

Aureos Capital Limited: *Generating superior market returns through sustainable investments in the Emerging Markets*

Fund Manager:

Aureos is a leading global private equity fund manager offering expansion and buy-out capital to unlisted small and mid-cap businesses in Latin America, Africa and Asia. The absence of risk capital providers to small and mid-cap enterprises in most of the emerging economies, combined with Aureos' long-standing relationships with local business communities, local footprint and market intelligence gained over the years, has enabled Aureos to generate proprietary deal flow in a broad range of sectors for its funds.

Fund:

Aureos East Africa Fund ("AEAF" or "the Fund") is a closed-end regional private equity fund established to invest in small and medium sized enterprises ("SMEs") in the East African region primarily, Kenya, Tanzania, and Uganda. The Fund had its final closing on June 30, 2003 with \$40.0 million in total commitments, of which IFC invested US\$4.0 million. The fund is fully invested.

Investment: Micro Africa Limited (MAL)

Country: Kenya

Sector: Micro Finance Institution

The Company:

Micro Africa Limited (MAL or the "Company") is a microfinance lending institution based in Kenya. The Company was incorporated in 2000 for the purpose of making check-off loans to employees of reputable Kenyan companies. In July 2006, AEAF invested in the Company in order to facilitate a merger between MAL and Uganda Microfinance Limited ("UML"), another AEAF microfinance investee. This funding allowed MAL to purchase a 20 % equity stake in UML. The capital was utilised by UML to grow its loan book and strengthen its balance sheet. In November 2006, AEAF made an additional investment (bringing AEAF's total investment to US\$ 1 million) to meet MAL's loan growth demand in the core business, in particular the Micro-Leasing and Micro Corporate Credit loan portfolios. In April 2008, UML was acquired by a listed Kenyan bank seeking to

expand its operations in the region. MAL used its portion of the sale proceeds from this transaction to improve its capital structure.

MAL currently has 48 permanent employees located in Kenya, Uganda and Rwanda. The Company's platform in Kenya is very strong and they are strengthening their delivery platform in Rwanda, Uganda and more recently, Southern Sudan. MAL is performing strongly, continuing to open new branches in the region, serving in excess of 4,500 clients.

Sustainable Impact:

- Aureos helped the Company identify an appropriate IT system and on behalf of MAL, worked with external service providers to ensure the system was implemented on time and within the budget agreed.
- Aureos has assisted the Company in establishing relationships and funding lines with other institutional investors.
- The Board has set up Audit and Budget and Remuneration Committees, which hold regular meetings, making informed decisions with the help of sound analysis of company information.
- The Company specifies within its credit manual restrictions on lending to sectors that are harmful to the environment, for example charcoal traders.
- The Company continuously upgrades skills, offering Loan Officer training, which includes lending methodologies for Groups, Individuals and SMEs.
- Due to its multi-country presence, the Company has drafted a consolidated Human Resource manual to incorporate and harmonise policy throughout the Group.

Aureos has been able to utilize its extensive infrastructure on the ground to generate value beyond simply providing risk capital to MAL. The expertise developed through Aureos' investment in UML was brought to bear in MAL, facilitating cross-fertilization of knowledge between the two portfolio companies of the Fund. AEF intends to reproduce its past success in building a strong regional microfinance institution in East Africa with its investment in MAL.