

Impact bulletin



Truestone Impact Investment Management

Dear Investor

Welcome to our first bulletin for the restructured Truestone Global Impact Fund LP. As many of you are aware, as a team we have had a growing passion for impact investment and as such have been recognised internationally for our work on social impact measurement and for our capital raising in the private sector. To date, we have raised almost USD 75 million of capital for what we regard as both ethical and social investments. More broadly, this has also been a year of significant change for our London team, as we recently completed a successful sale of our private client wealth management business. Part of the strategy in selling that business has been to enable us to focus more specifically on impact investment opportunities in the future.

We are broadly pleased with the underlying investments we hold in the Fund and currently have three deals of our pipeline nearing completion which will see the vast majority of our liquid cash deployed in small and medium-sized enterprises (SMEs) operating in frontier nations. It is now our intention to turn on the capital raising tap, as we look to scale up assets under management quite considerably.

It is still our plan to make a 3% dividend payment in the Spring of 2015, following the first year's trading of the new fund, and at a point when we will have completed this year's audit.

Underlying assets

With the exception of Emvest, we are pleased with the progress of investments, particularly A Call to Business Trading Limited (microfinance and SME finance) in Sierra Leone. This business, notwithstanding the Ebola crisis, has been a beacon within the country and is now the second largest lender countrywide in this sector. The team running the company continue to speak to the nation at this difficult time, recognising that economic activity is essential when the country is in crisis.

Peak II, the Tanzanian lending business to entrepreneurs, is performing in line with expectations. Bamboo Finance registers a profit at each draw down of funds. We have continued to lend to the Kyrgyzstan farming microfinance business and we are seeking to invest a further USD 1 million over the coming months in both debt and equity. The Kyrgyz national currency (Somm) and its volatility in relation to the Rouble has been a concern, but given this is viewed as a long-term investment we remain comfortable with the prevailing values.

Emvest, one of our legacy investments prior to the restructure, still holds some significant agricultural assets but is suffering from a lack of liquidity. We are exploring ways to help this agricultural team realise value prior to the sale of assets in late 2015.

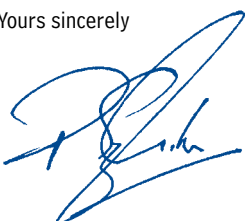
Deal flow

The Fund has a number of exciting new investment propositions which have passed the initial due diligence stages of the investment process.

- We have agreed terms and are in the final legal stage to purchase a controlling interest in a major peanut, banana and wheat farm located in Zambia.
- Project Nairobi is an opportunity to collaborate with a prominent charity that would be releasing land for commercial and residential development. The goal would be to create sufficient finance for the charity to fund hundreds of teachers across Kenya, whilst also demonstrating a best practice model for property development. As with all our investments it is being executed with long-established partner relationships 'on the ground' that share our values and mission.
- Project TB is an early stage investment opportunity with a team we have known for some years. They are a significant way down the track to developing a field kit which has the ability to detect early-stage Tuberculosis.
- Sunlabob has been signed off as an investment with our partners Truestone Uberis in South East Asia. The investment is in a company principally operating in Laos, where the established team provide 'off-grid' electricity solutions to villages where most inhabitants have not had power before. We have made a significant commitment and the team are in the early stages of drawing down capital.

Our philosophy of investing directly into SMEs, that have shown to hold the greatest potential to impact nations, is proving fruitful. The measurement tools to assess social impact, our requirement of having representation on investee boards in order to ensure governance, culture change and financial control, appears to be working very well.

Yours sincerely



Paul Szkiler

CEO – Truestone Impact Investment Management Limited



New Appointment

Guy Ruddle – Senior Investment Analyst

A qualified accountant, Guy has joined as Senior Investment Analyst. He has more than ten years experience within the financial services sector. After training with Deloitte in South Africa, with stints in Australia and Ireland, he spent over six years with Man Group PLC in London where he managed the Structured Products Valuation Team. He spent over three years with Morgan Stanley, helping to set up a Global Financial Resources Team across the Equities Division with a focus on strategic planning, liquidity, funding and balance sheet management.

Guy’s primary responsibilities are both financial and operational in nature. He is responsible for conducting the financial due diligence on all new investment opportunities, establishing and building out management reporting and KPIs, as well as assisting the Chief Operating Officer of Truestone Impact Investment Management on all operational aspects of the business. Guy replaces Kasim Zafar.



