



## Acumen Fund: How to Make the Greatest Impact

“This is indeed wonderful news. We are honored that your foundation is seriously considering providing Acumen Fund with a \$10 million contribution. As we discussed, we will provide a proposal highlighting how we believe Acumen can best maximize its impact with these new funds,” said Jacqueline Novogratz, CEO of Acumen Fund, responding to the representative of a family foundation that was prepared to make this generous donation. “I will review this with my management team, and we will submit our final recommendation within three days.”

Novogratz hung up the phone and looked across her desk at Brian Trelstad, Acumen Fund’s Chief Investment Officer. A family foundation had approached Acumen Fund about a possible large contribution, but first wanted a clear and compelling statement of how Acumen Fund intended to utilize those funds. Novogratz and Trelstad, together with the rest of Acumen’s top management team, had recently initiated a series of internal conversations on the various options that Acumen could pursue to expand its impact. Now they had to move from discussion to consensus.

Since its inception at the end of 2001, Acumen Fund had grown rapidly. By the end of 2006, it had approximately \$20 million under management in 17 social enterprises, impacting close to 10 million lives at the base of the pyramid (BoP), or those making less than \$4 a day. As the organization looked five years into the future, it had ambitions to grow its portfolio to \$100 million in 60-80 enterprises, targeting to impact 50 million lives. In order to become a major player in solving issues of global poverty, however, Acumen Fund believed that it also needed to translate insights derived from managing its investment portfolio to drive changes in the development sector’s paradigm of poverty alleviation as well as develop a talent pipeline to build a viable sector of pro-poor entrepreneurs.

Acumen Fund’s management team had recently become more thoughtful about expanding the geographies and sectors that it specialized in due to transactional inefficiencies and high start-up costs. The organization wanted to continue penetrating deeper into its existing geographies and sectors, while also increasing its efforts to share knowledge with the development sector, and build talent for the field – all areas that were considered core. However, some members of the organization supported a targeted expansion in geographic reach and sector expertise. The interest from this potential donor was now causing Acumen Fund to explicitly prioritize how it planned to grow in the future. The new funds could allow Acumen Fund to make investments in new geographies, expand its portfolio into new sectors, further develop its new initiatives in talent and knowledge sharing, or reach deeper into its current sectors and geographic regions.

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*Moses Lee, Research Associate at the William Davidson Institute, developed this case under the supervision of Ted London, Director of the Base of the Pyramid Initiative at the William Davidson Institute and Adjunct Assistant Professor of Business Administration at the Ross School of Business. They would like to thank Brian Trelstad and Yasmina Zaidman of Acumen Fund for their assistance in the development of this case.*

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## A New Approach

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Founded by Jacqueline Novogratz, Acumen Fund was a social venture capital fund that *sought to prove that small amounts of philanthropic capital, combined with large doses of business acumen, could build thriving enterprises that serve vast numbers of the poor.* After working on Wall Street right out of college as an international banker, Novogratz moved to Kenya in what she called her attempt to “save the world.”<sup>2</sup> While working in microfinance in Kenya, she was approached by a group of Rwandan women to help start the first microfinance institution in Kigali, Rwanda. Seizing the opportunity, Novogratz moved to Rwanda in 1986 to undertake the endeavor. It was during this time that Novogratz began working with a group of 20 single mothers who had started a bakery as a means of supporting themselves. The bakery was subsidized by a local church and operated more as a charity than a business. Novogratz worked with the women to instill business principles and helped turn the business profitable within six months. “I saw the power that markets can have to help bring people out of poverty, the discipline that running a business provides, and the pride that results from ownership,” said Novogratz.<sup>3</sup>

After a few years working in Africa, Novogratz returned to the U.S. and obtained her MBA; afterwards, she worked at the Rockefeller Foundation, founding and directing The Philanthropy Workshop and The Next Generation Leadership Program. It was through these experiences that Novogratz came to the belief that the poor were willing and able to pay for critical goods and services. However, most enterprises serving the poor were not sustainable or were reaching only a small number of people.

In 2001, 10 years after graduating from business school, Novogratz founded Acumen Fund with seed money from the Rockefeller Foundation, Cisco Systems Foundation, and a number of private donors. At the core of Acumen Fund was the belief that there was a more sustainable and effective way to address the unmet needs of poor communities than traditional methods used by aid organizations which often created forms of dependency.

Based on this belief, Acumen Fund supported enterprises that delivered goods and services to the poor by providing financing and management assistance in a fashion similar to those employed by the venture capital industry. Acumen Fund used a variety of financial mechanisms, such as debt covenants and interest payment schedules, to support entrepreneurs in the development of sustainable and scalable enterprises.

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## The First Five Years

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Acumen Fund’s first three investments were made as grants in early-stage health innovations: a low-cost hearing aid (India), an electromagnetic “immunosensor” for early detection of diseases (global), and a handheld device for gathering and disseminating health information (East Africa). In 2002, Acumen funded five new ventures and entered the housing sector with its investment in Saiban, a low-income housing development program in Pakistan. Of particular interest to Acumen Fund, a technology transfer loan was made to A to Z Textile Mills, an anti-malarial bed-net manufacturer in Tanzania, to further the production and distribution of long-lasting insecticide-treated nets (A to Z Textile Mills later became the largest manufacturer of such nets and one of the largest employers in Tanzania.)

Since Acumen Fund’s inception, Novogratz understood the importance of investment evaluation, and a fundamental approach of Acumen Fund was to focus on quantifying social impact. Over the organization’s first two years, the staff believed that impact should be measured along expanded choice of products or services for people living in poverty, the financial viability of the organizations providing them, and long-term financial sustainability.<sup>4</sup> In 2003, Acumen Fund made the decision to move away from grant investments, realizing that grants did not help organizations gain further access to the capital markets.

“Grants don’t contribute to creating financial growth. The only way to keep going is to re-up the grant,” said C. Hunter Boll, an Acumen Fund board member.<sup>5</sup> This shift from grants to equity and loans allowed Acumen Fund to set strict financial goals and provide targeted management support to the organizations it served based on financial performance. In that same year, Acumen Fund also entered the water sector with investments in Mytry and International Development Enterprise. By the end of 2003, Acumen Fund had approximately \$2.1 million under management.

In 2004, as its portfolio began to grow, Acumen Fund had to prioritize management support and began evaluating all the enterprises in its portfolio under a new forced-ranking system. This allowed the organization to better focus its attention and resources on enterprises with the greatest potential for impact. In that year, Acumen Fund also developed a metric called Best Available Charitable Option (BACO), a tool used to evaluate the best use of a charitable dollar, comparing each of its investments against comparable charitable interventions.

After four years of operations and proof-of-concept, Acumen Fund received institutional support from Google.org and the Bill and Melinda Gates Foundation in the amounts of \$5.0 million and \$3.9 million, respectively. Acumen Fund was “evolving into a hybrid institution that, on one hand, operates like an investment fund with a rigorous due diligence process, financial controls and clear reporting, and, on the other, provides management assistance, measures social returns and shares breakthrough insights with the world.”<sup>6</sup> At the end of the year, Acumen Fund opened its first local office in Hyderabad, India.

The year 2006 marked further global expansion of Acumen Fund. Realizing the need to be closer to the entrepreneurs it worked with, Acumen Fund opened local offices in Karachi, Pakistan, and Nairobi, Kenya. An on-the-ground presence, Acumen Fund believed, would not only help with the sourcing of deals, but it would also help to more effectively bring accountability and management assistance to enterprises. The long term vision was to have local offices, managed by local people, performing all the major functions: fundraising, sourcing deals, performing due diligence work, and providing management assistance.<sup>7</sup>

In order to train and further develop entrepreneurs to manage enterprises that reach the base of the pyramid, Acumen Fund started a fellowship program, attracting an international pool of talented professionals at early stages in their careers, with the potential to become the next generation of leaders in the global field of social enterprise. By the end of 2006, Acumen had approximately \$20 million under management in companies delivering critical products and services to more than 10 million individuals and creating thousands of jobs. Approximately \$750,000 were returned to Acumen Fund in the form of principal and interest, which were slated to be reinvested into new projects in years to come.

