Crafting Impact

PRESENTING VITAL CAPITAL’S APPROACH TO IMPACT INVESTING

VITAL CAPITAL FUND
· IMPACT REPORT ·
At Vital Capital, we believe that social impact and financial return are in a symbiotic relationship when it comes to investing in rapidly developing markets such as Sub-Saharan Africa. Our investments are guided by a conviction that positive, sustainable social impact enhances, rather than diminishes, the profitability of investments.

The key component to generating impact on a large scale is trust. Strong, binding relationships are crucial not only between portfolio companies and local communities, but between Vital and its investors.

Obtaining the trust of previously underserved communities is not an easy task. Underlying trust, first and foremost, is sincerity. By targeting the most essential local needs, Vital signals to local communities its commitment to improving local quality of life. The deep, continuous exchange between Vital’s portfolio companies and the communities in which they are embedded strengthens this foundation of mutual commitment, while Vital’s transparent impact strategies and monitoring practices secure the continued confidence of investors. The success of each Vital Capital investment thereby expands the possibilities for further investments, propelling us to build relationships with more communities and to bring positive, sustainable impact to more places around the world.

As impact investment emerges as a global investment strategy, our role as a pioneer and leader in this field comes with the responsibility to advance and promote understanding of the practice. Sharing our passion with other bodies in the investment field and in the international community is an essential part of what we do. We welcome you to join us in unpacking the screening, monitoring and measuring strategies the Vital Capital team has developed in its years of experience as a dynamic impact investment fund.

EYTAN STIRBE
Founding Partner, Vital Capital
**Why Sub-Saharan Africa?**

Sub-Saharan Africa (‘SSA’) presents an immense and growing opportunity due to the region’s increased stability, vast resources, rapid current and projected growth, ongoing urbanization, growing population and emerging middle class. Its significant needs for basic infrastructure and services in the areas of housing, agriculture, health, education, energy and water make it a unique investment environment with the potential for both significant impact and substantial financial return.

In selecting and managing its investments, Vital draws on the extensive experience, operational strength, SSA insight and deep local relationships of its management team. To maximize the impact of each investment, Vital typically seeks to secure controlling positions or strong minority positions with clearly defined rights, in order to exert influence on the ongoing operations of the portfolio company.

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**Impact investing**

is innovative at every level: as an investment strategy, in the way potential investments are evaluated and, above all, in its underlying business models.

**Impact investment** is a new outlook – perhaps even a paradigm shift – and along with the innovation comes a challenging responsibility to prove its viability. Vital Capital is driven by these challenges, constantly appraising its methodology, sharing it with interested parties, and engaging in a dialogue that will better promote the implementation of impact investing.

RENANA SHVARTZVALD
Head of ESG & Impact, Vital Capital
About VITAL CAPITAL

Our mission is to improve the well-being of previously underserved Sub-Saharan communities while generating risk-adjusted returns to investors.

VITAL CAPITAL is a private equity fund aimed at making impact investments primarily in Sub-Saharan Africa, with the dual goal of improving quality of life while delivering risk-adjusted returns. Working at the intersection of need, opportunity and experience, Vital pursues its social/environmental and financial goals by investing in housing, agriculture, energy, water, healthcare and education.

Vital weighs financial and impact considerations equally when evaluating potential investments, and only pursues opportunities with sufficient potential for both. Vital believes that these twin goals can be achieved on a ‘no trade-off’ basis: that is, that impact benefits can be achieved not only with no cost to financial results, but also that their pursuit enhances profitability on a purely economic basis – especially in rapidly developing regions such as SSA.

This is due to a number of factors. ‘For-profit’ investments tend to be more efficient; the operational disciplines required to achieve risk-adjusted returns naturally improve the efficiency of project execution, enhancing rather than impairing the impact result. In addition, the goal of providing sustainable local benefits helps to instil a high level of cooperation and motivation in all parties, including governments, NGOs, local communities and local service providers. This ‘social license to operate’ facilitates success. Finally, a demonstrated track record of success naturally enhances the breadth, quality and potential return of a fund’s opportunity pipeline.
Our focus sectors

The Fund’s primary aim is the development of integrated communities, both urban and rural, in Sub-Saharan Africa, and the development of the essential components required for such communities to thrive. These include affordable, high-quality housing solutions, enhanced food security, accessible potable water, affordable clean energy, reasonably-priced, high-quality local healthcare and access to education.

Consequently, the Fund concentrates on investment opportunities that further contribute to improved living standards in its focus sectors:

1. **Urban Communities**: developing fully integrated urban communities that include high-quality, affordable housing and a wide range of services and facilities which enhance the quality of life and facilitate home ownership.

2. **Agriculture**: developing end-to-end agro-industrial centres that provide production, processing, distribution and marketing services to improve the income-generating capabilities of local farmers, thereby enhancing their families’ and communities’ quality of life, while also increasing the country’s domestic production and food security, and, where possible, substituting imports.

3. **Healthcare**: bringing world-class healthcare in modern facilities to developing regions, addressing the critical need for modern healthcare at affordable prices.

4. **Energy**: enabling the stable, local production of energy through the use of clean energy sources, including biomass, hydro, solar and wind-based technologies.

5. **Water**: improving the availability of usable/potable water, including the installation of pumps, filtration equipment and pipes for water storage and distribution, as well as innovative wastewater reclamation technologies and solutions.

