

Building Companies & Communities

2017 Annual Report



GRASSROOTS
BUSINESS FUND

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Dear Friends,

We are pleased to present GBF's Annual Report for Financial Year 2017, ending June 30, 2017.

Since beginning in 2004 as a department within the International Finance Corporation (IFC), Grassroots Business Fund has learned and changed a great deal over the past 13 years.

Now having evolved in key areas, we are a seasoned company of efficient, targeted impact investment professionals with local offices and staff on the ground near our portfolio companies, still approaching issues with youthful energy and creativity. Through our trials and tribulations, however, we learned to tackle the issues we face in a much more efficient manner. Through efficiency, we are able to focus more on our mission, clients and social impact than on administration.

GBF has invested in more than 40 companies, the vast majority of which have succeeded or are succeeding. After working with us, each of these companies have received follow-on investments from more traditional providers of financing, including banks and Development Finance Institutions. Our Business Advisory Services (BAS), sometimes provided even before investment, has been recognized by portfolio companies' leaders as invaluable for their businesses' growth.

This year we have committed investments to two more companies: SOKO in Kenya and Phoenix Foods in Peru. SOKO is an innovative artisanal company that connects low income artisans throughout Kenya into their supply chain through technology. Not only does this empower the artisans to work on their own terms, but provides for a very quick turnaround from product creation to the consumer. Phoenix Foods buys fresh fruits and vegetables from smallholder and medium farmers for processing and sale in export and local consumption. Phoenix differentiates itself by purchasing products from different regions of Peru to mitigate climate and supply risks. You can see more on these new companies on pages 6 and 7.

Through our evolution, we have learned a number of lessons, including the need to narrow our geographic and industrial scope to focus on what we do best. Please see these lessons discussed on page 8.

We are excited to continue to grow in our mission to generate sustainable earnings and savings for people in developing countries.

Sincerely,



Harold Rosen
CHIEF EXECUTIVE OFFICER



Andrew Adelson
CHAIRMAN OF THE BOARD

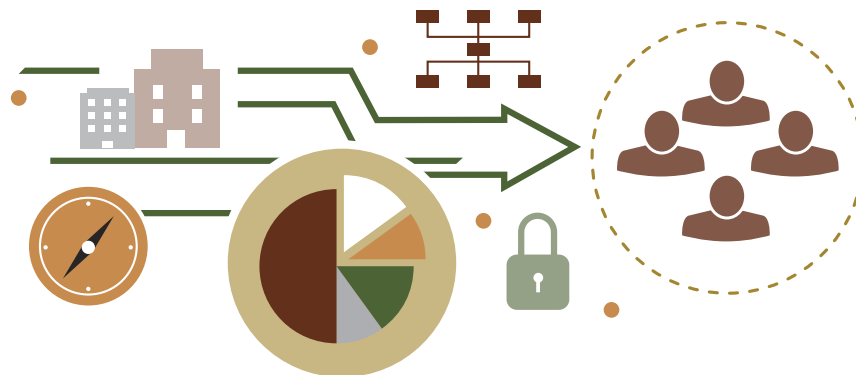
About Us

The Grassroots Business Fund (GBF) aims to reduce poverty by building companies which provide sustainable incomes and cost-savings for poor populations in developing countries. GBF's market-based approach to poverty alleviation focuses on building "High Impact Businesses" (HIBs)—sustainable and inclusive firms which benefit large numbers of people in our target communities 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:

- 1** By providing tailored investment capital using a high-touch approach that itself helps build companies' business fundamentals.



- 2** 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 40 businesses in Africa, Asia, and Latin America.

Our History

2004

Grassroots Business Initiative (GBI)

Originally created as a department within the World Bank's International Finance Corporation (IFC), GBI is founded by Harold Rosen, who pioneered IFC's SME and microfinance activities in seeking stronger social impact.

2008

Grassroots Business Partners (GBP)

Following four years of incubation in the International Finance Corporation, GBF became an independent non-profit organization in 2008 to begin making financial investments in for-profit companies, utilizing 100% grant funding and delivering BAS.

Based out of Washington, DC, GBP invested in agricultural and artisanal clients, as well as innovative finance companies.

2011

GBP + Grassroots Business Investors Fund I (GBI-I)

Launched \$49M for-profit 10 year limited life fund, Grassroots Business Investors Fund I.

GBI-I invests in socially impactful businesses in Africa, Latin America and India, focusing on companies that engage smallholder farmers and artisans in their supply chains.

GBF opens up offices in Lima, Peru; Nairobi, Kenya and New Delhi, India to place a majority of staff on the ground in order to best cooperate with portfolio companies.

