



We invest in entrepreneurs in Africa

sovec

Impact Report 2013

Education



Health



Housing



Real Business

Real People

Real Impact

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1. Introduction

We are excited to welcome you to our 2013 Impact Report. This report reflects how we measure the impact of our investments in the communities they serve. While we strive for financial return, the social impact of our portfolio is as close to our hearts as financial profit. We would like to have an effective and long term impact in Africa and in the communities that we invest in. Our focus sectors help develop and retain the human capital in the markets in which we are active. They provide a foundation for the economy to grow and for people in Africa to move up the economic ladder. We are passionate about the work that we do and feel that strong financial and social return truly does go hand in hand.

We would love to hear your feedback on what you think of our Impact Report and how we can develop it further. Please bear in mind that this report is longer than intended for future impact reports as we feel it would be beneficial to explain a lot of our thought processes and methodology behind the stories, figures and photos.



2. Key Statistics At 2013 Year-End

≈ 80,500 Lives impacted

816 Jobs created or maintained

1,051 Pupils with quality education

73,849 Patient visits

157 Families housed

3. Our Approach

Our approach to impact begins with our geographic (Africa) and sector (Essential Services) allocation. We believe poverty is, to a large extent, an economic problem that requires an economic solution. That’s why we invest in Africa.

3.1 Africa, SMEs and Jobs

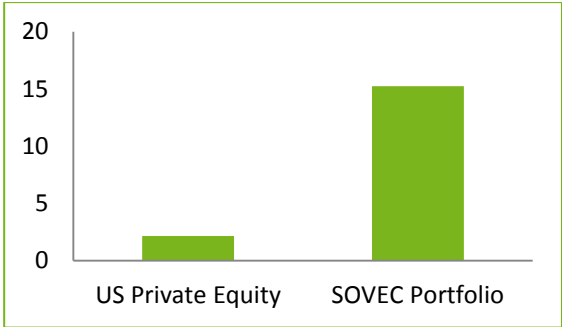
Africa is increasingly talked about as a promising market with terms such as “African Lion” economies often being used due to rapid growth figures and promising demographics. Africa’s middle class is expanding across the continent, with a few exceptions, and growth in GDP per capita is increasing quickly. There is a need for productive wage-paying jobs in order for the majority of people to share in the economic success of the region.

Entrepreneurs, building SMEs, are crucial in accomplishing this since they have the drive and attitude needed to deal with early-stage market conditions. We support these entrepreneurs and invest in them because their SMEs are the key job motor, create a middle class and are the backbone for stability and citizenship. See the tremendous job growth in our portfolio later in this report to demonstrate this point.

The impact of investments in Africa is large as you may expect. The impact of a dollar invested in SMEs in Africa, is significantly higher than in “the West”. This for instance is true in the investment required to create/maintain one job.

In the US in 2012, private equity firms invested USD 347bn in companies employing 7.5 million people. This signifies each USD 100,000 invested maintained 2 jobs. We calculated that this very same USD 100,000 invested created no less than 7 times more jobs in our own investment portfolio. This number does not include the significant number of outsourced (off-payroll) contractors.

Jobs per USD 100,000 invested



Source: PE Growth Capital Council, SOVEC

SME financing is the missing middle in Africa, too large for microfinance and too small for regular bank loans. Too often, expensive and unregulated finance houses are lenders of last resort for SMEs. SOVEC structures investments such that they are attractive to both investors and the SMEs, providing long term capital for long term growth.

3.2 Essential Services

We focus on “Essential Services” being education, health and housing. These sectors play an important role in Africa’s development and have a high impact on its people as African consumers move

higher up the pyramid of “Maslow’s hierarchy of needs”. They also present a robust business case, with structural and consistent strong growth in demand. We look for business models that, through their success, deliver “blended value”, an attractive combination of good financial returns and sustainable impact.

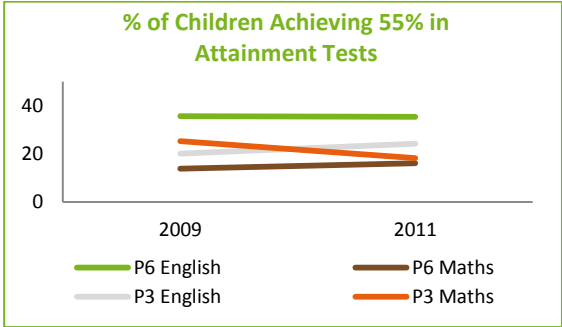
3.2.1 Educating Children

Education is critical for developing any country anywhere in the world.

Ghanaian public schools offer 9 years of free basic education using the Ghanaian curriculum. However, they may suffer from insufficient management, teacher absenteeism, lack of books and other facilities. Many parents feel that the public schools do not meet their aspirations of providing their children with high quality standard education, while they are fully attuned to the notion of education providing a way out of poverty. Given a choice, many are prepared to pay for good education, even if public education is free.