6. **Education**: improving access to high-quality local education at affordable prices, including the upgrade of educational infrastructure (school buildings and classrooms, teaching resources, dormitories and so on).
Impact Investing

Impact Investing is an investment approach that intentionally seeks to create both financial return and positive social and/or environmental impact that is actively measured. This investment approach is receiving increasing attention from different ends of the capital management spectrum as a legitimate strategy both to enhance impact and to accelerate financial return while mitigating risks. A growing community of impact businesses and a wide range of mainstream investors, DFIs and others are expressing their interest and deploying a growing percentage of their capital in impact investments. This interest is captured in multiple initiatives that facilitate cooperation between interested parties and promote information about this growing strategy; examples include the GIIN (Global Impact Investing Network), the World Economic Forum’s Impact Investing Initiative, the Impact Council of the Emerging Market Private Equity Association (EMPEA) and the G8 task force for social impact investing.

Impact investing resides in a unique ‘sweet spot’ on the capital deployment spectrum, with a degree of flexibility determined by the investor’s focus – be they an ‘impact first’ investor, a ‘financial first’ investor or a ‘no trade-off’ investor motivated by maximizing both (see fig. 1). Vital Capital belongs to the latter group, pursuing investments that provide equal opportunity for social/environmental impact and financial return.

Fig. 1 Investments spectrum

1 Negative ESG externalities are often correlated with financial growth, and are not managed
2 Mitigating negative influences and CSR practices
Impact criteria and strategy

TRANSLATING OUR VISION INTO AN INVESTMENT STRATEGY
VITAL’S ‘NO-TRADE-OFF’ APPROACH

Vital’s investment approach is predicated on the principle that there is no inherent necessary trade-off between financial return and social impact. Building on this dual motivation, Vital has developed a multi-dimensional approach to impact investing, resulting in a methodology which translates our fundamental paradigm into a viable investment strategy. Vital’s approach to impact investing consists of pre-investment evaluation and post investment monitoring & measurements.

PRE-INVESTMENT EVALUATION

1. GATING FACTORS
   - Profit orientation
   - Responsible investment

2. IMPACT PROFILING
   - Vital Impact Diamond

3. MONITORING & MEASUREMENTS
   - Outputs
     - Internal KPIs
     - GIIRS
   - Outcomes
     - Long term impact assessments
Pre-investment evaluation

In the screening phase, each potential investment is assessed with regard to two complementary perspectives.

1 Gating Factors

Each of our investments must provide a clear, positive answer to the two following questions:

Profit orientation

Is it a for-profit enterprise?

Vital’s commitment to generating financial return stems primarily from our financial commitment to our investors. Nevertheless, profit orientation is also a key component of the Fund’s strategy to generate and accelerate social impact. The profit element in impact investment is what differentiates it from ordinary philanthropic activities and is the crucial feature that makes it a scalable, sustainable and accelerative solution to urgent developmental challenges. This approach is the first step in the symbiosis of our two objectives: generating social benefits and financial return.

Responsible investment

Does it comply with the applicable international standards of responsible investing?

Being a responsible investor is about de-coupling financial success from environmental and social degradation, and mitigating potential negative externalities. To Vital, being a responsible investor is a pre-condition for investing for impact – a gating factor, rather than a goal, for our investments. Vital’s ESG policies and procedures are therefore comprehensive, guided by international standards and implemented throughout the investment process. Vital Capital has adopted the IFC’s sustainability framework and standards and has implemented an extensive investment process to categorize, assess, screen and improve its investees’ ESG performance.

Re-coupling social externalities and financial success

There is a common misperception of impact investment as a continuation of the responsible investment thesis. It is easy to confuse the two approaches, or to mistakenly interpret impact investment as a modern, more severe implementation approach with the same motivation. In fact, responsible investments are not necessarily impactful, and indeed not all impact investments are responsible. While responsible investment theories and practices focus on de-coupling negative social externalities from financial return, impact investment aspires to re-couple social impact, turning it into an essential, positive part of the investment paradigm. In practice, impact and ESG screening are related, but not necessarily correlated. For Vital, practicing responsible investing is a pre-condition, a gating factor, for generating positive impact.
Vital’s Impact Diamond Model

Defining Impact

Vital Capital has developed a unique approach to impact. Intrinsic to this approach is the idea of value creation: developing and implementing solutions that create value for the target communities. In line with this approach, our team screens investment opportunities with a view to maximizing social return. Dividing Vital’s mission into conceptual units and building on the team’s experience with screening, defining and enhancing businesses’ impact, we developed a unique, four-dimensional assessment tool, the Vital Impact Diamond, which helps us evaluate investments’ adherence to our impact criteria and assess their potential impact.

The Vital Impact Diamond

The model reflects the four themes of value creation that Vital is driven by:

- **01 Essentiality**
- **02 Beneficiaries**
- **03 Locality**
- **04 Intrinsic Impact**

Each dimension is composed of subcategories which are rated according to a pre-defined scale. Investments are given a rating between 0 and 5 according to how well they satisfy each dimension, based on an aggregation of their scores in each subcategory. The Fund aspires to invest in companies that score highly in each dimension.
The essentiality dimension assesses the necessity of the investment in two complementary aspects: the need for the service/product provided by the investment, and the necessity of Vital’s involvement as the generator of impact.

Providing a solution to an unmet need
Vital’s mission is to improve the well-being of SSA’s population. Thus, an investment should provide an essential service or product to the target community. Investments must identify and address an acute, unmet need in the local community and aim to improve accessibility to the product or service in question. For example, Vital is not likely to explore investments in the manufacture of luxury products as this does not answer a real development challenge. Vital’s thematic approach is in line with the development goals set by the international community, thus including access to healthcare, sanitation and environmental services, water, clean energy, affordable housing in a community setting, agriculture and education.

Need is assessed with respect to the existing alternatives to the products or services provided by the investment. When assessing the alternatives, both the availability and affordability of the relevant service is taken into account. Vital will favour investments that generate solutions to previously unmet needs.

