

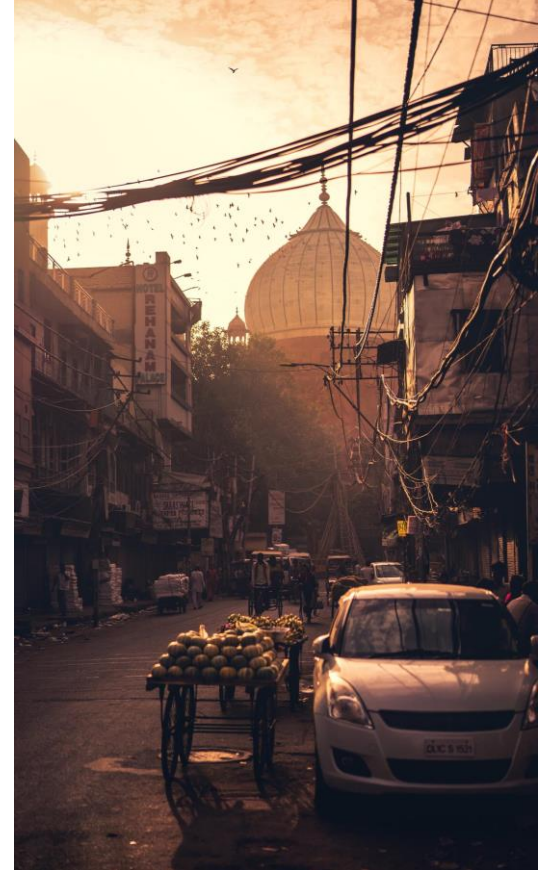
ARISAIG PARTNERS

# Arisaig Next Generation Fund

Impact Review 2022

For Professional Investors Only

July 2022



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# Letter to investors

## Dear investors

Our goal with this second annual impact report for the Arisaig Next Generation Fund is to update investors both on the Fund's impact progress over the last 12 months delivering positive impact at scale in emerging markets. We also aim to highlight the advances we have made internally developing our impact measurement and management approach, in order to communicate as authentically and comprehensively as possible to our clients.

During 2021, we made significant new investments under the Health and Education pillars of our strategy, and divested from holdings particularly in the Employment theme. Compared to 12 months ago, we are managing a somewhat more concentrated portfolio, but with greater intensity of impact. In difficult times, our holding companies have, as expected, also continued to expand their base of beneficiaries. As such, our portfolio has made steady progress in terms of our in-house impact measurement metrics, detailed in the coming pages.

With our erstwhile 'Employment' holdings, we intended to help stimulate an improvement in both quality and quantity of job opportunities available to emerging market workers. For both top-down and bottom-up reasons, at our divestee companies we felt this link between our capital and improved employment outcomes had begun to break down. Employment, Gender and Environment are focus areas for our Research Team in terms of assessing new portfolio candidates, and we expect these comparatively under-represented themes to expand in terms of portfolio participation in the coming 12 months.

In response to valuable feedback, we have included additional case studies in this year's report, along with a brief revisit to our overall impact investment approach. We continue to publish an ESG report with Fund-specific performance metrics (for access details, see page 35).

As inflation and geopolitical tensions make investors rethink their priorities, we are more convinced than ever of the need for enlightened capital to continue to support companies making life substantially better for the world's largest, most underserved populations.

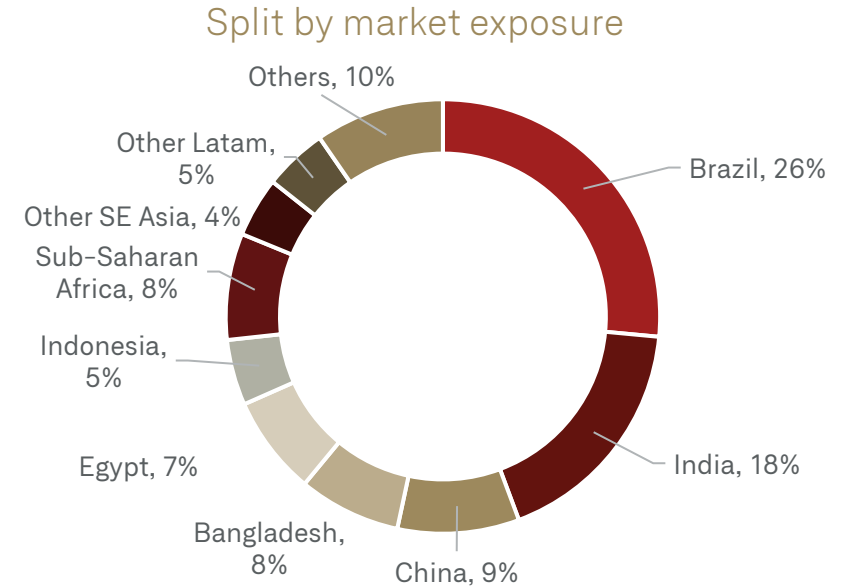
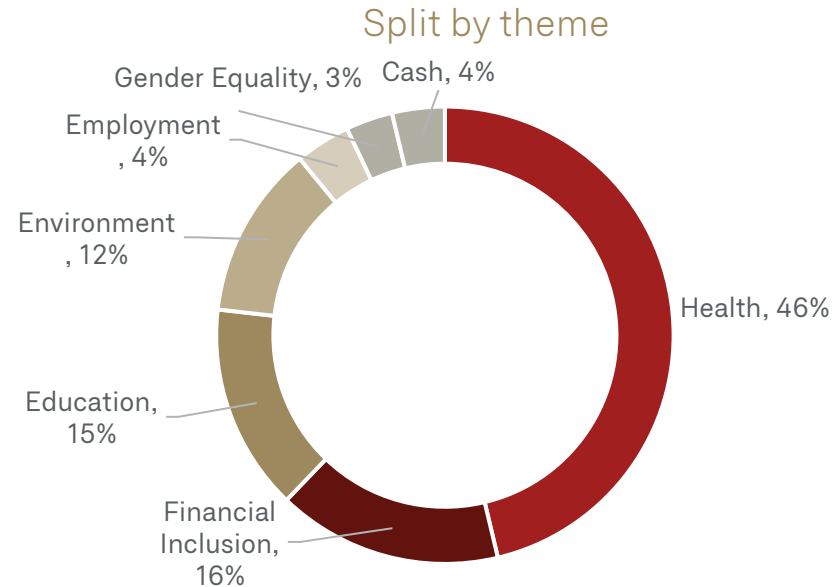
With best wishes,

Arisaig Partners

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# The Next Generation Fund in 2022

**24** listed equity holdings, exposure to over **15** emerging market countries which collectively represent c. 50% of the global population



PORTFOLIO  
IMPACT  
STATS

**19m**

Average number of people reached per holding<sup>1</sup>

**44%**

Average % of holdings' customers estimated to be from underserved groups<sup>1,2</sup>

**13/18**

Weighted average proprietary impact score

**AAA**

Impact rating from Upright (AI-driven impact data provider)

1. Based primarily on data from holding companies' most recent full year (FY) results available as of 31 Mar 2022 but may include Arisaig estimates where data is not available. Figures are not adjusted to reflect the size of investment or weighting in portfolio.

2. Underserved' refers to groups within a country that are at a disadvantage when it comes to accessing the essential goods and services provided by the holding companies. Depending on the product and the context, this could refer to, for example, low-income households, rural populations, women, micro-enterprises.

Sources: Company annual reports and other publications, World Bank Databank, Upright Project, Arisaig Partners analysis.

All figures as of end March 2022, unless otherwise specified.

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# Reaching c. 445 million people<sup>1</sup> (14% increase since last year) across six impact themes

Highlights of annual impact generated by holdings across the portfolio



1: Estimated by adding the customers reached annually by each of the Fund's underlying holdings with products and services that are considered to deliver net positive impact. It is possible that certain individuals are customers of more than one holding and have been counted twice. It would be challenging to estimate what this potential overlap could be, but given the geographical diversity of the Fund, we estimate the maximum possible overlap to be c.10%.

2: From Climate Watch Data Explorer. 2018 production-based emissions, including land use change and forestry (LUCF)

Sources Estimated from company reports, Climate Watch Data Explorer, Arisaig Partners analysis. More details of underlying figures provided in Section 3 Impact results by theme. All figures retrieved from company reports relate to the latest full year figures available as of 31 March 2022, unless otherwise specified.

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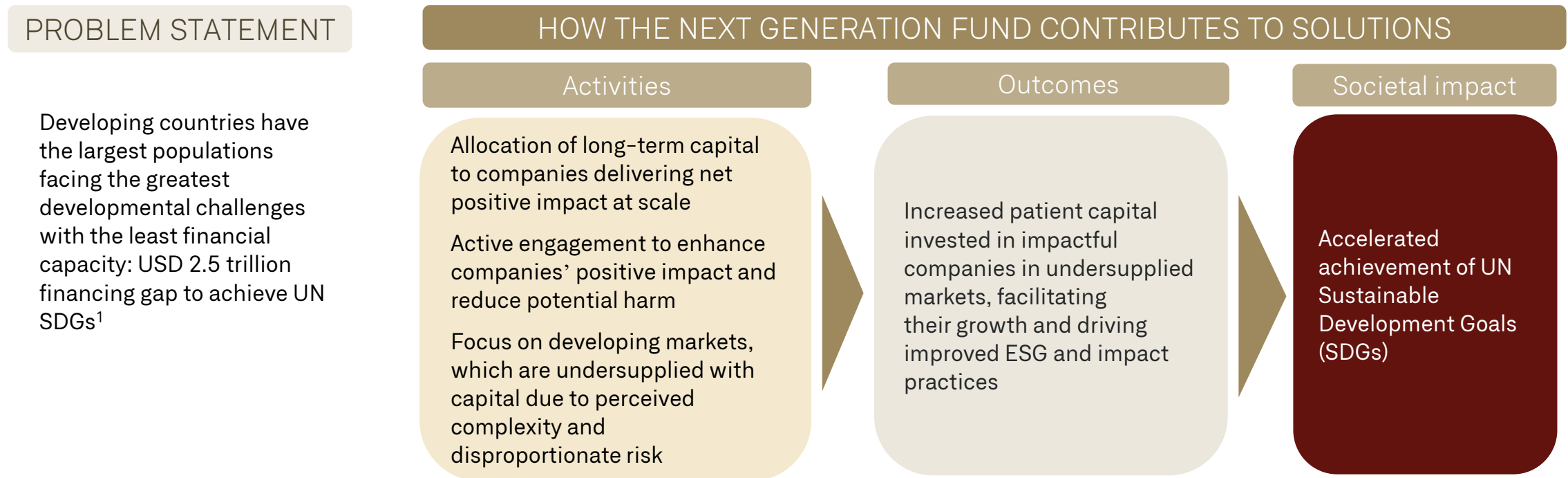
Section 2