The quality issue becomes clear in the following chart, where it shows that the level at Mathematics and English in the third (P3) and sixth (P6) years of primary school was low and certainly did not improve over the past few years. It was also concluded from a recent national assessment that over 50% of all pupils in Ghanaian public primary schools scored very poorly in English (speaking, reading and writing).

Minimal Progress Made in Education



Source: National Education Assessment

A Global Partnership for Education report from 2012 stated that the main inputs influencing quality are amongst others, teacher qualifications, pupil teacher ratios, time on task, and the availability of appropriate teaching and learning.

With over 20% of total Ghanaian government expenditure directed towards education, compared to 11% in the Netherlands, it suggests that just spending more money is not the answer. Different approaches are needed.

Where public services struggle, the private sector may step in. In the educational sector they do this by setting up schools that are professionally managed and that provide education to meet the needs of the pupils and the expectations of their parents.

SOVEC invested in 2 schools in Ghana, one primary school with Ghanaian curriculum, while the other is an international school providing both primary and secondary education including boarding facilities.

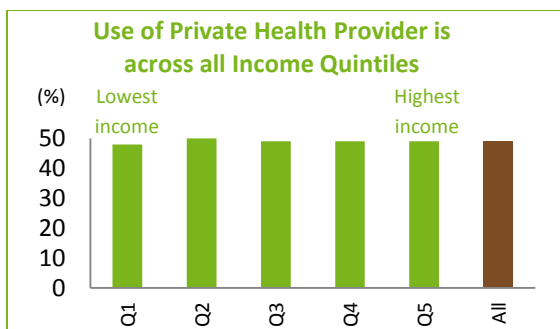
Please read section 5 for information on these investments.

3.2.2 Treating Patients

Quality is also a key issue in the healthcare sector and, just as in the education sector, the private sector is stepping in with its tailored solutions. Access to healthcare related goods and services needs to be improved. The lack of finance and expertise is a key impediment to this.

Research ordered by the government of Ghana has shown that patients turn to private providers for quality services, customer service and short waits. In fact, this has been seen to be the case across all groups of patients, rich and poor, and to a quite comparable degree.

Use of Private Healthcare Services



Source: GLSS 4 (2000); GLSS 5 (2005); World Bank

SOVEC invested in a diagnostic centre, providing imaging services of the highest possible quality standards, accessible to (almost) all income groups in Ghana and even West Africa.

SOVEC also has an indirect investment in a highly specialised clinic in Accra covering a full range of cancer specialities, using state of the art equipment and treatment techniques.

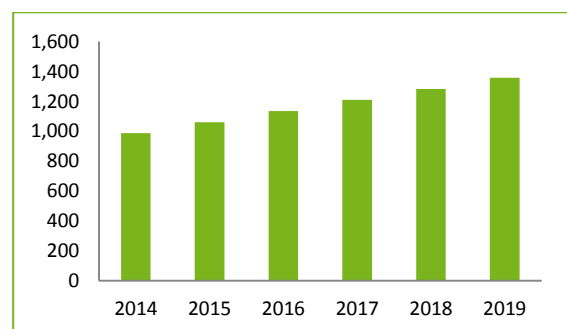
Please read section 5 for additional information on the diagnostic clinic.

3.2.3 Housing for Families

The UN estimates that more than half of Ghana’s 24 million people deal with inadequate housing solutions. This problem is compounded by rapid urbanisation, with rural families moving to cities for work, putting pressure on available housing stock in the affordable, lower-income and middle-income segments. Ghana’s housing deficit is estimated to be somewhere between 1 million (UN) to 1.7 million units (Ghanaian Ministry for Housing), which is of course considerable. It is also estimated that a minimum of 85,000 units per year needed to be built over the next twenty years, to address this gap. Estimates of current supply in Ghana are around 25,000 – 40,000 units per year, leading to an annual deficit of 45,000 units per year!

The chart below pictures the development of the annual construction deficit, based on rough estimates from various sources, of the need for and supply of housing units. Although we believe figures on the supply and demand side to be a little high, it is clear there is a large, increasing need.

Increasing Housing Deficit (000s houses)



Source: SOVEC, Ghana Housing Profile - UN

Access to housing clearly remains a significant challenge. This is especially true in the low to middle income segment, where people often live in sub-standard conditions with poor sanitation, cramped conditions, lack of security, etc.

SOVEC invested in 2 housing development and construction companies, Redrow and GHS. Both firmly focus on the low to mid income segment, delivering a high quality, sustainable solution to young families at an affordable price.

Please read section 5 for information on these investments.