## **Capital Investments** (see Exhibit 1& 2 for Summary of Investments and Descriptions) \_\_\_\_\_

Today, Acumen Fund makes equity or debt investments in the range of \$300,000 to \$2,000,000<sup>8</sup> in enterprises or institutions serving the billions of poor people without access to clean water, reliable health services, or formal housing. “Eligible institutions for financial support range from non-profit organizations seeking to scale their operations and achieve financial sustainability, to small and medium for-profit companies in need of capital, to larger multi-national companies that are starting specific business units to serve the BoP.”<sup>9</sup>

Acumen Fund’s geographic reach includes East and South Africa, Pakistan, and India. Acumen Fund generally takes only a minority stake, typically between 10% to 33% of the capitalization.<sup>10</sup> Its investments target a “reasonable but often below-market financial return on capital invested.”<sup>11</sup> Expected payback period is in the range of five to seven years, but could extend longer if needed. Capital is not returned to the investors in Acumen Fund, who receive tax deductions as philanthropic donors to a 501(c)(3); rather,

any returns on investments are reinvested into other enterprises. In some cases, Acumen Fund provides financial guarantees to third party financial institutions to allow enterprises access to private capital. The following table summarizes Acumen Fund’s investment options:

### Acumen Fund Investment Options

Investment Vehicle	Description
Debt	Debt is the primary form of Acumen Fund investment and allows the support of sustainable enterprises while recycling capital. Debt investments are typically made in local currency, as Acumen Fund is willing to bear the foreign exchange risk. Acumen Fund charges interest rates in line with the local treasury rates, depending on the financial model and projected cash flows of the enterprise.
Equity	Equity investments take the form of common fully voting or preferred shares. Usually equity investments are minority stakes, and Acumen Fund often plays a management role through advisory services and a seat on the board of directors. Equity valuations are typically “at market” for what local venture capitals might pay.
Quasi-equity	Subordinated debt instruments (for the most part unsecured) with various features – equity conversion, profit-linked return, or other equity premiums – are used to generate equity-based returns.
Financial Guarantee	Guarantees are provided to third party lenders, such as local banks, to stimulate access to local sources of capital.
“Labs” Seed Money <sup>12</sup>	In some cases, Acumen Fund gives small amounts of seed money to enterprises for experimental work or research and development of new technologies. Seed money can be structured as a loan, equity investment or convertible debt, but carries greater risk than other investments. Funding can be disbursed rapidly and lessons can be learned in the short-term.
License Fees or of Royalty Structures	In cases where Acumen Fund facilitates the creation and registration of intellectual property (IP), Acumen Fund looks to exchange its interest in the IP for a licensing fee or a royalty stream.

Source: Acumen Fund Investment Binder 2006

Enterprises that received capital investments are expected to meet the following criteria:<sup>13</sup>

- **Strong Leadership:** Be led by entrepreneurs with tremendous vision, determination, and experience to see their business plan realized. An enterprise’s leadership team is considered the most important factor for success, and it cannot stop at the entrepreneur.
- **Social Impact:** Produce or distribute products or services that address critical needs. These products or services should compare favorably to those already offered in a specific geography in quality and cost effectiveness.
- **Financial Sustainability:** Have the capacity to generate sufficient income to cover costs and maintain ongoing, financially viable operations within a five- to seven-year period. This entails

enterprises understanding their customers – people who would buy the goods and services – as well as the perceived value of the goods and services. Most enterprises serving the base of the pyramid do not fully understand the value that they bring to customers. It is Acumen Fund’s view that serving the customer translates into good economics.

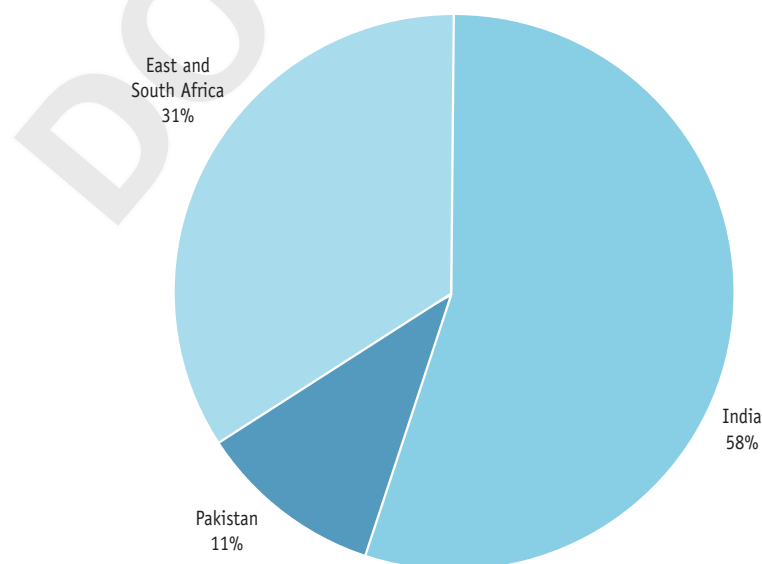
- **Scalability:** Have the potential to use market forces to deliver basic goods and services to many thousands, if not millions, of poor people within a five-year period. This often entails the enterprise having a competitive advantage in technology or innovation. Many social enterprises in the developing world simply transplant ideas from the first world. Acumen Fund looks to invest in those enterprises that have unique and innovative ways of solving problems that are adapted to the local context.

By performing a thorough due diligence process on its investees prior to investment and providing significant amounts of business training and management assistance, Acumen Fund looks to mitigate investment risk. This allows Acumen Fund to leverage its own capital commitments by attracting co-investors. “An investment by Acumen Fund is often seen as a signal to other potential investors as a vote of confidence,” says Raj Kundra, Acumen Fund Director of Capital Markets.<sup>14</sup> The result is a leverage multiple in the range of 4x to 40x.<sup>15</sup>

## Geographies

Acumen Fund’s current investment portfolio spanned five countries: South Africa, Tanzania, Kenya, India, and Pakistan. Initial investments were made in India and East Africa after carefully reviewing more than 700 possibilities spanning the globe. Management was concerned not so much about its global positioning at the time; rather, it sought organizations “that had strong and visionary leadership, the ability to reach major scale, and a way, over time, for revenues to cover costs.”<sup>16</sup>

Subsequent investments have been made in the same or neighboring countries, capitalizing on regional expertise and minimizing transactional and operational costs. “The learning curve – and hence the cost – was much steeper when entering a new geography,” says David Kyle, Chief Operating Officer. By 2007, Acumen Fund had opened regional offices in India, Pakistan, and Kenya to be closer to investees. A breakdown of Acumen Fund’s 2007 portfolio by region (in \$USD invested):



Source: Acumen Fund Roadshow Document

## Sectors of Involvement

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Acumen Fund operates in sectors that provide critical goods and services to the poor. Its current portfolio covers the following four sectors: health, housing, water, and energy. Within each sector, there are specific strategic approaches:

### Health

Health investments seek to alter market dynamics and increase access to affordable healthcare goods and services. The portfolio focuses along three dimensions:<sup>18</sup>

- *Reduced cost structures:* Modifying existing health products to allow production at substantially lower cost, or developing new technologies that make use of inexpensive, easily available materials.
- *New pricing models:* Developing sustainable pricing schemes that use innovations such as cross-subsidies and micro-financing to make health products and services more affordable to the poor.
- *Novel delivery systems:* Using creative marketing and distribution mechanisms – including public/private partnerships and grassroots efforts – to bring critical goods and services to underserved areas.

### Housing

Housing investments are made to improve access to affordable housing by increasing the housing supply and providing credit through home mortgage financing. The housing portfolio focuses along three dimensions:<sup>19</sup>

- *Creating innovative financing solutions:* Encouraging traditional financial institutions – both local and global – to create new financial products and upgrade systems infrastructure to open the housing market for the base of the pyramid.
- *Providing home ownership and job opportunities:* Investing in a range of housing-related development along the sector's value chain.
- *Paving the way for holistic "shelter-infrastructure" solutions:* Creating low-income housing approaches that are sensitive to the urban fabric and can serve as global role models.

