



GRASSROOTS BUSINESS FUND

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GRASSROOTS BUSINESS FUND

Dear Friends,

We are pleased to present GBF's Annual Report for Financial Year 2015, ending June 30, 2015.

A key pillar of GBF's work is to stay developmentally useful—taking appropriate risks and doing hard, but valuable, work. Investing in socially impactful projects, we continue to work in challenging sectors with a focus on agribusiness and in regions that have been difficult for others to reach. We believe GBF's model is a potentially an important one for the field—building companies, encouraging professionalism and formalization as well as striking better models for blending of investment capital and business advisory services. GBF has shown its ability to adapt to learnings as well as changes in our environment.

The past year was one of maturation and continued improvement for GBF. We advanced significantly in decentralizing the organization—including the budget, and people and resources—from HQ to our field offices. Our local offices now lead on key parts of our business, and are even taking on key global management functions.

Results so far are encouraging, with each dollar invested in our portfolio companies estimated to provide \$4 of economic value to our targeted low income communities. These companies are growing 20% annually on average, and have supported over 540,000 sustainable jobs for farmers, workers and artisans over the past fiscal year.

We have undergone several evaluations, and the outputs from these have provided inputs for further improvements to our model, such as streamlining processes and increasing efficiencies.

Staff is a key part of our model, and we are making progress in retaining and developing our key personnel. We have upgraded our staff and brought in better advice from consultants (mostly local), mentors (experienced local businesspeople), and GBF stakeholders (investors and Investment Committee members). This is helping us learn, grow and make better decisions, and provide better input to our investees. We think we are on the right track. Challenges remain, but we are energized by the journey, advancing toward our goal of a bigger and better GBF - one that creates lasting social impact on large numbers of the poor.

Sincerely,

Harold Rosen
Chief Executive Officer

Andrew Adelson
Chairman of the Board

About Us

The Grassroots Business Fund (GBF) aims to reduce poverty by building companies which provide sustainable incomes and cost-savings for poor populations in lower-income countries. GBF’s market-based approach to poverty alleviation focuses on building “High Impact Businesses” (HIBs)—firms which benefit large numbers of the poor by generating income or offering affordable, quality products and services. Through a network of mostly field based investment and business professionals, GBF grows HIBs in two ways:

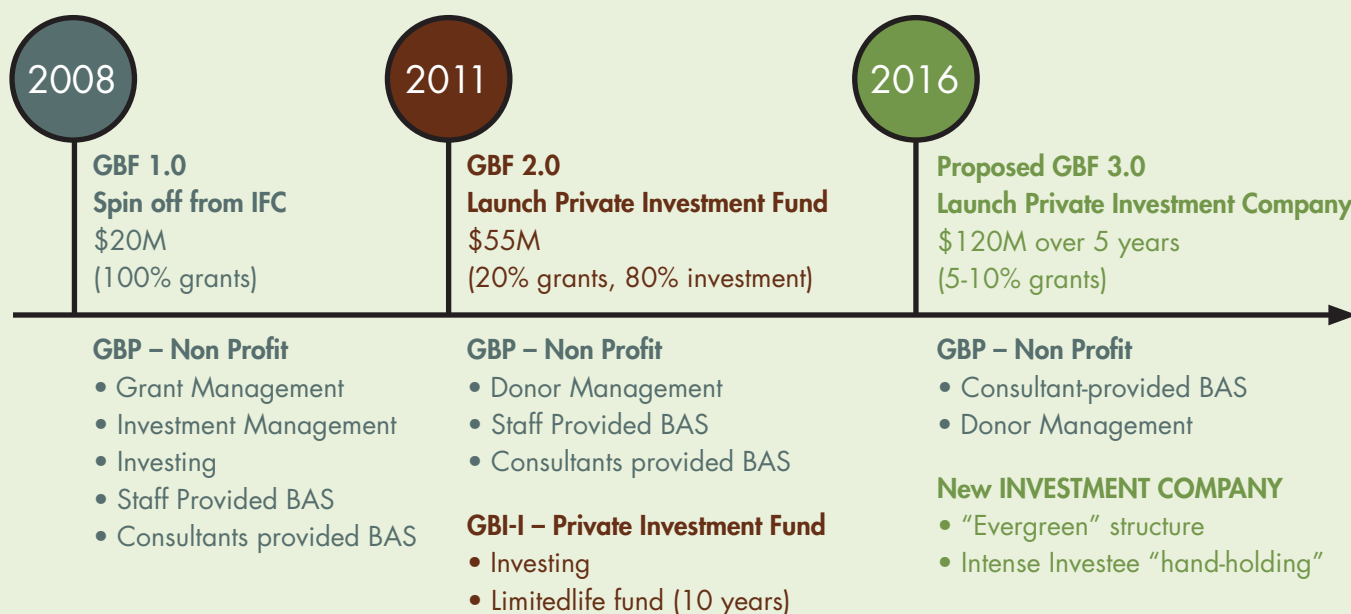
By providing **tailored investment capital** using a **high-touch** approach that itself helps build companies’ business fundamentals, and