3.3 Impact Measurement

SOVEC aims to deliver a predetermined and measurable impact. SOVEC uses the Impact Reporting and Investment Standards (IRIS) metrics of the Global Impact Investing Network (GIIN), as well as our own metrics, to measure progress over time. For a clarification on these metrics and how they relate to IRIS, please refer to Appendix II.

The main Impact Metrics we measure are:

- Jobs created/maintained
- Pupils enrolled
- Pupils graduated
- Patients helped
- Families housed

We also break down the jobs maintained into sub-groups for different sectors.

SOVEC's investment model involves investing in partner funds. This is the Ebankese Venture Fund (EVF), managed

by Oasis Capital Ghana – also a SOVEC investment. We also made an investment in Fidelity Equity Fund II (FEFII) but we will not make such a fund in fund investment again as they do not fit our strategic concept. We consider investments to be “indirect” if these have been made by the 2 funds and in which SOVEC did not invest itself. For these indirect investments, we (can) measure total jobs only. Of course, for our “direct” investments, which are the majority of our portfolio, we measure all Impact Metrics.

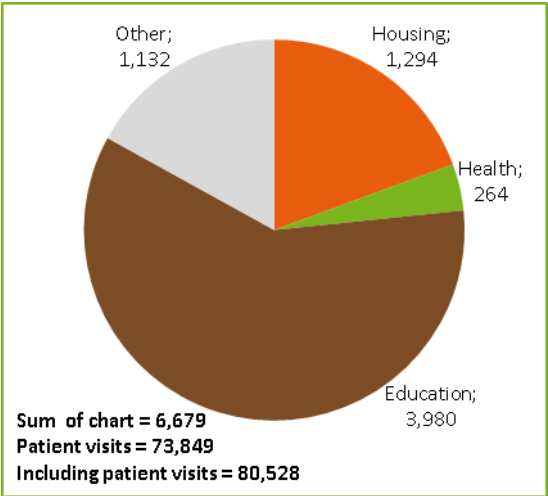
4. Social Performance

SOVEC supports entrepreneurs who build their companies. We invest in SMEs as they are the job-motor of an economy. We focus on Essential Services because these sectors have a specific and high impact on society.

In this section of the report, we will provide specific data on SOVEC’s social performance. FEFII figures only refer to the number of jobs and exclude other data such as houses built.

We keenly track the social impact of our portfolio and express this in “number of lives impacted”.

Lives Impacted as of 2013 year-end



The above chart excludes improved access to healthcare through patient visits from the pie chart to avoid distorting the picture. Impact from the scans is real but requires less time to deliver than the impact from building houses, providing jobs etc, which is why it is excluded from the pie.

The “other” sector represents investments in diverse sectors, primarily through the FEFII portfolio.

Impact from the Education and Housing sectors will increase significantly in 2014 due to an increased enrolment at both Penfield and Rising Sun as well as an expected steep growth in number of families being housed in new houses being completed by GHS and Redrow.

With USD 5.3m invested and disbursed so far it can be reasoned that we invested **USD 66** to impact one person’s life. The calculations for this are in Appendix I.

Our impact figures only contain direct and some indirect impact. They exclude effects created by indirect employment via support services for the business activities of our portfolio companies.



Craftsman at Penfield School (Indirect impact)

For example, in H1 2013, Rising Sun built a new school in Dome, Accra. This required between 50 and 100 construction workers

who were not included in our impact figures.



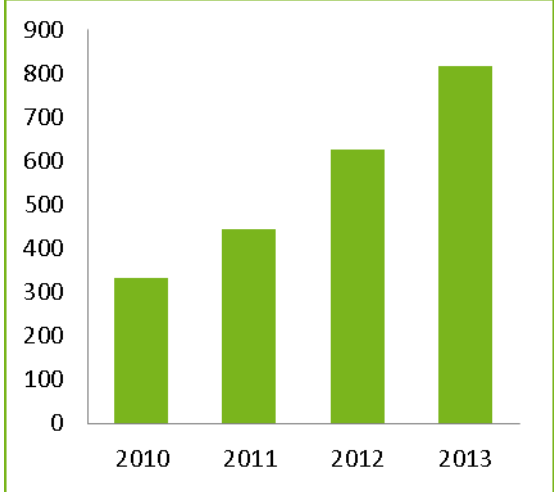
The Dome site under construction in H1 2013

There are various other indirect impacts supported by our portfolio companies throughout the year, such as jobs for security, food supply, transport etc.

4.1 Cross Sector Figures - Jobs

The success of our portfolio companies is driven by the people working for them. Jobs, for both high and low skilled workers, are key social impact goals for SOVEC. At the end of 2013, 816 jobs were created or maintained by the portfolio companies we invested in, including our indirect investments in the EVF and FEFII portfolios. We expect that this number will increase further.