An example of an essential investment is the provision of clean, safe drinking water to over one million individuals, in countries where millions of people do not have access to safe drinking water, where 6%
of total deaths are attributed to diseases related to water, sanitation and hygiene, and where access to safe water has proven to reduce disease occurrence by 50%. This is the rationale behind Vital’s investments in Water for All and Water Health International. The former connects villages to a remote water source while the latter is based on decentralized (local or ‘off-grid’) water purification facilities which provide local communities with clean, safe drinking water at affordable prices.

**Additionality**

Vital looks to invest where it can have a significant influence on the course, scale and depth of the generated impact and underlying business. Additionality will be considered as meaningful in cases where Vital is likely to deliver significant added value to the business by utilizing the team’s expertise and experience in specific sectors and/or regions. Additionality also assesses the likelihood of the investee to secure adequate financing through alternative category sources. Vital invests in companies of various kinds and at various stages, and has a unique risk appetite, thereby creating a relatively unique financing source. Start-up/Greenfield risks are frequently viewed as acceptable as we strongly believe our team’s extensive prior experience in similar situations allows us to mitigate such risks adequately.

**What cannot be considered impact**

Focused on emerging, developing markets, Vital adheres to a clear policy regarding the definition of impact investment. At Vital we try to avoid considering elementary influences as tangible positive impact. According to our definition, not every investment that generates positive impact is an impact investment. Impact generated by Vital Capital projects is multidimensional and substantive. Two outcomes in particular are often described as impactful, but cannot be considered ‘impact’ by Vital’s standards. While indisputably important, and no doubt positive upshots of investing in developing markets, employment generation and increased governmental income simply cannot be considered enough to qualify. These impacts are part of the overall story of each of Vital’s investments, but apply to almost every investment undertaken in Vital’s focus market – even those motivated purely by financial considerations.

Considering the scope of need, we believe we can generate even more substantial impact using Vital’s unique resources. Thus, as we are committed to maximizing financial return, we also will not compromise when it comes to maximizing social return.

Investments where Vital’s involvement is not expected to contribute to the success of the business and the generation of impact are less likely to be pursued.
Vital’s target populations are previously underserved Sub-Saharan African communities. Each investment is assessed to determine the socio-economic segmentation of beneficiaries and the scale of influence.

**Segmentation**

Multiple segments of SSA communities were previously underserved and are now emerging. Segmentation usually relates to categories of bottom of the pyramid, poor, low income and other segments. Investments are viewed in relation to the community most likely to benefit from the operation. Focused on accelerating growth, low and middle classes are inherently favoured over more established, higher-income populations. Facilitating scalable change is not always a function of serving the poorest. Further, when investing at scale as Vital does, the beneficiaries often span various segments of the community. Thus, to the extent possible, indirect effects are also assessed and considered.

**Scale**

This criterion assesses the reach and magnitude of the impact. Local impact and multinational impact are therefore treated differently to reflect the extent of change associated with the investment.

Vital’s largest investment, in Kora Angola, is an example of an investment that targets the focus population on a large scale. In cooperation with the central and provincial governments, Kora is undertaking the construction of over tens of thousands affordable, high-quality housing units on 16 sites situated throughout Angola. Each of these sites is planned as an integrated urban residential community for the emerging middle class. As do most Sub-Saharan African countries, Angola suffers from a severe housing shortage, exacerbated by the lengthy civil war, which lasted decades. Additionally, the Angolan economy has been growing rapidly in recent years, resulting in an expanding middle class and a subsequent demand for suitable housing. Kora provides a full range of amenities including, but not limited to, affordable, high-quality housing and community infrastructure such as health-care facilities, schools and recreational areas. It is also developing much of the infrastructure to provide clean water, energy and environmental services to the urban communities. Kora is projected to house about 240,000 people, providing the middle class with an affordable, holistic solution, at less than 50% the price of comparable, and scarce, units on the market, thus creating impact at scale.

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**The African middle class**

By 2010, the middle class in Africa had grown to nearly 350 million people, or 34% of the continent’s population. However, about 60% of Africa’s middle class, approximately 180 million people, remain barely above the poverty level. They are in a vulnerable position and face the constant possibility of dropping back into poverty in the event of any exogenous shock.

An empowered middle class is often associated with better governance, economic growth and poverty reduction. Providing the middle class with its basic needs and a stable spatial setting often frees it to pursue secondary needs that will improve other aspects of its well-being, thus generating a cycle of growth that will in turn enable others to get out of poverty.

Source: 
*AFDB Report: The Middle of the Pyramid: Dynamics of the Middle Class in Africa, April 20, 2011.*
Local empowerment is a fundamental dimension of Vital’s impact approach. Vital views the communities in which it operates as partners. Protecting local interests and engaging local communities facilitates a ‘social license to operate’ which mitigates risks and enables business growth, which in turn results in greater impact.

Employment
Vital favours investments that rely heavily on local employment. Subcontractors’ employment is also monitored to assess the extent to which the local community benefits from the operation. Accounting for indirect employment, local purchases and suppliers are favoured by Vital’s portfolio companies, ensuring that secondary local impact is also maximized.

Local target market
Vital seeks investments that provide solutions to pressing local needs. We therefore favour investments that produce import substitutions as well as locally consumed rather than export-oriented products.

Capacity building
Extensive training and the creation of local know-how are the basis of impact sustainability and durability. Vital encourages its portfolio companies to support knowledge transfer and favours investments where training is inherent in the business model.

Aldeia Nova, one of Vital Capital’s portfolio companies, is an example of a company with a strong local presence. Aldeia Nova fuses agricultural production with service provision and social development by establishing and operating a large-scale agro-industrial centre. The centre supports local communities of farmers by providing all required inputs – animal feed, mechanical equipment, processing and packaging facilities, professional services and infrastructure. The centre also provides 100% off-take for the resulting production, which is then sold downstream under the trademark Made in Angola. Farmers are offered produce-based credit and are under contract with the company, enabling them to enjoy a low-risk, stable income.