### Water

The water portfolio's objective is to increase access to water for household and agricultural needs and to improve water quality and access to sanitation. The water portfolio is focused along three dimensions:<sup>20</sup>

- *Scalable products and services:* Commercializing innovative technologies and delivery models for replication.
- *Market-driven solutions:* Providing a product or service that can be sold directly to a target market or to a small-scale entrepreneur, not only to governments or donors who may be unaware of the demands of low-income consumers or their willingness to pay for what they value.
- *Technology transfer:* Finding opportunities to transfer technologies to new countries or regions through networks in both the for-profit and non-profit sectors.



## Energy

Energy investments target renewable energy ventures that sell essential energy services to the poor, including using biomass, solar and biofuels as energy sources. Energy projects can increase productivity and raise the income of the poor by reducing time and money spent on existing energy sources. Additionally, renewable energy is seen to be linked to improved education, adequate health care, affordable housing, and access to safe water.<sup>21</sup>

### Investment Portfolio by Sector (2007)

Portfolio (year launched)	Typical Investment Size	% of Portfolio
Health (2001)	\$1 – \$2.5 million	72%
Housing (2002)	\$1 – \$2.5 million	15%
Water(2003)	\$250,000 - \$1 million	12%
Energy (2007)	\$250,000 - \$1 million	1%

Source: Acumen Fund Roadshow Document

## Assessment Methodology for New Investments

Acumen Fund uses a framework derived from the venture capital industry to vet a potential investee.

### Early Due Diligence

The sourcing of potential investees happens on the ground level with a member of a country office or with a portfolio manager rather than via an online or third party forum. Potential investment opportunities are generally introduced through referrals, networking events, or by staff “just being on-location.” Portfolio managers, who are based in the New York office, are always involved in potential transactions – the degree of involvement varies based on the complexity of a deal, the targeted sector, and the staff experience and skill sets in a local office. If a business model appears viable, the portfolio manager arranges a meeting with the entrepreneur to assess “skill/will.” “Skill” is the capability to execute a solution, and “will” is the commitment to use market-based approaches to address a social end.<sup>22</sup> This is a critical part of the evaluation process as Acumen Fund believes that the most important factor for success of an enterprise is the entrepreneur and the management team. “We want to see that the team is high-performance. If you can’t build and attract a team that’s motivated, it’s not going to work,” says Trelstad.<sup>23</sup>

In cases where an entrepreneur needs to further cultivate an idea, Acumen Fund may work closely with the entrepreneur on business planning or establishing clear milestones to be reached before continuing discussions (such as product field tests). If a portfolio manager believes that an entrepreneur has strong potential or certain enterprise criteria are in place (e.g. customers are willing to pay for a product), the idea would be presented to the Chief Investment Officer and a detailed business model analysis would be performed.

### **Business Model Analysis**

If Acumen Fund decides to pursue an idea further, the portfolio manager and local team will perform an in-depth analysis of the entrepreneur's business plan and five-year financial model. This involves asking strategic business questions and making sure expectations are reasonable. Acumen Fund typically evaluates the enterprise's business plan and rebuilds its financial model with greater analytical rigor. The purpose of the business plan and financial modeling exercise is to assess the risk and strategic implications of a possible investment. During this process, portfolio managers and local staff work with their specific portfolio advisory board, a volunteer team composed of expert professionals and leaders within specific sectors. "For many financial models, we reduce target expectations significantly and push out the timeline by 12-24 months for more reasonable expectations," says Trelstad.<sup>24</sup> These advisors are very active in the process and see their involvement as a way to "give back" and share their expertise.

### **Structuring Options and Site Visit**

If Acumen Fund assesses an enterprise to meet its investment criteria, a preliminary term sheet – a document summarizing a potential investment with the enterprise – is drafted and reviewed by legal counsel. A site visit, if not already performed, is conducted to confirm assumptions of the business model and to meet and assess the entire management team.

### **Investment Committee Approval**

Before an investment is made, the Investment Committee is required to approve the transaction. The Investment Committee is composed of the CEO, COO, and CIO of Acumen Fund and three board members who have extensive private equity and venture capital experience. A portfolio manager drafts a 10- to 30-page investment memo that is reviewed by the committee. Deals that are approved by the Investment Committee often have contingencies. "Sometimes the criteria are not all met, and we are willing to compromise on some of them and not others," says Trelstad.<sup>25</sup> Upon approval, the deal structure is finalized through a process of intense negotiation with the entrepreneur and extensive consultation with legal counsel. Only after this point are funds disbursed.

### **Management Assistance**

Acumen Fund provides management "coverage" for each of its investments to improve performance and accountability, with the goal of reducing financial and operational risks. A primary relationship manager, a secondary team member, and a management team member are assigned to each investment. The primary relationship manager brings accountability to agreed-upon performance goals and at times provides board supervision. The secondary team member is a back-up to the primary in the primary relationship manager's absence. The management team member is a senior management member who visits the investee organization at least once a year and remains fully engaged in the overall progress of the investment. The coverage model also provides technical resources, technology, legal, and marketing support as needed. In addition, Acumen Fund leverages its extensive network of partners, advisors, fellows, and donors to add value to investee business plans, strategies, management systems, and execution if needed.

To prioritize its management's time and energy for its existing portfolio, Acumen Fund uses an internal management tool to rank investments in order of potential for impact, financial sustainability, and perceived impact on the overall development field. The global portfolio team meets semi-annually to rank investments against each other and against specific investment objectives. This forced-ranking process also helps identify and address problems early on within investee organizations, as those organizations that have fallen in ranking or are on the low end of the scale are brought to the attention of management.



## Exit Strategy

All of Acumen Fund's investments are entered into with the potential for a return of capital within a 5-7 year timeframe. Debt investments are exited via principal and interest payments over the term of the loan. Equity stakes have three liquidation options (in order of likelihood): sale to strategic investors, management buyback, or initial public offering. During an investment cycle or after an exit, Acumen Fund can make a new investment, depending on the stage of the enterprise. If, however, an enterprise is able to access more traditional private capital after an exit, Acumen Fund views its role as completed.

In its first five years of operations (with a portfolio of 17 investments), Acumen Fund had not experienced a default on a loan or the bankruptcy of an investee. It had exited one investment through a loan that was repaid in full, and had not exited any equity investments (all of which were less than 5 years old). The organization plans to enforce its contractual rights in either of the possible events of bankruptcy or default. "In the event of a default or bankruptcy, we will definitely take into consideration all factors when enforcing our contractual rights," says David Kyle, COO of Acumen Fund.<sup>26</sup>

## Evaluation Process/Methodology (See Exhibit 3 for Impact Data)

Acumen Fund evaluates its investment impact along three major dimensions: social impact, organizational sustainability, and scale. Acumen Fund tracks its investment performance through monthly and quarterly reports from its investees. These reports review financial, operational, and social metrics that are agreed upon at the onset of an investment. Metrics are carefully chosen to ensure progress toward investment goals and the need for management assistance.

Acumen Fund does not require investment companies to generate new reports for purposes of measuring performance; rather, if certain business information is not monitored or cannot be found in existing reports, Acumen Fund helps to develop systems to capture and manage the data. As a rule, Acumen Fund does not ask its investees to measure or report anything that it cannot do itself.

Financial metrics and other qualitative data used to measure performance are stored in a web-based portfolio data management system (PDMS) developed and implemented by Acumen Fund in partnership with Google (*see Appendix 2 for a PDMS impact summary report*). This system allows for real-time decision making and report generation. Acumen Fund hopes that as the PDMS system evolves to the next level, it will be something shared with the broader base of organizations doing development work.

### Social Impact: BACO Ratio

The Best Available Charitable Option (BACO) model is an analytical tool created to help evaluate Acumen Fund's investments against other charitable options delivering comparable products and services. The BACO model allows Acumen Fund to evaluate its impact on people's lives on a dollar-for-dollar basis compared to a charitable marketplace benchmark and gives donors knowledge of where their donations would be most effectively placed. In cases where there is no relevant benchmark, Acumen Fund develops plausible alternative scenarios based on market information.