# How we measure and manage impact at Arisaig



# Our theory of change

Engaged public markets investors are a critical link in the chain towards supporting better financing for high quality, sustainable business solutions to achieving global development goals

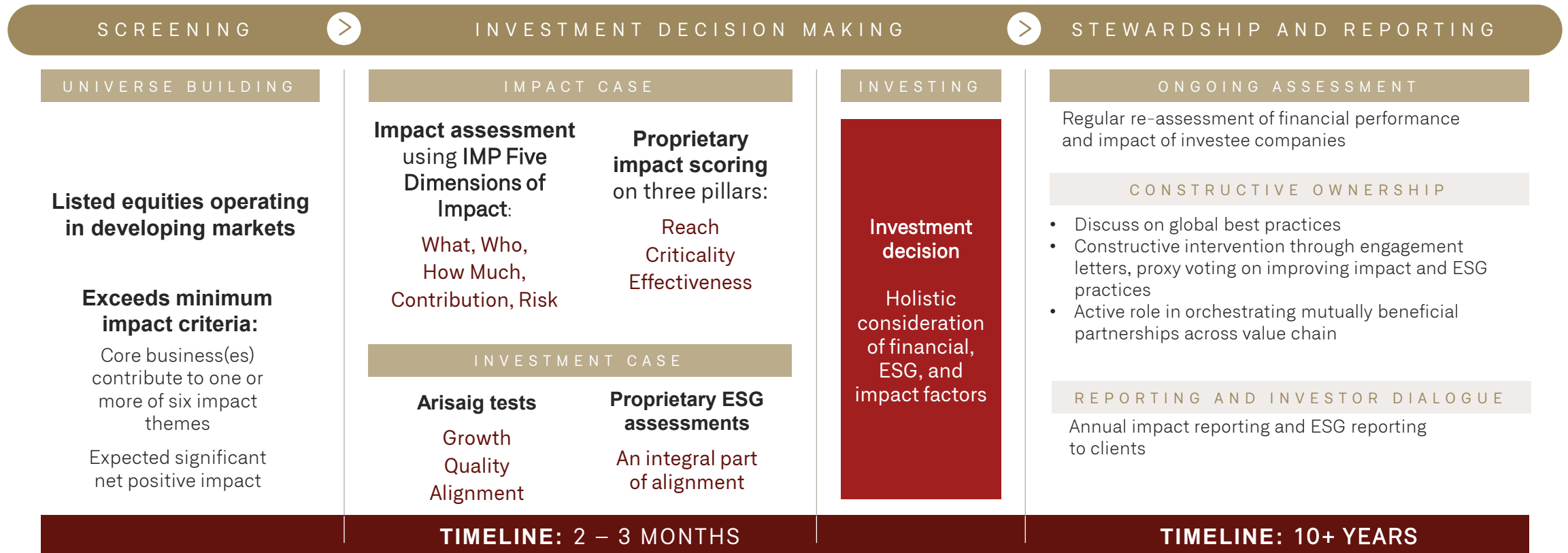


For more on how investing in public equities can have positive impact, please see our Insights piece on the topic: <https://arisaig.com/the-case-for-impact-investing-in-emerging-market-public-equities/>

1. UNCTAD World Investment Report, 2014

# Impact and financial considerations are integrated in parallel across our investment cycle

Our objective is to buy-and-hold c. 25 companies for which the abilities to generate financial returns and deliver positive society impact grow together



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# Our proprietary scoring framework is based around three ‘pillars’ of impact: Reach, Criticality, Effectiveness

This year, we introduced ‘depth of impact’ as a sub-pillar within Effectiveness, which we believe provides a more accurate representation of a company’s impact by better capturing the multidimensional nature of impact.

The three pillars (and seven sub-pillars) of our proprietary impact scorecard

| REACH                                     |   | CRITICALITY   |   | EFFECTIVENESS   |                               |   |
|---|---|---|---|-----------------|-------------------------------|---|
| Number of beneficiaries in absolute terms | Percentage of national population reached | Urgency of need for this product or service at a national level (relative to other countries) | Extent to which company reaches marginalised groups within local target market(s) | Depth of impact | Quality of product or service | Directness of impact ‘attribution’ and ability to evidence this |

For more information on our impact scorecard and our approach to impact measurement and management, please see:

- *How we measure and manage impact at Arisaig*; available at: <https://arisaig.com/how-we-measure-and-manage-impact-at-arisaig/>
- *Impact measurement and management in practice: a case study*; available at: <https://arisaig.com/our-impact-measurement-and-management-framework-in-practice/>

Our Impact Approach policy is also available on request from our Client Services team ([investorrelations@arisaig.com](mailto:investorrelations@arisaig.com))

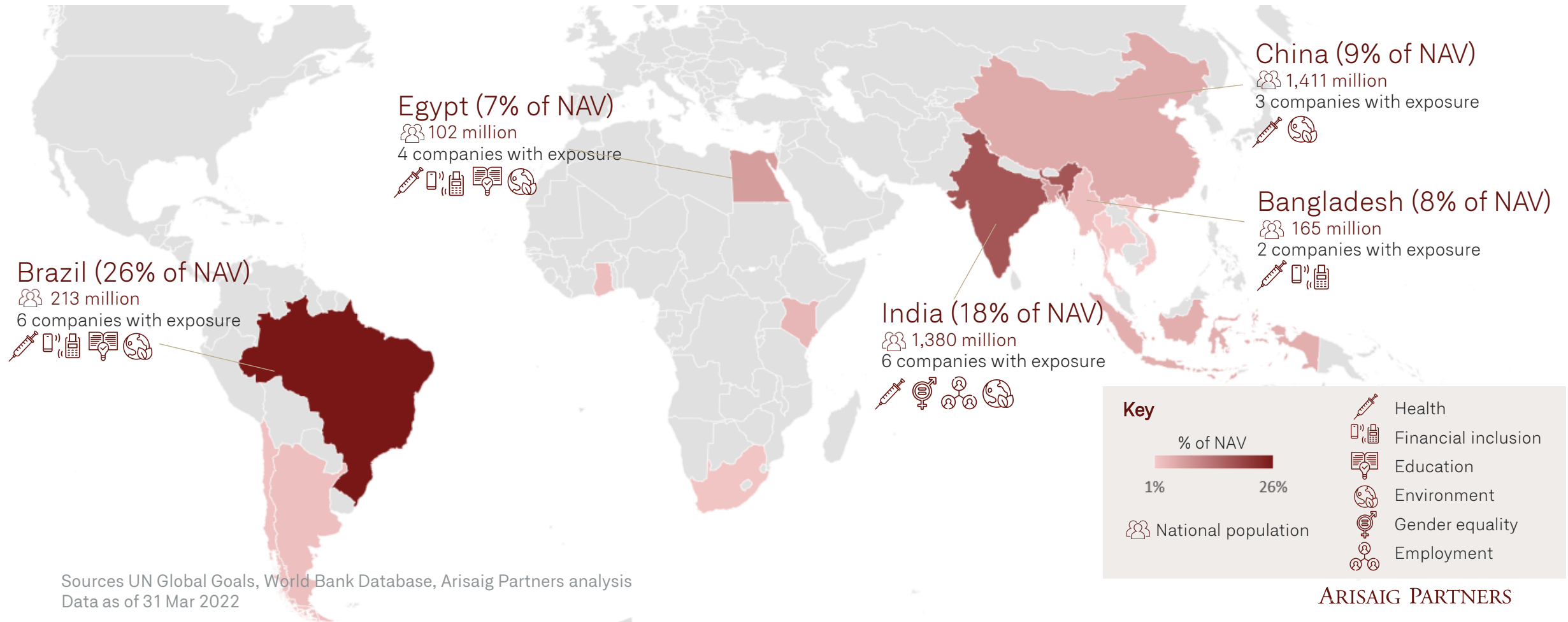
Section 3

# Impact overview



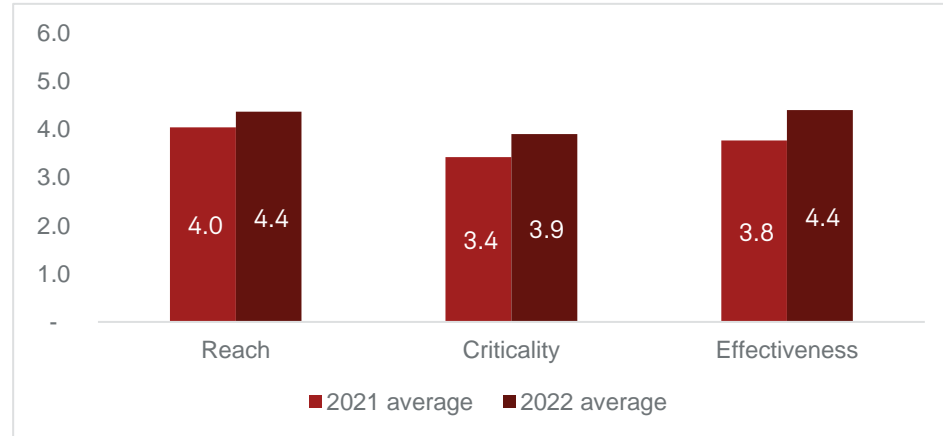
# Invested in 24 companies delivering impact to customers in over 15 countries which, together, represent c. 50% of global population

Emerging markets exposure (top 5 countries by NAV highlighted)



# Our proprietary impact score for the portfolio has increased by 13%

Portfolio weighted average impact scores

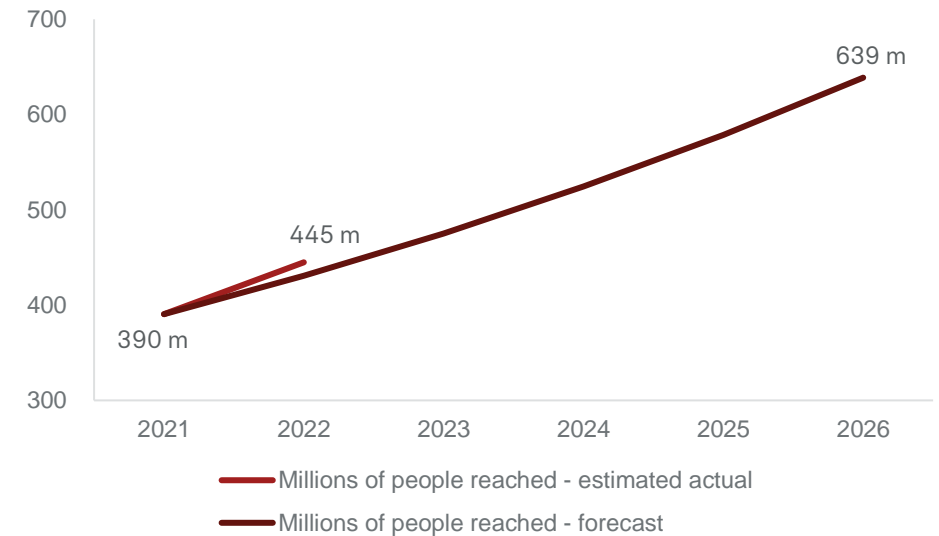


Total proprietary impact score has increased by c. 13% from 11.2<sup>1</sup> to 12.6 (out of maximum of 18). The primary drivers for the change are:

- Increased Reach due to growth of customer bases
- Introduction of impact depth into scoring framework (see Section 1 for more information). Without this change, the total average would be 12.3, i.e. a like-for-like increase of 10% since last year rather than 13%.
- Improved data on which to score holdings, typically resulting in improved scores.

