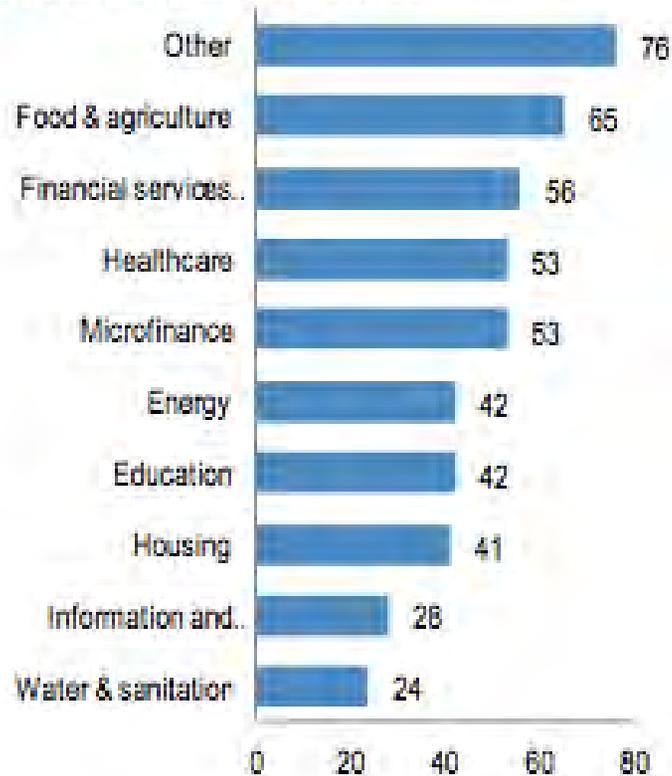
Number of respondents that responded for each option is shown next to each bar; Ranking by number of respondents who chose "increase"



Source: GIIN, J.P. Morgan.

African Investment Trends

Figure 27: Number of respondents that have an allocation to the sector

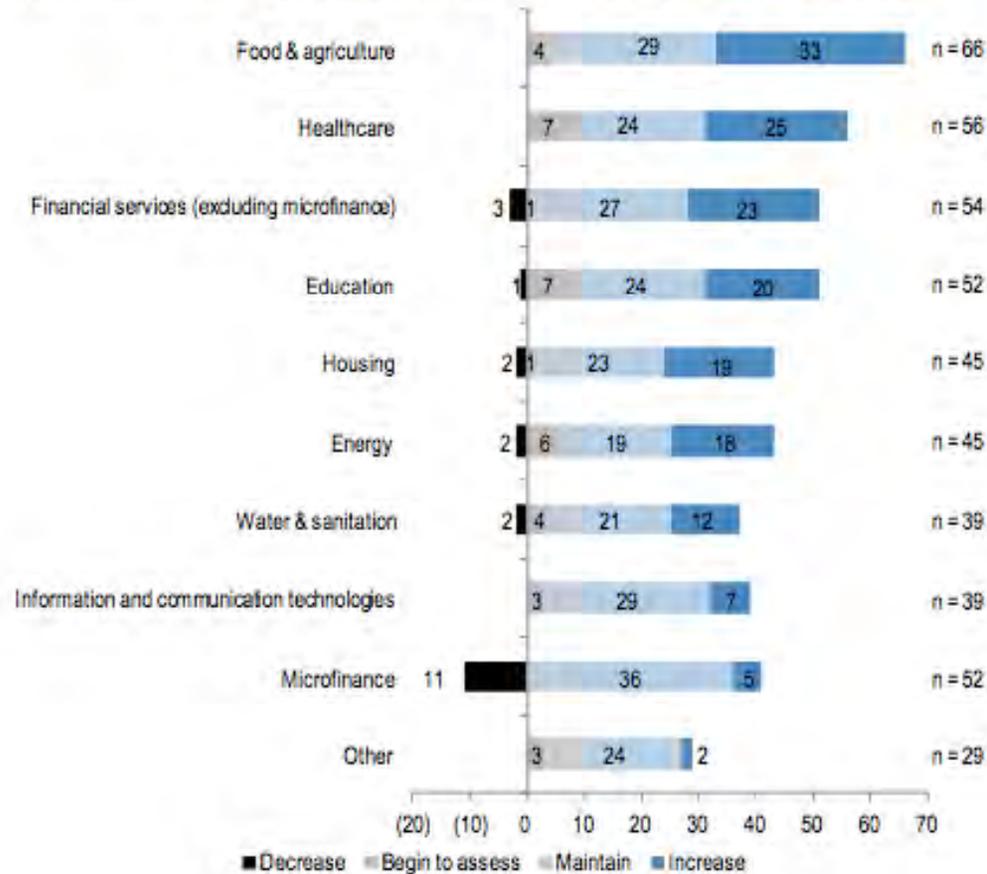


Source: GIIN, J.P. Morgan.

