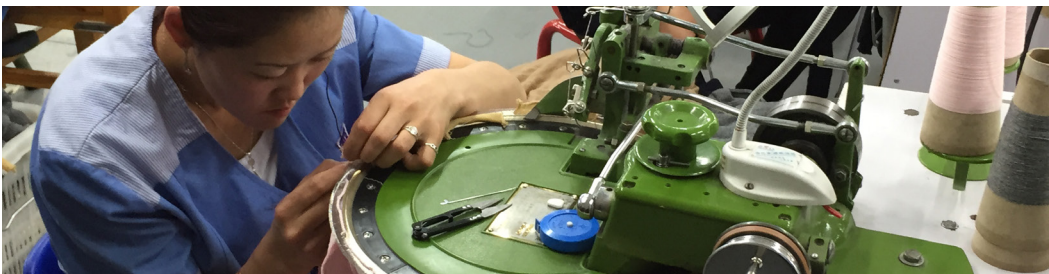


Development Effects Report 2014

Overview



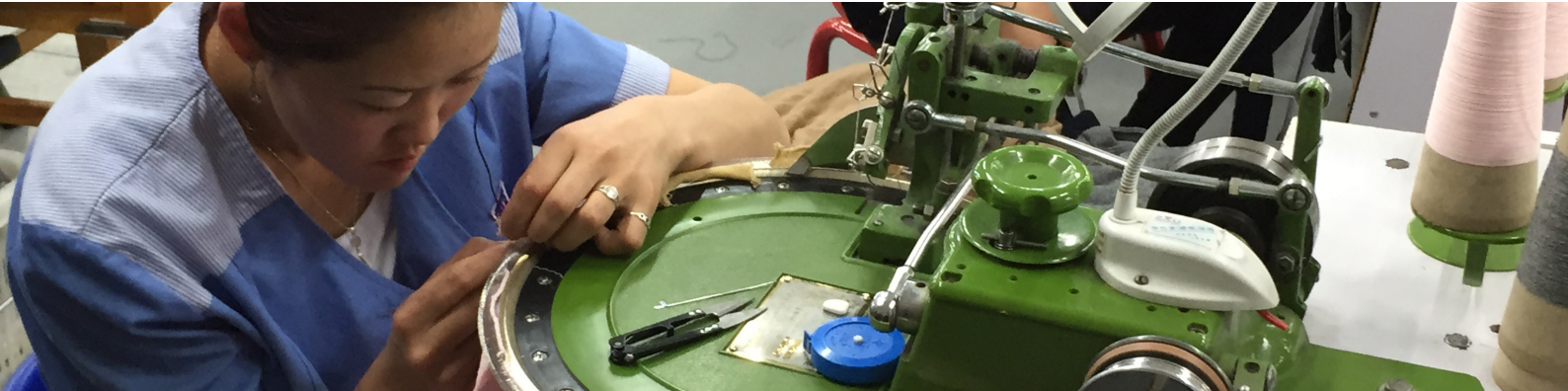
All data as per December 31, 2014


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ABOUT SIFEM


The Swiss Investment Fund for Emerging Markets (SIFEM) is the Swiss Development Finance Institution. It provides long-term finance to private equity funds and financial institutions in emerging markets. SIFEM's primary focus is on institutions investing in the small and medium enterprise (SME) sector as well as fast-growing companies. On a selective basis, SIFEM also invests in microfinance. SIFEM's investment philosophy is guided by the belief that investing in commercially viable emerging market SMEs can provide investors returns that justify the risks, as well as generate sustainable, long-term development effects in local communities. SIFEM is fully owned by the Swiss Confederation and managed by Obviam, a privately owned management advisory group.


SIFEM promotes long-term, sustainable and broad-based growth in developing and emerging countries



SIFEM's active portfolio as per year-end 2014 includes **417 companies** (direct investments, loans and underlying portfolio companies of funds) located across **71 countries** in emerging markets 


In 2014, each USD invested by SIFEM was matched by USD **15.6** from other investors; this is the highest multiple achieved since SIFEM's inception in 2005 

SIFEM's recent investees and their underlying portfolios paid USD **492 million** in taxes to their governments during 2014 


1,074 students from low-income families in Central America have profited from an educational loan Higher Education Finance Fund 

An education company has launched an afternoon school in Egypt for Syrian refugees and currently has **500 students** 

Abraaj North Africa Fund

31,933 clients have received microfinance loans in Latin America Locfund II 

Africa Sustainable Forestry Partners

A plantation forest and sawmilling company offers a worker nutrition program which provides **500 employees** daily supplementary nutrition free of charge in South Africa 




In Tunisia, a manufacturer and distributor of batteries reused and recycled **13,000 tons** of lead-acid batteries Abraaj North Africa Fund

GroFin East Africa Fund
USD **19.7 million** dispersed to **67 small and medium businesses** in Sub-Saharan Africa 



A vocational training company reaching semi-urban areas in India has trained over **100,000 students** VenturEast Proactive Fund

A gas-thermal power plant in Colombia generates **782,188 MWh** for the national grid annually 

Altra Private Equity Fund I

2014 Portfolio Overview

Every year, SIFEM collects data with regards to the development effects of SIFEM's investments.