Impact rating of 'High' maintained across the three pillars of Reach, Criticality and Effectiveness.

Number of people reached<sup>2</sup>: Actual vs forecasts



The 2022 estimated number of people reached across the holdings is c. 445 million<sup>2</sup>, which is a c. 14% increase from last year.

Based on forecasts<sup>3</sup> made in 2021 (or at the time of investment for stocks invested later), the total reach will increase to 639 million by 2026. So far, we are slightly ahead of where we should be to achieve the forecast.

1. 2021 RCE score reported in last year's impact report as 11.0. It has been restated in this year's annual report to remove effect of cash. For more details on how the scores are calculated, please see page 9 of this report and our Impact Approach (available from Client Services).

2. Reach figures not adjusted for proportion of Fund ownership of the underlying holdings

3. These are future forecasts based on Arisaig estimates and are no guarantee of future performance,

Sources Company annual reports and other publications; Arisaig Partners estimates. All figures as of 31 March 2022 unless stated otherwise



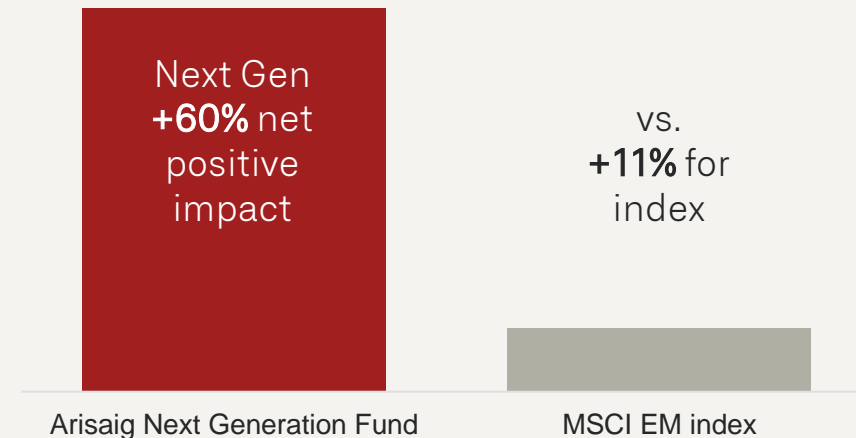
# Upright, an AI-driven data provider, has given the Fund a net impact ratio within the top 1% of all equity funds

The Upright Project has developed a model that uses artificial intelligence (AI) and machine learning to quantitatively assess 12,000+ types of products and services in terms of their positive and negative contributions to 19 types of impact, across the value chain.

While we primarily rely on our own detailed bottom-up impact research and assessment, we use Upright's independent research to triangulate our findings.

Upright gives the Next Generation Fund a score of +60%. This is a decrease compared to last year when our score was +72%, primarily due to changes in Upright's model. We draw comfort from the fact a score of +60% is still significantly higher than the score for MSCI Emerging Markets index (+11%) and Upright's own 'Impact fund benchmark basket'<sup>1</sup> (+40%).

**Independent consultant scoring  
consistent with our own proprietary  
analysis on Next Gen Impact effectiveness**



UPRIGHT  PROJECT  
NET IMPACT RATING

**AAA**

ARISAIG NEXT  
GENERATION FUND  
(2021)

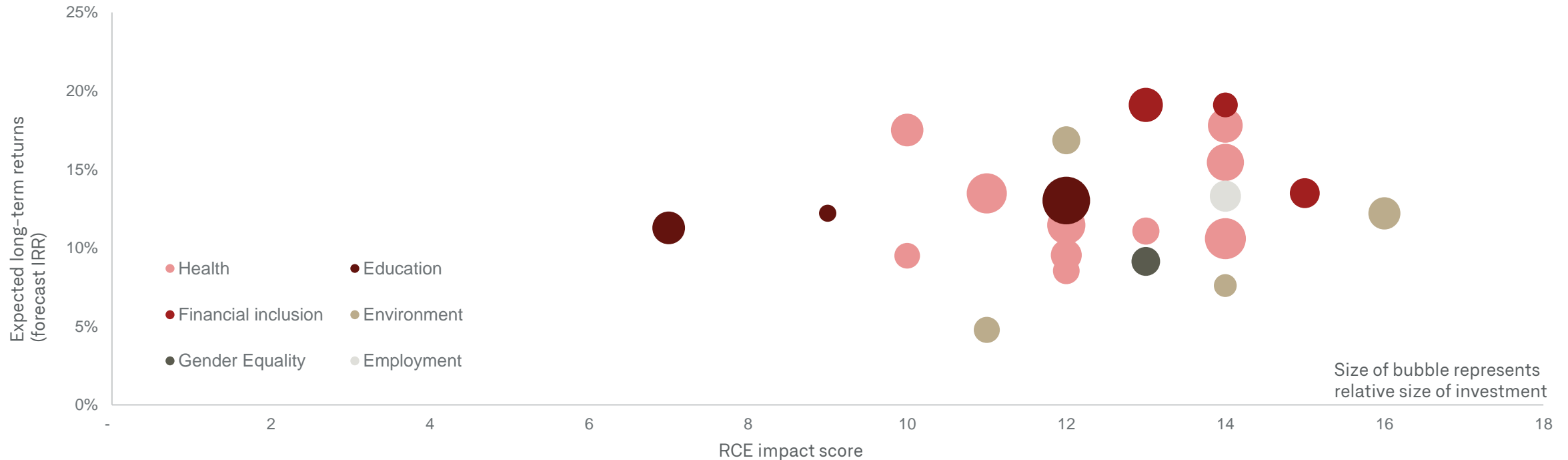
| AAA | Prime      |
|-----|------------|
| AA+ | Excellent+ |
| AA  | Excellent  |
| A+  | Very good+ |
| A   | Very good  |
| BBB | Good       |
| BB  | Fair       |
| B   | Adequate   |
| CCC | Low        |
| CC  | Poor       |
| C   | Dismal     |

Note 1: Impact fund benchmark basket consists of five equally weighted funds selected by Upright: BlackRock Global Impact Fund, Blackrock International Impact Fund, Aberdeen Global Impact Fund, Hartford Global Impact Fund, and Quaker Impact Growth Fund  
Sources The Upright Project. Index quoted: iShares MSCI Emerging Markets ETF. Retrieved from <https://modeluprightproject.com/> on 25 April 2022. Full access requires a subscription.

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# Comparing impact with expected financial performance

Plotting impact score against expected financial performance<sup>1</sup> on a scatterplot helps us to visualise the relationship between these key variables<sup>2</sup>. We find there is currently no strong correlation between impact ratings and risk-adjusted returns in our portfolio: certain investments are both high-impact and high-financial return, whereas others' relative weaknesses on one dimension is compensated by relative strength on the other. This could be due to other factors affecting portfolio construction, including impact and financial risk, liquidity, and diversification across themes, geography and industry sectors. We will continue to explore ways to more meaningfully integrate impact and financial performance considerations.



1. Expected financial performance is based on Arisaig Partners' analysis using proprietary 20-year discounted cash flow model. For more information on this model, please see:

<https://arisaig.com/valuing-the-long-term-opportunity-in-emerging-markets/>

2. For more information on impact and financial performance integration, please see the Impact Frontiers Collaboration's *Impact-Financial Integration:*

*A Handbook for Investors*

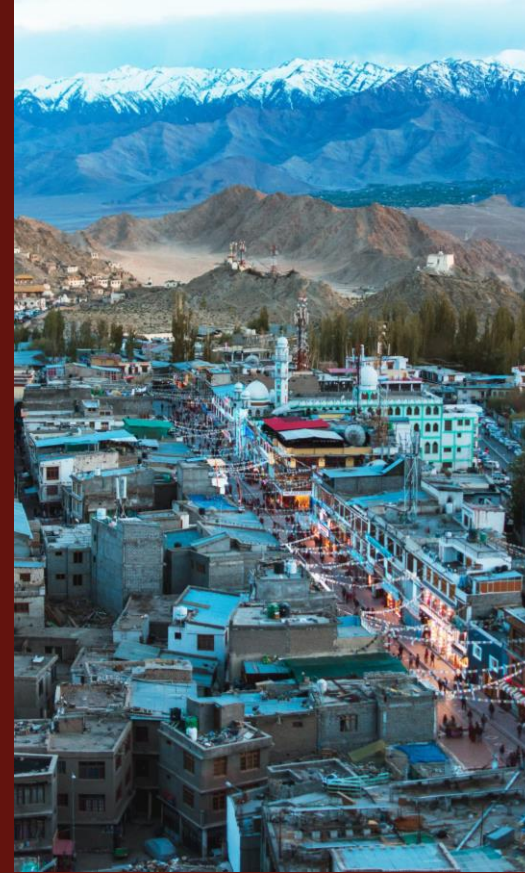
Source Arisaig Partners. Data as of end March 2022

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## Section 4

# Impact results by theme



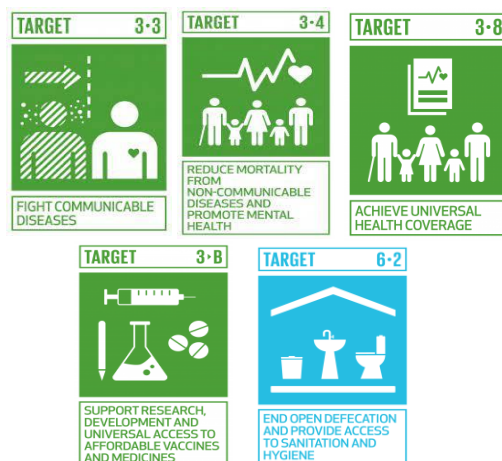


# Improving health outcomes at scale (46% of NAV)

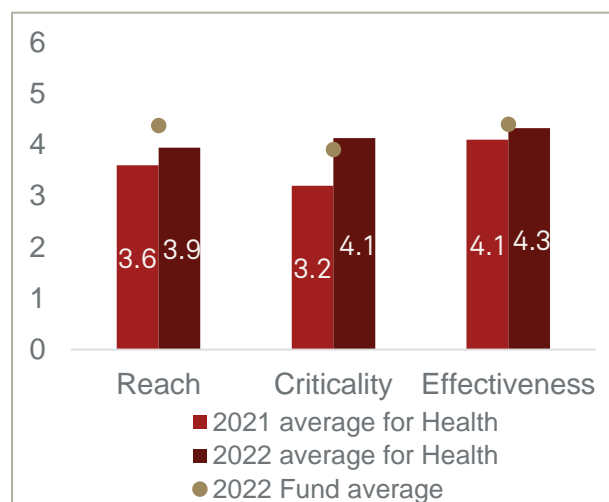
The Fund invests in 10 companies that collectively deliver affordable healthcare products and services to over 200 million people annually, an increase in absolute reach of 33% since last year.