The company relies heavily on local employment; over 96% of its employees are locals. It also provides more than 5,000 annual hours of training to local employees and countless hours of training to local farmers, helping to establish a strong foundation of local know-how and professional capabilities. Aldeia Nova’s products, mostly eggs, are essential products, produced locally for local consumption and as a quality import substitute. Production currently reaches about 250,000 eggs per day, which accounts for nearly 30% of local production.

A Focus on Vital’s Investment Setting

Vital invests in developing markets, with a primary mandate and passion to invest in Sub-Saharan Africa. Vital’s investments are predominantly in countries with a low to medium level of human development, as set by the UN Human Development Index. Our portfolio is focused on rural Sub-Saharan Africa, although some of our rural investments involve the establishment of urban communities in rural areas.
Vital seeks investments where we can find an inherent positive correlation between the financial and impact drivers. Finding these opportunities enables a virtuous cycle of enhancement where generating impact increases financial success, which in turn increases impact, and so on. As stated in our mission, Vital is committed to generating risk-adjusted financial return on its investments. This value creation is key to our approach, since we believe that this is the most promising way to achieve impact at scale as well as long-term sustainability. Therefore, impact should stem directly from the core business operation, rather than being a side effect.

Alignment with this approach is assessed throughout the process. We analyze each investment’s ability to achieve both impact and risk-adjusted return. We seek investments where, the more they grow, the greater the generated impact will be (the ‘re-coupling principle’) and decline investments that are not expected to fulfill both of these criteria.

**Using the Vital Impact Diamond**

*Vital’s impact model is applicable for a wide range of social impact investment strategies. The model is designed to be used to identify the impact profile of an investment.*

The *Vital impact diamond* is tailored to Vital’s unique approach to impact investing. In our case, investments are screened for their intrinsic impact generation, reflecting our focus on companies where impact is integrated in the core business and the drivers for financial and impact generation are correlated. Intrinsic impact describes the Fund’s strategic approach and thus applies to our entire portfolio.

Others may use the model to describe their CSR programs, where impact may be generated, but not as an intrinsic element of their business. Such profiles will be characterized with an inclination to the left. These activities will also usually have a lower rating on their beneficiaries dimension, as scale and reach tend to be smaller for non-intrinsic impact programs. The following is an example of a profile of a typical impactful programme, but not an impact investment:
Vital is committed to impact accountability and acknowledges the importance of a transparent, comparable and systematic impact measurement. Nevertheless, we also value the importance of a case-by-case outcomes study and the importance of sector-specific key performance indicators (KPIs). Thus, our impact measurement efforts span these different trends, aiming to form a comprehensive representation of the Fund’s impact.

In order to do so Vital has developed internal tools while also adopting internationally recognized measurement and reporting methods to advance the reliability, comparability and transparency of our impact performance.

Internally we work on two aspects: tracking critical output and pre-defined KPIs and developing investees’ capacity to track and report impact. This effort is also focused on actual outcomes and community impact assessments.

### Outputs

**GIIRS Rating**

GIIRS (Global Impact Investing Rating System) is a ratings and analytics platform for impact investing that provides comparable and verified social and environmental performance data on high impact funds and companies. As a GIIRS Pioneer Rated Fund, Vital Capital is setting the standard as a leading, mission-driven fund manager, creating positive social and environmental impact in our portfolio across sector, industry and markets.

Our Fund recognizes the importance of measuring and evaluating social and environmental performance based on credible, third-party verified standards. It is important for us to study our impact over time, including the impact of our portfolio companies, and to benchmark our performance relative to other funds operating in our sector and geography.

A GIIRS Fund Rating is composed of two main elements. The overall rating combines the score from a Fund Manager Assessment (10% of total rating) and an aggregation of the scores of the companies in the fund’s portfolio (90% of total rating).

<table>
<thead>
<tr>
<th>FUND RATING</th>
<th>FUND MANAGER ASSESSMENT [10%]</th>
<th>INVESTMENT ROLL UP [90%]</th>
</tr>
</thead>
</table>

**Vital’s GIIRS Rating**

Vital Capital is a GIIRS pioneer fund, one of the first funds to use the system and the first fund to implement GIIRS rating system in due-diligence process.

Vital’s rating on GIIRS reflects our commitment both to generating impact and constantly improving our practices and performance. Vital’s overall GIIRS rating, composed of both investment roll-up and fund manager assessments, positions us as one of the ten leading funds in emerging markets.

**OVERALL FUND RATING IN 2014:**

|其他新兴市场基金平均值：114.6 |

**Vital’s Fund Manager Assessment**

The Fund Manager Assessment scores funds based on their policies and practices in deploying and managing capital. Vital’s 2015 rating shows a dramatic increase from its 2012 rating, as lessons were learned and implemented. Moreover, we are very proud of our 2013 rating as it reflects our improvement despite the fact that GIIRS launched a new version of fund assessment, V4, that year. In 2014, we continued this trend by achieving 159 points, positioning us as a leading fund amongst the prestigious group of GIIRS rated funds of which we are proud to be a part.

Exploring the breakdown of Vital’s Manager rating shows above average scores for each of the sub-categories of the assessment (see fig. 7).

**VITAL’S GIIRS RATING**

<table>
<thead>
<tr>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
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<td>117.0</td>
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</tr>
<tr>
<td>118.8</td>
<td>119.2</td>
<td>118.8</td>
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</table>

**Fig. 6 Fund Manager Assessment**

- Vital Capital Score
- Average Score of Emerging Markets Funds
- Average Score of Emerging Markets Funds Actively Investing

**Fig. 7 Fund Manager Assessment by sub-categories**

- Targeted for investment
- Investment Criteria
- Portfolio Management
VITAL’S INVESTMENT ROLL-UP AND OVERALL RATING

Five of Vital’s investments were eligible for GIIRS rating in 2014. All of Vital’s rated portfolio companies achieved above average rating and gold to platinum medals on their impact business models.