SIFEM currently has a total of 43 projects which are rated post-investment, including 39 funds and 4 financial institutions. Comparing the expected development effects of the SIFEM portfolio with actual development effects, the investments performed overall 11% better than expected. Data is as per year-end 2014.



SUPPORT OF EMPLOYMENT

The SIFEM portfolio together with co-financiers has supported 342,355 jobs since its inception in 2005, which encompasses an increase of an additional 48,000 jobs in 2014. This includes the jobs sustained and created in funds' successfully exited portfolio companies, as well as all existing jobs in current portfolio companies.



SUPPORT OF TRAINING

93% of SIFEM'S investments provide training to their employees, 70% to their management, and 56% also to a wider audience outside the organization, such as local universities and industry associations.



POSITIVE GENDER EFFECTS

Seven of SIFEM's investments have a specific target of gender equality, with actual deducible effects demonstrated by a slightly higher percentage of the portfolio than expected (16% instead of 14%). SIFEM has a conservative approach to rating gender effects: investments must have gender equality as a specific target.



MOBILIZATION OF LOCAL CAPITAL AND SAVINGS

95% of SIFEM's investments have contributed in some way to the mobilization of local capital and savings. In addition, many fund managers play an active role in securing the participation of local investors for their investees.



DIVERSIFICATION OF THE LOCAL FINANCIAL SECTOR

SIFEM's partners are substantial contributors in diversifying the local financial sector as well as being proactively involved with the local authorities to improve the regulatory framework. 81% of SIFEM's investments are contributing in this way.



CREDIT AND CAPITAL ALLOCATION DIVERSIFICATION

All of SIFEM's investments contributed to the diversification of credit and capital allocation by providing finance to business segments which have been insufficiently serviced in the past. In particular SMEs (targeted by 91% of SIFEM's investments) and export financing are supported.



INSTITUTION BUILDING

SIFEM supports institution building at the level of private equity funds and financial institutions by strengthening their organizations and management, and improving the internal systems. All of SIFEM's investments have generated institution building benefits at the partner institution level.



LOCAL COMPANY DEVELOPMENT

All of SIFEM's investments involve a high degree of company development at the level of investee companies. The most significant areas for value-add by the fund managers beyond expansion finance are the social and environmental monitoring, as well as improvement in corporate governance.

2014 *New Investments*

In 2014, SIFEM made thirteen new investments totalling USD 100.2 million. The new projects consist of ten funds and three direct investments in financial institutions.

SIFEM's 2014 investments are expected to support and create employment, provide training to staff, mobilize local capital, improve credit and capital allocation diversification, support institution building, and assist investee companies in improving operational excellence. For more information on SIFEM's investments please refer to www.sifem.ch/portfolio/.

Social Impact Fund 5.0
 A USD 50 million debt fund which offers senior loans to microfinance institutions, cooperatives, and other social enterprises requiring working capital to deliver essential products and services to households living in poverty in Latin America and the Caribbean.
 The Fund will invest in the four areas of health, green technology, rural livelihoods, and female micro-entrepreneurship with a strong focus on expanding opportunities for those who are otherwise underserved and do not have access to these essential products and services.

The Commodity Value Chain Sustainable Investment Fund
 A USD 5 million fund with a focus on agricultural value chains in SIFEM priority countries Georgia, Armenia and Azerbaijan.
 SIFEM has initiated and structured the Fund to provide significant risk reduction for the lender through its setup of structured commodity finance. Up to 50% of the target population is directly involved in the agricultural sector; the Fund will unlock economic opportunities for its investees, including primary producers, processors, transporters and wholesalers of agricultural commodities.

Maghreb Private Equity Fund III
 North Africa
multiple sectors

Abraaj North Africa Fund
 Morocco, Tunisia, Egypt, Algeria
multiple sectors

Synergy Private Equity Fund
 Nigeria, Ghana
multiple sectors

AccessBank
 Azerbaijan
financial institution

Central American Small Enterprise Investment Fund III
 Central America
SMEs

AfricInvest III
 Sub-Saharan Africa
multiple sectors

Central American Mezzanine Infrastructure Fund II
 Central America & the Caribbean
SMEs in infrastructure

National Development Bank
 Sri Lanka
financial institution

Interact Climate Change Facility
 Global
renewable energy

Africa Credit Opportunities Fund
 A USD 350 million (target) debt fund which invests in a range of cross-sectoral credit opportunities in Sub-Saharan Africa.
 As a consequence of shallow credit markets in Sub-Saharan Africa, companies are often unable to access institutional sources of finance. The Fund's pioneering focus on anchoring new issuances of debt contributes to deepening the local credit markets and encourages growth, employment, and fuels the long-term development of the targeted countries.