Average RCE score increased by 13%. The average Criticality score increased by 30% after the scores were updated to reflect additional data availability.

Aligned SDG targets



Weighted average RCE scores



| Measurable outcomes and relevant outputs from the 10 holdings in Health theme                | Estimate for this year <sup>1</sup> | Compared to last year |
|--|-------------------------------------|-----------------------|
| # people provided with access to essential health products or services (total) (IRIS PI4060) | 228,625,000 <sup>2</sup>            | ↑ 33%                 |
| % of which that are underserved <sup>3</sup> (average)                                       | 45%                                 | ↑ 3%                  |
| Customer satisfaction <sup>4</sup> (average)   | 87%                                 | ↑ 4%                  |
| <b>Diagnostics</b>   |                                     |                       |
| # patients screened (total) (IRIS+ P16845)   | 93,065,000                          | ↑ 139%                |
| Cost per diagnostic test provided <sup>5</sup> (average) (IRIS PI7643)                       | USD 3.98                            | ↑ 21%                 |
| <b>Health insurers</b>   |                                     |                       |
| # people provided with health insurance (total) (IRIS PI8785)                                | 8,662,000                           | ↑ 18%                 |
| Annual cost of health plan provided (average) (IRIS PI7643)                                  | USD 41.80                           | ↑ 16%                 |

(Continued on next page)

1. Based primarily on data from holding companies' most recent full year (FY) results available as of 31 Mar 2022 but may include Arisaig estimates where data is not available. Figures are not adjusted to reflect the size of investment or for the weighting in the portfolio. Not all metrics available for/relevant to all holdings within the theme.
2. It is possible that certain individuals are customers of more than one holding within this theme and have been counted twice. We estimate the maximum possible overlap to be c.10%.
3. 'Underserved' refers to groups within a country that are at a disadvantage when accessing health products and services such as low income, rural populations, and residents in lower-tier cities. Estimate based on Arisaig's impact assessments.
4. Customer satisfaction based on measures such as Net Promoter Score (NPS), scores from independent consumer review websites
5. For companies that only provide diagnostic testing (i.e., excluding hospitals and companies that develop diagnostics. Increase in average cost was partly due to relatively high prices for covid testing. We expect future y-o-y increases to be more modest/aligned to inflation.

All data as of 31 March 2022 unless otherwise specified.

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## Improving health outcomes at scale (46% of NAV)

| Measurable outcomes and relevant outputs from the 10 holdings in Health theme | Estimate for this year <sup>1</sup> | Compared to last year |
|---|-------------------------------------|-----------------------|
|---|-------------------------------------|-----------------------|

(Continued from previous page)

|   |            |           |
|---|------------|-----------|
| Pharmaceuticals   |            |           |
| # people provided with high quality generic pharmaceuticals (total)                               | 28,000,000 | ↑ 4%      |
| Other   |            |           |
| # households provided with affordable and effective household insecticides and basic soap (total) | 20,000,000 | No change |

1. Based primarily on data from holding companies' most recent full year (FY) results available as of 31 Mar 2022 but may include Arisaig estimates where data is not available. Figures are not adjusted to reflect the size of investment or for the weighting in the portfolio. Not all metrics available for/relevant to all holdings within the theme. All data as of 31 March 2022 unless otherwise specified.



# Mindray – increasing affordability of quality medical devices

Shenzhen Mindray Bio-Medical Electronics Co Ltd (“Mindray”) is a Chinese company which supplies high quality medical devices at affordable prices to hospitals in China and across the world. Its products meet US and European certification standards, yet prices are up to 30% lower than comparable Western brands. This value-for-money positioning means that hospitals can purchase more, higher quality equipment, thus facilitating better healthcare to more people.

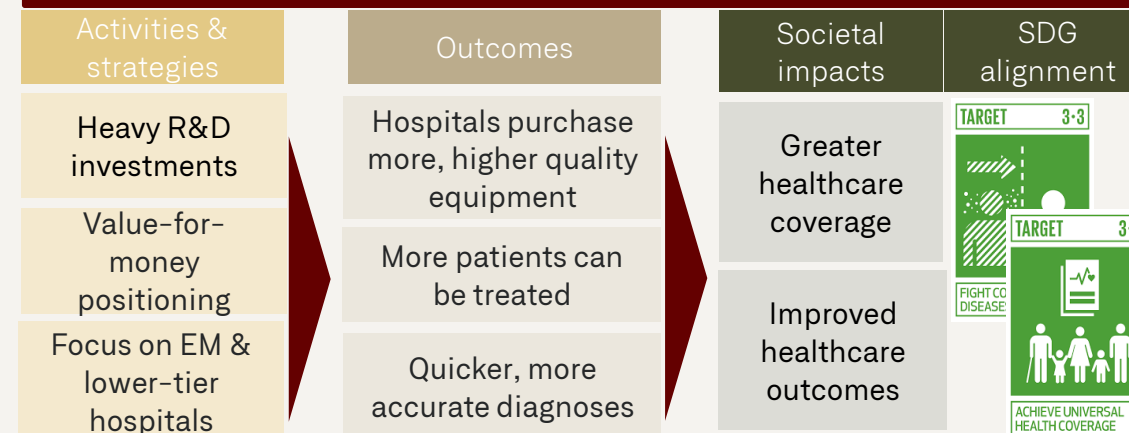


## Theory of change

### Problem statement

Emerging markets are underserved with respect to healthcare. For example, per capita spending on medical devices in China is only 1/7<sup>th</sup> of that in the US. Prices remain a barrier to improved healthcare access. The medical devices market has historically been dominated by Western brands targeting US/European markets.

### Theory of change: How Mindray provides solutions



Sources: Mindray annual reports, investor presentation and website (available at: <https://www.mindray.com/en/>), Arisaig Partners analysis. For more details on our impact assessment methodology, please see: <https://arisaig.com/how-we-measure-and-manage-impact-at-arisaig/>



# Mindray – increasing affordability of quality medical devices

Our Five Dimensions of Impact<sup>1</sup> analysis finds that Mindray has enormous impact potential, particularly if it continues to expand to highly underserved markets such as in Sub Saharan Africa. However, there are significant impact risks to monitor, including potential strategic pivot towards higher-margin markets and external factors such as pandemic-related lockdowns affecting the company's ability to export from China.

## Highlights of Five Dimensions of Impact analysis<sup>1</sup>

| What   | Who  | How Much  | Contribution  | Risk  |
|--|--|---|---|---|
| <ul style="list-style-type: none"><li>Develops, manufactures and distributes essential and widely used medical devices such patient life monitoring systems and in-vitro diagnostics.</li><li>Contribution to <b>SDGs 3.3 and 3.8.</b></li></ul> | <ul style="list-style-type: none"><li><b>c. 80%</b> of sales from emerging markets, including highly critical Sub-Saharan Africa</li><li><b>c. 80%</b> of sales in China to the public health system</li><li><b>c. 70%</b> of sales in China to Tier 2 hospitals and below</li></ul> | <ul style="list-style-type: none"><li>Based on market share, we estimate company's products serve <b>~60% of all</b> inpatients in China annually</li><li>For key product categories such as PLMS and ultrasound devices, Mindray offers comparable product quality to established Western brands</li></ul> | <ul style="list-style-type: none"><li><b>c.10%</b> R&amp;D-to-sales ratio which is <b>&gt;4x</b> vs. domestic peers.</li><li><b>Up to 70%</b> cheaper than competitor</li></ul> | <p>Risks to intended impact:</p> <ul style="list-style-type: none"><li><b>Alignment</b> risk: shift to developed markets to seek higher margins</li><li><b>External</b> risk: Macro-economic issues disrupting company's ability to export from China</li></ul> |

1. For more on Five Dimensions of Impact, please see: <https://impactmanagementproject.com/impact-management/impact-management-norms/>  
Sources Mindray annual reports, investor presentation and website (available at: <https://www.mindray.com/en/> ), Arisaig Partners analysis



# Mindray – increasing affordability of quality medical devices

Our impact conviction is reflected in the impact scores assigned to the company, which scores 14 out of maximum of 18.

### Impact scoring

| Pillar and rating | Metrics   |
|-------------------|---|
| Reach             | <ul style="list-style-type: none"><li>By our estimates Mindray reaches at least <b>54 million</b> inpatients per year in China; roughly 60% of average annual inpatients in China</li><li>Mindray supplies medical devices to <b>110,000 institutions in China</b> and a further 190 overseas countries</li></ul>   |
| Criticality       | <ul style="list-style-type: none"><li>Medical device demand in China and other emerging markets is <b>highly underserved</b>, largely as a result of prohibitively high prices</li><li>Mindray generates over <b>70% of domestic sales</b> from <b>tier 2 hospitals and below</b></li></ul>   |
| Effectiveness     | <ul style="list-style-type: none"><li>Mindray is certified with ISO 9001 and most of its products have been granted US FDA and Europe CE certifications</li><li>Despite significantly lower costs, in its key categories such as PLMS and ultrasound devices, Mindray offers comparable product quality to established Western brands such as GE, Philips and Siemens</li></ul> |

Key

| Rating | Leading | High      | Moderate  | Low   |
|--------|---------|-----------|-----------|-------|
| Score  | > 4.5   | 2.5 – 4.5 | 0.5 – 2.5 | < 0.5 |

A critical component of our contribution to impact as investors is active engagement with our holdings, with a view to enhancing positive impact, reducing impact risks and improving management of ESG issues. Having only invested in early 2022, we have already started to engage Mindray on priority issues. We hope to see outcomes emerging within 12 – 18 months.