GIIRS COMPANY ASSESSMENT

The overall GIIRS Company Assessment score is a combination of the Operational Rating and the Impact Business Models Rating. The operational rating is composed of four categories: community, environment, workers and governance. Each investment receives a maximum of five stars in each category, which are then aggregated to form the operational rating. The impact business models rating assesses the specific models implemented to solve social and/or environmental problems through a company’s products or services, target customers, value chain, ownership or operations. Scores are then translated into bronze, silver, gold or platinum rating.

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>IMPACT MODELS RATING</th>
<th>OPERATIONAL RATING</th>
</tr>
</thead>
<tbody>
<tr>
<td>KORA</td>
<td>PLATINUM</td>
<td>★★★★★</td>
</tr>
<tr>
<td>ALDEIA NOVA</td>
<td>PLATINUM</td>
<td>RATED</td>
</tr>
<tr>
<td>FOCAL ENERGY</td>
<td>GOLD</td>
<td>★★★★★</td>
</tr>
<tr>
<td>SGWK</td>
<td>PLATINUM</td>
<td>★★★★</td>
</tr>
<tr>
<td>WATER HEALTH INTERNATIONAL (WHI)</td>
<td>PLATINUM</td>
<td>★★★★</td>
</tr>
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</table>

Overall company assessment score

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>OVERALL SCORE</th>
<th>BENCHMARKS:</th>
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<tr>
<td>KORA</td>
<td>116</td>
<td>□ 116 105 103 116</td>
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<tr>
<td>ALDEIA NOVA</td>
<td>109</td>
<td>□ 98 109</td>
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<tr>
<td>FOCAL ENERGY</td>
<td>121</td>
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<td>122</td>
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<tr>
<td>WATER HEALTH INTERNATIONAL (WHI)</td>
<td>152</td>
<td>□ 152 103 152</td>
</tr>
</tbody>
</table>

BENCHMARKS:
- AVERAGE EMERGING MARKET (101)
- MEAN EMERGING MARKET (77)
- MARKET & SECTOR
- VITAL PROJECT
VITAL’S IMPACT BUSINESS MODELS
Identified by GIIRS in portfolio companies

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>IMPACT AREA</th>
<th>IMPACT BUSINESS MODEL</th>
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</thead>
<tbody>
<tr>
<td>KORA</td>
<td>CONSUMERS</td>
<td>Basic Services – Socially oriented</td>
</tr>
<tr>
<td></td>
<td>COMMUNITY</td>
<td>Supply Chain – Community practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Workforce Development – Community practices</td>
</tr>
<tr>
<td>ALDEIA NOVA</td>
<td>COMMUNITY</td>
<td>National economic development – Community practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Supply chain – Community practices</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Workforce development – Community practices</td>
</tr>
<tr>
<td>FOCAL ENERGY</td>
<td>ENVIRONMENT</td>
<td>Renewable/cleaner energy – Environmental products and services</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Environmental practices – Manufacturing</td>
</tr>
<tr>
<td></td>
<td>ENVIRONMENT</td>
<td>Renewable/cleaner energy – Environmental products and services</td>
</tr>
<tr>
<td>SGWK</td>
<td>CONSUMERS</td>
<td>Serving those in need</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Infrastructure – Socially oriented</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Basic Services – Socially oriented</td>
</tr>
<tr>
<td>WHI</td>
<td>CONSUMERS</td>
<td>Serving those in need</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Basic services – Socially oriented</td>
</tr>
<tr>
<td></td>
<td>COMMUNITY</td>
<td>Microdistribution – Community practices</td>
</tr>
</tbody>
</table>

GIIRS company assessment identifies over 15 specific Impact Business Models (IBM) focused on workers, suppliers, consumers, distributors, local or national community and the environment.

Vital’s portfolio companies earned 2-3 impact business model each, focused on consumer, community and environmental impact models.

KEY PERFORMANCE INDICATORS

Corresponding and complementary to the GIIRS rating, Vital defines and tracks key performance indicators specific to each portfolio company, and on a cross-portfolio level, for indicators that are applicable regardless of sector.
100% of investments are in developing markets

87% of investments are in SSA

75% of investments received equity investment

71% of investments are in low development countries (UN HDI)

440,000 cubic metres of wastewater treated last year

>50,000 litres of milk projected to be processed each day

>67 million eggs produced annually

>15,000 affordable units in community setting sold and ready to be delivered

112,000 greenhouse gas offset/mitigated (number of metric tonnes of CO₂ equivalent)
>80% of investments target poor to middle-class populations

5.3 million individuals are estimated to be provided with solutions to previously unmet needs

2.5 million individuals are estimated to already enjoy a solution to a previously unmet need

1.3 million people are estimated to be in the process of being connected to a reliable power grid

6.3 million people are estimated to be provided with access to safe drinking water*

* Out of the 6.3 million individuals, an estimated 1.55 million are consumers of clean water, or consumers who will obtain access to a safe, free-of-charge water source in the following year. The rest are individuals who are enabled access to a safe water solution, i.e. individuals in communities where a water centre has been established and is now available for their use.
**Supporting Local Workforce Development**

- 2,000 local direct employees
- >6,000 employees employed on project sites
- 12,000 training hours provided to employees in 2014
- 4,000 smallholder farmers sell and buy from Vital’s portfolio

**Boosting Local Economies**

- >$2 million: Reported value of charitable donations by portfolio companies
- $320 million: Actual value of purchases from local suppliers
- $22 million: Value of payments made to smallholder farmers
- $90 million: Actual value of purchases from small to medium local suppliers
- 40%: Savings on healthcare and diagnostic services compared to similar services usually sought abroad
- >50%: Reduction in home ownership costs
Creating value is about changing people’s lives, developing solutions and measuring their realization. Potential improvement is represented by outputs and performance measurements. However, in order to reflect tangible improvements in well-being, at all levels, comprehensive, qualitative research is necessary. For example, ‘number of people employed’ is an output, but the influence being employed has on a worker’s life – enabling him to enjoy economic welfare, send his kids to school and renew his self-confidence – is an outcome, a long-term impact.