Providing investees with **“Business Advisory Services” (BAS)**, which connect companies to local industry experts.

GBF’s experienced staff has built and refined this model for over a decade, based on direct, on-the-ground experience, investing in over 60 businesses in Africa, Asia, and Latin America.

Our History:

Following four years of incubation in the World Bank’s International Finance Corporation, GBF became an independent non-profit organization in 2008.



Our Performance

GBF Investment Fund Performance¹

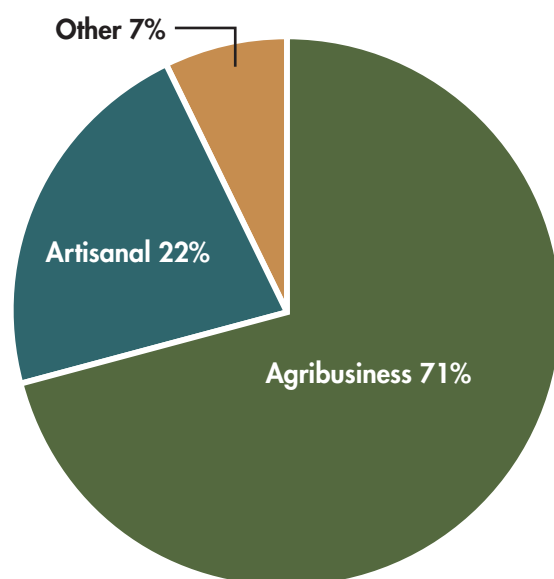
Among small and medium enterprises in developing economies, 25% of firms cite access to finance as a major constraint, and 50% are unserved or underserved.² We try to help businesses access financing that meets their needs and alleviates their constraints. Experience with our investees suggests that GBF's model can work to help companies grow into sustainable, profitable sources of value in their communities. Our fund is on track to provide financial and social returns in line with original expectations.

Key Performance Indicator	Actuals (as of June 30, 2015)
Approved Investments	\$38M
% of Approved Portfolio Disbursed	84%
Number of Investee Companies	30
Active Portfolio Valuation	\$24.4M
Number of Active Investee Companies	19
Active Portfolio Internal Rate of Return	8.6%

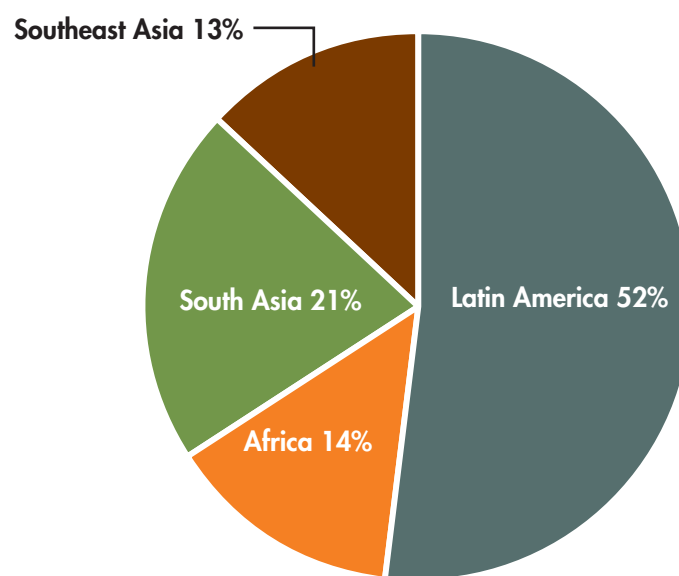
21%
avg. investee
revenue growth

90%
of positive investees
have positive EBIDTA

Investment by Industry



Investment by Region



¹ See page 12 for GBF's financial statements for the fiscal year ending 6/30/15

² World Bank Group International Finance Corporation, Enterprise Finance Gap Database