### Engagement priorities

| Purpose  | Action  | Timing        |
|--|---|---------------|
| Improve disclosure of impact-related data                | Request disclosure in relation to: <ul style="list-style-type: none"><li>Domestic revenue by tiers of hospitals in China</li><li>Data to help investors track the product quality improvements and R&amp;D efficiency</li></ul>                         | Within 1 year |
| Manage alignment risk                                    | <ul style="list-style-type: none"><li>Engage management to better understand growth and pricing strategies, particularly with regards to highly underserved markets such as Sub Saharan African</li></ul>   | 1 – 2 years   |
| Improve disclosure and governance of material ESG issues | <ul style="list-style-type: none"><li>Encourage disclosure of data security and privacy processes and policies</li><li>Request disclosure of anti-bribery and anti-corruption measures applicable to its sales team and distribution networks</li></ul> | 1 – 2 years   |
| Improve climate risk management                          | <ul style="list-style-type: none"><li>Encourage company to set net zero aligned GHG emissions targets</li></ul>   | 1 – 3 years   |

Sources Mindray annual reports, investor presentation and website (available at: <https://www.mindray.com/en/>), Arisaig Partners analysis

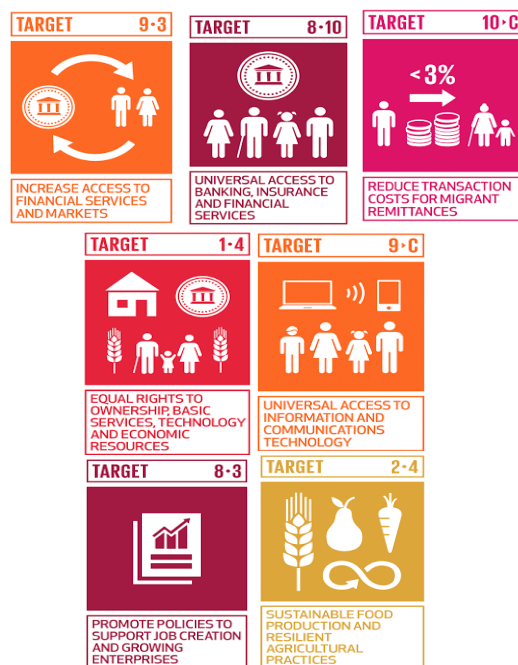




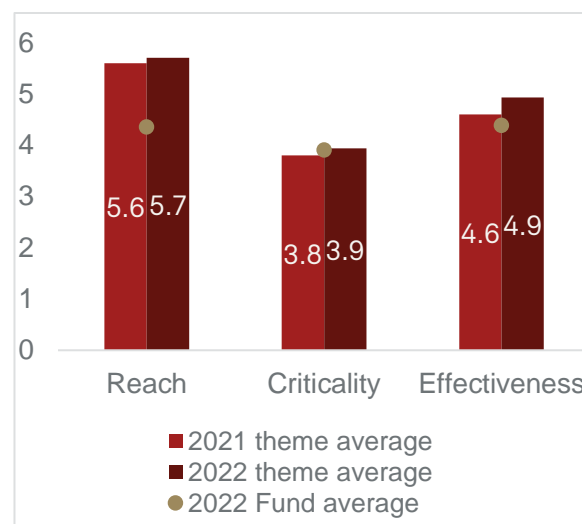
# Providing access to basic financial services (16% of NAV)

The Fund invests in 5 companies that support over 100 million people and micro, small or medium enterprises (MSMEs) to access basic financial services. Since last year, we divested from 2 companies that issue loans to MSME, resulting in a 70% reduction in #MSME loans disbursed. However, overall reach under this theme increased by over 40% due to rapid organic growth of the remaining holdings. Financial inclusion is the theme which remains the highest scoring on our proprietary RCE impact framework.

Aligned SDG targets



Weighted average RCE scores



| Measurable outcomes and relevant outputs from the 5 holdings in Financial Inclusion theme       | Estimate for this year <sup>1</sup> | Compared to last year |
|---|-------------------------------------|-----------------------|
| # individuals and SMEs provided with access to financial services (total) (IRIS PI9327, PI4940) | 104,000,000                         | ↑ 42%                 |
| % of which that are underserved <sup>2</sup> (average)  | 46%                                 | ↓ 2%                  |
| Customer satisfaction <sup>3</sup> (average)  | 75%                                 | ↓ 5%                  |

| Banking  |                |       |
|--|----------------|-------|
| # people provided with access to basic digital banking services through mobile money | 73,500,000     | ↑ 11% |
| # MSME banking clients   | 8,300,000      | ↑ 48% |
| Mobile wallet throughput   | USD 94 billion | N/A   |

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- Based primarily on data from holding companies' most recent full year (FY) results available as of 31 Mar 2022 but may include Arisaig estimates where data are not available. Figures are not adjusted to reflect the size of investment. Not all metrics available for/relevant to all holdings within the theme.
- 'Underserved' refers to groups within a country that are at a disadvantage when accessing financial services such as low income, rural populations, women, and MSMEs. Estimate based on Arisaig's impact assessments.
- Customer satisfaction based on measures such as Net Promoter Score (NPS), scores from independent consumer review websites

All data as of 31 March 2022 unless otherwise specified.

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## Providing access to basic financial services (16% of NAV)

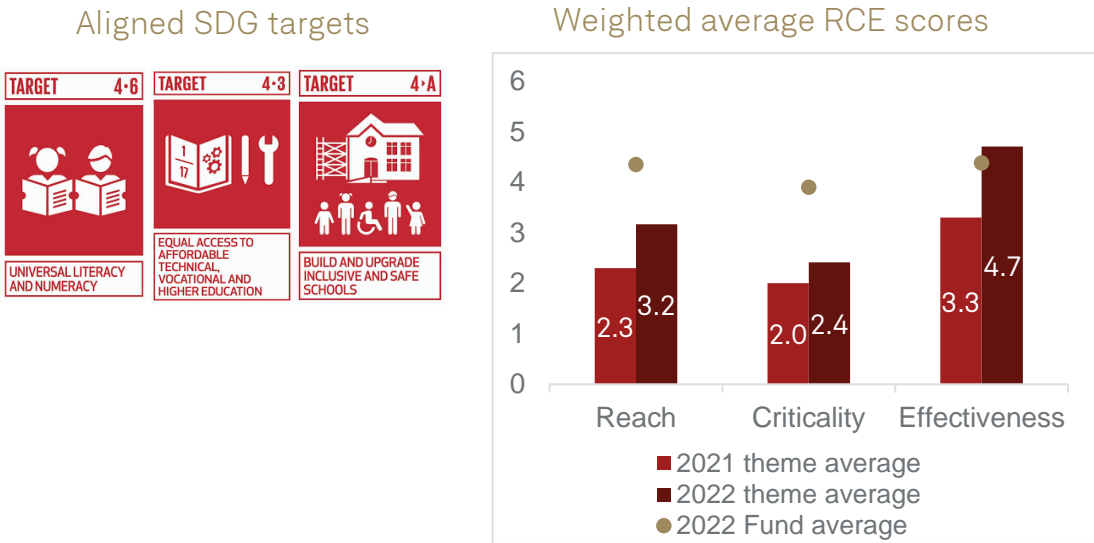
| Measurable outcomes and relevant outputs from the 5 holdings in Financial Inclusion theme | Estimate for this year <sup>1</sup> | Compared to last year |
|---|-------------------------------------|-----------------------|
| (continued from previous page)  |                                     |                       |
| Payments  |                                     |                       |
| # MSMEs provided with digital payments services (IRIS PI4940)                             | 8,700,000                           | ↑ 1%                  |
| Loans   |                                     |                       |
| # MSME loans  | 830,000                             | ↓ 69%                 |
| Total value of loans disbursed (IRIS PI5476)  | USD 617 million                     | ↓ 27%                 |
| Average loan size (IRIS+ PI5160)  | USD 742                             | ↑ 137%                |
| Average annualised effective interest rate (IRIS+ PI7467)                                 | 57%                                 | ↓ 7%                  |
| Non-performing loans  | 9%                                  | ↑ 1%                  |

1. Based primarily on data from holding companies' most recent full year (FY) results available as of 31 Mar 2022 but may include Arisaig estimates where data are not available. Figures are not adjusted to reflect the size of investment. Not all metrics available for/relevant to all holdings within the theme.



# Enhancing quality, access and affordability of learning (15% of NAV)

The Fund invests in 3 companies that deliver education to nearly 2.5 million students worldwide. There was a significant decline in absolute reach compared to last year due to divestment of New Oriental<sup>1</sup>, a Chinese tutoring business. New Oriental had a reach of c. 12 million students. However, our current Education holdings have much deeper engagement with students. This is reflected in the increase in average RCE scores, particularly Effectiveness.



| Measurable outcomes and relevant outputs from the 3 holdings in Education theme | Estimate for this year <sup>2</sup> | Compared to last year |
|---|-------------------------------------|-----------------------|
| # students served (total) (IRIS+ PI2389)  | 2,450,000                           | ↓ 80%                 |
| % of which that are underserved <sup>3</sup> (average)                          | 15%                                 | ↑ 2%                  |
| Customer satisfaction <sup>4</sup> (average)                                    | 69%                                 | ↓ 13%                 |
| # teachers trained (total) (IRIS+ PI2998)                                       | 118,998                             | ↓ 26%                 |

1. Full name of company is New Oriental Education & Technology Group Inc

2. Based primarily on data from holding companies’ most recent full year (FY) results available as of 31 Mar 2022 but may include Arisaig estimates where data are not available. Figures are not adjusted to reflect the size of investment. Not all metrics available for/relevant to all holdings within the theme.

3. ‘Underserved’ refers to groups within a country that are at a disadvantage when accessing education services such as low income, rural populations, and residents in lower-tier cities. Estimate based on Arisaig’s impact assessments.

4. Customer satisfaction based on measures such as Net Promoter Score (NPS), scores from independent consumer review websites

All data as of 31 March 2022 unless otherwise specified.