African Investment Trends

Figure 7: Change of allocation planned for 2014, by sector

Number of respondents that responded for each region option is shown next to each bar; Ranking by number of respondents who chose "increase"

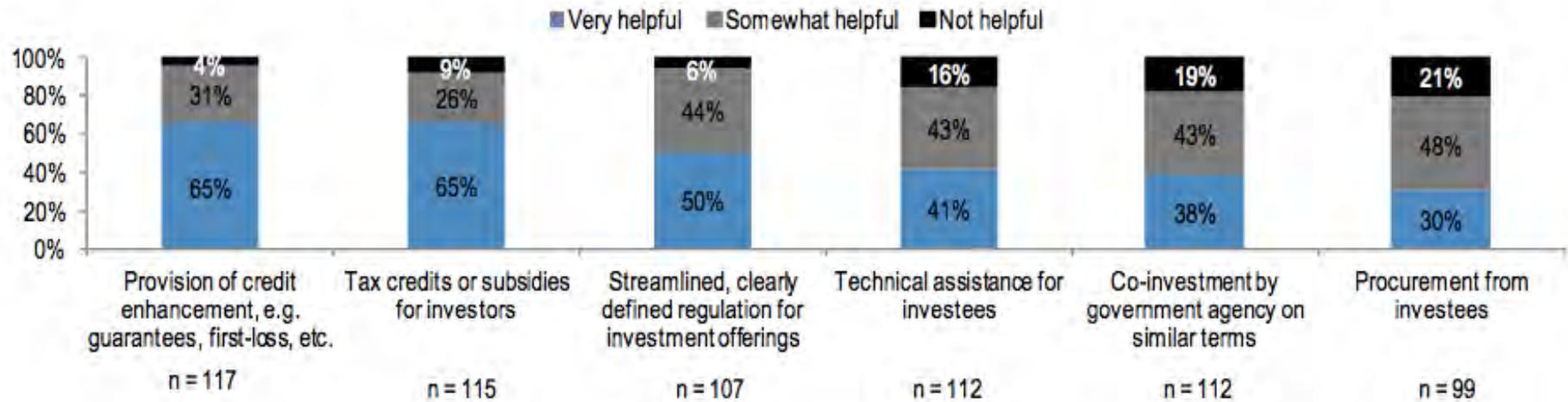


Source: GIIN, J.P. Morgan.

African Investment Trends

Figure 19: Perceived helpfulness of various government policies

Number of respondents is shown under each indicator; some respondents chose "not sure" and their responses are not considered here



Source: GIIN, J.P. Morgan. Ranked by index score.

The SGII Center

- Founded in 2013 through a \$13M gift from James Lee Sorenson
- **Purpose:** The SGII Center seeks to provide students with real world experience and interaction with industry leaders in the impact investing community
- **Mission:** To accelerate and advance the understanding and application of principles of free enterprise to create scalable and sustainable global societal change.

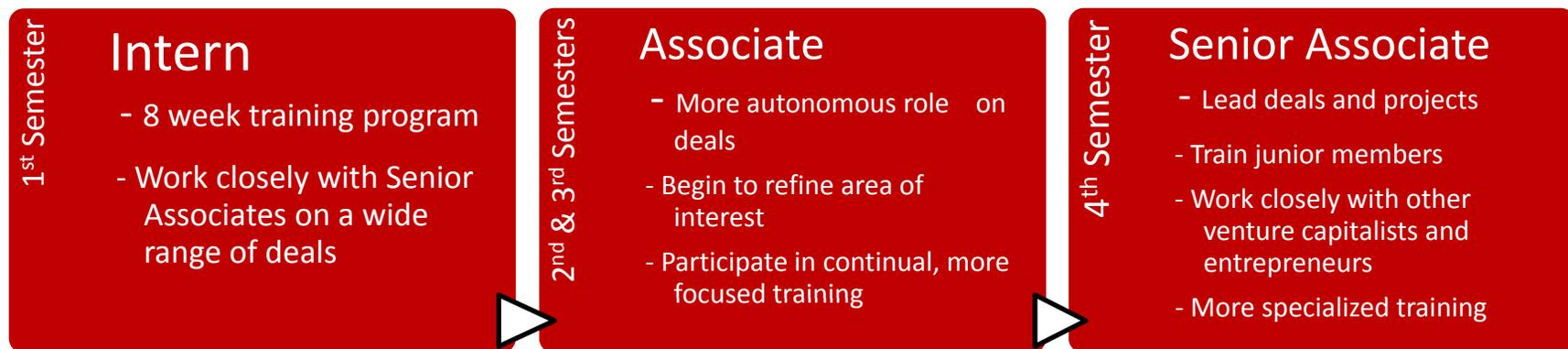
Notable Metrics to Date:

- 65 students since inception
- 22 current students
- Worked on over 100+ impact investments
- Facilitated 8 direct early stage investments in 2014
- 100% student job placement upon graduation across 5 continents

The Students Make the Program

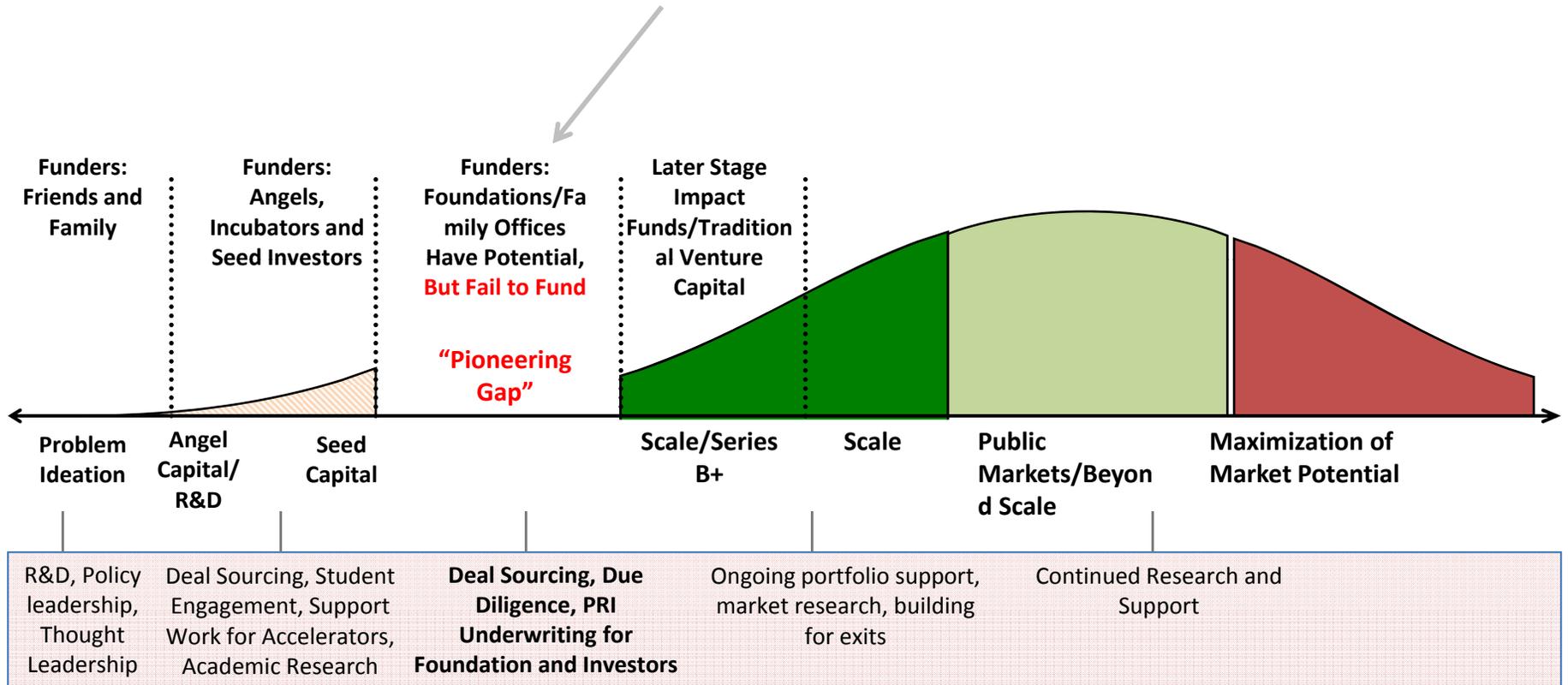
Students are immediately immersed into the many opportunities SGII has to offer:

- **Deal Team:** Students work together in teams to facilitate real investment dollars being put to work
- **In-depth Training:** Student associates are provided continual training to develop critical skills in the worlds of VC/PE, Impact Investing, and Innovative Philanthropy
- **Networking:** Students interact directly with both investors and entrepreneurs in the industry
- **Research:** Students participate in the creation and execution of innovative research necessary for growth in the sector
- **Scholarships & Fellowships:** The SGII Center provides opportunity and financial support to students to allow them to be engaged as well as extensive global travel for diligence and value add opportunities