New Company Spotlights

SOKO KENYA

Established in 2014, SOKO is a company that designs, markets and sells ethical fashion jewelry and accessories. SOKO delivers affordable, fashionable styles of handcrafted jewelry created by artisans based in peri-urban areas of Nairobi.

GBI-I committed to SOKO this fiscal year in a revolving credit line agreement. The company's competitive advantage is its technology and operating platform which utilizes a large (1,000+) artisan base in Kenya to produce just-in-time orders for customers globally.

GBF and SOKO

GBF's investment will be used to fund SOKO's growth as well as to fulfill their orders. GBF has begun a BAS project with SOKO to improve supplier loyalty and productivity. This included building an app that the company and suppliers can use to manage work orders, provide and get feedback on performance, and receive rewards for exemplary work. GBF also plans to work with SOKO in conducting a leadership and technical training for its staff.

1,000+
Artisans

125,000
Products

15-20%
Value shared with artisans

\$650K
Income generated
since 2014



Phoenix Foods PERU

Phoenix Foods was founded in 1997. The agro industrial company buys fresh fruits and vegetables from smallholder and medium-sized farmers across Peru, processes and packs the products for sale in the local and export markets.

GBF-I made a long term investment in Phoenix Foods split between a loan and preferred equity. Phoenix Foods' purchases products from over 300 small farmers, directly and through intermediaries who are aligned with the company's mission. The company has three business lines: Frozen/ Processed, Fresh Fruits, and Fresh Cuts. Small farmers and bigger suppliers in the company's value chain in turn help to generate income for over 2,000 farm-workers. In addition, Phoenix creates about 400 jobs at its processing plant.

GBF and Phoenix Foods

GBF's investment will be used to purchase production equipment for working capital and to improve logistics to ensure that fresh products are transported properly. GBF and Phoenix are also exploring a BAS project to train small farmers on better farming practices to increase their productivity. Another project aims to improve the logistics process to move products along the supply chain.

306

Small holder farmer families

2,700

Workers and farmers directly employed

4,460

Family members supported

400

Jobs created during high season

52%

Value shared with farmers and workers



New Learnings

GBF has embarked on the following program of learning and improving to ensure our focus on our mission, clients and social impact stays strong:



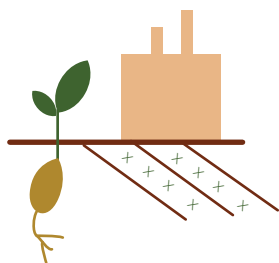
Studying Exited Projects

GBF has tried to continually assess its results, and internalize lessons learned in order to improve and to adapt to changing needs. Within its constraints, GBF has also tried to share its results with the impact investing field, to help move the space forward. Management has recently interviewed our exited companies, with the goal to assess our successes as well as failures. The companies with whom we began our relationship almost 10 years ago hold the best information on the longer term impact that we provide. After all, one of GBF's ultimate goals is to improve the sustainability of investee companies, information that monitoring only current portfolio companies does not necessarily provide. The goal for this exercise was to paint a fuller picture, flaws and all, of GBF effects on a partner company. We look forward to presenting the report soon.



Tightening Geographic Strategy

GBF originally spread across multiple regions to diversify risk; the company found it important to cast a wide net, a basic principle which it still employs. GBF is no longer booking new investments in Asia, and is more selective with companies in East Africa and the Andean Region in Latin America. Utilizing local teams on the ground rather than viewing from afar in Washington has also increased success rate.



Focusing on Agribusiness

Our experience with companies in the agribusiness sector has proven to be successful as well as socially impactful. The agribusiness companies that experience the most success are those that operate in specialized markets such as organic and/or fair trade certified; additionally, many process and export agricultural products, but some will distribute locally as well. GBF has collaborated with The African Guarantee Fund, OeEB and Partners in Food Solutions (PFS, in Kenya) to hire a food technology expert for Technoserve, as a consultant for our agribusiness strategy and companies. The food technologist has brought expertise in agribusiness to our Nairobi office, and will work directly with companies in our portfolio and pipeline.