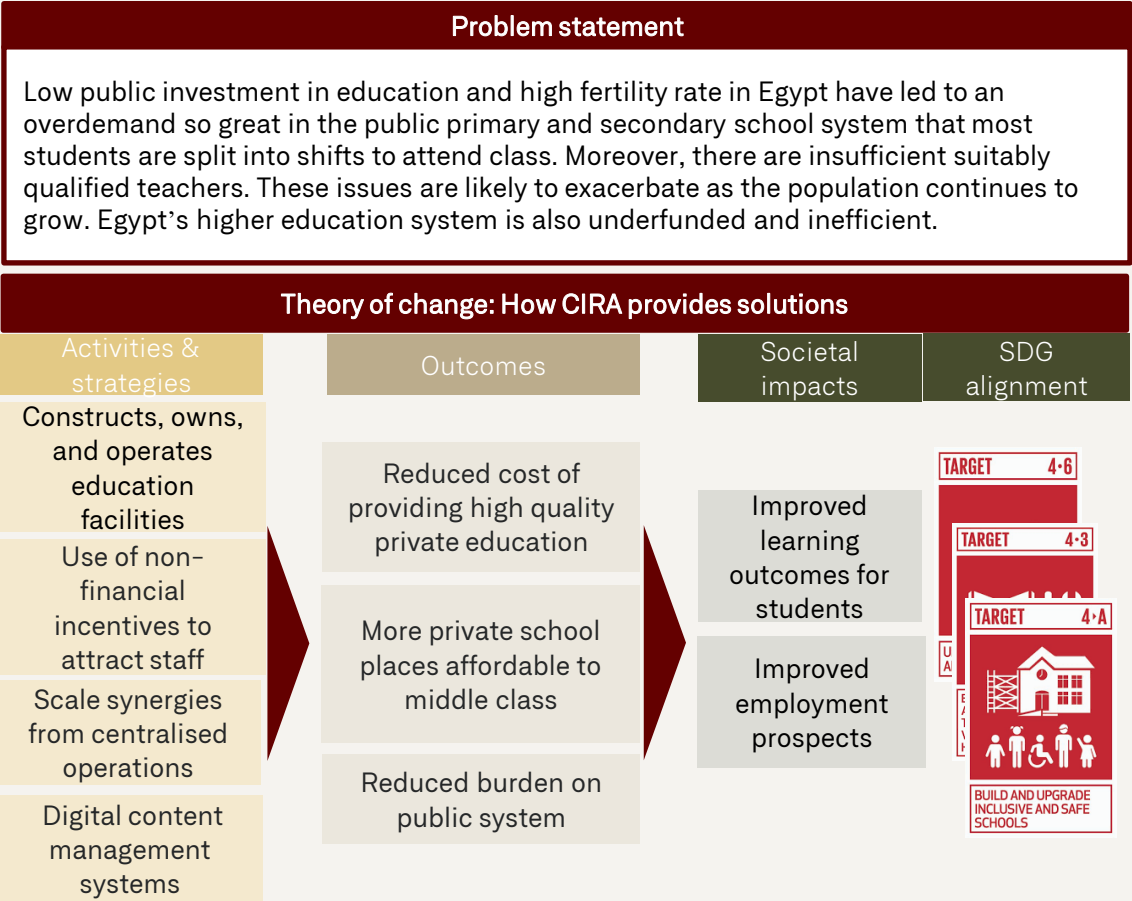


# CIRA – improving education for Egyptian students

Cairo for Investment & Real Estate Development SAE (“CIRA”) provides quality private education at affordable prices, helping to improve learning outcomes for Egyptian students and reduce pressure on the over-burdened public education system.

CIRA helps to reduce pressure by providing c. 45,000 places at affordably priced, high-quality institutions across all education levels, including nurseries, K-12 schools, and Badr University in Cairo (BUC).

The company is vertically integrated with a construction business, enabling it to scale education capacity both faster and cheaper than private and public peers. It has also recently launched nascent operations in early education and digital educational content, broadening its impact across a wider geographical reach and larger age bracket within the young Egyptian population.



Sources CIRA websites and publications (available at: <https://cairoinvest-ir.com/en>), World Education News & Reviews (WENR), Arisaig Partners analysis  
For more details on our impact assessment methodology, please see: <https://arisaig.com/how-we-measure-and-manage-impact-at-arisaig/>





# CIRA – improving education for Egyptian students

Our Five Dimensions of Impact<sup>1</sup> analysis highlights the highly underserved nature of students in Egypt across all education levels. It also draws out the depth of impact: students can complete their entire education at CIRA’s institutions, and therefore receive very deep, long-lasting impact. Relatively new ventures for CIRA such as nurseries, higher education, and ed-tech carry high potential for positive impact but also greater execution risks.

## Highlights of Five Dimensions of Impact analysis<sup>1</sup>

| What  | Who  | How Much   | Contribution   | Risk  |
|---|--|--|--|---|
| Constructs, owns, and operates <b>25 education facilities</b> across Egypt. Maintains quality alongside affordability through leveraging digital ed-tech. | Egypt’s education system is underfunded and outdated, <b>ranking 133rd among 151</b> countries by WEF, and contributing to high youth unemployment. Public spending per tertiary student was USD 424 in 2012, compared to average of USD 15,000 in OECD countries. | Serves <b>45,000 students</b> in total, which is relatively low compared to other companies in the Fund. However, depth of impact is high, with CIRA facilities providing up to <b>20 years of education</b> (from nursery to post-graduate). Students at K-12 schools achieve above the national average (e.g. <b>99.9% graduation from secondary vs 84%</b> national average). | Cost efficiencies allow CIRA to charge fees that are <b>15 – 20% lower</b> than comparable institutions. Schools are located across Egypt, including about <b>20% of places</b> outside the more affluent Greater Cairo region, with plans for more. | Risks to intended impact: <ul style="list-style-type: none"><li>- <b>Execution</b> risk: Higher education is a relatively new venture for CIRA. Risk that BUC is not able to help graduates with their employability. Company is also expanding into new areas such as ed-tech and ‘edutainment’</li><li>- <b>External</b> risk: Inflationary pressures could make CIRA schools inaccessible to even middle class families.</li></ul> |

Note 1: For more on Five Dimensions of Impact, please see: <https://impactmanagementproject.com/impact-management/impact-management-norms/>  
Sources WEF Global Competitiveness report 2019, World Education News & Reviews (WENR), CIRA websites and publications (available at: <https://cairoyinvest-ir.com/en>), Arisaig Partners analysis

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# CIRA – improving education for Egyptian students

The company scores 9 according to our impact scoring framework, out of maximum of 18. The main weakness relates to Reach, which is partly compensated for by the strong Effectiveness of impact.

Impact scoring

| Pillar and rating | Metrics   |
|-------------------|---|
| Reach             | <ul style="list-style-type: none"><li>CIRA serves <b>45,000</b> students per year in Egypt, which is roughly <b>0.2%</b> of the K-12 and higher education population</li></ul>  |
| Criticality       | <ul style="list-style-type: none"><li>Egypt is <b>critically underserved</b> with respect to education, due to high national fertility rates and insufficient public funding.</li><li>CIRA provides private education to middle class, which means it does not reach the <b>most critical populations</b> within the country.</li></ul>   |
| Effectiveness     | <ul style="list-style-type: none"><li>Students can complete up to 20+ years of education at CIRA facilities, meaning the company has potential to offer very deep and lasting impact.</li><li>Low student turnover (0.3%) and high school utilisation rate (94% of places filled) suggest that CIRA is providing a value-for-money for its students. However we would like to see more evidence of improved learning and employment outcomes for CIRA students.</li></ul> |

Key

| Rating | Leading | High      | Moderate  | Low   |
|--------|---------|-----------|-----------|-------|
| Score  | > 4.5   | 2.5 – 4.5 | 0.5 – 2.5 | < 0.5 |

A critical component of our contribution to impact as investors is active engagement with our holdings, with a view to enhancing positive impact, reducing impact risks and improving management of ESG issues.

Our main **engagement priority** with CIRA is to encourage it to improve measurement and disclosure of superior learning and employment outcomes. This matter is not only important from an impact perspective but also to demonstrate CIRA’s value-for-money proposition. We have had at least three discussions with management on this topic. We understand that this is something CIRA believes is important. For example, it is partnering with the IFC on improving employability.

To understand the impact from the **beneficiary viewpoint**, in 2022 we interviewed 10 current and former students of BUC. While feedback on the course quality was generally positive, there was an overwhelming sense of the employment challenges in Egypt, and the fact that BUC has not been effective in supporting students with this in the past. However, we also got the sense (both from the interviews and BUC's recent Strategic Report) that it is an area where BUC is focused on improving.

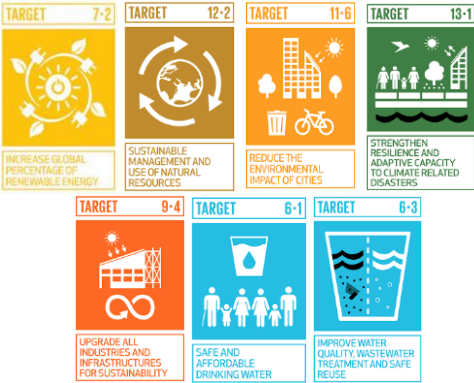
We are currently awaiting a more detailed response from CIRA management on the findings of our survey. There is unlikely to be a ‘quick fix’ to this issue, and therefore anticipate this will be a multi-year engagement.



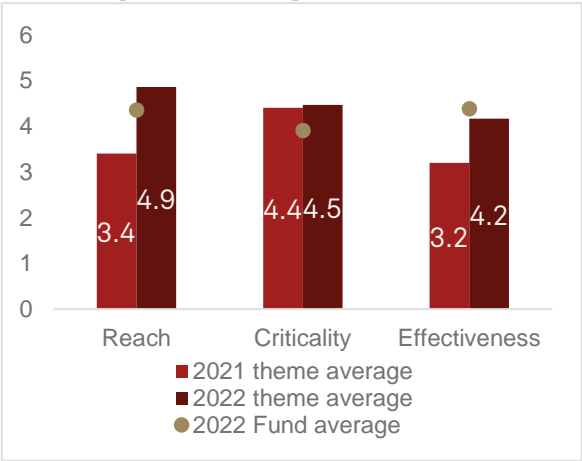
# Tackling environmental crises (12% of NAV)

The Fund invests in 4 companies that deliver essential products or services with lower environment impact than the prevailing alternative. The holdings in this theme have performed well, substantially increasing the number of beneficiaries reached, the proportion of underserved customers, and the amount of greenhouse gas emissions avoided. This is reflected in RCE scores increasing by 23% y-o-y.