The BACO calculation is driven by three key factors:

- **Financial Leverage:** This factor measures how far a dollar will go based on the type of financial instrument used. Acumen Fund seeks a financial return on its equity and debt financing whereas typical philanthropic grants are 100% sunk costs. In most cases, the administering and servicing costs of grants are lower than those of equity or debt financing due to their complexity and

management oversight; however, returns on investment via equity and debt financing often more than offset these differences and provide for a lower overall cost of investment.

- **Enterprise Efficiencies:** Organizational efficiency is a measure of the cost per unit of output of an enterprise. The implementation of private sector business strategies and market-based incentives to enterprises often lead to a higher likelihood of achieving scale efficiencies compared to nonprofit or public-sector-based strategies or systems.
- **Technology Leverage:** Technology improvements can dramatically increase output per unit. The technologies employed by an enterprise play a significant role in social impact and are taken into consideration in investment evaluation.

The BACO ratio is calculated by comparing the net cost per person impacted by a social program of an Acumen Fund investment to the best alternative traditional charitable donation. The metric depicts how many times more cost-effective an Acumen Fund investment is compared to the best available charitable option. For example:

### BACO Analysis of Investment in A to Z, an Insecticide-Treated Bed-Net Enterprise:

	Acumen Fund Investment	Traditional Charity
<b>Financial Cost</b>	\$325,000 loan (6% interest) + \$130,000 in-kind support - \$422,500 loan payment + interest = \$32,500 Net Cost	\$325,000 grant
<b>Social Impact</b>	7 million long-lasting insecticide nets produced	92,857 traditional nets produced
<b>Result<sup>27</sup></b>	\$0.02 to supply a person with a year of malaria protection	\$0.84 to supply a person with a year of malaria protection.
<b>BACO Ratio</b>	42	

Source: Acumen Fund Roadshow Document

In order to reach a realistic and more balanced ratio, a sensitivity matrix is compiled along the financial return and social output dimensions. The financial return scale is comprised of the following scenarios: full return on investment (principal plus interest); return of only the principal; and complete loss. The social impact scale is made up of the following scenarios: initial projections from the original investment plan; conservative projections; and revised projections updated on a real-time basis using actual impact data. Acumen Fund generally uses the revised projections line of the matrix to determine the appropriate BACO ratio to use.<sup>28</sup> The following matrix shows the continuum of the various financial and social possibilities:

		Financial Return		
		3) Complete Loss	2) Return of Principal Only	1) Return of Principal + Interest
Social Impact	(A) Initial projections	Higher Social/ Low Financial	Higher Social/ Moderate Financial	Optimistic Results
	(B) Conservative projections	Moderate Social/ Low Financial	Moderate Social/ Moderate Financial	Moderate Social/ High Financial
	(C) Revised projections	Pessimistic Results	Low Social/ Moderate Financial	Low Social/ High Financial

The BACO methodology has inherent limitations. The metric neither captures the long-term impact of development work nor the system and structural changes in local communities. Additionally, the methodology often relies on selecting the right charitable alternative from which to benchmark, which is often a nebulous process. When relevant benchmarks are not readily available, the challenge becomes making the right assumptions and extrapolating data and information correctly. Finally, comparing investments across different spectrums using BACO ratios is often misleading. BACO ratios are not complete measures of social impact; thus if one investment choice has a higher BACO ratio than another, it does not necessarily imply a better social impact. Investment decisions and evaluations must take into consideration other quantitative and qualitative data.

### Organizational Sustainability

Acumen Fund reviews financial performance year-to-year to ensure health and growth of its investments. The financial indicators of chief importance are revenues, net profit, and operating margins. “If it’s something that people value and want, they’ll keep buying it. And revenue growth is their metric of success,” says Trelstad.<sup>29</sup> On top of financial metrics, Acumen Fund measures financial performance by its investee organizations’ ability to attract additional private capital – which Acumen Fund views as more sustainable in the long run than reliance on aid or philanthropic funding. Acumen Fund also reviews an organization’s operational capacity by performing a capabilities assessment. This qualitative assessment is performed on a quarterly basis with an investee on 20-30 areas of strength rated from 1 to 5 by an Acumen Fund portfolio analyst or manager. This tool is used to assess organizational improvement and growth.

### Scale

Acumen Fund defines scale as the total output over the life of the investment. Investments are made with the expectations that the investee reach at least 1 million end users within a five-year period, have a material impact on the social problems that it is trying to solve, and be one of the leading service providers in the marketplace. Managers are constantly looking to see output increase over time.

## Funding

Acumen Fund is financially supported by philanthropic donations by individuals, foundations and corporations. The Acumen Development Team works to build a pipeline of donors and maintain a high level of involvement and engagement from current donors. To attract new partners to Acumen Fund's work, the Development Team generally targets institutions and high-net-worth individuals. The majority of Acumen Fund's donor base is individuals who give on average around \$85,000 a year, with a median close to \$50,000.<sup>30</sup>

### Type of Donor by Dollars Donated

	2005	2006	2007E
Foundation Grants	47%	36%	35%
Corporate Donations and Partnerships	7%	4%	5%
Individual Donors	46%	60%	60%

Source: Acumen Fund

### Acumen Fund Top Donors

Rockefeller Foundation: \$5.0 million  
 Google.org: \$5.0 million  
 Bill and Melinda Gates Foundation: \$3.95 million  
 Cisco Foundation: \$3.0 million  
 Individual A: \$8.7 million  
 Individual B: \$7.0 million  
 Three individuals with donations of \$6.0 million

Source: Acumen Fund Investment Binder 2006

In late 2006, Acumen Fund began seeking alternative sources of funding in efforts to reach its growth targets. As a result, Acumen Fund began exploring funding through the capital markets where investors would be repaid principal and a modest interest rate so long as additional grants were provided to cover critical noninvestment-based activities such as building talent, knowledge sharing, and management assistance. "In the long run, we envision a hybrid funding model whereby invested capital would work alongside traditional philanthropic dollar," said Kundra.<sup>31</sup> (See Exhibit 3 & 4 for Funding Usages and Program Expenses.)

## Three Pillars: Capital, Talent, and Knowledge

At the start of 2007, recognizing that changing the current development paradigm would require more than an investment fund, Acumen Fund organized its business model into three main pillars: capital, talent, and knowledge. Capital investments were seen as the engine to push forward the development paradigm, but sharing knowledge from those investment experiences and building a base of talented social entrepreneurs and leaders had the potential to catalyze it further. "Always, our center of gravity will be our investments, but translating the work into even more significant change is our ultimate scorecard," said Novogratz.<sup>32</sup>

## Talent

“I have spoken with entrepreneurs and local business leaders in the countries in which we work and hear the same phrase repeated: ‘We need skilled managers who have experience in growing companies, managing supply chains, marketing, and managing manufacturing plants. Their needs are specific and often sophisticated,’”

- Jacqueline Novogratz<sup>33</sup>

“During our first five years, we realized that local talent was one of the greatest hindrances to growth and scale for enterprises serving the poor,” said Deepti Doshi, Acumen Fund Talent Manager.<sup>34</sup> At the same time, Acumen Fund began to attract a lot of interest from young professionals. (In 2006, Acumen Fund received over 1,000 resumes from people wanting to join the organization or interested in volunteering.) Seeing a great opportunity to “fill the gap” as an intermediary, Acumen Fund started the Acumen Fund Fellows Program in 2006 to meet the needs of investee enterprises, as well as to build leadership for the field and within the overall development community. In that first year, Acumen Fund placed seven fellows in its investee organizations. The fellows were trained in the U.S. for two months and then deployed in the field for nine months to work with investee organizations. In 2007, Acumen Fund selected another seven fellows from a pool of 500 candidates from 60 countries.<sup>35</sup> The projected total cost for training and supporting a fellow in the program for the full year 2007 was approximately \$65,000.<sup>36</sup>

The Fellows Program has the following objectives:

- **Building Leadership:** Fellows are highly motivated, talented, and experienced individuals with significant operational and managerial skills. They also empathize greatly with the people Acumen Fund serves. Through their fellowship experiences, fellows are well positioned to take leadership positions in top development organizations or become pro-poor entrepreneurs themselves.
- **Supporting Investees:** Fellows are hands-on with investee enterprises and bring much support to the value chain. Acumen Fund received positive feedback from entrepreneurs during the first year of the program, and five of the seven fellows were offered full-time employment opportunities at investee enterprises.<sup>37</sup>
- **Extracting Insights:** To build up a library of knowledge of the field, fellows create case studies and reports that assemble a knowledge bank to be shared with the sector. This also includes sharing videos, photos, and stories through dynamic blogs and other media outlets.
- **Enhance Acumen Brand and Community Engagement:** As a member of the Acumen Fund community, fellows are engaged fully with the overall vision and mission of Acumen Fund and are considered frontline spokesmen for the organization.