Recognizing the importance of capturing the true value our investments generate, Vital is already in the process of conducting outcomes surveys on the ground. Naturally, outcomes and long-term, sustainable impact can be measured only after implementation is established and perspective is gained.

As part of our commitment to continuously improving our practices, we will continue to develop our outcomes measurements methodologies and aspire to capture Vital’s impact fully.
Vital’s investments

AN OVERVIEW OF OUR CURRENT PORTFOLIO
Kora, Urban Communities

THE NEED
Rapid urbanization and expanding slums are major problems worldwide, but more so and in greater dimensions in Sub-Saharan Africa, where slum occupancy is approaching 200 million. Specifically in Angola, the estimated housing deficit is close to two million units.

THE SOLUTION
Kora involves the construction of affordable, high-quality housing units throughout the country. By undertaking the development of these integrated urban residential communities, Kora is tackling Angola’s housing shortage and providing affordable housing in a community setting for the emerging middle class.

COMPANY OUTLINE
Kora provides a full range of amenities including, but not limited to, affordable, high-quality housing and community infrastructure such as healthcare facilities, schools and recreational areas. It is also developing much of the infrastructure and the amenity facilities needed to provide clean water, energy and environmental services to the urban communities. The first fifteen-thousand units have already been built, sold, delivered and paid for, and Kora is now well into the company’s second phase of designing similar solutions for additional African countries.

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>AFFORDABLE HOUSING</th>
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</thead>
<tbody>
<tr>
<td>GEOGRAPHY (COUNTRY)</td>
<td>ANGOLA</td>
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<tr>
<td>COMMITMENT AMOUNT</td>
<td>US $90.1M</td>
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<td>DATE OF IC APPROVAL</td>
<td>13 DECEMBER 2010</td>
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<tr>
<td>OWNERSHIP</td>
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</tr>
<tr>
<td>STAGE/PROGRESS</td>
<td>OPERATIONAL</td>
</tr>
<tr>
<td>TARGET IRR</td>
<td>+20%</td>
</tr>
</tbody>
</table>

100% of units consist of affordable housing

240,000 beneficiaries to be reached among the rural and semi-urban Angolan middle class

50% Kora housing is less than half the price of comparable, scarce units on the market

15,206 units sold, projected to house approximately 78,000 people

51 education facilities are being built and equipped

6 healthcare facilities projected to serve the health needs of 138,000 individuals

$244m of local purchases made

>5,000 employees employed at HQ and project sites
Aldeia Nova, Agro-industrial Development

THE NEED
Over seven million Angolans, or 40% of the population, are undernourished. The local eggs market is dominated by low quality imports and local production capacity is low.

THE SOLUTION
Aldeia Nova provides a major source of income for local populations and offers increased food security through the establishment of a local agriculture brand, proud to be labelled as made in Angola. Aldeia Nova’s impact also lies in the creation of economic and commercial literacy among the local farmers and community which will enable them to thrive in the long term.

COMPANY OUTLINE
Aldeia Nova fuses agricultural production with service provision and social development by establishing and operating a large-scale agro-industrial centre. The centre supports communities of farmers and their families by providing all required inputs – animal feed, mechanical equipment, processing and packaging facilities, professional services and infrastructure. The centre also provides 100% off-take for the resulting production, which is then sold downstream by the centre.
Luanda Medical Center

THE NEED
Angola’s health system suffers from a lack of human and institutional capacity and a scarcity, approaching a complete lack, of diagnostic medical devices. This deficit makes healthcare a privilege, available only to a minority of the population with the financial means to seek such services abroad.

THE SOLUTION
The goal of the Luanda Medical Center is to improve the standard of healthcare available in the country and to increase local staff competency and education. The LMC is designed to serve not only the population of Luanda and its catchment area, but all parts of Angola, including people at all socio-economic levels. The LMC addresses the demand of the country’s growing middle class for international-quality domestic healthcare services offered at reasonable prices.

COMPANY OUTLINE
The LMC will operate as a diagnostic centre that performs out-patient surgeries, providing same-day ambulatory and cardiology procedures, MRI scans, CT scans, ultrasounds, X-rays and other diagnostic and imaging services. Besides training local workers to staff the hospital, the LMC will recruit expatriate healthcare and administration professionals with the goal of building a highly capable, collaborative team.

SECTOR HEALTHCARE
GEOGRAPHY (COUNTRY) ANGOLA
COMMITMENT AMOUNT US $16.6M
DATE OF IC APPROVAL 31 JULY 2010
OWNERSHIP MAJORITY
OWNERSHIP TYPE EQUITY
CONTROL YES
STAGE/PROGRESS BEGAN Q1 2015
TARGET IRR >20%

4 operating rooms
9,000 expected annual training hours for employees

16 consultation rooms
40% savings on services compared to similar services usually sought abroad

22 diagnostic and life-saving units of equipment (excludes lab equipment)
50,000 individuals projected to receive service annually

100 local employees projected, of which 40 caregivers
>100,000 visits estimated annually
Focal Energy

**THE NEED**
Energy shortage is an endemic problem across emerging markets. Current electricity sources in developing nations include a very high proportion of diesel-run generators which are costly to operate, inefficient and highly polluting. There is a great need to shift the balance, improving access to energy via sustainable technologies.