Performance in FY17

GBF INVESTMENT FUND PERFORMANCE¹

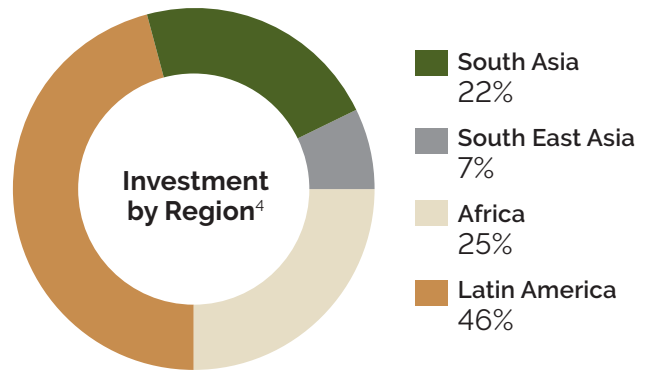
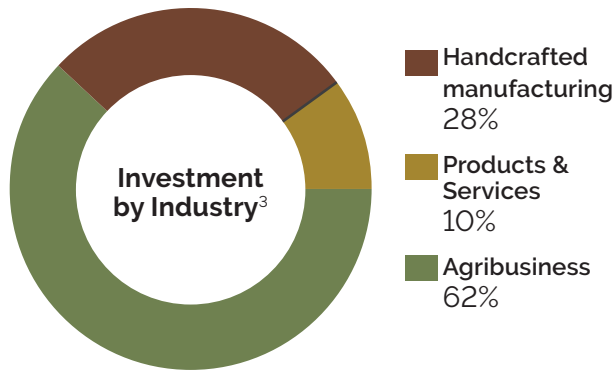
Key Performance Indicator	Actuals ²
Active Commitments	\$39.9M
Realized Proceeds	\$16.9M
Disbursed Portfolio Fair Value	\$25.5M
Number of Active Investees	20

27%

Average company revenue growth

58%

Average EBITDA growth



GBP PERFORMANCE

GBF's BAS program provides advisory services to portfolio companies (or those in advanced stages of pipeline) of GBF's investment fund GBI-I. The assistance offered through BAS serves to enhance GBF provided capital and ensures that growth and sustainability are supported by improving business skills, supply chain management, social impact creation and tracking and more.

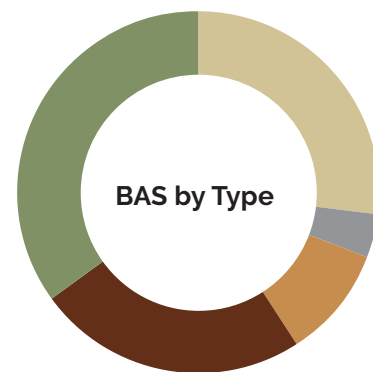
BAS PERFORMANCE⁵

\$7M

Spent on BAS activities

79

HIBs supported



Strategy 27%

Corp. Governance 4%

Environ. & Social 10%

Financial Mgmt. 24%

Operations 35%

1. See page 14 for GBF's financial statements for the fiscal year ending June 30, 2017

2. As of June 30, 2017

3. Cumulative commitments since 2011

4. Ibid.

5. Ibid.

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.

From April 1, 2016 to March 31, 2017, GBF provided over \$30M in income to farmers, artisans and workers as well as \$14M in cost savings to product users.

Sector	Individuals Directly Supported	Net Income to Farmers & Workers from GBF Investee
Agribusiness	17,659	\$15.1M
Handcrafted manufacturing	41,808	\$11.7M
Products & Services	1,016,982	\$17.3M
Active Fund Total	1,076,449	\$44.2M

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 and to estimate the social and economic conditions.

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.

GBF Team



Washington, DC

Harold Rosen, CHIEF EXECUTIVE OFFICER
Jaime Ramirez, CHIEF INVESTMENT OFFICER
Rose Galamgam, FINANCE OFFICER
Daniel Kolender, OPERATIONS ASSISTANT
& COMMUNICATIONS

Lima, Peru

Natasha Barantseva, LATIN AMERICA
REGIONAL DIRECTOR
Julio Ayca, LATIN AMERICA PORTFOLIO MANAGER
Mayra Ramirez, PROGRAM OFFICER
Olga Egorova, INVESTMENT ANALYST
Fiorella Capristan ADMINISTRATIVE ASSISTANT

Nairobi, Kenya

Lilian Mramba, AFRICA REGIONAL DIRECTOR
Noel Wadaki, OPERATIONS MANAGER &
BAS COORDINATOR
Laila Kassam, GLOBAL PORTFOLIO ASSISTANT
Karan Sawhney, INVESTMENT OFFICER

New Delhi, India

Vijay Chandrashekar, INDIA PORTFOLIO MANAGER
Sahiba Chauhan, SENIOR INVESTMENT ANALYST