BioVeda China Fund III
 A USD 188 million private equity fund which invests in Chinese life sciences and healthcare growth companies.
 BVCF III seeks to develop innovative drugs and medical technology devices across China and provides finance to companies which would otherwise struggle to obtain financing due to their small size and early stage nature of development. This will support the emergence of innovative companies which develop, manufacture and sell medical drugs, devices and other services locally, allowing for economies of scale and ultimately lowering the pricing, making them more affordable to Chinese patients.

Abacus Parenteral Drugs Limited



Abacus Parenteral Drugs Limited (APDL) is one of the largest sterile injectables pharmaceutical companies in East Africa, with its state-of-the-art manufacturing facility located in Uganda. It produces a range of life-saving intravenous infusion products as well as eye, ear and nose drops mainly catering to government and private hospitals, aid agencies, and nursing homes. AfricInvest II invested into APDL via Kiboko Holdings Limited, a manufacturer and distributor of pharmaceuticals.

| | |
|---------------------------------------|------------------------------|
| Location: | Uganda |
| Sector: | Pharmaceutical Manufacturing |
| Investment year: | 2011 |
| Fund intermediary: | AfricInvest II |
| SIFEM investment into fund: | EUR 7 million |
| Fund Investment into holding company: | EUR 9.5 million |
| Employment as per 2014: | 350 employees |
| Website: | www.abacusparenteral.com |

The Situation in Uganda

- **Approximately 20% of Uganda’s 37.6 million inhabitants live below the national poverty line** and the average GNI per capita is USD 600 (Atlas Method). Chronic political instability and inconsistent economic management has left Uganda among the world’s poorest and least-developed countries.
- **Uganda’s labor force is growing more than 4% per annum, equaling more than 500,000 people entering the labor market every year.** Creating good quality jobs in productive sectors and providing skilled workers to match the jobs needed for the economy are some of the biggest challenges ahead.
- **The local pharmaceutical industry has developed significantly over the last 10 years,** however Uganda continues to face challenges such as a sizeable counterfeiting industry, poor healthcare funding, corruption, and regulatory environment deficiencies, and still relies on imports for 90% of its essential medicines and health supplies.
- **With only 10% of medicines and health supplies produced locally, there is an immense potential for the expansion of the domestic manufacturing sector,** including an increase of local jobs and taxes paid, as well as an enhanced availability of the manufactured medicines as the supply grows and prices drop.
- **The manufacture and operation process for pharmaceuticals is very sophisticated.** Highest quality standards have to be guaranteed during every step of the production. Access to capital for expansion and modernization in the region is very limited, and is traditionally non-existent for risky sectors such as pharmaceuticals.

Development Effects in a Nutshell

- **Since its beginning, APDL has maintained a strong quality and compliance record.** Maximum standards of hygiene and quality control are ensured throughout the entire manufacturing facility, contributing to the improvement of standards and implementation of best-practice methods across the whole industry.
- **APDL expanded its capacity by creating a new production line and constructing a new facility** located on 36 acres outside Kampala using capital from AfricInvest II and Kiboko. The new plant has the capacity to produce 65 million units of parenteral drugs per year, enabling it to produce intravenous (IV) fluids and sterile ear and eye drops for Uganda, Tanzania, Burundi, Rwanda, South Sudan and Kenya.
- **Local production of IV fluids by APDL caused a reduction in the wholesale price by 30%** in the first five months of production. This indicates that the local industry has the potential to significantly lower the price of medicines and thereby facilitate accessibility of these vital products to a market suffering from poor healthcare availability and standards.
- **APDL is strongly committed to sustainable production and operation standards and promotes the use of environmentally-friendly processes and raw materials.** For example, the manufacturing facility was designed to be completely illuminated by daylight to reduce the reliance on electric lighting. To alleviate raw material shortages and reduce costs, APDL has installed a plastic granules recycling plant. Additionally, APDL has replaced furnace oil boilers with environmentally-friendly biomass boilers which burn abundantly available coffee husks, saving on fuel costs while recycling a local waste product.
- **APDL’s corporate social responsibility (CSR) activities include a scholarship program** via its holding company, Kiboko, which annually provides five students from low-income backgrounds with full board, tuition fees and other expenses to obtain a Bachelor of Pharmacy at a local university.



“ Our priorities lie in the continuous investment in the development of human capital and technology in order to be able to provide quality products with easy access for all customers at affordable prices. ”
 -B.S. Ramesh Babu,
 Managing Director APDL

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About Obviam

Obviam is an independent investment advisor specialized in long-term investments in emerging and frontier markets. Obviam advises public, institutional, and private clients, including the Swiss Investment Fund for Emerging Markets (SIFEM), the Development Finance Institution (DFI) of the Swiss Confederation. Obviam offers investors an opportunity to capture attractive returns and generate sustainable positive impact in emerging and frontier markets, via a proven and responsible investment approach.

Contact

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