This Truestone Impact Bulletin contains details of certain investments which are likely to be appropriate only for High Net Worth Individuals or Sophisticated Investors. You should ask your financial adviser to find out whether they might be suitable for your circumstances. This document is not intended to provide advice.

It is designed for our clients, other existing impact investors and those interested in knowing more about the impact sector. It will highlight both the business and impact performance of investments within our impact fund as well as broader information on how the sector is developing and new opportunities coming to the market. In this edition we focus on:

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Impact business reports

Our Truestone Global Impact Fund LP invests in a range of businesses and opportunities. In this edition of our bulletin we examine the work and the impact created by three of them.

A Call to Business Trading (ACTBT), a microfinance and SME finance business based in Sierra Leone, continues to deliver profit and maintain operations despite the impact of Ebola.

We decided to invest in Equity for Tanzania because it filled an important funding gap in the Tanzanian economy, helping growing businesses take the step up from micro to SME status. In particular, by lending into agricultural businesses it helps create jobs and wealth in relatively poor communities.

We invest in Vaatsalya through Bamboo Oasis, a social investment business. Providing healthcare services to excluded rural populations, and doing so profitably is a difficult balancing act which they appear to be achieving.

Ebola - A Call to Business leading the way with communications strategy

- All branch offices remain open and operational
- On track to maintain profitability in November 2014
- ACTBT CEO receives recognition from Washington for ongoing health awareness broadcasts
- USD 100,000 raised philanthropically to support microfinance and SME clients

As at the start of November, more than 10,000 known cases and almost 5,000 deaths had been reported in the Ebola outbreak in West Africa. Unofficial reports suggest the scale may be far greater. One of our investments is a microfinance and SME finance business established by A Call to Business Trading (ACTBT), situated in one of the hardest hit countries, Sierra Leone.

In addition to the devastating loss of life, the virus has caused enormous damage to West African economies, draining budgetary resources and slashing economic growth. Efforts to contain the epidemic are creating an economic slowdown and the fear of contagion has begun driving both government and private organisations to close businesses, transportation infrastructure, and critical air and sea links.

Sierra Leone had been identified as a country with potential for significant growth. Before the outbreak, the IMF forecasted the country's economy to grow by over 14% in 2014. Now the World Bank estimates the cost of the epidemic will equate to USD 163 million (3.3% of GDP). If the crisis continues to escalate, it could lose as much as 8.9% of GDP in 2015 before seeing the beginnings of a recovery.¹

With health systems collapsing, medicine has become expensive and scarce. Combined with food shortages and rising inflation, an entirely new set of challenges confronts people, especially the poor, whose economic life in the affected areas was difficult enough prior to the outbreak.



¹<http://edition.cnn.com/2014/09/24/business/ebola-cost-warning/>

Impact business reports

Impact on Microfinance

Microfinance has not been left unaffected. BRAC, one of Sierra Leone's largest microfinance institutions, has suspended operations since August. Despite an estimated 30% of the Sierra Leone microfinance market being temporarily suspended, ACTBT has been continuing to keep all its offices open and is helping to keep the Sierra Leonean economy moving, facilitating essential business loans with mentoring and business skills advice. Having grown its client base from 4,643 at September 2013 to 7,620 at September 2014, the business showed a profit in August and September and is on track to maintain profitability in October and November. However the Portfolios at Risk measure, showing arrears in excess of 30 days is certain to rise over the coming months. Further fundraising and the deployment of USD 1 million of capital is planned for early 2015 to sustain continued growth and ACTBT is well positioned to become the premier microfinance organisation in Sierra Leone.

A Call to Business Trading leading the way

ACTBT has asserted strong leadership not only through its lending activities but also through its communication strategy. ACTBT's CEO, Joe Abass Bangura, has recently been commended by Washington for his efforts in providing daily nation-wide health awareness broadcasts.

The management team at ACTBT recognise that a critical component in containing the epidemic is engagement with extended networks to educate and focus minds amongst community leaders and

members. ACTBT has placed faith in its staff and their ability to overcome the impact of the crisis by providing annual salary increases and numerous promotions in line with the business plan.

There have been no cases of fraud recorded, which is a testament to the team's strong management amid reports of increasing cases of staff embezzlement for other microfinance institutions during this period.

Although the number of transactions has reduced in branches situated in quarantined areas, such as in Makeni (one of the worst affected parts of the country currently restricting the movement of people in and out of the region), ACTBT has taken proactive measures to combat a business slowdown. One example has been focusing on wholesale loans where bulk purchases of foodstuffs from the capital, Freetown, have been transported to Makeni allowing suppliers to meet a soaring demand for market goods.