## Knowledge

Acumen Fund seeks to leverage the impact of its growing portfolio by sharing lessons learned with a range of audiences that are exploring the potential of market-based approaches to development. “In addition to changing lives directly, we will focus as well on changing minds – sharing what we learned with a specific focus on demonstrating the power of poor people to solve their own problems, provided the obstacles and constraints currently holding them back are removed,” says Novogratz.<sup>38</sup> To achieve this end, Acumen Fund focuses on three areas:

- **Knowledge Sharing:** Acumen Fund works with research institutions, universities, think tanks, and various professional and academic journals to further facilitate the discussion on using market-based approaches to solving issues of poverty. By mid 2007, 14 working papers and publications were in progress, and two research efforts were funded and underway.

- **Communications:** Through a broad communications effort, sharing stories from among entrepreneurs and low-income consumers, Acumen Fund seeks to change commonly held perceptions about global poverty and raise the visibility of market-based approaches. Since inception, Acumen Fund has been featured in over 20 publications, including four with global distribution. Additionally, members from the management team have been invited to speak at many leading conferences on Acumen Fund’s concept for poverty alleviation. The goal of communications is to “position Acumen Fund as a leading institution in the development field and to generate awareness about Acumen Fund’s approach among our community and the broader public.”<sup>39</sup>
- **Strategic Partnerships:** Partnering with corporations, foundations, and other organizations that share an interest in expanding access to basic goods and services is strategic in Acumen Fund’s efforts to influence the field. Through thoughtful engagement and collaboration with these partners, Acumen Fund hopes to be able to accelerate change for practitioners and policy makers.

## The Next Four Years

By 2011, Acumen Fund hopes to expand its portfolio to at least \$100 million in investments under management, further develop local talent, and share insights regarding market-driven approaches to societal change. The organization’s goal is to support 60-80 enterprises serving more than 50 million poor people.

	2007	2011
Capital	<ul style="list-style-type: none"> <li>• \$19 million</li> <li>• 17 enterprises</li> <li>• 10 millions lives impacted</li> </ul>	<ul style="list-style-type: none"> <li>• \$100 million</li> <li>• 60-80 enterprises</li> <li>• 50 million lives impacted</li> </ul>
Knowledge	<ul style="list-style-type: none"> <li>• Partners at leading institutions; participation in top global forums</li> <li>• Profiles in top mainstream press</li> <li>• New paradigm for solving poverty</li> </ul>	<ul style="list-style-type: none"> <li>• Acumen model a mainstream approach to fighting poverty</li> <li>• Robust, open-source library of data and research for the field</li> <li>• Standardized tools and metrics for the sector</li> </ul>
Talent	<ul style="list-style-type: none"> <li>• 7 fellows</li> <li>• Small, but growing, group of entrepreneurs</li> </ul>	<ul style="list-style-type: none"> <li>• 50 alumni of Fellows Program</li> <li>• Large pool of in-country entrepreneurial leaders</li> </ul>

Source: Acumen Fund Roadshow Document

In order to achieve these goals, Acumen Fund faces the following challenges:

- **Taking Concepts to Scale:** To be truly effective, Acumen Fund needs to find ways to influence not only other organizations to replicate its work, but also policymakers and the financial markets. This will be accomplished by showing further proof-of-concept and getting buy-in from large multilateral and bilateral organizations.
- **Better Metrics and Systems:** Acumen Fund is working on developing more accurate metrics by which to evaluate its impact across portfolio enterprises. Defining “success” will help Acumen Fund to better allocate its resources, as well as communicate its work to stakeholders. Additionally, as Acumen Fund collaborates further with Google on the PDMS platform, it hopes to eventually share the platform with the rest of the field in efforts to drive greater transparency and standardization of metrics.



- **Professional Development:** Acumen Fund attracts some of the best and brightest people to its organization. Its employees have a lot of potential and, hence, many opportunities outside of Acumen Fund. Compensation is considered above-average compared to most nonprofits; however, Acumen Fund cannot compete with private companies such as investment banks or private equity funds. “We need to focus on the professional development of our employees, fellows, and interns to make Acumen Fund a place of choice so that we can continue to attract and retain talented individuals,” says Doshi.<sup>40</sup>
- **Diversifying Funding Sources:** Other than return on its investments, Acumen’s funding comes from donations from foundations, corporations, and individuals. In order to scale upward and to influence the overall development sector through knowledge and talent, it has to find alternative sources of funding that will support the organization in accomplishing its mission.
- **Developing Local Talent:** Highly capable and knowledgeable local management teams are a crucial component to the long term development of enterprises operating at the base of the pyramid. Acumen Fund hopes that its fellows program will be a catalyst in supporting the next generation of local entrepreneurs.

## Prioritizing Activities

Acumen Fund has come a long way since its inception in 2001. The organization has learned many lessons and, as a result, has continued to revise its operating model along the way. In the next four years, the management team knows that Acumen Fund needs to further refine its approach. While an increasing number of organizations have been beginning to use financial structures such as debt or equity (as opposed to traditional grants) to support ventures serving the BoP, this is by no means the one “silver bullet” for alleviating poverty. “The past six years have taught us at Acumen Fund that neither the markets nor aid alone will solve big problems of poverty,” says Novogratz. Acumen Fund knows that its model of providing access to financial capital needs to be complemented with talent development and knowledge sharing. Novogratz and Trelstad wondered, however, how well positioned Acumen Fund was to provide the latter two services

Working with the rest of Acumen’s management team, Novogratz and Trelstad need to make a decision that could have long term implications on the growth trajectory of the organization. In developing the proposal for using the \$10 million donation, the team had settled on the following options or combination of options:

1. **New Geographies:** New funds could be used to explore and make investments outside of Acumen Fund’s current geographic reach of South and East Africa, Pakistan, and India.
2. **New Sectors:** Acumen Fund operates in sectors that deliver critical goods and services in health, housing, water, and energy. There are other sectors that are also under consideration (i.e. education) and the new funds could be used to open up these sectors.
3. **New Initiatives:** The talent and knowledge sharing initiatives are relatively new strategies within Acumen Fund. The new funds could significantly jump start these efforts.
4. **Greater Penetration in Existing Geographies and Sectors:** Acumen Fund has been operating within its current geographies for only a few years and there are still opportunities to penetrate further within certain sectors. The new funds could be channeled towards deepening Acumen Fund’s involvement in countries and sectors where it already has a footprint.

The Acumen Fund management team now needed to make its final recommendation to the family foundation on how to allocate the proposed \$10 million contribution across the different options.

