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Dear Friends,

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

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

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

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

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

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

Sincerely,

Harold Rosen  
Chief Executive Officer

Andrew Adelson  
Chairman of the Board
About Us

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

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

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

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

Our History:

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>GBF 1.0</td>
<td>Spin off from IFC $20M (100% grants)</td>
</tr>
<tr>
<td>2011</td>
<td>GBF 2.0</td>
<td>Launch Private Investment Fund $55M (20% grants, 80% investment)</td>
</tr>
<tr>
<td>2016</td>
<td>Proposed GBF 3.0</td>
<td>Launch Private Investment Company $120M over 5 years (5-10% grants)</td>
</tr>
</tbody>
</table>

- **GBP – Non Profit**
  - Grant Management
  - Investment Management
  - Investing
  - Staff Provided BAS
  - Consultants provided BAS

- **GBF 2.0**
  - **Launch Private Investment Fund**
  - $55M (20% grants, 80% investment)

- **GBF – Non Profit**
  - Donor Management
  - Staff Provided BAS
  - Consultants provided BAS

- **GBI-I – Private Investment Fund**
  - Investing
  - Limited life fund (10 years)

- **Proposed GBF 3.0**
  - Launch Private Investment Company
  - $120M over 5 years (5-10% grants)

- **New INVESTMENT COMPANY**
  - “Evergreen” structure
  - Intense Investee “hand-holding”
Our Performance

GBF Investment Fund Performance

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

<table>
<thead>
<tr>
<th>Key Performance Indicator</th>
<th>Actuals (as of June 30, 2015)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Investments</td>
<td>$38M</td>
</tr>
<tr>
<td>% of Approved Portfolio Disbursed</td>
<td>84%</td>
</tr>
<tr>
<td>Number of Investee Companies</td>
<td>30</td>
</tr>
<tr>
<td>Active Portfolio Valuation</td>
<td>$24.4M</td>
</tr>
<tr>
<td>Number of Active Investee Companies</td>
<td>19</td>
</tr>
<tr>
<td>Active Portfolio Internal Rate of Return</td>
<td>8.6%</td>
</tr>
</tbody>
</table>

21% avg. investee revenue growth
90% of positive investees have positive EBIDTA

1 See page 12 for GBF’s financial statements for the fiscal year ending 6/30/15
2 World Bank Group International Finance Corporation, Enterprise Finance Gap Database
BAS Performance

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

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

- **FINANCIAL MANAGEMENT**: Over 73% of the companies had a financial dashboard in place that is regularly reviewed: Only 17% had one in 2012
- **OPERATIONS**: Over 78% of companies have diversified buyers and suppliers and actively manage risk through diversification: 55% in 2012
- **LEGAL/REGULATOR**: 78% of companies are organized in a manner enables outside investment: 45% in 2012
- **STRATEGY**: 100% of companies have a written long term strategy and discuss its implementation, compared to 73% in 2012
- **CORPORATE GOVERNANCE**: Over 89% have competent managers in place who could take over for CEO: 64% in 2012
- **ENVIRONMENT & SOCIAL MANAGEMENT**: 100% of companies have a functional human resources policy in place for employees: 75% in 2012

BAS Figures

- **$4.3M** spent on BAS activities
- **$149M** delivered to target beneficiaries
- **75** HIBs supported
- **2,100,000** direct beneficiaries
- **8410** employees supported by these HIBs

BAS Review: Mid-Term Report

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

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

---

3 Cumulative since 2011
4 New farmer, artisans, entrepreneurs, and BoP consumers
Social Impact

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

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Individuals Directly Supported</th>
<th>Income to Farmers and Workers from GBF Investee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agribusiness</td>
<td>29,227</td>
<td>$39.6M</td>
</tr>
<tr>
<td>Artisanal</td>
<td>51,089</td>
<td>$36.3M</td>
</tr>
<tr>
<td>Products &amp; Services</td>
<td>1,829,184</td>
<td>$55.7M</td>
</tr>
<tr>
<td>Active Fund Total</td>
<td>1,909,500</td>
<td>$131.6M</td>
</tr>
</tbody>
</table>