With a consensus that international aid has been slow in its containment efforts and response, the need for local leadership, such as that shown by ACTBT, becomes ever more important in preventing the virus from spreading further. The predictions for the economy for 2015 are widely variable and dependent on the speed with which the crisis can be contained. A Call to Business, the UK charity and Truestone have invested resources and prioritised the support of the team 'on the ground' in every possible capacity.

Quarterly Impact Data

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Loans receivable gross (USD)	954,480	1,674,105	1,973,186	2,126,708	1,990,078
Number of loan clients	4,643	6,769	7,857	8,580	7,620
SMEs clients	3	6	7	8	9
Jobs created (by ACTBT)	602	2,536	1,675	1,312	1,041
Jobs maintained (by ACTBT)	4,041	4,233	6,182	7,268	6,579
Client individuals: female	3250	4,801	5,343	6,692	5,715

A Call to Business UK - Ebola Appeal

Whilst investment plays a significant role, A Call to Business, the UK charity, is delighted to confirm it has so far raised in excess of USD 100,000 in donations as part of an appeal to support microfinance and SME clients in Sierra Leone whilst they deal with the challenges of the Ebola outbreak. The team are planning to fill a container (perhaps more than one) with food, clothing, disinfectant/other hygiene items and disposable gloves. Typically, each microfinance client supports 12 people, meaning it may be possible to reach as many as 100,000 individuals through the client base in a very positive way.

If you would like to support these efforts, please call us on 020 7135 2480.

Bringing affordable healthcare to rural India

Founded in 2004, Vaatsalya operates a network of hospitals providing affordable primary and secondary care in rural and semi-urban areas in India. Across the states of Karnataka and Andhra Pradesh, Vaatsalya is the largest hospital network of its kind.

Market Opportunity

The Company aims to address the inadequacies of healthcare services in India. More than 70% of the population live in rural areas, however 80% of the country's medical facilities are found in urban clusters focusing on tertiary healthcare that accounts for only 10% of the total healthcare need in India.

Large low-income populations in rural and semi-urban areas that are currently unserved, present huge impact and market opportunities. The Company aims to bridge this gap by bringing urban healthcare facilities into rural areas.

Impact

High impact is achieved through increased access (thereby decreasing distances travelled) and affordability through no-frills delivery and streamlined operations. Indeed, health expenses remain the leading reason for default among microfinance clients in India, pushing over 39 million people annually below the poverty line.

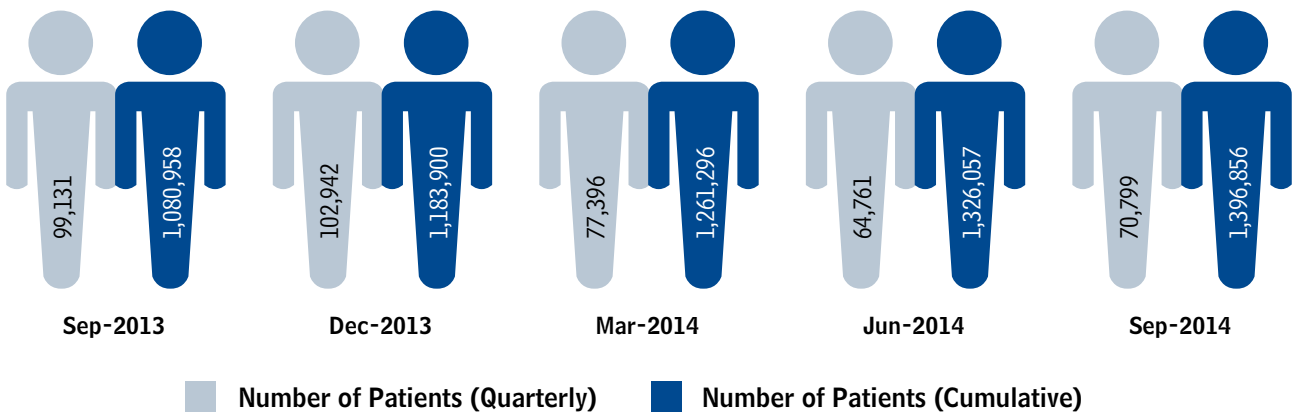
Update

- Focused on improving the profitability of the nine existing hospitals by undertaking significant measures to cut costs including closing loss making hospitals and rationalising overheads.
- Planning to raise USD 3 million from existing investors.

