



Acumen Fund

Fall 2007

I'm writing just after our sixth annual Investor Gathering and Gala and want to convey the spirit of hope and celebration we felt all day. Thanks to all who attended for reaffirming the power of our community and helping to raise more than \$1.2 million for our work. Special thanks to my brother Mike Novogratz, board chair Margo Alexander and Ravi Akhoury for serving as co-chairs of the gala. I realized throughout the day what a breakthrough year it has been and how much we owe this next phase in our development to so many people around the world.

We spent the first five years at Acumen Fund investing several million dollars a year, and each year we learned more about what it takes to build and scale enterprises delivering water, health, housing and energy to the poor. We have stayed with our strongest investments and this past year, the results have been almost startling. As of the end of the quarter, Water Health International has operations delivering safe affordable water to more than 80 villages in India, serving more than 250,000 customers. Kashf, the microfinance organization in Pakistan has grown nearly twenty times to serve more than 250,000 customers since we made the first loan in 2002, due to the determination and focus of leaders Roshaneh Zafar and Sadaffe Abid.

And still, we know this is not enough: 750 million people in India alone lack access to safe, affordable water. To fulfill our mission of helping to end poverty, we have to change minds, not just lives. Last year, we worked with Katherine Fulton and the Monitor Group on a strategic plan that I have shared with you before. *We will raise \$100 million and invest in 60-80 enterprises* over the next five years in order to reach 50 million individuals with critical goods and services so that they can solve their own problems. We know some will fail, but hope to help build some of the future's great social enterprises. *We will bring knowledge* to help scale each investment and to gain and share insights from our experiences on the ground. *And we will build a bench of talent* with the financial skills to run companies and the moral imagination to put one's self in another's shoes.



The Investor Gathering is a day for Acumen Fund to make good on its promise of accountability to our partners and to strengthen the sense of community that lies at the heart of all we do.

(Photo: Jori Klein)

And so we are on our way. In investments, we will end the year with at least \$27 million in 29 approved investments bringing affordable water, health and housing to more than 13 million people in South Asia and East Africa.

As part of our knowledge strategy, I'm proud to announce the launch of our new [website](#). We hope it will become a platform for building a global community of kindred souls and curious travelers who are looking for innovative approaches to solving poverty. Please visit it and let us know what you think.

And in talent, the second class of Acumen Fund Fellows have just left to work in Acumen investee organizations in India, Pakistan and Kenya. Last year's fellows are working in sister organizations like IDEO and Blue Orchard, and we're proud that one of them, Adrien Couton, is serving as Acumen Fund's water portfolio manager.

Our five-year strategy requires raising \$100 million, and since the soft launch of this effort last summer, we have raised \$48 million in commitments. Anchoring and catalyzing this effort are the 2007 Acumen Fund Stewards: individuals, foundations and corporations who commit \$5 million to Acumen Fund over five years. We are deeply grateful to Andrea Soros Colombel and Eric Colombel, the Lundin for Africa Foundation, The Novogratz-Caceres Family Foundation, Raj and Asha Rajaratnam, Amy and Larry Robbins, The Sapling Foundation, and Lehman Brothers, our first Corporate Steward in this initial capital campaign. We also are deeply grateful for our [Leadership Partners](#) who have committed at least \$1 million this year toward our goal. It is the commitment of individuals and institutions like these who are paving a new path in philanthropy, one focused on giving not just money but also on sharing skills, knowledge and networks.

So it has been a busy year, a transformative year, and our goals for next year are even more ambitious, our sense of urgency more profound. It has to be in a world where the yawning income gap continues to widen: 250 individuals are collectively wealthier than the two billion poorest people on earth combined. That is not right and it is not sustainable. It also isn't moral in a world where it is time to extend the fundamental principle of human equality to every person on the planet. In 2008, we are focused on raising another \$50 million and reaching \$50 million in approved investments in order to expand choice and freedom to millions more in the countries in which we work .