Exhibit 1: **Acumen Fund Portfolio Summary** as of January 2008**DEBT INVESTMENT PORTFOLIO SUMMARY**

Status	Company	Product or Service	Instrument	Initial Investment	Sector	Geography	Total Committed
Under Management	Sekem	Organics	Debt	2003	Housing	Africa	\$175,000
Under Management	Kashf I	Microfinance	Debt	2003	Housing	Pakistan	\$150,000
Under Management	Care With Love	Home health care	Debt	2004	Health	Africa	\$25,000
Under Management	Al Nadim	Women's employment	Debt	2004	Housing	Africa	\$300,000
Under Management	SHEF	Health Clinics	Debt	2005	Health	Africa	\$125,000
Under Management	A to Z II	Anti-malaria bednets	Debt	2005	Health	Africa	\$250,000
Under Management	Broadreach	HIV-AIDS Program	Debt	2005	Health	Africa	\$1,750,000
Under Management	Saiban II	Low income housing	Debt	2005	Housing	Pakistan	\$250,000
Under Management	Scojo Foundation	Low cost eyeglasses	Debt	2006	Health	India	\$500,000
Under Management	Drishtee Foundation	Women entrepreneurs	Debt	2007	Health	India	\$233,000
Under Management	Jamii Bora	Low-income housing	Debt	2007	Housing	Africa	\$250,000
Under Management	Books of Hope	Innovative health education literature	Debt	2007	Health	Africa	\$150,000
Under Management	d. light design	Lighting and power solutions	Debt	2007	Energy	India	\$200,000
<b>TOTAL DEBT UNDER MANAGEMENT</b>							<b>\$4,358,000</b>
Approved		Home improvement loans	Debt	2007	Housing	Pakistan	\$900,000
Approved		Drip irrigation	Debt	2007	Water	Pakistan	\$300,000
Approved		Sanitation blocks in urban Kenya	Debt	2007	Health	Kenya	\$551,000
<b>TOTAL APPROVED DEBT</b> (in final documentation)							<b>\$1,751,000</b>
Exited	A to Z	Anti-malaria bednets	Debt	2003	Health	Africa	\$325,000
<b>TOTAL EXITED DEBT</b>							<b>\$325,000</b>

Note: Investments are counted by the number of investee organizations, not financial vehicle type or round of funding.

Exhibit 1: **Acumen Fund Portfolio Summary** as of January 2008**EQUITY INVESTMENT PORTFOLIO SUMMARY**

Status	Company	Product or Service	Instrument	Initial Investment	Sector	Geography	Total Committed
Under Management	Sekem	Organics	Equity	2003	Housing	Africa	\$175,000
Under Management	WHI	Water distribution	Equity	2005	Water	India	\$600,000
Under Management	Voxiva	Health informatics	Equity	2005	Health	India	\$766,183
Under Management	ABE	Malaria drug component	Equity	2006	Health	Africa	\$1,250,000
Under Management	Drishtee.com	Rural services	Equity	2006	Health	India	\$1,025,589
Under Management	Medicine Shoppe	Generic drug distribution	Equity	2006	Health	India	\$1,089,059
Under Management	Drishtee - Quiver	Rural internet services	Equity	2007	Health	India	\$650,000
Under Management	1298	Emergency medical services	Equity	2007	Health	India	\$1,572,040
Under Management	Medicine Shoppe	Generic drug distribution	Equity	2007	Health	India	\$1,404,809
<b>TOTAL EQUITY UNDER MANAGEMENT</b>							<b>\$8,532,680</b>
Approved		Maternity hospitals	Equity	2007	Health	India	\$1,900,000
Approved		Drinking water & retail irrigation	Equity	2007	Water	India	\$50,000
Approved		Water systems	Equity	2007	Water	India	\$60,000
Approved		Drip irrigation	Equity	2007	Water	Pakistan	\$300,000
Approved		Drip irrigation	Equity	2007	Water	India	\$1,000,000
<b>TOTAL APPROVED EQUITY</b> (in final documentation)							<b>\$3,310,000</b>

**LOAN GUARANTEE INVESTMENT PORTFOLIO SUMMARY**

Status	Company	Product or Service	Instrument	Initial Investment	Sector	Geography	Total Committed
Under Management	WHI - Acumen	Water systems	Loan Guarantee	2005	Water	India	\$294,000
Under Management	Flowing Currents	Rural electrification	Loan Guarantee	2006	Housing	Sri Lanka	\$210,334
<b>TOTAL LOAN GUARANTEE UNDER MANAGEMENT</b>							<b>\$504,334</b>

Exhibit 1: **Acumen Fund Portfolio Summary** as of January 2008**GRANT SUMMARY**

Status	Company	Product or Service	Instrument	Date of disbursement	Sector	Geography	Total Committed
Under Management	Kashf I	Microfinance	Grant	2003	Housing	Pakistan	\$203,000
Under Management	Saiban I	Land Titles	Grant	2003	Housing	Pakistan	\$86,667
Under Management	Care With Love	Home health care	Grant	2004	Health	Africa	\$25,000
Under Management	Saiban II	Land Titles	Grant	2005	Housing	Pakistan	\$52,500
Under Management	A to Z II	Bednets - subsidy program	Grant	2005	Health	Africa	\$425,000
Under Management	WaterHealth	Water systems	Grant	2006	Water	Sri Lanka	\$100,000
Under Management	Drishtee - Nike	Rural internet services	Grant	2006	Health	India	\$50,000
Under Management	Aqua Aero Water Systems	Water systems	Grant	2007	Water	India	\$55,000
<b>TOTAL GRANTS UNDER MANAGEMENT</b>							<b>\$997,167</b>
Exited	Satelife	PDA's	Grant	001	Health	US	\$324,000
Exited	Project Impact	Affordable hearing aids	Grant	2001	Health	US	\$400,000
Exited	SSI	Immunosensor	Grant	2002	Health	US	\$430,000
Exited	Aravind Eye Hospital	Telemedicine	Grant	2002	Health	India	\$208,205
Exited	MyTry	Water filters	Grant	2003	Water	India	\$145,000
Exited	IDE-India	Drip irrigation	Grant	2004	Water	India	\$100,000
<b>TOTAL EXITED GRANTS</b>							<b>\$1,607,205</b>
<b>TOTAL EXITED INVESTMENTS UNDER MANAGEMENT</b>							<b>\$1,932,205</b>
<b>TOTAL APPROVED SINCE INCEPTION</b>							<b>\$14,392,181</b>
<b>TOTAL APPROVED BUT NOT DISBURSED</b>							<b>\$21,385,386</b>
<b>TOTAL APPROVED SINCE INCEPTION</b>							<b>\$5,061,000</b>

Exhibit 2: **Portfolio Investee Descriptions** <sup>41</sup>

Investment	Description
<b>Kenya</b>	
<b>Advanced Bio-Extracts (Health)</b>	Advanced Bio-Extracts Limited (ABE) is a private holding company primarily involved in the production of low cost, pharmaceutical grade artemisinin, and artemisinin-based derivatives. Artemisinin is a botanical extract from the Artemisia annua plant and an essential ingredient in the new generation of effective malaria cures. ABE is now scaling up its production to 70 million regimens of ACTs annually. ABE's scale up in production and improvements in equipment for extraction will make millions more of affordable ACT treatments available, resulting in saved lives.
<b>Jamii Bora (Health)</b>	Started as a club of fifty beggars in 1999, Jamii Bora Trust has grown into the largest microfinance institute in Kenya, with over 170,000 members. It works in slums throughout Kenya, assisting members in moving beyond poverty by providing access to crucial services — such as affordable housing and education — and by providing a supportive network, in order to enable economic self-empowerment. Jamii Bora Trust has recently launched Kaputiei Town, a pioneering urban planning project 60 km south of Nairobi which is designed to be ecofriendly and will include residential neighborhoods, commercial, cultural and social centers as well as a wetlands wastewater recycling facility.
<b>The Health Store Foundation - SHEF (Health)</b>	SHEF, an international NGO that has been working in Kenya for over three years in providing health services, is quickly expanding its micro-franchise distribution network to provide essential drugs and basic health services to communities with little previous access to health services. SHEF's model combines proven micro-enterprise and franchise principles to enable qualified community health workers and nurses to own and operate combination drug/consumer goods shops and medical clinics in underserved areas. The franchise system is operationally simple, yet imposes disciplined practices to ensure that high-quality drugs and appropriate services are available at affordable prices.