**THE SOLUTION**
Focal Energy develops, operates and manages renewable energy based power-plants, including solar (PV), biomass (farming waste) and small-scale hydro (run-of-the-river).

**COMPANY OUTLINE**
Focal’s initial concentration is on the Indian market, with 127MW under management, comprising 27MW operating assets and 60MW under development. In its operations in India, Focal has developed strong expertise in low-cost renewable energy generation, a skill set we view as highly valuable for application across other emerging markets.

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**GIIRS OVERALL RATING**
- MARKET & SECTOR: 96
- MARKET ONLY: 101
- FOCAL ENERGY: 121

**SECTOR**
CLEAN ENERGY

**GEOGRAPHY (COUNTRY)**
INDIA

**COMMITMENT AMOUNT**
US $14.2M

**DATE OF IC APPROVAL**
10 SEPTEMBER 2012

**OWNERSHIP**
MINORITY

**OWNERSHIP TYPE**
EQUITY

**CONTROL**
YES

**STAGE/PROGRESS**
BEGAN Q1 2015

**TARGET IRR AT UNDERWRITING**
+20%

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**112,206**
toes of greenhouse gas offset/mitigated

**77.5m**
KWh produced in 2014

**$1.35m**
annual biowaste purchases from smallholder farmers in 2014

**83,000**
individuals estimated to gain access to energy from a renewable source

**Up to 3,000**
farmers sell agro-waste to Focal Energy
Prabon Greenfields

THE NEED
The shortage of houses in Ghana, especially in urban areas, has given rise to very high occupancy rates, exorbitant rents, unstable tenancies and poor living conditions. According to UN Habitat, 60% of the national requirement for houses remains unsatisfied each year.

THE SOLUTION
Prabon Greenfields embodies the hallmarks of sustainable planning and demonstrates a holistic approach to community building, adapted specifically to the local Ghanaian setting.

COMPANY OUTLINE
The Prabon Greenfields investment involves the construction of a high-quality, integrated, 500-unit community near Kumasi, Ghana. Located in Asante territory, Prabon is positioned to provide a solution to the housing needs of local Ghanaians as well as Ghanaians living abroad who wish to return to their homeland.
**Tomosi’s Dairy**

**THE NEED**
Most towns and villages in rural Uganda lack processing facilities for milk and are forced to rely on the costly transportation of dairy products from the capital, resulting in high prices. Local farmers, meanwhile, are forced to sell their milk at a seasonal price. Their milk is then often transported to the capital for processing without proper cooling.

**THE SOLUTION**
A local modern dairy processing operation such as Tomosi’s Dairy will reduce dependence on dairy products from the capital (a five-hour journey by truck), enabling the payment of higher prices to local farmers as well as increasing availability and lowering prices for consumers.

**COMPANY OUTLINE**
Once operational, the facility will increase local milk processing to 50,000 litres per day and enable the production of milk-based products such as yogurt, UHT milk and more. The dairy will be fed with milk from local cooperatives, enabling them to enjoy a stable, fair income, year round. As such, the Tomosi’s Dairy investment will directly benefit local farmers, their employees and the local population by developing local processing capabilities, creating local jobs, improving food security and reducing the need for imports.

---

**SECTOR** AGRICULTURE  
**GEOGRAPHY (COUNTRY)** UGANDA  
**COMMITMENT AMOUNT** US $9M  
**DATE OF IC APPROVAL** 2 MAY 2013  
**OWNERSHIP** MAJORITY  
**OWNERSHIP TYPE** EQUITY  
**CONTROL** YES  
**STAGE/PROGRESS** UNDER CONSTRUCTION  
**TARGET IRR** +20%  

800 smallholder farmers are projected to sell milk to the dairy  
55 workers already employed on-site during construction  
50,000 litres of milk projected to be processed daily  
$2.5m projected payments to smallholder farmers annually
THE NEED
Lima is one of the driest capitals in the world, second only to Cairo. High population growth is putting additional pressure on those parts of Lima lacking adequate water supply and sanitation. Consequently, close to one million people in Lima do not have access to safe drinking water. In addition, only about 17% of Lima’s wastewater receives some form of treatment; the majority is discharged either into the rivers or directly into the Pacific Ocean. Only 5% of the treated wastewater is reused for irrigation each year.

THE SOLUTION
Capital Water develops and implements technological solutions for the treatment of contaminated water. Given the extreme water scarcity in and around Lima and the city’s continued population growth, reclaimed wastewater is used for public irrigation, thus reducing pressure on drinkable freshwater. This also avoids contamination of the environment and reduces municipalities’ expenses for parks maintenance.

COMPANY OUTLINE
Capital Water is active in the sector of wastewater reclamation and treatment in and around Lima, designing and executing both turn-key and not projects for governmental, municipal and commercial clients. Its expertise is now also implemented in TK projects in Africa.
SGWK Transmission Line

**THE NEED**
Residing mainly in the rural areas of the country, 70% of the Angolan population has no access to grid-provided electricity, relying on local off-grid solutions that most often involve the use of diesel-powered generators, which are highly inefficient, extremely polluting and unreliable.

**THE SOLUTION**
The Sumbe-Gabela-Waku Kungo Transmission Line (SGWK) is an enabler for future connectivity that will provide reliable access to energy for previously underserved rural communities. The line will reduce dependence on expensive and polluting diesel-powered generators by connecting to the grid a great number of households, factories, water systems and other important social and commercial institutions. The line is powered predominantly by renewable, hydroelectric power stations.