Following are updates on each of our portfolios:

Health Portfolio

We have \$11.1 million under management in 11 active investments that are focused on a diverse set of health challenges, including basic healthcare access in rural areas and treatment for malaria and HIV/AIDS. The pipeline of new investments includes more than \$10 million in due diligence, covering exciting investments in maternity and child healthcare and anti-malarial interventions.

1298, our investment in emergency medical services in Mumbai, is piloting an innovative new technology that leverages Google Earth maps to help in navigation. Currently, 1298 uses GPS (Global Positioning System) and RTS (Realtime Tracking System) to track the location of its 24 vehicles day and night. By using Google's maps, the ambulances can also send back pictures of uncharted back lanes to widen Google Earth's future coverage.



1298 is leveraging innovative mapping technologies to fulfill its mission of emergency ambulance services for all in Mumbai.

Scojo, our investment in low-cost reading glasses, was highlighted at the recent Clinton Global Initiative meeting. President Clinton announced Scojo Foundation's commitment to scale its innovative microfranchise model for training entrepreneurs to more than triple Scojo Foundation's impact over the next three years.

Acumen Fund also invested an additional \$1.4 million in Medicine Shoppe to further support their expansion of pharmacies/clinics for low income communities in India.

Housing Portfolio

We have \$1.6 million under management in 6 active investments focused on affordable home ownership and housing finance. We approved 3 deals this year; once closed, we will have a total of \$5 million of housing investments under management. The pipeline of new investments includes over \$10 million of opportunities in due diligence, covering an expansion into green housing materials, workforce housing, and rental housing.

We suffered one major setback this past quarter that illustrates the challenges of work in this sector and that provides lessons for our work with current and future investments. Despite approvals from all three parties a year ago, the mortgage program with National Bank of Pakistan and OPIC fell apart during the final stages of documentation. It was a heartbreaking loss due to a number of factors, including the dramatically increased prices in real estate which made reaching our target group difficult under the existing program and significant lessons around balancing dialog and expectations of three very different organizations. The good news is that the funds never left Acumen so there is no financial write-off, but more importantly, we have used our learnings from this effort to build the model for the ICICI water guarantee facility as well as in negotiating another housing deal in Pakistan. We hope to tell you more about that deal shortly – another important lesson for us is not to announce initiatives until they are fully completed because so much can happen during documentation.

Housing portfolio manager Helen Ng is part of a CGAP working group on housing, for whom she recently wrote a [white paper](#) on the use of guarantees for housing finance. That paper, as well as other insights and stories, can be found in the [Knowledge Center](#) of the new Acumen Fund website.

Water Portfolio

We have \$1.8 million under management in 4 active investments that are focused on improving access to high-quality drinking water, sanitation and low-cost drip irrigation. The pipeline of new investments includes \$4.2 million in due diligence, covering some of our first water investments in Africa.

The water portfolio has made two new investments in the delivery of water in rural India. Both are part of Acumen Fund's "Labs" model for experimentation. The first will allow us to explore the market potential in India of a technology aimed at providing access to drinking water in rural drought-ridden areas. Acumen Fund is investing \$55K in a company called Aqua Aero Water Systems (AAWS) that has patented a technology, the "Water Pyramid," designed for treating brackish groundwater and harvested rainwater. The investment will cover the capital expenses for one of three systems that AAWS, together with its partner, Jal Bhagirathi Foundation (JBF), will implement in a commercial pilot in Rajasthan, India.

Our second lab is a pilot project by Drishtee, one of our investments in the health portfolio, giving us the opportunity to experiment with a distributed infrastructure model for providing low-cost water. Acumen Fund is investing \$55K for the Drishtee Foundation to conduct a pilot designed to provide retail sales of water to households and farmers. By sourcing water and pumping from boreholes using biomass-based energy, Drishtee seeks to lower the cost per acre for irrigation, and make clean drinking water possible at an affordable price point.