BAS Performance

GBF's BAS program provides advisory services to portfolio companies (or far along pipeline companies) of GBF's investment fund GBI-I in order to support their growth and sustainability improving business skills. The assistance offered by BAS serves to underpin capital provided by GBF.

Core BAS Areas: After 2 years in the portfolio...



FINANCIAL MANAGEMENT

Over 73% of the companies had a financial dashboard in place that is regularly reviewed: Only 17% had one in 2012



STRATEGY

100% of companies have a written long term strategy and discuss its implementation, compared to 73% in 2012



OPERATIONS

Over 78% of companies have diversified buyers and suppliers and actively manage risk through diversification: 55% in 2012



CORPORATE GOVERNANCE

Over 89% have competent managers in place who could take over for CEO: 64% in 2012



LEGAL/REGULATOR

78% of companies are organized in a manner enables outside investment: 45% in 2012



ENVIRONMENT & SOCIAL MANAGEMENT

100% of companies have a functional human resources policy in place for employees: 75% in 2012

BAS Figures³



BAS Review: Mid-Term Report

GBF commissioned an independent financial consultant to conduct a review of our BAS program, completed on April 20, 2015. While offering suggestions to streamline BAS delivery, encouraging decentralization, better transparency and an overhaul of the organization's evaluation system, the review contends that GBF's blended-finance approach is distinctively impactful, helping create profitable and sustainable companies that improve the lives of employees and their dependents.

The author specifically pointed to GBF's willingness to provide pre-investment technical assistance. Many organizations shy away from assistance before any official commitment. GBF's willingness, however, begins the client partnership on an important note: GBF isn't just in the space to collect loan repayment checks, but to engage deeply with clients.

³ Cumulative since 2011

⁴ New farmer, artisans, entrepreneurs, and BoP consumers

Social Impact

In an attempt to quantify the economic impact of its investees, GBF measures two key indicators for its companies: economic value generated as income or cost-savings, and the number of people affected. GBF considers only a portion of payments to producers as income, to account for net benefit, after deducting beneficiaries' production costs and/or economic alternatives. Accounting for economic realities, we try to capture both income and cost-savings incrementally—expressing the additional benefits that GBF investees offer local communities compared to existing opportunities.

Investment Type	Individuals Directly Supported	Income to Farmers and Workers from GBF Investee
Agribusiness	29,227	\$39.6M
Artisanal	51,089	\$36.3M
Products & Services	1,829,184	\$55.7M
Active Fund Total	1,909,500	\$131.6M

GBF also calculates an Economic Rate of Return for each investee, projecting economic flows to key stakeholders long-term. When feasible, social impact surveys help GBF adjust assumptions and better understand its beneficiary groups.

As a responsible business partner, GBF also helps companies promote sustainable, responsible practices. Environmental and Social Management (E&S) Programs for each investment screen out companies with unsuitable practices or in potentially harmful industries, while each investee receives assistance developing and executing action plans to limit any adverse environmental impact and promote social responsibility. As part of our BAS programs, GBF helps clients fund E&S programs and sets realistic, measurable targets.

In the past year, GBF has focused on social impact research, including quantitative measurement as well as in depth interviews with employees and farmers involved with our clients. For the latter, we met with stakeholders from CAVSAC, Villa Andina and Novica in Peru. In 62 hours of interviews, our key takeaways were:

- Our BAS and client technical assistance is highly valued
- The price and payment guarantees our clients offer are important to the end beneficiary
- All 3 of the companies offered significant employment for women, and all those at the base of the economic pyramid, i.e. our intended beneficiaries