Tanzania	
<b>A to Z Textile Mills (Health)</b>	A to Z Textile Mills, a Tanzanian manufacturer, produces bednets impregnated with a long-lasting insecticide, making them effective for up to five years instead of the usual six months, with no need for re-treatment. Already, A to Z has found a more cost-effective way to weave the bednet, which is expected to decrease the cost of production from \$7 to \$5 and provide even more access to the life-saving bednet. Acumen Fund is currently working with A to Z to develop private sector distribution channels for the nets.
South Africa	
<b>BroadReach (Health)</b>	BroadReach (Health) BroadReach runs one of the largest HIV/AIDS programs for the poor in South Africa, where it provides access to consistent and quality healthcare by working with private health practitioners across the country. BroadReach's model helps to identify and take advantage of excess capacity, enabling private practitioners to take on poor patients who could not otherwise pay, much like Medicaid works in the US.
Pakistan	
<b>Kashf Foundation (Housing)</b>	<p>Kashf is a microfinance institution targeting women in Pakistan. Kashf lowers operating expenses by standardizing products and procedures, thereby providing access to credit at significantly lower levels of interest.</p> <p>Kashf operates branches using a franchise model, allowing for closely managed growth. Now, with over 260,000 clients, Kashf is introducing a Home Improvement Loan (HIL) program to meet the needs of the majority of low-income families who do not qualify for traditional mortgages, for lack of requisite income or collateral, and who prefer to incrementally build and finance their homes according to the size of their pocketbook.</p>
<b>Saiban I (Housing)</b>	Saiban provides poor squatters in Pakistan with access to plots of developed land in several settlements at affordable rates, thus providing them with secure residential tenure and public utilities in areas where they would normally have no real access to property or such services. Even before construction has begun, demand by slum residents to purchase plots is high, reflecting a desire for this new type of housing and their willingness to commit resources toward obtaining better housing. Saiban offers the possibility of title to the land, giving the poor of Pakistan an important piece of economic collateral.



India	
<b>1298 (Health)</b>	1298 is a provider of ambulance services to the 16 million people living in Mumbai, India. 1298's focus is on providing service for all. Its business model uses a sliding price scale driven by ability to pay, which is determined by the kind of hospital to which patients choose to be taken. Those who are admitted to general wards of a Government Hospital – who are ultimately poor – do not have to pay. Approximately 20% of the services are offered free of cost or at subsidized rates.
Aqua-Aero WaterSystems (Water)	AAWS has patented a technology – the “Water Pyramid” – that uses a huge dome-shaped, transparent plastic structure to direct solar energy onto a thin layer of saline water. Evaporating water collects inside the dome and is stored in a tank. Each Water Pyramid produces enough to meet the needs of 500 individuals on a daily basis. The water is highly purified and potable, but does require the addition of minerals for regular human consumption. This innovation has a substantial impact on health by increasing the consumption of water and greatly reducing the issues related with drinking salineated water.
<b>d.light design (Energy)</b>	Taking advantage of the advances in light emitting diode (LED) technology, d.light aims to provide an economically and socially preferable alternative to kerosene lanterns, which are expensive, inefficient, dangerous, and low-quality sources of light. The company's first product, Forever-Bright, can be charged a number of ways: with standard 100 V or 210 V power, using a diesel generator accessible via rural recharge stations, or with a solar attachment.
<b>Drishtee (Health)</b>	Drishtee is a rural “Information and Communications Technology” (ICT) network orchestrator that helps local entrepreneurs to set up kiosks that provide a variety of services to villagers for a fee – current service offerings include computer education, English education, e-governance, health camps (pilot stage), as well as wide ranging products such as mobile phone recharge coupons, insurance policies and rechargeable flashlights. Drishtee is expanding the kiosk programs to include a variety of health-related services such as health information and medical check-ups, with plans to offer hospitalization insurance and quality medicine going ahead – and to increase significantly the number of kiosks and their geographic reach.

<p><b>Medicine Shoppe India – SEHAT (Health)</b></p>	<p>Medicine Shoppe, the second largest pharmacy chain in India, places a strong emphasis on safety and quality, and has enjoyed considerable success serving India’s wealthy, urban populations. Medicine Shoppe is now offering the same quality in low-income markets and has developed a new store format called Sehat (meaning Health) for low-income areas, where health consultations are provided at no cost, and the appropriate medicines or other pharmacy products are sold at affordable prices.</p>
<p><b>Scojo Foundation, India (Health)</b></p>	<p>Scojo uses a wholesale distribution and franchising model to administer vision tests and sell low-cost reading glasses to India’s poor who are suffering from reduced vision. Scojo recruits local Vision Entrepreneurs who are trained to operate a mini franchise, traveling from village to village and conducting vision camps checking eyesight and selling glasses. One pair, with case and cleaning cloth, costs from \$2 to \$4. Close to 48,000 eyeglasses have been sold so far in less than 3 years of operation in India.</p>
<p><b>Voxiva (Health)</b></p>	<p>Voxiva is a leading global provider of practical information solutions to strengthen health care systems, enhance safety and improve government service delivery. While internet access is limited in most developing countries, phones are much more prevalent, and Voxiva has developed an internet and phone based communication system that allows rural health care workers to enter a patient’s symptoms or condition into an online database by calling it in, providing officials with immediate information on the extent of an outbreak. Using existing phones reduces the cost of a communication system by an average of 40%, requires minimal training, and allows for a faster and more appropriate response.</p>
<p><b>Water Health International (Water)</b></p>	<p>WHI is a provider of water filtration centers to rural villages in India. WHI developed a model incorporating a cost-effective technology designed for the poor, and an effective approach to social marketing and distribution. The business model is unique, combining social marketing expertise, a deep knowledge of local markets, commercial financing skills, and world-class technology for purifying bacterial contamination in collected surface water.</p>

Exhibit 3: **Acumen Fund Impact Summary** as of January 2008

Metrics					
Investment Name	Portfolio	Lives Impacted	Products Sold	Jobs Created	Measurement
WaterHealth International	Water	264,000 (cumulative people with access to clean water)	100 (units sold - India)	250 (direct employees and operators)	Q3 2007
Scojo	Health	125,012 (products sold + referrals)	52,960 (total glasses sold)	658 (total Vision Entrepreneurs trained)	Q3 2007
BroadReach	Health	134,457 (number of patients in all BRHC programs)	134,457 (number of patients in all BRHC programs)	3,757 (health professionals trained)	Q2 2007
ABE	Health	964,000 (people treated)	547 (tons artemesia harvested)	5,000 (farmers employed)	Q1 2006
Kashf Foundation	Housing	1,037,060 (living in homes)	N/A	208844	Q2 2007
Drishtee	Health	1,691,125 (people served)	N/A	1,564 (active kiosks)	Q2 2007
A to Z Textile Mills	Health	9,000,000 (two people per bednet)	4,500,000 (bednets manufactured)	5200	Q4 2006
SHEF (Sustainable Healthcare Enterprise Foundation)	Health	1,317,405 (visits)	N/A	67 (total outlets, shops and clinics)	Q2 2007
Medicine Shoppe	Health	19,385	19,385 (visits in 2006)	133 (stores opened)	Q2 2007
Saiban	Housing	Too early	202 (houses built, 142 being built)	6	
1298	Health	4,621 (total number free calls)	28,064 (total calls)	82	Q3 2007
Flowing Currents	Energy	no data	no data	no data	
<b>Total:</b>		<b>14,557,065</b>	<b>4,855,718</b>	<b>225,672</b>	