Aligned SDG targets



Weighted average RCE scores



| Measurable outcomes and relevant outputs from the 4 holdings in Environment theme   | Estimate for this year <sup>1</sup>  | Compared to last year |
|---|--|-----------------------|
| # people provided with a more sustainable essential product or service <sup>2</sup> | 71,500,000   | ↑ 21%                 |
| % of which that are underserved <sup>3</sup> (average)                              | 66%  | ↑ 11%                 |
| Customer satisfaction <sup>4</sup> (average)  | N/A  | N/A                   |
| Greenhouse gas emissions avoided (tCO2e)  | 67,700,000 (equivalent to burning c. 150 million barrels of crude oil <sup>5</sup> ) | ↑ 65%                 |
| Renewable energy generated for sale (MWh) (IRIS PI5842)                             | 131,700,000  | ↑ 83%                 |

1. Based primarily on data from holding companies’ most recent full year (FY) results available as of 31 Mar 2022 but may include Arisaig estimates where data are not available. Figures are not adjusted to reflect the size of investment. Not all metrics available for/relevant to all holdings within the theme.  
2. “Essential” refers to products and services that fulfil basic human needs e.g., food, energy, water. “More sustainable” refers to lower environmental impact per unit e.g., less pollution or carbon emissions  
3. ‘Underserved’ refers to groups that are at likely to suffer disproportionately due to climate change and have greater need of climate change adaptation e.g., low-income populations, rural groups, smallholder farmers.  
4. Customer satisfaction based on measures such as Net Promoter Score (NPS). Figure not available for this theme due to insufficient data.  
5. 0.43 tCO2e/barrel. <https://www.epa.gov/energy/greenhouse-gases-equivalencies-calculator-calculations-and-references>

All data as of 31 March 2022 unless otherwise specified.



# Increasing quantity and quality of jobs (4% of NAV)

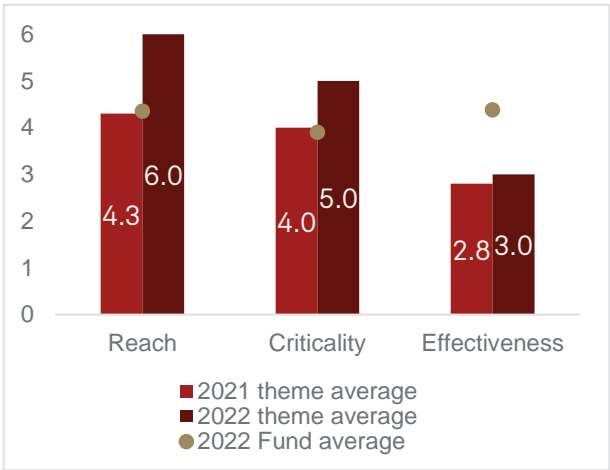
The Fund invests in 1 company under the Employment theme, having divested from 3 companies in the theme over the last year due to various concerns about financial prospects, insufficient impact and ESG. While the impact score of the remaining holding is above average, the total number of people and MSMEs supported has declined significantly. We are actively seeking opportunities to rebuild the Employment theme.

| Measurable outcomes and relevant outputs from the 1 holding in Employment theme | Estimate for this year <sup>1</sup> | Compared to last year |
|---|-------------------------------------|-----------------------|
| # people provided with improved earnings prospects (total)                      | 11,380,000                          | ↓ 78%                 |
| % of which that are underserved <sup>2</sup> (average)                          | 43%                                 | No change             |
| Customer satisfaction <sup>3</sup> (average)                                    | 50%                                 | ↓ 28%                 |
| # MSMEs supported   | 6,500,000                           | ↓ 56%                 |

Aligned SDG targets



Weighted average RCE scores



1. Based primarily on data from holding companies’ most recent full year (FY) results available as of 31 Mar 2022 but may include Arisaig estimates where data are not available. Figures are not adjusted to reflect the size of investment. Not all metrics available for/relevant to all holdings within the theme.

2. ‘Underserved’ refers to groups within a country that are at a disadvantage when accessing decent work opportunities, such as low-income, lower education levels, and rural populations. Estimate based on Arisaig’s impact assessments.

3. Customer satisfaction based on measures such as Net Promoter Score (NPS), scores from independent consumer review websites

All data as of 31 March 2022 unless otherwise specified.

# Supporting livelihoods and wellbeing of women (3% of NAV)

The Fund invests in 1 company under the Gender Equality theme, which contributes to the accessibility of menstrual hygiene products for women and girls in India, while also expanding cultural acceptance through high-profile awareness campaigns.

Gender Equality continues to be an area where we are focusing research efforts, with the hope of adding new holdings. The reason it has been challenging to grow this theme is that our definition of what qualifies as a Gender Equality investment is relatively strict. We seek businesses with products or services that disproportionately benefit women, which we believe is necessary to achieve impact at scale. Unlike other funds operating a 'gender lens', we do not consider it sufficiently impactful for a business to simply have a certain percentage of women in leadership/the workforce.

We note also that all our holdings in the Fund have significant number of female beneficiaries. For example, in the Financial Inclusion theme, more than 50% of PagSeguro's PagBank clients are women<sup>1</sup>. In the Health theme, Amoy Diagnostics' products include early-stage screening products for breast and ovarian cancer<sup>2</sup>.

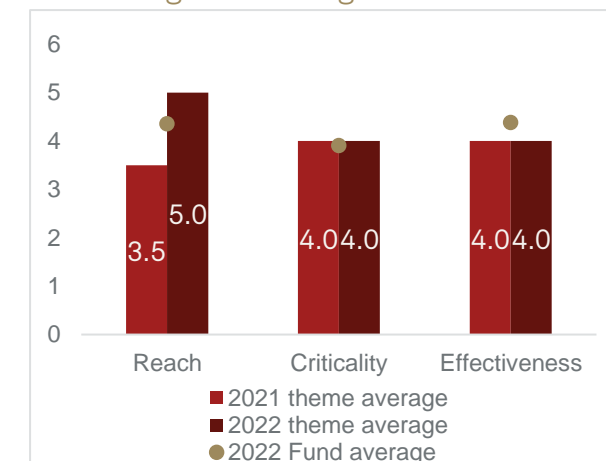
1. Full name of company is PagSeguro Digital Ltd. Data sourced from PagSeguro 2020 ESG Report (English Version), available from <https://investors.pagseguro.com/esg/>.
  2. Full name of company is Amoy Diagnostics Co. Ltd. Data sourced from <http://www.amoydiagnostics.com/newDetail/52>
  3. Based primarily on data from holding companies' most recent full year (FY) results available as of 31 Mar 2022 but may include Arisaig estimates where data are not available. Figures are not adjusted to reflect the size of investment. Not all metrics available for/relevant to all holdings within the theme.
  4. 'Underserved' refers to women and girls within a country that are at greater disadvantage with respect to achieving gender equality, such as low income, rural populations, women business owners. Estimate based on Arisaig's impact assessments. Insufficient data in previous year, hence no y-o-y comparison available.
  5. Customer satisfaction based on measures such as Net Promoter Score (NPS), scores from independent consumer review websites
- All data as of 31 March 2022 unless otherwise specified.

| Measurable outcomes and relevant outputs from the 1 holding in Gender Equality theme | Estimate for this year <sup>3</sup> | Compared to last year |
|--|-------------------------------------|-----------------------|
| # women provided with improved access to critical products and services (total)      | 26,900,000                          | ↓ 9%                  |
| % of which that are underserved <sup>4</sup> (average)                               | 20%                                 | N/A                   |
| Customer satisfaction <sup>5</sup> (average)   | Insufficient data                   | N/A                   |
| # females reached through improved information about and access to menstrual hygiene | 50,000,000                          | ↑ 85%                 |

Aligned SDG targets



Weighted average RCE scores





Section 5

# Engaging actively to make a difference



# During 2021, we engaged with 68% of portfolio companies

Proactive engagement is a tenet of our investment philosophy and critical to how we, as investors, make a difference to the impact of our holdings

## 2021 ESG and constructive ownership highlights

32

engagements we progressed during the year<sup>1</sup>

2

holdings that published an impact/ESG report for the first time

1/7<sup>th</sup>

weighted average carbon intensity<sup>2</sup> compared to the MSCI Emerging Markets Index<sup>3</sup>. At 60 tCO<sub>2</sub>e/USDm of revenue, this also represents a year-on-year decline of 32%

7

holdings that improved their climate change management capacity, progressing in terms of their Transition Pathway Initiative (TPI) Level

100%

of resolutions instructed via proxy voting, voting against or abstaining on 17% of votes

For further information on our ESG and constructive ownership activities in 2021 as well as our priorities and targets for 2022, please refer to:

- Arisaig Partners' 2021 ESG and Constructive Ownership Report, available on our website: <https://arisaig.com/about-us/responsibility/>
- Arisaig Next Generation Fund 2021 ESG Supplementary Data Report, which includes detailed breakdown of fund-specific ESG and climate performance, engagements, and proxy voting. This is available to investors in the Fund via Citco Connect or from our Client Services team ([investorrelations@arisaig.com](mailto:investorrelations@arisaig.com)).

1. We define 'engagement' as purpose-driven communication with our holdings with a deliberate objective to influence corporate behaviours or practices. It is distinct from dialogue associated with normal course of investment analysis and monitoring (e.g., results updates).

2. Weighted average carbon intensity covers direct + first-tier indirect emissions. Equity-weighted average. Data available for 79% of portfolio. As of 31 December 2021.

3. Benchmark based on data retrieved in January 2022 for iShares MSCI Emerging Markets ETF.

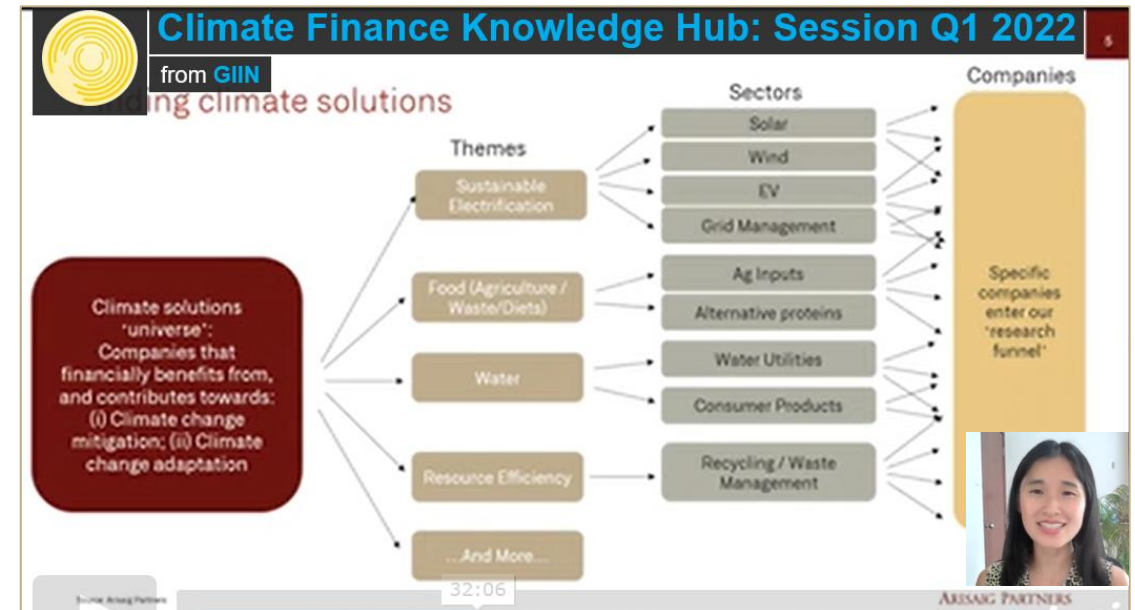
Sources S&P Trucost Limited © Trucost 2021; ISS ProxyExchange; Arisaig Partners analysis

# Policy and advocacy

We regularly participate in relevant activities to develop understanding and promote the impact investing industry. Over the last twelve months, such activities included:

- David Lanning, our Strategy Research Head, gave a master class on impact investing frameworks at the Business & Philanthropy Forum 2021 in Singapore
- Lilian Wang, our Research Director (Impact & Engagement), spoke at GIIN-organized Climate Finance Knowledge Hub session “*Achieving the promise of COP26*”, covering our approach to building the Environment theme<sup>1</sup>
- Participation in the recently launched IRIS+ List initiative from the GIIN: <https://iris.thegiin.org/company/arisaig-partners/>
- Regular participation as a member of the GIIN Listed Equities Working Group.