**COMPANY OUTLINE**
The objective of the SGWK transmission line project is to expand the Angolan electricity transmission grid into the rural areas. The SGWK investment involves the construction of 330 km of new electricity lines (255 km of high-voltage electricity transmission lines and 75 km of low-voltage electricity distribution lines), the installation of five new substations and the renovation of another two existing substations.

<table>
<thead>
<tr>
<th>SECTOR</th>
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<tbody>
<tr>
<td>GEOGRAPHY (COUNTRY)</td>
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<td>STAGE/PROGRESS</td>
<td>OPERATIONAL</td>
</tr>
<tr>
<td>TARGET IRR AT UNDERWRITING</td>
<td>+20%</td>
</tr>
</tbody>
</table>

**GIIRS OVERALL RATING**
- MARKET & SECTOR 103
- MARKET ONLY 101
- SGWK 122

- 1.3m individuals are estimated to be connected to a reliable power grid
- 150 local employees employed on sites
- 330 km of transmission lines are under construction
**THE NEED**

According to the [WHO and UNICEF](#), as of 2015, 9.4 million people in Angola—roughly half the population—did not have access to safe water. 6% of total deaths in the country are attributed to WSH (water, sanitation and hygiene) related diseases, compared to 0.5% in developed countries. Only an estimated 35-38% of the rural population in Angola has access to a reliable water source (World Bank data).

**THE SOLUTION**

Water for All (WFA) will supply clean water for personal consumption to over 150 villages in rural areas of Angola, affecting an estimated 500,000 people overall.

**COMPANY OUTLINE**

WFA connects villages to a remote water source using a system of pipes and pumps. The programme provides the infrastructure to support the filtration of the water, storage of the filtered water in tanks, and distribution through a central point in each village to water fountains, showers and laundry points.

### Essentiality

- **Intrinsic Impact**
- **Locality**

### Beneficiaries

- **WFA**

### GIIRS RATING

- **NOT APPLICABLE YET**

### Water for All

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>WATER</th>
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<tr>
<td>GEOGRAPHY (COUNTRY)</td>
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<tr>
<td>COMMITMENT AMOUNT</td>
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<td>OPERATIONAL</td>
</tr>
<tr>
<td>TARGET IRR</td>
<td>&gt;20%</td>
</tr>
</tbody>
</table>

> 30,000 individuals already connected to a safe drinking source

> $6m purchases made locally

1.3m litres of water provided daily

500,000 individuals in total will gain access to a safe, clean drinking water source
THE NEED
Water scarcity is a pressing problem across the developing world. In many developing countries, a large portion of the population – usually the bottom of the pyramid – either does not have access to clean drinking water at all, or if it does, it comes at unaffordable prices. This leads to severe consequences such as diseases, inability to work and ensuing poverty, inability of children to attend school and inability to develop and operate businesses, and is therefore considered one of the main global development challenges today.

THE SOLUTION
Water Health International Inc. offers an innovative solution to this problem, based on decentralized (local or ‘off-grid’), cheap and easy-to-maintain water purification facilities which provide local communities with clean drinking water at affordable prices. Furthermore, WHI’s model allows it to do so in a commercially viable way, guaranteeing the operation’s long-term sustainability.

COMPANY OUTLINE
Water Health develops and runs purification facilities, called ‘Water Health Centers’ or WHCs, in partnership with local communities to create a scalable and sustainable solution for processing healthy and affordable drinking water. It maintains a centralized real-time monitoring and quality control system to guarantee an immediate and agile response to any system or water quality issues.

SECTOR WATER
GEOGRAPHY (COUNTRY) INDIA & WEST AFRICA
COMMITMENT AMOUNT US $10M
DATE OF IC APPROVAL 9 SEPTEMBER 2014
OWNERSHIP MINORITY
OWNERSHIP TYPE EQUITY
CONTROL NO
STAGE/PROGRESS OPERATIONAL
TARGET IRR AT UNDERWRITING +20%
Philanthropic Activities and Collaborations

In addition to investing for impact, we initiate and support philanthropic activities to supplement the impact we generate through our investments. Philanthropic work gives us the opportunity to enhance impact in communities where we are already active, and to contribute in areas where we are currently less active, such as education and culture. We also collaborate with universities and other institutions to promote awareness of Africa, impact investing and responsible business practices.

Raising awareness

Vital Capital acts to raise awareness of the opportunities that exist in Africa, from exposure to the continent’s history to business, cultural and educational opportunities. Vital supports and collaborates with academies and internship programmes that aim to provide students with the opportunity to combine theoretical knowledge with hands-on practical experience on the continent. Among Vital’s supported programmes are improvement of vocational education, researching women’s resilience to food insecurity, and a capacity-building programme for social workers.

Engaging local communities

Vital promotes activities to support the flourishing of local art and music in Africa. We do so with a focus on mutual learning processes and collaborations that empower local artists to further celebrate local culture. In addition Vital supports programmes that increase access to information and technologies for communities in rural areas of Sub-Saharan Africa.

Promoting local know-how

The Fund aims not only to spread knowledge about Africa but also to spread knowledge across Africa. Vital supports African students from different academic fields such as childcare, community-development studies and more to acquire knowledge at international institutions, with a genuine intention for them to implement and spread their knowledge once back in their homeland, in the interest of improving local quality of life. On the same note, Vital works to empower professionals from Africa to guide policymakers in the education, childcare and environmental fields.

Promoting good business practices

Vital is also active in promoting the concepts of impact investing and ethical business. The Vital Centre for Impact Investing & Business Ethics was established at the Peres Academic Centre in Israel. Students find at their disposal a variety of courses sponsored by the Vital Centre. The courses deal with a wide variety of subjects such as environmental and sustainability management, business ethics and corporate social responsibility, corporate governance, and ethics for accountants.
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