

Impact Investment Evaluator – KL Felicitas Foundation

Impact First Investment

Financial First Investment

Program Related Investment

Sustainability Investment

Mission Related Investment

Social Component Investment

Investment Name: Acumen Capital Markets I, L.P.	Investment Amount: \$100,000, 10-year Senior Note at 3% annual, paid quarterly
Investment Date: July 27, 2009 drawn in 2 tranches with final Sept 1, 2010	
Asset Class: Fixed Income	Region of Impact: India, Pakistan, South Asia, East Africa

Investment Due Diligence by: Raúl Pomares **Signature:** _____ **Date:** _____

Impact Due Diligence by: Charly and Lisa Kleissner **Signature:** _____ **Date:** _____

Summary Description of Investment: Acumen Capital Markets (ACM) is a fund managed by Acumen Fund, Inc., that targets small- and medium-sized enterprises that serve the “bottom of the pyramid” (BoP) marketplace in East Africa and South Asia. The fund is a vehicle through which investors can support companies that deliver services and products such as healthcare, water, housing, and energy to underserved markets. The fund is issuing limited partnership equity interests and senior and subordinated debt obligation to support “Acumen Fund’s charitable mission of providing investment capital to social entrepreneurs that seek to build viable businesses that serve the poor.”

Main Contacts:

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Supporting Documents:

- Acumen Capital Markets I, LP Preliminary PPM
- Acumen Capital Markets Presentation, May 2008
- Acumen Web Site
- Various correspondence and meeting notes (Nov 2007 – Mar 2009)

Impact Due Diligence Update: August 2010

Financial Due Diligence Update: Original investment date



KL Felicitas Foundation

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* Questions are scored by -1, 0 and +1, estimating a degree of alignment with the Foundation's programs, mission, intended impact and investment strategy. -1 is a low alignment score; +1 is a high alignment score

Program/Mission/Sustainability Due Diligence (Foundation Directors and Philanthropic Advisors)		
Alignment with the Foundation		Score*
<p>1a. How does this investment align with the impact objectives of the Foundation?</p> <p>b. In what area(s) does the Foundation believe this investment will contribute the greatest degree of impact?</p>	<p>a. Proceeds from Acumen's fundraising provide debt and quasi-equity capital to small- and medium-sized enterprises in East Africa and South Asia that serve the poor. Funds are directed at helping these enterprises go to scale in order to serve many more people. The Foundation seeks to enable social entrepreneurs to grow and scale social enterprises with high, measurable social impact.</p> <p>b. <input checked="" type="checkbox"/> Program Impact <input type="checkbox"/> Mission Impact <input type="checkbox"/> Sustainability Impact Notes: The greatest program impact will be the growth and scaling of social entrepreneurs' enterprises and fostering economic development in rural communities.</p>	+1
<p>2a. Are there any elements of this investment that are contrary to any value(s) of the Foundation?</p> <p>b. If so, how is this being addressed?</p>	<p>a. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p> <p>b. N/A</p>	+1
<p>IRS Compliance: If this is a Program Related Investment, answer questions (3a-c) and question (4) below. If not, proceed to question 5.</p> <p style="text-align: center;">This <input checked="" type="checkbox"/> IS <input type="checkbox"/> IS NOT a Program Related Investment.</p>		Score
<p>3. Is this investment compliant with the definition of PRI in the Tax Reform Act of 1969 section 4944?</p> <p>a. Is its primary purpose to advance the Foundation's charitable objectives?</p> <p>b. Is a significant purpose of the investment to generate financial return (either income production or property appreciation)?</p> <p>c. Will funds be used either directly or indirectly to lobby or for political purposes?</p>	<p><input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>a. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No The Foundation's mission is to enable social entrepreneurs worldwide to develop and grow economically sustainable, scaleable social enterprises. Acumen Capital Markets manages funds specifically for investment into such social enterprises, with social impact the primary criteria for investment. As such, there is very high alignment between the Foundation's charitable objectives and Acumen's target investments.</p> <p>b. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No The risk profile of Acumen's typical investments would normally correlate to a considerably higher return than Acumen's Notes will provide. Notes issued by Acumen are not secured, guaranteed or insured, and pay 3%/year. Acumen's PPM indicates that it will make investments in "illiquid markets which have disproportionate risks relative to financial return, given the Fund's significant social objectives."</p> <p>c. <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No</p>	+1
<p>4. What conditions exist that suggests this PRI is a more effective or appropriate vehicle for achieving the Foundation's programmatic objectives versus a grant?</p>	<p>Small- and medium-sided enterprises in developing countries typically have very limited access to capital markets, due to the absence of such markets and a perceived lack of creditworthiness among lenders. ACM funds enterprises that are able to service their debt and continue growing their operations to scale. Providing reasonably priced growth capital in this sector helps expand vital services to the poor, including the delivery of healthcare, providing access to water, housing and</p>	+1