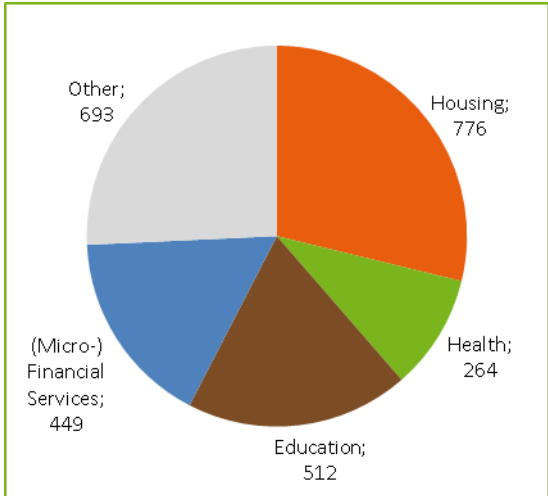
Jobs Created or Maintained



We expect job growth to be driven mainly by the organic growth of our companies, especially with GHS, Redrow, Rising Sun (which will shortly add a 3rd school) and a potential new (and last) investment in the Legon Botanic Garden.

For the calculation of “lives impacted” we used a 3.3 multiplier for the average family size in urban Accra, which can be regarded as quite conservative compared to the average Ghanaian family size of 4.

Impact from Jobs created/maintained



A significant amount of jobs are related to companies in Finance and Microfinance. The relative portion of this sector is expected to decrease as the majority of these jobs come from an older indirect investment and our more recent investments grow.

As previously indicated the “other” sector represents investments into diverse sectors, primarily through the FEFII portfolio.

Our portfolio shows that it has taken us **USD 6,536** to create or maintain a job within the portfolio.

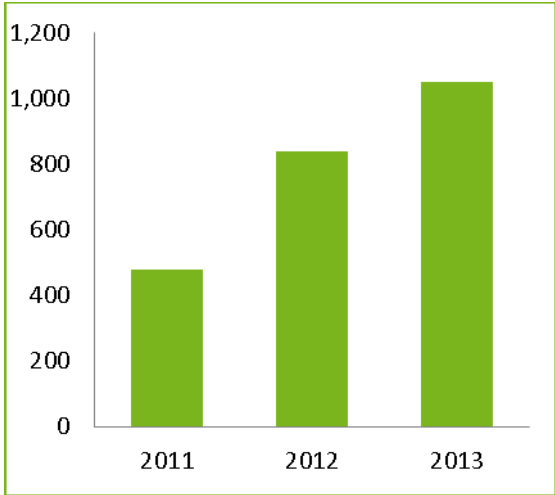
4.2 Education Figures – Students



Penfield School

Education is a high impact sector due to the young age of students and their whole lifetime ahead full of socio-economic activity. An educated child has an impact on all family members through the sharing of knowledge and future income potential. We track the number of pupils enrolled at any one time in our schools.

Pupils Enrolled



Rising Sun’s 3rd school in Tema will add approximately 300 new students in 2014.

4.3 Healthcare Figures



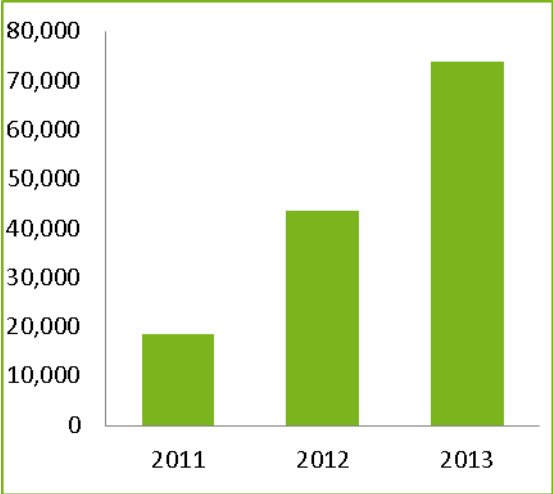
Diagnostic Centre Accra

Also, healthcare clearly is a high impact sector due to people’s improved health and longevity. Good healthcare increases quality of life, can extend a persons’ life (and that of a whole population), provides security and stability to families and allows them to contribute to society.

We track the patients treated in our clinics (for a precise definition please see Appendix II). Again, the figures do not include our indirect healthcare portfolio

(Sweden Ghana Medical Centre, an investment made by FEFII).

Patient Visits*



* Cumulative

Families housed*



* Cumulative

4.4 Families Housed



GHS Construction in Pokuase Accra

Good, decent housing provides families the stability on which to build from. Housing, therefore, is a very important sector for SOVEC. The direct impact is immediately felt by all family members and the multiplier effect is significant. We classify houses as being completed only after the keys having been passed to the new owner. The figures again exclude our indirect portfolio (Emerald Properties) in FEFII.