Agribusiness

For the rural poor, improvements in agriculture can play a transformative role. By improving rural conditions, agricultural development can reduce poverty and migration or changes in livelihood. From 1993 to 2002, more than 80% of the decline in rural poverty was attributable to better rural conditions, as opposed to migration.⁵ The World Bank's 2013 World Development Report noted agriculture continues to face challenges in financing, logistics, and encouraging technological innovation.⁶ However, as the global food industry modernizes, SME agribusinesses can help smallholder farmers secure and fulfill lucrative contracts for specialty products. Such coordinated supply chains can increase farmer incomes by 10 to 100 percent.⁷

5 World Bank, World Development Report, 2008, p.3

6 World Bank, World Development Report, 2013, p.192

7 World Bank, World Development Report, 2008, p.127



70%
of portfolio



\$20.3M
committed in FY15



136,800
people/dependents
supported

Client Spotlight: Villa Andina

Villa Andina, (VA) is an agribusiness in Cajamarca, Peru, which exports organic dehydrated fruits (aguaymanto (golden berry) and mango), other Andean products such as maca, quinoa and cacao nibs. VA buys the products from over 500 low income, small-scale farmers, processes them at the plant, and sells them in local and international markets.

With the help of GBF's BAS programs, VA is improving core functions, including financial management, operations and corporate governance. Villa Andina has generated \$2.1M in economic impact for its suppliers and employees since 2012. VA has a strong relationship with its farmers, thanks to its supplier development program that has helped farmers improve their production practices.

Most of the farmers are based in communities in and around Cajamarca. By working with VA, farmers gain access to a fixed price and a stable market, receiving consistent income and technical assistance in organic agricultural processes



Artisanal Sector

Even though artisanal work is the second largest source of employment in the developing world, artisans often lack the connections or know-how to acquire funding, expand, or connect with global communities. Many artisans practice crafts that have been around for centuries, and are inherently tied to their homeland. Whether it is weaving, painting, or other types of handiwork, artisans are vital for cultural preservation. Traditionally marginalized groups, including a disproportionate share of women, comprise many of the workers in the artisanal sector, making it a great avenue for empowering women and those at the bottom of the economic pyramid.



23%
of portfolio



\$6.8M
committed in FY15



250,450
people/dependents
supported

\$34 Billion est. global market value⁸

66 percent of world's work
done by women

10 percent of world income
earned by women

8 <http://www.coca-colacompany.com/stories/5by20/artisan-gifts-giving-the-gift-of-empowerment>

Client Spotlight: Jaipur Rugs

With its mission to "Service the Community," Jaipur Rugs Company (JRC) is one of the largest and most distinguished social enterprises in India. Headquartered in Jaipur, India, JRC was founded by N. K. Chaudhary in 1978 with only two looms. JRC provides special loans to their artisans, allowing them to work in their own homes, eliminating the middle man and providing a space for the disadvantaged to financially empower their lives on their own terms.

After GBF's investment in 2012, JRC's total revenues increased at an annualized rate of 35% while generating positive EBITDA and PAT margins every year. Since then, JRC's operations have grown to support over 30,000 low-income, home-based weavers and wool spinners, up from 12,000 artisans at the time of investment - a 2.4x increase. Our social impact survey revealed that women comprise 59% of JRC's workforce. The survey also found 92% of the workforce is from socially and educationally disadvantaged classes and minorities in India.



Products and Services

Companies that GBF supports in this category are High Impact Businesses that provide products or services to the poor in their regions. This could be providing affordable coffee and grain production equipment, clean cook stoves, or environmentally friendly building materials. P&S companies are interesting to GBF because they improve the lives of the low income consumers.

This improvement can come in various ways. It can come in the form of cheaper goods, provided by increased competition in the market or innovation by a company. It can represent a positive boon to the community or environment. For example, Skepl (Gujrat, India) provides quality control for milk, helping both farmers and consumers, while Tara Machines (New Delhi) specializes in affordable green building materials. Partnering with these businesses helps the economy, employees and their beneficiaries, as well as consumers and their community at large.



7%
of portfolio



\$2.1M
committed in FY15



4.67M
people/dependents
supported

Client Spotlight: BrazAfric

Established in Kenya in 1994, BrazAfric is an agricultural equipment company operating in 6 African countries. BrazAfric sells products and equipment sourced predominantly from Brazil but also from India. BrazAfric has three service divisions: coffee, grain, and non-agricultural trade.