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

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

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

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

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

5 World Bank, World Development Report, 2008, p. 3
6 World Bank, World Development Report, 2013, p. 192

Client Spotlight: Villa Andina

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

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

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

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

$34 Billion est. global market value

66 percent of world’s work done by women

10 percent of world income earned by women

Client Spotlight: Jaipur Rugs

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

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

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

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

Client Spotlight: BrazAfric

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

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

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

Washington, DC
Harold Rosen, Chief Executive Officer
Jaime Ramirez, Chief Investment Officer
Rebekah Plotkin, Vice President of Finance & Administration
Rose Galamgam, Finance Officer
Zoya Aleem, Global Portfolio Analyst
Neil Christy, Communications & Executive Assistant (formerly)
Daniel Kolender, Operations Assistant & Communications
Daniel Shemesh, Fundraising & Executive Assistant

Nairobi, Kenya
Lilian Mramba, Africa Regional Director
Amos Gichinga, Senior Investment Officer
Noel Wadaki, Operations Manager & BAS Coordinator
Laila Kassam, Office Assistant

New Delhi, India
Vikram Raman, India Country Manager
Vijay Chandrashekar, India Portfolio Manager
Saurabh Lahoti, Investment Officer
Sahiba Chauhan, Senior Investment Analyst
Karan Sawhney, Senior Investment Analyst

Lima, Peru
Natasha Barantseva, Latin America Regional Director
Julio Ayca, Latin America Portfolio Manager
Miguel Tamayo, Investment Officer
Mayra Ramirez, Office Manager & BAS Coordinator
Olga Egorova, Investment Analyst

Grassroots Business Fund Annual Report 2015
Governing Board and Advisors

Board:

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

Stephen Brenninkmeijer, Willows Investments

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

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

Mary Houghton, Co-Founder, Shorebank Corporation

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

Harold Rosen, Chief Executive Officer, Grassroots Business Fund

Holly Wise, Wise Solutions LLC

GBF Advisors:

Andrew Adelson, Investment Committee member, BAS Steering Committee member

Annette Berendsen, Fund Advisory Committee member

Stephen Brenninkmeijer, Fund Advisory Committee member

Rafael Guillermo Ferreyros Cannock, Investment Committee member, GBF Advisor

Kristin Duchâteau, BAS Steering Committee member

Leah Mburu, GBF Africa BAS Portfolio CFO, GBF Advisor

Pradeep Kapse, GBF Advisor

Thomas Klein, Fund Advisory Committee member

Serge Kremer, Investment Committee member

Annette Berendesen, Fund Advisory Committee member

Pramod Gothi, GBF Advisor

Sari Miller, GBF Advisor

Deborah Moronese, Fund Advisory Committee member

Alan Patricof, GBF Advisor

Helmut Paul, Investment Committee member

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

Sir David Scholey, GBF Advisor

Joachim Schwenke, GBF Advisor

Roel Vriezen, BAS Steering Committee member

Holly Wise, BAS Steering Committee member

Jim Wolfensohn, GBF Advisor

Elaine Wolfensohn, GBF Advisor

Claus-Peter Zeitinger, GBF Advisor
Donors to the Nonprofit

The Dutch Ministry of Foreign Affairs (funding managed by FMO)
Government of Canada (funding managed by IFC)
NORAD- The Norwegian Agency for Development Cooperation
OeEB- Development Bank of Austria
Omidyar Network*
Arnold & Porter
Adelson Family Foundation
Stephen Brenninkmeijer*
Charly & Lisa Kleissner (KL Felicitas Foundation)*

Harold Rosen and Susan Wedlan
Percy Barevik*
Mark Cohen*
George Rohr*
Mason Haupt*
Lee Spelman Doty*
Seizen Foundation*
Luxembourg Ministry of Finance*
Cordes Foundation