5. Company Data

5.1 Rising Sun Schools

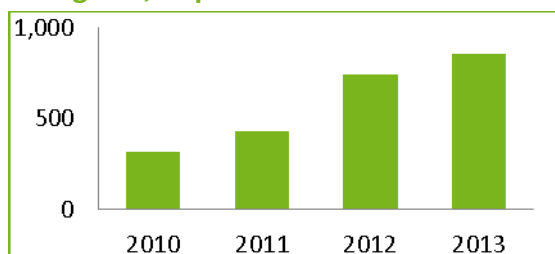
Rising Sun is a chain of schools offering high quality Ghanaian curriculum in primary education. Since SOVEC invested, the company has expanded from one school in New Bortianor (West Accra) to 3 schools in the west, north (Dome) and , in January 2014, east (Tema) of Accra.



Lunchtime at the New Bortianor School

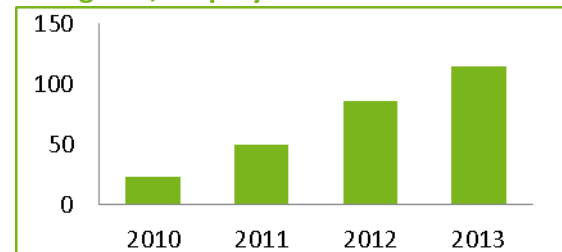
Rising Sun provides high quality yet affordable education. It does so in the local, curriculum, which allows it to keep costs (and school fees) low and to ensure that its high standard is accessible to a wide range of people. In 2013, 58 Rising Sun students taking final year national exams (the Basic Education Examination Certificate) achieved excellent grades with over 80% of exam results being in the top 11% of results in the country.

Rising Sun, Pupils Enrolled



The 3rd school (in Tema) will officially be included in the figures as of January 1 2014. This expansion is expected to add more than 300 students to the total pupil population to take it over 1,000 pupils. The school will also add over 30 employees in 2014.

Rising Sun, Employees



5.2 Penfield School

Penfield provides international curriculum primary and secondary education, with boarding facilities for the elder pupils, against a reasonable cost. As such, it caters for children of mid-income families. The school was a start-up when SOVEC invested (2011) and SOVEC's investment helped finance the completion of the construction work as well as some working capital.

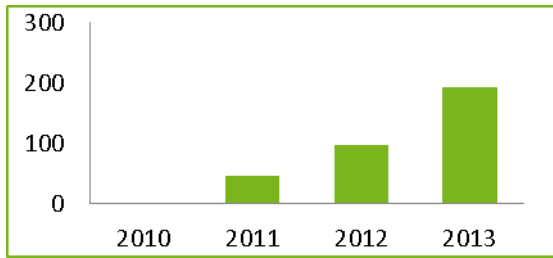


Students at Penfield School

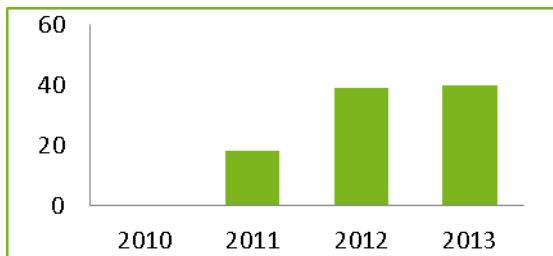
Penfield aims to keep school fees low compared to market standards, so that this excellent quality school is accessible to a wide range of families. Penfield's

marketing efforts are proving to reap dividends as the following graph shows:

Penfield, Pupils Enrolled



Penfield Employees



5.3 Diagnostic Centre Accra

DCA is the first private diagnostic centre in Accra. SOVEC's investment in 2011 helped the company provide a full range of medical diagnostic services, including MRI, CT, Mammography etc. DCA employs one of the leading radiologists in Ghana and its catchment area encompasses other Ghanaian cities as well as nearby countries e.g. Liberia.

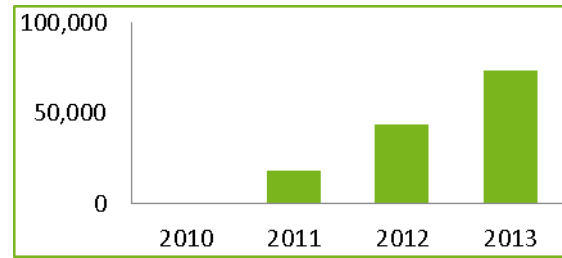


Patient undergoing a CT scan

DCA aims to expand this high quality care to other sites in Ghana and beyond, as well as to provide other high quality medical services (such as cardiology) that

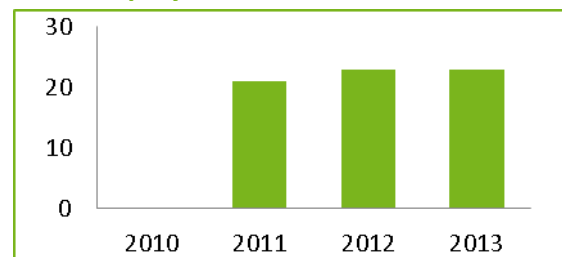
are currently unavailable to local residents.