BrazAfric reaches over 298,000 farming families, over 90% of which are estimated to be lower-income households. The installation of dry mills by cooperatives has optimized efficiency and increased farmer income by an estimated 1.8%.

BrazAfric has developed a reputation in the region for supplying economical and reliable machinery. They support this claim with a commitment to after-sale customer service, focusing on client satisfaction by continually ensuring the products work correctly. Secondly, the dry mills are widely used across the industry even in some older millers. Lastly, the proximity of the mills to the farmers reduces transportation costs, increasing their income as well as the quantity of high quality beans milled.



GBF Team

Washington, DC

Harold Rosen, *Chief Executive Officer*

Jaime Ramirez, *Chief Investment Officer*

Rebekah Plotkin, *Vice President of Finance & Administration*

Rose Galamgam, *Finance Officer*

Zoya Aleem, *Global Portfolio Analyst*

Neil Christy, *Communications & Executive Assistant (formerly)*

Daniel Kolender, *Operations Assistant & Communications*

Daniel Shemesh, *Fundraising & Executive Assistant*

Lima, Peru

Natasha Barantseva, *Latin America Regional Director*

Julio Ayca, *Latin America Portfolio Manager*

Miguel Tamayo, *Investment Officer*

Mayra Ramirez, *Office Manager & BAS Coordinator*

Olga Egorova, *Investment Analyst*

Nairobi, Kenya

Lilian Mramba, *Africa Regional Director*

Amos Gichinga, *Senior Investment Officer*

Noel Wadaki, *Operations Manager & BAS Coordinator*

Laila Kassam, *Office Assistant*

New Delhi, India

Vikram Raman, *India Country Manager*

Vijay Chandrashekar, *India Portfolio Manager*

Saurabh Lahoti, *Investment Officer*

Sahiba Chauhan, *Senior Investment Analyst*

Karan Sawhney, *Senior Investment Analyst*



Governing Board and Advisors

Board:

Andrew Adelson, *Chairman, Former Chief Investment Officer, Alliance Bernstein*

Stephen Brenninkmeijer, *Willows Investments*

Zoë Dean-Smith, *Senior Director of Global Programs, Vital Voices*

Guillermo Ferreyros, *Chief Executive Office, President, and Executive Director, Maple Energy PLC*

Mary Houghton, *Co-Founder, Shorebank Corporation*

Mwaghazi Mwachofi, *General Manager, Aga Khan Agency for Microfinance (AKAM)*

Harold Rosen, *Chief Executive Officer, Grassroots Business Fund*

Holly Wise, *Wise Solutions LLC*

GBF Advisors:

Andrew Adelson, *Investment Committee member, BAS Steering Committee member*

Annette Berendsen, *Fund Advisory Committee member*

Stephen Brenninkmeijer, *Fund Advisory Committee member*

Rafael Guillermo Ferreyros Cannock, *Investment Committee member, GBF Advisor*

Kristin Duchâteau, *BAS Steering Committee member*

Leah Mburu, *GBF Africa BAS Portfolio CFO, GBF Advisor*

Pradeep Kapse, *GBF Advisor*

Thomas Klein, *Fund Advisory Committee member*

Serge Kremer, *Investment Committee member*

Annette Berendesen, *Fund Advisory Committee member*

Pramod Gothi, *GBF Advisor*

Sari Miller, *GBF Advisor*

Deborah Moronese, *Fund Advisory Committee member*

Alan Patricof, *GBF Advisor*

Helmut Paul, *Investment Committee member*

K.K. Rathi, *GBF Advisor Investment Committee Member (India)*

Sir David Scholey, *GBF Advisor*

Joachim Schwenke, *GBF Advisor*

Roel Vriezen, *BAS Steering Committee member*

Holly Wise, *BAS Steering Committee member*

Jim Wolfensohn, *GBF Advisor*

Elaine Wolfensohn, *GBF Advisor*

Claus-Peter Zeitinger, *GBF Advisor*

Donors to the Nonprofit

The Dutch Ministry of Foreign Affairs (funding managed by FMO)

Government of Canada (funding managed by IFC)