- Planning to partner with micro-health insurance organisations to extend its healthcare services to the bottom 20% of the economic strata.
- By Q3 2014, the company recorded just under 1.4 million cumulative patient treatments.



IMPACT DATA



Helping small businesses grow in Tanzania

Equity for Tanzania (EFTA) is a specialist in financing small businesses that fall into the large and under-served market between microfinance and SME lending. By establishing the for-profit equity fund PEAK II, EFTA has transitioned towards a commercial small business leasing company, taking the model to scale in Tanzania and replicating it in other parts of Sub-Saharan Africa.

Market Opportunity

The Fund targets small businesses, typically operating in agricultural and manufacturing sectors, employing up to 20 people and ready to grow to the next level. Tanzania has one of the world's poorest economies, however, it has achieved high overall growth rates in recent years and is projected to grow by around 7% in 2014 and 2015, offering a potentially attractive market to invest in².

Impact

The Fund records impact data on metrics such as the number of SMEs supported and jobs maintained through its loans.

EFTA has developed and introduced training programmes covering: pre-investment, post investment and business skills training, aimed to guide and educate new and existing customers.

Update

- The most significant development in Q3 2014 was the opening of EFTA's second branch in Mwanza. Early signs have shown promising demand for EFTA's product.
- By the end of September, the Credit Committee had already approved six finance applications, substantially exceeding initial targets.
- A change in operations strategy, removing sales from the daily activities of the investment team

has led to a spike in seminar attendances and applications and has enabled the investment team to focus on appraisals as well as the monitoring of active investments, thereby leading to strong portfolio health.

- At the end of Q3, approvals stood on the cusp of USD 2 million, with USD 244,955 being approved in the quarter.



Quarterly Impact Data

	Sep-13	Dec-13	Mar-14	Jun-14	Sep-14
Loans receivable gross (USD)	212,000	315,000	133,821	360,219	244,955
SMEs supported	7	10	5	11	11
Jobs created (by Peak II)	17	17	19	7	30
Jobs maintained (by Peak II)	127	49	62	45	52
Permanent employees	9	11	12	14	18

²<http://www.afdb.org/en/countries/east-africa/tanzania/tanzania-economic-outlook/>

New investments

Exciting new impact investments in the pipeline

During 2014 we moved to a deeper impact strategy for the Truestone Global Impact Fund LP. Our experience is that greater benefit can be achieved through direct investment in frontier market businesses that set out to transform lives. As a result we have ceased to seek impact by investing in other funds and have reclaimed that money to deploy in direct private equity and private debt opportunities.

Truestone has built up a substantial pipeline of exciting investments which have passed the initial due diligence stages of the investment process. These investments offer the potential of attractive financial returns as well as measurable social and environmental benefits and we expect to be in a position to invest in the near future and exit within the lifetime of the Fund.

Four of the leading investment opportunities are described below:

A Kenyan construction project, developing underutilised land and providing a teaching charity with a life-long income stream together with apprenticeship schemes

Stage	Lead
Amount	USD 8,500,000 (TGIF LP including co-investors)
Instrument	Equity/Debt

Overview

A company created for the construction of a two-phased urban property development (one residential, one commercial). The land belongs to an established Christian charity providing educational services but without a sustainable revenue stream or the resources to carry out the development. The 30 month project will see Truestone partner with co-investors; a local construction firm and a well established Nairobi-based quantity surveying firm.

Impact

The project will create jobs and new income streams derived from the delivery of serviced apartments and commercial rent, providing sustainable income to the charity. We believe that our involvement will also open up further opportunities to participate in social housing projects in Kenya, in the longer term.

Market Opportunity

Prime location – the land is situated in one of the most valuable districts of Nairobi. Kenya's real estate sector has achieved strong growth rates evidenced through recent rising property prices and high returns on investment.¹

¹ <http://www.cnbcafrica.com/news/east-africa/2014/10/23/kenyan-housing-market/>

The provision of renewable energy services to remote 'off-grid' areas in South East Asia

Stage	Lead
Amount	USD 2,100,000
Instrument	Equity/Debt

Overview

The company provides commercially viable energy services through a network of channel partners, reaching deep into rural Laos and Cambodia where whole communities struggle without reliable access to grid electricity. This proposed restructure and capital raise is intended to increase financial capacity for expansion into Myanmar and other countries with high 'off-grid' populations.