DCA, Patients Treated*



**Cumulative*

DCA, Employees



5.4 GHS Housing

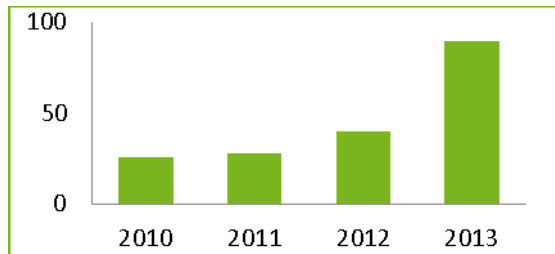
GHS is a construction company in Accra aimed at providing houses to low- and mid-income families. SOVEC invested (2011) early stage, when the company essentially was at a turning point. The new capital allowed the company to complete work in process, to acquire additional land and to purchase some important heavy weight equipment. The company has embarked on an ambitious project (Korleman City) with a potential 1,500 – 2,000 houses in Pokuase. To speed up its production process, GHS has adopted a new building technique from South Africa that allows a faster rate of construction.



GHS' Willow Court under construction

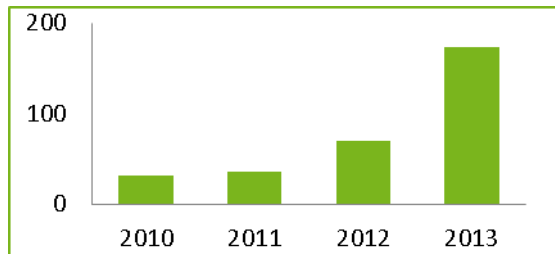
With such a big project, GHS will continue to focus on affordable housing for the years to come. In this market segment, the housing shortage is significant and the figures on the following charts should continue to rise.

GHS, Families Housed*



*Cumulative

GHS, Employees



5.5 Redrow Developments

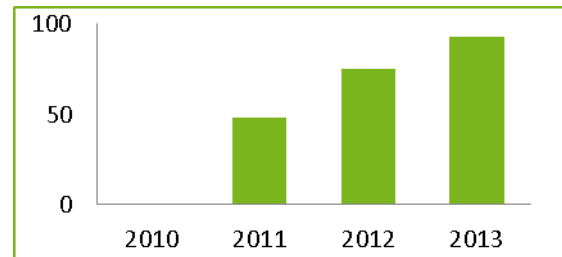
Redrow began business as a land developer and expanded into house construction. SOVEC's investment (2012) allowed the company sufficient working capital to continue develop housing for mid-income families. SOVEC is contributing to strategic and management discussions to help the company reach its potential going forward.



Redrow's Second Site Under Construction

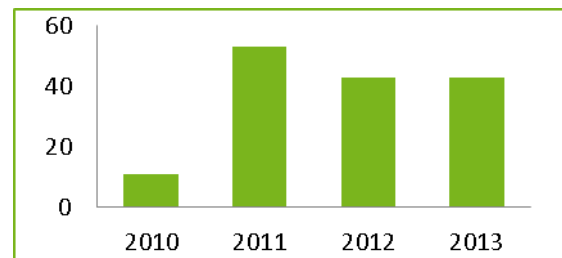
As can be seen in the following chart, Redrow's development has been lagging in 2013. SOVEC is keen for the company to improve its performance (speed of delivery) and we are prudently hopeful that the aforementioned strategic discussions with management will be concluded positively.

Redrow, Families Housed*



*Cumulative

Redrow, Employees



5.6 Charleston Hotel

Charleston is a 26 room Boutique Hotel in Tesano, a relatively old and "underserved" area of Accra. The hotel focuses on conferencing and guests, both for local as well as international business. SOVEC's investment (2011) allowed the company to complete construction work and begin

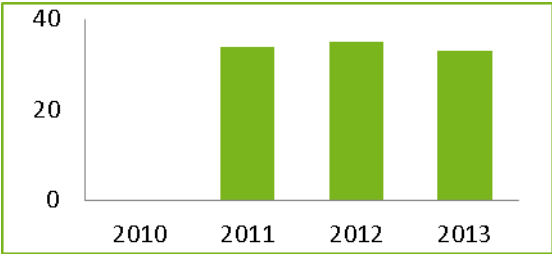
operations. Current management is eagerly looking to strengthen its team, which turns out to be a challenge due to Ghana’s very limited experience in the leisure industry.