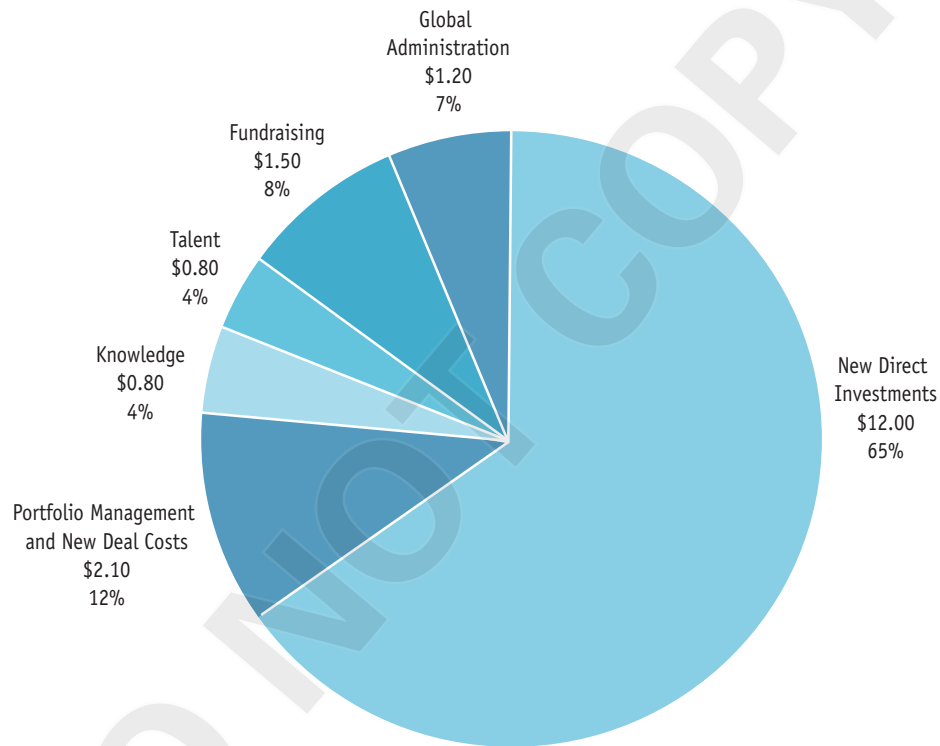
## Notes:

- \* Exited investments are not included but are added back to total products sold (+120,003) and jobs created (+111)
- \* Early investments (prior to formulation of metrics) and one-off investments (those not within strategic intent) are not included.
- \* Voxiva investment not included as product does not give accurate number of lives impacted.
- \* Data is cumulative since investment inception.

#### Exhibit 4: 2007 Funding Usages

For 2007, Acumen Fund expected 66% of its total funding usages to go towards directly building its investment portfolio. 12% of the budget would be used towards direct deal costs and the management of the portfolio companies. An equal amount was allocated to both the talent and knowledge pillars – new initiatives in 2007. The remainder of expected fund usages was allocated towards raising capital – both co-investment and philanthropic – and administration costs. A breakdown of fund usages (\$USD in millions):

#### 2007 Estimated Usages of Funds



Note: Total portfolio costs (management of existing portfolio and new deals) as a percentage of the expected average investment under management for 2007 is approximately 8%.

Exhibit 5: **2006 Acumen Fund Expenses**

<b>Program Services</b>	
Portfolio Expenses (1)	\$ 3,368,675
Fellows (2)	\$ 276,116
Program Development and Country Operations	\$ 255,529
Education and outreach	\$ 659,866
Metrics	\$ 222,047
	<b>\$ 4,782,233</b>
<b>Supporting Services</b>	
Management and general	\$ 909,221
Fundraising	\$ 501,400
	<b>\$ 1,410,621</b>
<b>Total Expenses</b>	<b>\$ 6,192,854</b>

(1) Portfolio management and new deal costs

(2) Support of seven fellows in 2006

Source: 2006 Acumen Fund Audited Financial Statements

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## Endnotes

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- <sup>1</sup> Acumen Fund's definition of the BoP
- <sup>2</sup> Talk by Jacqueline Novogratz. *Tackling Poverty with "Patient Capital."* TED talks. June 2007.
- <sup>3</sup> Field, Anne. "Venture Capitalist for the World's Poor." Stanford Business. May 2007.
- <sup>4</sup> Acumen Fund, *Five Year Report (2006)* pg 16.
- <sup>5</sup> Field, Anne. "Venture Capitalist for the World's Poor." Stanford Business. May 2007.
- <sup>6</sup> Acumen Fund, *Five Year Report (2006)* pg 23.
- <sup>7</sup> Interview with Bhavika Yyas, Water and Energy Portfolio Manager. June 25, 2007.
- <sup>8</sup> Interview with Brian Trelstad, Acumen Fund Chief Investment Officer. February 14, 2007.
- <sup>9</sup> "Investment Discipline." Acumen Fund Website. <<http://acumenfund.org/investments/investment-discipline.html>>
- <sup>10</sup> Interview with Brian Trelstad, Acumen Fund Chief Investment Officer. February 14, 2007.
- <sup>11</sup> Novogratz, Jacqueline. "Meeting Urgent Needs with Patient Capital." *Innovations*. Winter/Spring 2007.
- <sup>12</sup> Interview with Yasmina Zaidman, Acumen Fund Director of Portfolio Strategies. June 25, 2007.
- <sup>13</sup> *Acumen Fund Overview Tear Sheet*. Acumen Fund website. [www.acumenfund.org](http://www.acumenfund.org)
- <sup>14</sup> Interview with Raj Kundra, Acumen Fund Director of Capital Markets. June 25, 2007.
- <sup>15</sup> Acumen Fund, *Five Year Report (2006)* pg 31.
- <sup>16</sup> Acumen Fund, *Five Year Report (2006)* pg 7.
- <sup>17</sup> Interview with David Kyle, COO of Acumen Fund. June 26, 2007.
- <sup>18</sup> *Acumen Fund Health Portfolio Tear Sheet*, Acumen Fund website. [www.acumenfund.org](http://www.acumenfund.org)
- <sup>19</sup> *Acumen Fund Housing Portfolio Tear Sheet*, Acumen Fund website. [www.acumenfund.org](http://www.acumenfund.org)
- <sup>20</sup> *Acumen Fund Water Portfolio Tear Sheet*, Acumen Fund website. [www.acumenfund.org](http://www.acumenfund.org)
- <sup>21</sup> Novogratz, Jacqueline. Acumen Fund Spring 2007 Update.



- <sup>22</sup> Philosophically, Acumen Fund believes that it is easier for an entrepreneur to move up the “skill” level than the “will” level. To improve the skill level, Acumen Fund can assist in mentoring or adding new management team members.
- <sup>23</sup> Interview with Brian Trelstad, Acumen Fund Chief Investment Officer. February 14, 2007.
- <sup>24</sup> Ibid.
- <sup>25</sup> Ibid.
- <sup>26</sup> Interview with David Kyle, COO of Acumen Fund. June 26, 2007.
- <sup>27</sup> Results take into consideration product efficacy, or the number of effective years of malaria protection given product quality due to technology leverage.
- <sup>28</sup> Acumen Fund Concept Paper: BACO
- <sup>29</sup> Interview with Brian Trelstad, Acumen Fund Chief Investment Officer. February 14, 2007.
- <sup>30</sup> Ibid.
- <sup>31</sup> Interview with Raj Kundra, Acumen Fund Director of Capital Markets. June 25, 2007.
- <sup>32</sup> Novogratz, Jacqueline. Acumen Fund Spring 2007 Update.
- <sup>33</sup> Ibid.
- <sup>34</sup> Interview with Deepti Doshi, Acumen Fund Talent Manager. June 26, 2007.
- <sup>35</sup> Novogratz, Jacqueline. Acumen Fund Spring 2007 Update.
- <sup>36</sup> Interview with Brian Trelstad, CIO of Acumen Fund. November 30, 2007
- <sup>37</sup> Acumen Fund Advisor Council Meeting Presentation. May 17, 2007.
- <sup>38</sup> Novogratz, Jacqueline. Acumen Fund Winter 2007 Update.
- <sup>39</sup> Acumen Fund Advisor Council Meeting Presentation. May 17, 2007.
- <sup>39</sup> Interview with Deepti Doshi, Acumen Fund Talent Manager. June 26, 2007.
- <sup>40</sup> Interview with Deepti Doshi, Acumen Fund Talent Manager. June 26, 2007.
- <sup>41</sup> As of January 2008. Taken from Acumen Fund’s Website: [www.acumenfund.org](http://www.acumenfund.org)



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