Presenting at GIIN Climate Finance Knowledge Hub



In addition, we officially support the following organisations and agreements, which advocate on issues on our behalf and provide us with guidance and support on ESG and impact-related issues.

- UNPRI (since 2010)
- Carbon Disclosure Project (since 2017)
- Asia Corporate Governance Association (ACGA) (since 2019)
- The International Investors Group on Climate Change (since 2019)
- Net Zero Asset Managers (NZAM) initiative (founding members, since 2020)
- Global Impact Investing Network (since 2020)
- Taskforce for Climate Related Disclosures (since 2021)
- B Corp Finance Coalition UK (founding members, since 2021)

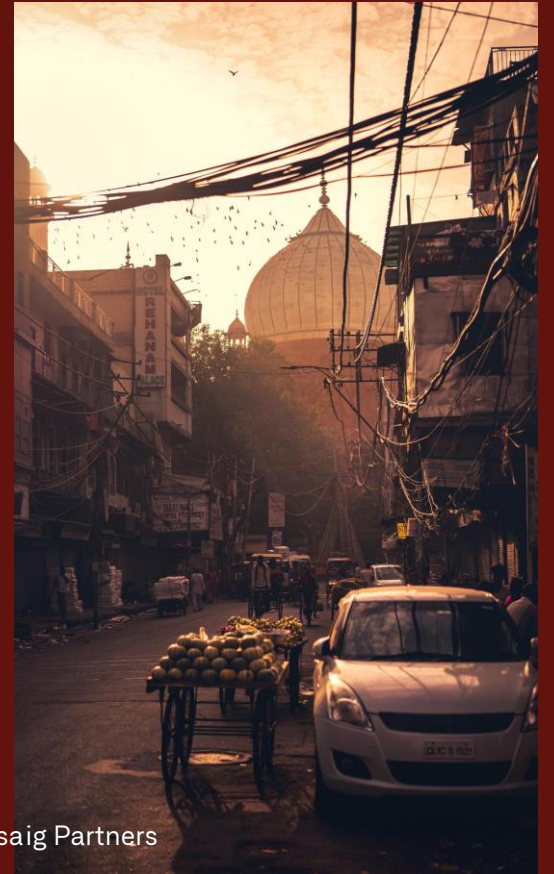
1. Recording available on GIIN Member Portal: <https://members.thegiin.org/recordings/record/a2j8b000007EWSJAA4>



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Section 6

# Reflections and goals





An aerial photograph of a dense, green forest. A narrow, winding road or path cuts through the trees, starting from the top left and curving downwards towards the bottom left. The trees are mostly deciduous with vibrant green foliage.

# Achievements

In the second year of the Fund, we believe that **overall impact has improved** as compared to the initial year. Both the average proprietary impact score and the estimated reach have increased by c. 13 – 14%. This reflects our holdings' ability to execute their customer growth strategies, despite macroeconomic challenges (see next slide).

We are pleased to observe some improvements in **impact data**. Notably, two of our holdings (Arco Platform and PagSeguro) published their first ESG/Impact Reports. Prior to publication, we had engaged multiple times with both companies to push for greater disclosure, emphasising the importance of reporting downstream impacts on customers, not just operational ESG performance. We were therefore glad to see focus on material social impacts in their inaugural reports: for Arco this relates to evidencing improvements in learning outcomes, and for PagSeguro, improving financial inclusion for micro-entrepreneurs. However, generally quality impact data remains a challenge and continues to be a topic of engagement (see next slide).

Our Research Team has progressed our search for candidates under the **Environment theme**. In addition to building an Environment research framework, we have analysed several dozen emerging market companies that might contribute to climate transition or adaptation. Unfortunately, most do not meet our expectations with regards to Growth, Quality and Alignment e.g., heavy industry or infrastructure businesses. However, we have found pockets of promise and intend to expand our Environment portfolio significantly in the next year.

We have continued to **embed impact into the Research Team**. After receiving training from our Research Director (Impact & Engagement), our Research Analysts now have primary responsibility for impact assessment and monitoring. This integrated approach allows for more insightful analysis, more timely reporting and deeper engagement. We have also significantly increased the impact-related management information provided quarterly to the Arisaig Next Generation Fund board, thereby improving their impact monitoring capacity.

Finally, we have persisted with efforts to share learnings and experiences with the impact investing community. In January, we launched an **'Insights' series** on our website, on which we will regularly publish thought pieces on impact (see Further Reading).

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# Challenges and lessons learned

Russia's **invasion of Ukraine** had a direct impact on our single Russian holding, HeadHunter, an online recruitment business, which we have since divested. We are generally reluctant to dispose of privately run businesses which still generate positive social impact purely because their national governments cannot be supported. Nonetheless, in this case, it is doubtful that foreign investors could ever viably participate in Headhunter's eventual recovery; and owning any Ruble-linked assets seems like an unjustifiable risk.

One of the second order effects of the conflict is **inflation**. The Fund is in the fortunate position of holding high ROCE, cash-generative businesses that can weather inflationary storms. The essential nature of the products and services offered by our companies also places them near the top of the 'hierarchy of needs' for developing world customers, and thus less likely to be scrapped at times of stretched disposable incomes. We are monitoring price increases and will engage a company if these seem unreasonable. However, we are cognisant that inflation is likely to be a setback in our goal to increase our reach of more underserved customer segments.<sup>1</sup>

From an impact measurement and management perspective, **insufficient impact-related data** remains a barrier. This continues to be a priority engagement topic with many holdings. Having observed some progress in

reporting the last year, as well as increased quality and depth of dialogue with management, we remain optimistic.

One of Arisaig's core values is continuous learning. This is particularly relevant for a new strategy and our first impact investing strategy. Lessons learned in the past year include:

- A company's **willingness to evidence outcomes is a good indicator of its intentionality**, which otherwise can be difficult to judge. When our engagement with Chinese tutoring business New Oriental to encourage it to disclose how it was helping students to improve learning outcomes was repeatedly unsuccessful, this served as a warning sign to us that social impact was not a primary focus.
- **Beneficiary surveys can be valuable even at a small-scale**. We remotely interviewed 10 ex-students of Badr University in Cairo, CIRA's private university, to better understand their employment prospects (see case study). Even at this scale, we were able to glean new information that has led to productive conversations with management. This has encouraged us to do more beneficiary engagements.

We intend to regularly publish more on lessons learned and our views on impact investing on our new Insights page: <https://arisaig.com/insights/>

1. For more details on the above, please refer to the Russia and Ukraine commentary we published in February 2022 and our Quarterly published in April 2022 (available via CitcoConnect or from our Client Services team [investorrelations@arisaig.com](mailto:investorrelations@arisaig.com)).

# Impact targets

We aim to achieve the following impact-related goals in the next year:

## Research

- Develop a gender lens investing framework to help build Gender Equality theme
- Add at least 3 holdings that support under-represented themes (i.e., Gender Equality, Employment, Environment) to our investment universe and at least 1 of these to our portfolio

## Impact performance

- Increase portfolio reach to at least 475 million people, in line with forecasts
- Continue to improve impact at holdings-level and portfolio-level, as measured by RCE score and impact assessments

## Impact data

See at least 3 companies we have engaged with on impact data significantly increase their impact data reporting

## Integration

- Continue to improve the impact analysis capabilities of the Research Team and build common understanding of impact through launching an internal impact “debate series”
- Improve integration of impact data into financial modelling through deeper exploration of impact monetisation

In addition to these impact goals, Arisaig has made seven firm-wide ESG goals, as communicated in our most recent ESG Review<sup>1</sup>:

| Metric  | Target for 31 Dec 2022    |
|---|---------------------------|
| % of holdings actively engaged <sup>1</sup> during the year               | At least 60%              |
| % of eligible resolutions voted   | 100%                      |
| % of portfolio companies on TPI Level 0 and 1 engaged in the year         | 100%                      |
| Reduction in financed emissions (compared to 2021)                        | 1.6%                      |
| % of holdings that are at TPI Level 2 or above                            | > 50%                     |
| % of holdings for which proprietary ESG assessments are conducted/updated | 100%                      |
| % of time spent by analysts on ESG and engagement                         | c. 10% of available hours |

1. See: <https://arisaig.com/wp-content/uploads/2022/03/AP-ESG-Constructive-Ownership-Report-2021-2.pdf>

# Further reading

## Impact Insights

- The case for impact investing in emerging market public equities: <https://arisaig.com/the-case-for-impact-investing-in-emerging-market-public-equities/>
- Gender empowerment in emerging markets – look beyond the board: <https://arisaig.com/gender-empowerment-in-emerging-markets-look-beyond-the-board/>
- How we measure and manage impact at Arisaig: <https://arisaig.com/how-we-measure-and-manage-impact-at-arisaig/>
- Our impact measurement and management framework in practice: <https://arisaig.com/our-impact-measurement-and-management-framework-in-practice/>
- Impact Approach – available via CitcoConnect or Client Services team

## ESG and Constructive Ownership

- ESG and Constructive Ownership Approach: <https://arisaig.com/wp-content/uploads/2022/02/ESG-and-Constructive-Ownership-Approach.pdf>
- 2021 ESG and Constructive Ownership Review: <https://arisaig.com/wp-content/uploads/2022/03/AP-ESG-Constructive-Ownership-Report-2021-2.pdf>
- 2021 ESG and Constructive Ownership Review – ANGF Supplementary Data – available via CitcoConnect or Client Services team
- Proxy Voting Policy: <https://arisaig.com/wp-content/uploads/2022/03/Arisaig-Partners-Proxy-Voting-Policy-2021.pdf>
- Climate Change Approach: <https://arisaig.com/wp-content/uploads/2022/02/Climate-Change-Approach.pdf>

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