Charleston Hotel at Night

Today Charleston is showing solid progress with increasing occupancy rates. It currently employs 30 people. SOVEC would like this concept hotel to be absorbed into an existing chain providing marketing power and management strength.

Charleston, Employees



5.7 Oasis Capital Ghana

Oasis is Fund Manager of Ebankese Venture Fund and our partner in Ghana. Oasis’s goal is to become the leading Fund Manager in West Africa. SOVEC’s investment (2010) allowed the company to start its operations and hire the high quality local staff needed.

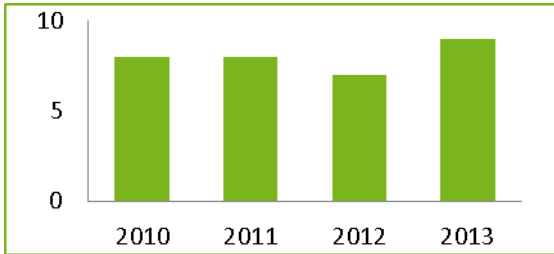


Oasis Capital Ghana Team

Our investment in Oasis is strategic, securing local expertise, mutual commitment and “shared interest”. We are happy with the partnership with Oasis, accepting the ups and downs in our intensive working relationship, and have experienced that our partnership model does work.

Like us, Oasis is fundraising for their second fund. Anticipating a first Closing somewhere in H2 2014, Oasis is looking to expand its team with 1 partner and 2 investment managers.

Oasis, Employees



6. 2013 Highlights

6.1 Rising Sun

Rising Sun recently expanded to a second site, in the Dome area of Accra and completed a fantastic new building to better serve its students. With new learning facilities it also provides excellent space for the children to play:



Children playing at Dome

The new school in Dome is enriching the local community with improved education and new facilities. Since its opening, the pupil population has grown to 358 and the first results of the National Assessment for Dome were very encouraging indeed (with 100% not only passing but achieving excellent grades).

Rising Sun recently gave, in cooperation with Jazi, a Dutch NGO and ABC Bookclub, scholarships to a number of bright female students from the Islamic Nima slum. Without this support, these girls would have never had the chance to attend a high quality school outside their slum area.

One of these students is Amina, a teenage girl who setup the Achiever's Book Club (ABC), a learning centre for girls in the neighbourhood. ABC arranges activities such as debating, mentorship programs and excursions outside the slum.

Rising Sun entrepreneur, Patrick Acheampong, was so impressed after being introduced to ABC, he provided 2 additional scholarships to add to those that Jazi had already granted.



The 4 girls with scholarships at Rising Sun

The educational impact does not stop with the recipients of the scholarships. The schoolgirls often share what they have learned with other ABC members who have not had the chance to go to (a good) school. This indirect impact gives the scholarships even more significance to the Nima community, as many of their (female) members hardly leave their own community. Rising Sun provides additional support to ABC, for example by allowing the use of its minibuses for excursions outside of the slums.

6.2 GHS Housing Limited

GHS Housing is growing at a rapid pace and has therefore increased the number of employees significantly (bringing over 100 of their contracted workers onto their payroll in the latter half of 2013). In doing this, GHS secured knowledge, increased efficiency and possibly improved employee loyalty, while these newly pay-rolled workers now enjoy all benefits related to their new status, including social benefits, job security, proper training and clothing, etc. In the months leading to the switch, GHS organized for training on budgeting and cash planning to these newly employed people and helped them to open bank accounts. For security, as well as practical reasons, GHS has arranged for an on-site mobile banking facility allowing a proper yet swift pay-out of the salaries on-site.



GHS employees in Pokuase

This also demonstrates an impact that cannot be captured in the figures but certainly has a positive effect on the people involved.

It should be noted that the job figures as presented in this report, do not include temporary contractors, or indirect jobs.

6.3 Diagnostic Centre Limited

Diagnostic Centre Limited (DCA) was in the press for a number of reasons in 2013. DCA received the African Business Star for Best Health Diagnostic Business award (organised by Aspire West Africa) for best Diagnostic Centre in Ghana. DCA was also featured on business news website “How we made it in Africa” outlining reasons for its success. Samuel Waterberg, DCA’s General Manager, spoke about affordable healthcare being one of those reasons:

“Waterberg enjoys telling the story of a prominent Ghanaian who visited the centre for tests. After he arrived he sent an aide to go and get more money as he believed the cash he had on him wouldn’t have been enough to pay for the services. ‘I asked him how much he had, and the amount he had was enough to do the examination. When he saw our modern facilities he thought that the cost would be five times the price that he was quoted by another hospital. Every Ghanaian should be able to have good quality healthcare, and that is what we believe in, and that is what we are providing’ says Waterberg.”