Over the past quarter, Acumen Fund joined the Global Water Challenge (GWC), a committed group of leading [organizations](#) that has joined forces to catalyze change in the

water and sanitation sector. In this community, Acumen Fund will exchange learning from our experience in water financing and in the development of sustainable and entrepreneurial models for the delivery of safe water and sanitation.

Energy Portfolio

We are pleased to announce the first investment in our energy portfolio. Acumen Fund has invested \$200K in d.light, which is commercializing light and power solutions for families living without electricity in emerging markets. Taking advantage of the advances in light emitting diode (LED) technology, d.light provides an economically and socially preferable alternative to kerosene lanterns. By replacing kerosene lamps with d.light technology, a consumer can expect to experience cost savings of up to \$150 over five years; increased safety due to the elimination of accidental fires caused by kerosene lamps; better health due to the reduction of indoor air pollution; and increased productivity as household and livelihood enhancing activities can be performed at night. Acumen Fund's investment will help d.light enter the peri-urban and, later, the rural market in India.



Acumen Fund's investment in d.light will bring power solutions for families living without electricity in peri-urban and rural India.

The energy team is actively looking at potential pipeline investments in household lighting solutions, improved cook stoves that replace expensive fossil fuels and reduce indoor air pollution (which kills 1M people globally each year), and biogasification for household cooking and lighting.

Our Community

The Acumen Fund community continues to strengthen and expand, especially globally. Among those who attended the Investor Gathering were Acumen partners from London, Amsterdam, Pakistan and Saudi Arabia. The India Advisory Council met in Bombay and committed to strengthening local support in that country, and GV Prasad, COO of Dr. Reddy's Pharmaceuticals, joined at the Sustaining Partner level. The Pakistan board met as well; and board member Ali Siddiqui joined at the Leadership level, reinforcing our resolve to build operationally sustainable institutions in all of the countries where we work.

Ann MacDougall joined Acumen Fund as our new Chief Administrative Officer and General Counsel after seventeen years at PriceWaterhouse Coopers, and Anand Attavane joined as our new Director of Finance after more than twenty years of finance and accounting experience. We're grateful to Niko Canner and Katzenbach Partners Ltd. for supporting our work on talent development, which is one of the three main pillars of Acumen Fund. I also cannot let the year pass without acknowledging our pro bono counsel, White and Case - 96 of the company's lawyers have supported our work, and we're humbled by that.

This year we're delighted to be part of GOOD Magazine's Choose GOOD Campaign. GOOD Magazine is engaging and thoughtful, highlighting people, ideas and institutions driving change in the world. When you [subscribe to GOOD](#), 100% of your subscription payment goes to one of their nonprofit partners, and this year we're one of them.

Today's World

I returned from a [week in India](#) and a [week in Pakistan](#) just ten days ago. Musharaf declared emergency in Pakistan only a few days after our return. The situation there has made me understand the importance of our work in a deeper way and strengthened our resolve to make change. I believe that Pakistan is one of the most important countries from a geopolitical perspective on earth. Its future lies in a race between the extremists on one hand and the forces of democracy on the other. While there are certainly forces that endanger the country, there is also room for optimism in the increasing independence and activism of the judiciary, the very opinionated and free media, and the growing strength of social entrepreneurs who are building institutions that matter and provide a sense of opportunity for the poor. That's where we come in: to work with real heroes like Roshaneh Zafar and Sadaffe Abid of Kashf; Tasneem Siddiqui of Saiban; and Dr. Sono Khangharani of Thardeep. They are our partners, they are the real hope of the future, and we all need them – and many others – to succeed.

In this season of Thanksgiving, and on behalf of the entire Acumen Fund team, I send each and everyone of you who have given so much. Thank you for believing in us and for walking with us.

I wish all of you a joyful and peaceful holiday season and happy new year.

Warm regards,

A handwritten signature in black ink, appearing to read 'Jacqueline', written in a cursive style.

Jacqueline