* Indicates a major contributor in prior years

Investors in the Fund

Overseas Private Investment Corporation
Calvert Social Investment Foundation
Deutsche Bank Americans Foundation
DEG- German Development Bank
FMO (The Netherlands Development Finance Company)
Andrew Adelson (Adelson Family Foundation)
Judson Berkey
Suzanne Biegel and Daniel Maskit
Peter Braffman and Liz Wedlan
Stephen Brenninkmeijer
Maurizio Caio
Robert J. Caruso (The Kantian Foundation)
Ron and Marty Cordes (The Cordes Foundation)
David Dunn and Tamara Dunietz
Jane Eddy
Jim Hornthal (Hornthal Investment Partners)
Ken Inadomi and Melinda Wolfe
Prashant Jhawar
Marty Kahn

Chary and Lisa Kleissner (KL Felicitas Foundation)
Serge Kremer
Luxembourg Ministry of Finance
Leah and Jeffrey Kronthal
Sudhir and Sangeeta Maheshwari (AIM to ZERO Foundation)
Joshua Mailman (Joshua Mailman Foundation)
Seth Meisel
T&J Meyer Family Foundation Ltd
Sari Miller (Trust)
Montpelier Foundation
Mwaghazi Mwachofi
Luisa and Laurence Newman
Dalip Pathak
Harold Rosen and Susan Wedlan
Sir David Scholey
Barend van der Vorm
Wolfensohn & Company, LLC
Anonymous Investors
### Unaudited Statement of Financial Position - GBP and Subsidiaries

**Year ending as of June 30, 2015**

#### ASSETS*

<table>
<thead>
<tr>
<th>Asset Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mission Related Investments (GBI-I)*</td>
<td>$24,365,783</td>
</tr>
<tr>
<td>Mission Related Loans (GBP)</td>
<td>$50,556</td>
</tr>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$3,921,560</td>
</tr>
<tr>
<td>Short Term Investments1</td>
<td>$2,249,450</td>
</tr>
<tr>
<td>Donor Contributions Receivable</td>
<td>$991,644</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>$65,982</td>
</tr>
<tr>
<td>Other Assets2</td>
<td>$633,053</td>
</tr>
</tbody>
</table>

**TOTAL ASSETS**

$32,278,028

#### LIABILITIES AND NET ASSETS

<table>
<thead>
<tr>
<th>Liability Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-Term Liabilities3</td>
<td>$456,410</td>
</tr>
<tr>
<td>Notes Payable4</td>
<td>$6,000,000</td>
</tr>
<tr>
<td>Noncontrolling interest in GBI</td>
<td>$19,936,827</td>
</tr>
<tr>
<td>Net Assets (Unrestricted)</td>
<td>$1,915,186</td>
</tr>
<tr>
<td>Net Assets (Temporarily Restricted)5</td>
<td>$3,969,605</td>
</tr>
</tbody>
</table>

**TOTAL LIABILITIES AND NET ASSETS**

$32,278,028

### Statement of Activities

**Year ending as of June 30, 2015**

#### SUPPORT AND REVENUE

<table>
<thead>
<tr>
<th>Source Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contributions</td>
<td>$1,017,136</td>
</tr>
<tr>
<td>In-Kind Contributions</td>
<td>$84,086</td>
</tr>
<tr>
<td>Investment Loss</td>
<td>$(1,172,147)</td>
</tr>
<tr>
<td>Other Sources6</td>
<td>$1,474,290</td>
</tr>
</tbody>
</table>

**TOTAL SUPPORT AND REVENUE**

$1,403,365

#### EXPENSES

<table>
<thead>
<tr>
<th>Expense Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program Expenses7</td>
<td>$3,286,835</td>
</tr>
<tr>
<td>Administrative and General Expenses8</td>
<td>$1,142,872</td>
</tr>
<tr>
<td>Fundraising Expenses</td>
<td>$358,522</td>
</tr>
</tbody>
</table>

**TOTAL EXPENSES**

$4,788,229

| Other items9                               | $(825,960)     |

**CHANGE IN NET ASSETS**

$4,210,824

---

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

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### Notes to Financial Statements

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