6.4 Oasis Capital Ghana

SOVEC would like to congratulate our partners in Ghana, Oasis Capital, for winning the award for “Best Private Equity House in



Ghana 2013” from the international finance magazine “Global Banking and Finance Review”. The award confirms something that we already know and we are pleased to remain partners with Oasis Capital in West Africa. We are highly confident that our continued cooperation with Oasis in financing Essential Services in the region will contribute to strong long term financial returns and sustainable impact.

7. Final Thoughts

We hope you have found this impact report informative and that it has given some insight about the real impact our (and your) investments have made. These are very important to us. Please check the website www.ovec.nl regularly for more information on our social impact. We are always looking to improve and are exploring ways to better communicate our impact. Our main current goal is to link our metrics with the broader macro-picture in the next version of this report. We therefore welcome your suggestions and comments.

Appendix

Appendix I – Impact Calculation Table

	Direct Impact						Indirect Impact (G=[A+B]x [D-1])	Total Impact (F+G)
	Jobs (A)	Students Enrolled (B)	Houses Built (C)	Family Size (D)	Scans (E)	Direct Impact (F=A+B+ [CxD]+E)		
Housing	235	-	157	3.3	-	753	541	1,294
Health	80	-	-	3.3	73,849	73,929	184	74,113
Education	155	1,051	-	3.3	-	1,206	2,774	3,980
Other	346	-	-	3.3	-	346	796	1,142
Total Portfolio	816	1,051	157	3.3	73,849	76,234	4,294	80,528

Disbursed Capital as at end of 2013 (USD k) 5,333

USD invested to create or maintain a job: 6,536

USD invested to impact one life: 66

This table above is based on conservative assumptions on which SOVEC’s impact is calculated. The FEF II part of SOVEC’s portfolio (24% of SOVEC’s Disbursed Capital) at this moment does not record the impact metrics that SOVEC uses except for jobs data. All figures are up to date at the end of 2013. There are two companies in the FEF II portfolio that could contribute to the healthcare sector impact metrics. There is also one company in the FEF II portfolio that could contribute to the housing impact metrics. “Other” represents investments in diverse sectors (primarily through FEF II). The figures above have been adjusted to avoid double counting of SOVEC’s co-investments. The average family size of 3.3 is taken from the Ghana Living Standards Survey Number 5 and is the average family size in the urban region of Accra (compared to the average 4 in Ghana). However, in Ghana it is common for the employed to help support their extended family, implying greater indirect impact not captured in the above analysis.

Appendix II – Taxonomy

SOVEC is looking at a number of IRIS metrics to track our social impact. For some of these standards we follow the IRIS definition of the metric exactly, whereas for others we have interpreted the standard in a certain way which requires clarification. The table on the following page aims to clarify the precise core metrics that we use. This is expected to evolve over time as IRIS standards evolve. SOVEC currently uses IRIS Version 2.2 and will upgrade this to version 3.0 in the course of 2014. Please see iris.thegiin.org for more information

Sector	IRIS Code	Impact Type	Indicator Name	IRIS Definition	SOVEC Indicator Name	SOVEC Interpretation
Education						
	OI5896	Operational	Teachers employed	Number of teachers employed by the organization at the end of the reporting period.	Same as IRIS	Same as IRIS
	OI4846	Operational	Other School Staff Employed	Number of other school staff employed by the organization at the end of the reporting period. Other school staff could include office, maintenance, transportation,	Same as IRIS	Same as IRIS
	PI2389	Product	School Enrollment	Number of students enrolled in school during the reporting period.	Pupils Enrolled	Same as IRIS
	-	-	-	-	Pupils Graduated	Pupils leaving the school through finishing the curriculum and end exams.
Health						
	PI3424	Product	Health Related Well Visits	Number of well visits or screenings, including immunization visits, conducted by the organization during the reporting period.	Patient Visits	For Diagnostic Centre, SOVEC uses number of diagnostic procedures in the reporting period
	-	-	-	-	-	Pupils leaving the school through finishing the curriculum and end exams.
Housing						
	-	-	-	-	Families Housed	Number of houses built during the reporting period and keys handed over to new owner.
Cross Sector						
	OI8869	Operational	Permanent Employees	Number of people employed by the organization at the end of the reporting period. This is the sum of all paid full-time and part-time employees.		Same as IRIS
	<i>Of which:</i>	-	-	-	Employees with academic qualification	SOVEC records the number of full-time and part-time employees that hold an academic qualification
	<i>And:</i>	-	-	-	Employees without academic qualification	SOVEC records the number of full-time and part-time employees that do not hold an academic qualification