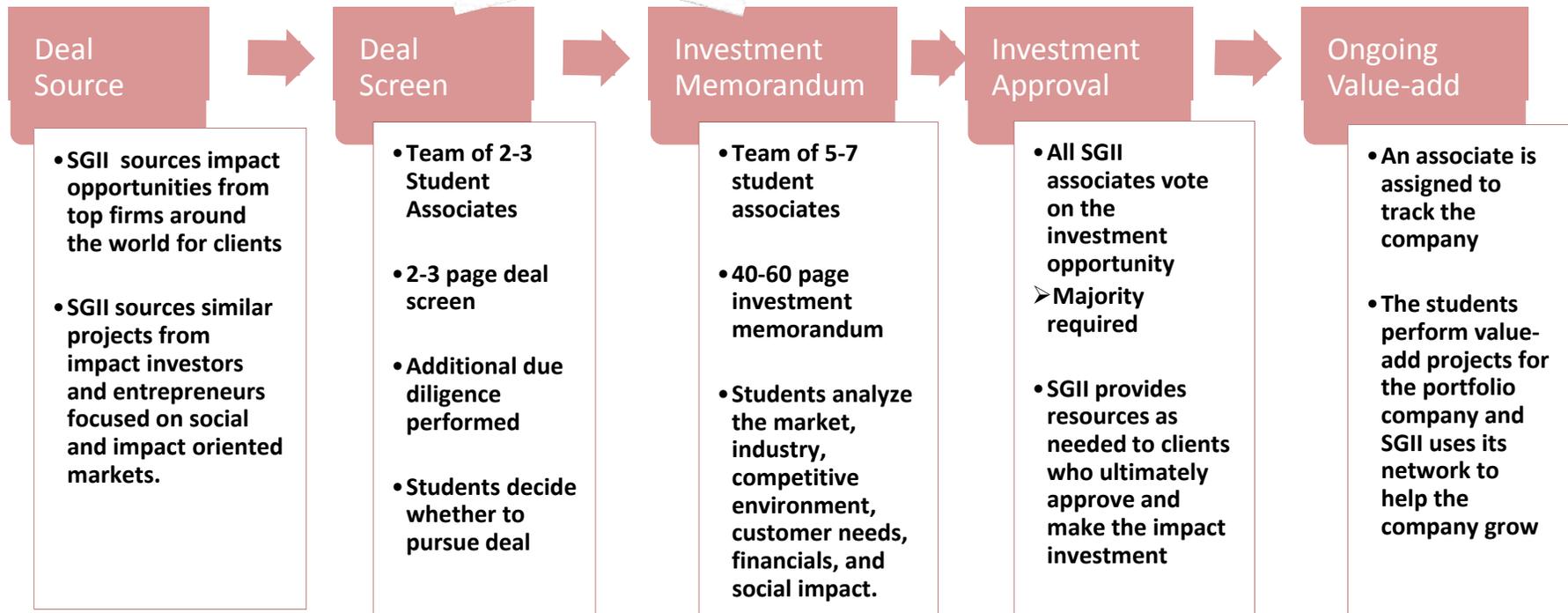
The SGII Center's Opportunity

The focus of the SGII Center is on the "Pioneering Gap"



The SGII Center Does This By Providing Support & Services at Each Stage

In-Depth Student Diligence and Value-Add Analysis



In-Depth Student Diligence and Value-Add Analysis

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Selected Transactions

SGII has facilitated nearly \$5M of direct investment across asset classes, including direct fund investments, social impact bonds, and direct early-stage equity investments across the globe

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Series A Investment March 2013	Series B Investment January 2013	Series A Investment March 2013	Series A Investment March 2013	Series A Investment June 2013
Innovative SME Lending Company in India	Providing Radical Affordability and Access to Electricity	Indian Affordable Housing Construction and Technology	Africa's First Fair Trade Clothing Manufacturing Company	Last Mile Distribution Company in East Africa
Creating Impact Via Job Creation, Income Increase, & Access to Capital	Creating Impact Via Access to Energy & Cost and Health Savings from Reduction in Kerosene	Creating Impact Via Access to Affordable Home Ownership & Job Creation	Creating Impact Via Job Creation, Factory Ownership, Access to Education, Job Training	Creating impact by delivering cost- effective durable good to consumers and increasing income for shopkeepers