Governing Board and Advisors

Board

Andrew Adelson, CHAIRMAN, FORMER CHIEF INVESTMENT OFFICER, Alliance Bernstein

Zoë Dean-Smith, SENIOR DIRECTOR OF GLOBAL PROGRAMS, Vital Voices

Guillermo Ferreyros, CHIEF EXECUTIVE OFFICER, Olympic

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

Rupin Rajani, INVESTMENT COMMITTEE MEMBER

Pradeep Kapse, GBF ADVISOR

Thomas Klein, FUND ADVISORY COMMITTEE MEMBER

Serge Kremer, INVESTMENT COMMITTEE MEMBER

Sari Miller, GBF ADVISOR

Helmut Paul, INVESTMENT COMMITTEE MEMBER

K.K. Rathi, GBF ADVISOR

Sir David Scholey, GBF ADVISOR

Joachim Schwenke, GBF ADVISOR

Holly Wise, BAS STEERING COMMITTEE MEMBER

Donors and Investors

Donors to the Nonprofit

Adelson Family Foundation
Arnold & Porter
Cecilia Chan
Charly & Lisa Kleissner (KL Felicitas Foundation)
The Dutch Ministry of Foreign Affairs (funding managed by FMO)
Government of Canada (funding managed by IFC)

Harold Rosen and Susan Wedlan
Laura Devere
NORAD - The Norwegian Agency for Development Cooperation
OeEB - Development Bank of Austria
Omidyar Network
Stephen Brenninkmeijer

Investors in the Fund

Andrew Adelson (Adelson Family Foundation)
Barend van der Vorm
Calvert Social Investment Foundation
Chary and Lisa Kleissner (KL Felicitas Foundation)
Dalip Pathak
David Dunn and Tamara Dunietz
DEG - German Development Bank
Deutsche Bank Americans Foundation
FMO (The Netherlands Development Finance Company)
Harold Rosen and Susan Wedlan
Jane Eddy
Jim Hornthal (Hornthal Investment Partners)
Joshua Mailman (Joshua Mailman Foundation)
Judson Berkey
Ken Inadomi and Melinda Wolfe
Leah and Jeffrey Kronthal
Luisa and Laurence Newman
Luxembourg Ministry of Finance
Marty Kahn

Maurizio Caio
Montpelier Foundation
Mwaghazi Mwachofi
Overseas Private Investment Corporation
Peter Braffman and Liz Wedlan
Prashant Jhawar
Robert J. Caruso (The Kantian Foundation)
Ron and Marty Cordes (The Cordes Foundation)
Sari Miller (Trust)
Serge Kremer
Seth Meisel
Sir David Scholey
Stephen Brenninkmeijer
Sudhir and Sangeeta Maheshwari (AIM to ZERO Foundation)
Suzanne Biegel and Daniel Maskit
T&J Meyer Family Foundation Ltd
Wolfensohn & Company, LLC
Anonymous Investors

Financial Statements

Unaudited Statement of Financial Position: GBP and Subsidiaries

Year ending as of June 30, 2017

ASSETS	
Mission Related Investments (GBI-I)	\$25,558,467
Cash and Cash Equivalents	\$4,951,503
Donor Contributions Receivable	\$372,927
Other Accounts Receivable	\$64,404
Other current assets ¹	\$654,092
Fixed Assets	\$19,437
Total Assets	\$31,620,830
LIABILITIES AND NET ASSETS	
Short-term Liabilities ²	\$511,662
Notes Payable ³	\$9,846,000
Securities Deposit	\$7,275
Noncontrolling interest in GBI	\$19,524,025
Net Assets (Unrestricted)	\$464,537
Net Assets (Temporarily Restricted) ⁴	\$1,267,331
Total Liabilities and Net Assets	\$31,620,830
SUPPORT AND REVENUE	
Contributions	\$130,501
In-Kind Contributions	\$360
Investment Loss	\$(95,324)
Other Sources ⁵	\$1,794,653
Total Support and Revenue	\$1,830,190
EXPENSES	
Program Expenses ⁶	\$2,190,918
Administrative and General Expenses ⁷	\$692,763
Fundraising Expenses	\$360,334
Total Expenses	\$3,244,015
CHANGE IN NET ASSETS	\$(1,413,825)

Notes to Financial Statements:

1. Includes interest receivable from mission investments and security deposits
2. Includes accounts payable, accrued interest, accrued expenses (including accrued vacation)
3. Represents Lender to GBI-I
4. Includes contributions from individuals, foundations, bilateral institutions, etc.
5. Includes bank interest, mission related loan interest, and mission related loan activation fees, and exchange rate fluctuations
6. 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
7. Includes operational expenses, etc

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Lima, Peru

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New Delhi - 100 057
India



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