Impact

The company develops modern, clean, safe and sustainable alternative energy solutions; cutting the cost of living by reducing expenses for fuel (e.g. Kerosene for lamps and wood for cooking). It also avoids the toxicity of fossil fuels, whilst simultaneously contributing to environmental sustainability.

Market Opportunity

The company has acquired substantial knowledge and experience of local markets and stakeholders since its creation in 2001. To date, the company has won numerous international awards and was selected for Social Entrepreneur of the Year 2010 by the prestigious Schwab Foundation. It is involved in the design and manufacturing through to selling and installation of a broad range of affordable power systems (including solar, bio-fuels and micro-hydro utilities).

A farming investment which looks to expand job creation and facilitate community development in Southern Zambia

Stage	Lead
Amount	USD 2,550,000
Instrument	Equity/Debt

Overview

We have the opportunity to purchase a majority interest in a 3,300 hectare farm along the Zambezi River in Southern Zambia, 30 km outside Livingstone. Currently about 600 hectares of land is under electronic irrigation with three main crops: wheat, bananas and groundnuts. There is a significant water pumping facility which supplies irrigation to the farm directly from the Zambezi River.

Impact

The farm is a major employer within the local community, with over 100 staff and additional numbers of contract workers during the harvest periods. It provides a model system of interaction with the local community through the provision of quality housing to staff, investment in the neighbouring community centre and school, with plans to develop a community store (the nearest store of any kind is in Livingstone) and a brick-making business. The farm also

supplies regular food to a neighbouring orphanage. The majority of the farm's produce is sold within Zambia and neighbouring Southern African countries. The potential for eco-tourism on the farm, which would create additional jobs within the local community, is currently being explored. It has an excellent location being on the Zambezi River, close to a good airport in Livingstone and the nearby Victoria Falls.

Market Opportunity

Zambia has seen significant economic growth over the last five to ten years. A stable, pro-business government, plus sustained investment in infrastructure and commercial agriculture have turned the country into a bread basket within the region. Zambia is situated at the heart of the well-established Southern African Development Community (SADC), an economic bloc comprising 15 countries and 300 million people.

A diagnostics company developing the world's first low-cost, point-of-care early detection kit for Tuberculosis

Stage	Due Diligence
Amount	USD 1,000,000 - 1,500,000 (TGIF LP including co-investors)
Instrument	Convertible Preference Shares

Overview

Using breakthrough detection technology, Project TB utilises a novel biochemical to detect live bacteria that offers the potential to become the world's first true point-of-care TB diagnostic kit. The company aims to deliver portable low-cost test kits to impoverished communities in developing countries with the largest TB burden.

Impact

TB is a disease of poverty that kills 1.4 million people every year. 60% percent of TB patients worldwide are currently unserved, translating to an estimated 148.5 million diagnoses per year and market size of USD 700 million. At present there is no affordable, point-of-care early detection diagnostic available to this significant market.

Market Opportunity

Currently available diagnostics are either time and labour intensive, and expensive, or identify a patient with TB at a very late stage where there is minimal chance of successful treatment. The lack of cheap, portable early diagnostic tools remains a major obstacle for TB control in low-income countries. Prevailing TB tests on the market use 100 year-old technology that identifies the disease at five months post-infection, meaning an estimated 2.5 million undiagnosed new cases annually perpetuate the infection rate of this contagious disease. Bringing fast, accurate and early diagnosis of TB is critical for timely initiation of treatment, minimisation of infection, and ultimately, control of the disease.

Please get in touch with us on 020 7135 2480 if you would like to find out more about any of these articles or email ritchie.macdonald@tiim.co.uk

Truestone Impact Investment Management Limited is registered at One America Square, Crosswall, London EC3N 2SG. Office address is TEN Lovat Lane, 10-13 Lovat Lane, London EC3R 8DN. Telephone 0845 362 8424. Registered Number 07217744, registered in England and Wales.

Truestone Impact Investment Management Limited is authorised and regulated by the Financial Conduct Authority and has approved and issued this publication for the purposes of section 21 of the Financial Services and Markets Act 2000 ("FSMA").

RISK WARNING: Please be aware that there is no guarantee that this investment will achieve its objectives. Past performance is not a guide to future performance. The value of the investment and the income deriving from it can go down as well as up and cannot be guaranteed. You may get back less than you invested.

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