NORAD- The Norwegian Agency for Development Cooperation

OeEB- Development Bank of Austria

Omidyar Network*

Arnold & Porter

Adelson Family Foundation

Stephen Brenninkmeijer*

Charly & Lisa Kleissner (KL Felicitas Foundation)*

Harold Rosen and Susan Wedlan

Percy Barevik*

Mark Cohen*

George Rohr*

Mason Haupt*

Lee Spelman Doty*

Seizen Foundation*

Luxembourg Ministry of Finance*

Cordes Foundation

*Indicates a major contributor in prior years

Investors in the Fund

Overseas Private Investment Corporation

Calvert Social Investment Foundation

Deutsche Bank Americans Foundation

DEG- German Development Bank

FMO (The Netherlands Development Finance Company)

Andrew Adelson (Adelson Family Foundation)

Judson Berkey

Suzanne Biegel and Daniel Maskit

Peter Braffman and Liz Wedlan

Stephen Brenninkmeijer

Maurizio Caio

Robert J. Caruso (The Kantian Foundation)

Ron and Marty Cordes (The Cordes Foundation)

David Dunn and Tamara Dunietz

Jane Eddy

Jim Hornthal (Hornthal Investment Partners)

Ken Inadomi and Melinda Wolfe

Prashant Jhavar

Marty Kahn

Charly and Lisa Kleissner (KL Felicitas Foundation)

Serge Kremer

Luxembourg Ministry of Finance

Leah and Jeffrey Kronthal

Sudhir and Sangeeta Maheshwari (AIM to ZERO Foundation)

Joshua Mailman (Joshua Mailman Foundation)

Seth Meisel

T&J Meyer Family Foundation Ltd

Sari Miller (Trust)

Montpelier Foundation

Mwaghazi Mwachofi

Luisa and Laurence Newman

Dalip Pathak

Harold Rosen and Susan Wedlan

Sir David Scholey

Barend van der Vorm

Wolfensohn & Company, LLC

Anonymous Investors

Unaudited Statement of Financial Position - GBP and Subsidiaries

Year ending as of June 30

2015

ASSETS*

Mission Related Investments (GBI-I) *	\$24,365,783
Mission Related Loans (GBP)	50,556
Cash and Cash Equivalents	3,921,560
Short Term Investments ¹	2,249,450
Donor Contributions Receivable	991,644
Fixed Assets	65,982
Other Assets ²	633,053

TOTAL ASSETS **\$32,278,028**

LIABILITIES AND NET ASSETS

Short-Term Liabilities ³	\$456,410
Notes Payable ⁴	6,000,000
Noncontrolling interest in GBI	19,936,827
Net Assets (Unrestricted)	1,915,186
Net Assets (Temporarily Restricted) ⁵	3,969,605

TOTAL LIABILITIES AND NET ASSETS **\$32,278,028**

Statement of Activities

Year ending as of June 30

SUPPORT AND REVENUE

Contributions	\$1,017,136
In-Kind Contributions	84,086
Investment Loss	(1,172,147)
Other Sources ⁶	1,474,290

TOTAL SUPPORT AND REVENUE **\$1,403,365**

EXPENSES

Program Expenses ⁷	\$3,286,835
Administrative and General Expenses ⁸	1,142,872
Fundraising Expenses	358,522

TOTAL EXPENSES **\$4,788,229**

Other items ⁹	(825,960)
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CHANGE IN NET ASSETS **\$4,210,824**

*In addition to investments and loans which are included in the statement above, GBF has committed about \$38 million to high impact businesses (through June 2015), however, the financial statements only include disbursements through June 2015. Disbursements of committed funds is contingent upon high impact businesses meeting certain conditions.

Notes to Financial Statements

- Investments of excess cash including Treasuries and Certificates of Deposit
- Includes interest receivable from mission investments and other assets
- Includes accounts payable, accrued expenses, accrued vacation & sick days
- Represents Lenders to GBI-I not GBP
- Includes all contributions from individuals, foundations, bilateral institutions, etc.
- Includes bank interest, mission related loan interest, and mission related loan activation fees, and exchange rate fluctuations
- Includes mission related expenses such as technical assistance (direct and grants) and due diligence expenses, as well as internal programs such as monitoring and evaluation, and communications. This also includes losses/gains related to GBI-I activities
- Includes operational expenses, workshops, staff training, etc
- Write off of contribution receivable due to expiration of contract



GRASSROOTS BUSINESS FUND

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