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	energy services. These services will then be sustained through viable, high-performing private sector companies.	
Relationship & Reputation		Score
<p>5a. How well does the Foundation know the investment and/or strategy?</p> <p>b. What is the nature and duration of this relationship?</p> <p>c. Have members of the foundation made site visit(s)?</p>	<p>a. The Foundation has made previous program related investments and grants to fund the lack of capital available to social enterprises serving the bottom of the pyramid. The Foundation has also made grants to Acumen Fund in the past to support its mission of growing social enterprises.</p> <p>b. Foundation principals have a long relationship with Acumen, and one principal is a member of the ACM Advisory Council.</p> <p>c. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes: Foundation members have not made site visits as investors in ACM, but have made visits to many of the social enterprises in which Acumen has invested. Investment advisor did onsite meetings in NYC offices with team.</p>	+1
<p>6a. Have other Foundations recognized this as an impact investment?</p> <p>b. Do other respected partners of the foundation have a relationship with or experience with this investment?</p>	<p>a. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes:</p> <p>b. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Notes: The Skoll Foundation extended a \$2.6 million equity investment to Acumen Capital Markets, as well as a \$900,000 loan to support business development in South Asia and Sub-Saharan Africa. Google has also invested in Acumen.</p>	+1
<p>7a. How integral to the success of the investment is: <input checked="" type="checkbox"/> Program Impact <input type="checkbox"/> Mission Impact <input type="checkbox"/> Sustainability</p> <p>b. What is the form and level of personal commitment by the investment principals and/or founders to the impact described above?</p> <p>c. How much personal financial capital have the investment principals and/or founders committed to the investment?</p>	<p>a. The enterprises that qualify for Acumen's investment necessarily have high social impact. As an investment fund, Acumen will only be successful as these enterprises grow, scale their operations, and become more profitable. Thus, the sustained growth and increase in social impact of portfolio companies is integral to the success of the investment.</p> <p>b. Acumen Fund Inc, the manager of the ACM fund, is a nonprofit global venture that uses entrepreneurial approaches to solve the problem of global poverty. As such, the impact objectives of ACM are inherently social in their orientation. Jacqueline Novogratz, founder and CEO, has led Acumen since 2001 and helped place \$40 million in 35 companies serving 25 million low-income customers.</p> <p>c. Unknown.</p>	+1
Impact Monitoring & Reporting		Score
<p>8a. What approach will be used to evaluate the impact of the investment? Are there specific metrics for reporting?</p> <p>b. What is the proposed nature and scale of the impact, e.g. in 1 year, 3 years, long-term?</p>	<p>a. Acumen is a leader in the field of social impact monitoring, and employs the innovative PULSE database system to track all of its investments' various impacts over time. ACM will measure social impact through the quantity of critical products and services delivered, number of jobs created, and the number of lives touched as a result.</p> <p>b. Although the impact sought by Acumen is primarily long-term (five to ten years), their goals are stated with a four-year time horizon.</p>	+1

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9. Will the Investment Manager provide impact-related reporting?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Notes: Across all of its investments, Acumen tracks the quantity of critical products and services delivered, the number of people's lives touched, and the number of jobs created. Impact metrics of interest to the Foundation include employment creation and total number of lives touched as a result of the investment.	+1
10. Does the investment scale, accelerate, support or re-enforce other Impact Investments in the investment or grant portfolios?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Notes: ACM invests in WaterHealth International, which the Foundation also invests in through a private equity fund. The ACM investment also reinforces the investment in E+Co, as they both seek to fund and invest in SMEs delivering program-critical services in traditionally underserved markets.	+1

Investment Due Diligence (Investment Advisor)

Investment Structure & Portfolio Implications		Score
11. Investment due diligence process	<input checked="" type="checkbox"/> Impact First due diligence process <input checked="" type="checkbox"/> Financial First due diligence process <input type="checkbox"/> Other: Investment was originally identified for consideration as a financial first investment, but then proceeded to an impact first investment. The original financial assessment determined that the risk, relative to a captive potential return offered by the note structure, suggested that this did not offer a market based or commercially focused return. Given the high degree of programmatic alignment and ability to optimize the social return, efforts were refocused to due diligence ACM as an impact first PRI.	0
12a. What is the structure of the investment under consideration? b. Is the investment structure ideally suited to achieve both the appropriate risk adjusted rate of return while promoting the foundation's impact objectives?	a. The investment is a 3% Senior Note, paid quarterly, with a 10-year maturity. b. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Notes:	0
13. Asset Class	<input type="checkbox"/> Cash and Equivalents <input checked="" type="checkbox"/> Fixed Income <input type="checkbox"/> Public Equity <input type="checkbox"/> Private Equity Notes: Sub-Asset Class is Notes and Other Debt Obligations	<input type="checkbox"/> Hedge Funds <input type="checkbox"/> Venture Capital <input type="checkbox"/> Real Estate <input type="checkbox"/> Real Assets +1
14a. Will members of the Foundation play an active role in the investment? b. If so, will questions of self-dealing arise?	a. <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No One Foundation principal serves on the Acumen Advisory Council. b. No compensation is paid for the Advisory Council role, and the Council rarely discusses or manages specific investments made by Acumen.	+1
Investment Monitoring & Reporting		Score
15a. What is the financial benchmark that will be used to evaluate this investment?	15a. <input type="checkbox"/> Market indices Specify:	15b. <input type="checkbox"/> < 1 year <input type="checkbox"/> 3-5 years 0

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<p>b. Over what period(s) of time will we measure the investment performance?</p>	<p><input checked="" type="checkbox"/> Absolute Return Specify: CPI</p> <p><input type="checkbox"/> Peer Group Comparison Specify: Notes:</p>	<p><input type="checkbox"/> 5-10 years <input checked="" type="checkbox"/> 10-20 years <input type="checkbox"/> > 20 years</p> <p>Notes: Benchmark financial performance will be monitored quarterly.</p>	
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Additional Comments or Observations			