

A lacuna is an unfilled space or gap; The Lacuna Equity Fund (Lacuna) aims to minimize the gaps and leverage cross-sectoral opportunities in the clean energy and technology space in Africa and the Middle East in order to create market returns for investors while creating resilient and sustainable growth in our target markets. Lacuna intends to invest in opportunities that fall in these gaps (the “missing middles”) using our regional and financial expertise to develop bespoke equity structures for each investment to maximize return and benefit to both investors and investees. The fund structure, investment thesis, and approach have been carefully curated for these markets and this sector to attain these objectives.



<b>Target regions:</b>	Africa and Middle East
<b>Sector:</b>	Small and medium-sized industrial and agricultural clean energy technology applications and projects
<b>Vehicle type:</b>	Equity fund with a strategic working capital facility, and technical assistance interventions to facilitate success of investments
<b>Target Size:</b>	\$100,000,000
<b>Fund term:</b>	Evergreen
<b>Target yield:</b>	16% - 21%
<b>Target fund capital structure:</b>	The fund will take a blended finance approach, using debt or grant capital from donors and foundations to protect equity downside and improve potential returns. A blended model will also be used to reduce risk with longer term investments and provide technical support to ensure longevity and sustainability in portfolio companies.

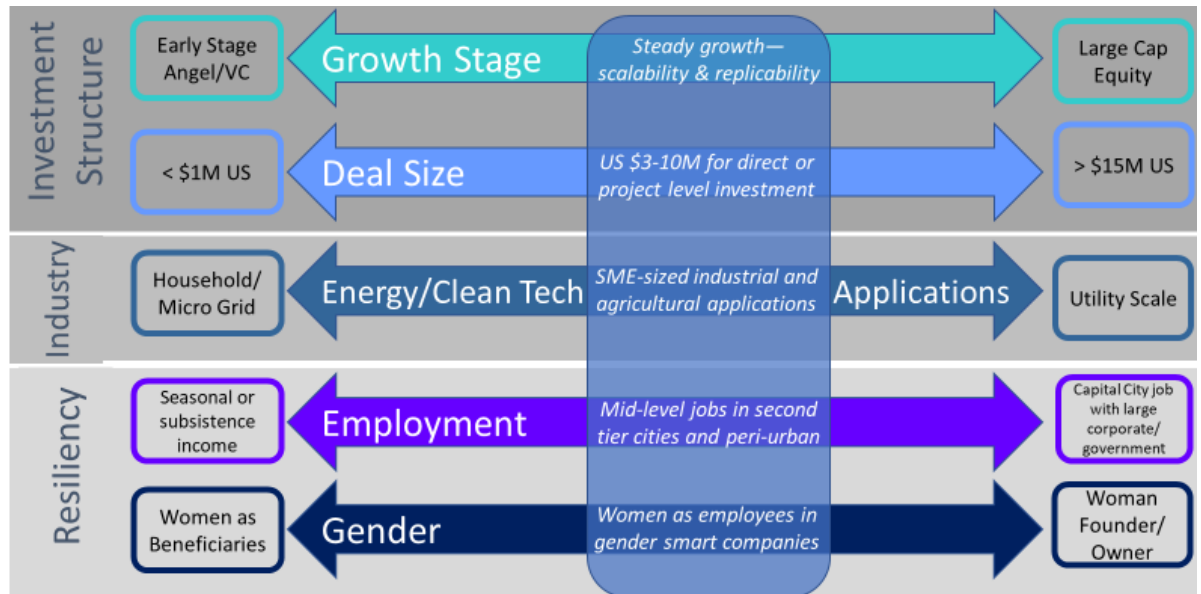
**INVESTMENT THESIS: THE MISSING MIDDLES**

In order to be a successful investor in Africa and the Middle East, context is paramount. A “cut and paste” approach serves no one well in the long term. For Lacuna, creating value for investors is done through creating investment structures, time horizons, financial returns, business support and impact goals that make sense in the context of the markets in which we invest. Our investment thesis brings various “middles” together:

**Investment Structure:** Our market research shows that investments with ticket sizes larger than US\$1-2M (Angel/VC) but smaller than US\$15M in the energy and clean tech space are few and far between, yet pipeline is available (Missing Middle #1). Related to the gap in deal size, there is also a gap in the growth stage of the company with start-ups and large

companies seeing more deals than small and medium enterprises (SMEs) and early growth companies (Missing Middle #2). **Industry:** There is also an opportunity to leverage the catalytic effects of energy or clean tech solutions for industrial or agricultural applications to drive growth for investors and communities (Missing Middle #3).

**Resiliency:** It’s these opportunities, particularly those in secondary cities and rural areas, that are the fuel for a growing economy and create resilience in economic downturns and reduce pressure on already overtaxed urban areas (Missing Middle #4). Finally, women are often undervalued drivers of economic growth in this sector, with many investors viewing women as only either passive recipients or (to the other extreme) majority of the C-suite, without considering women as a stabilizing economic force (Missing Middle #5).

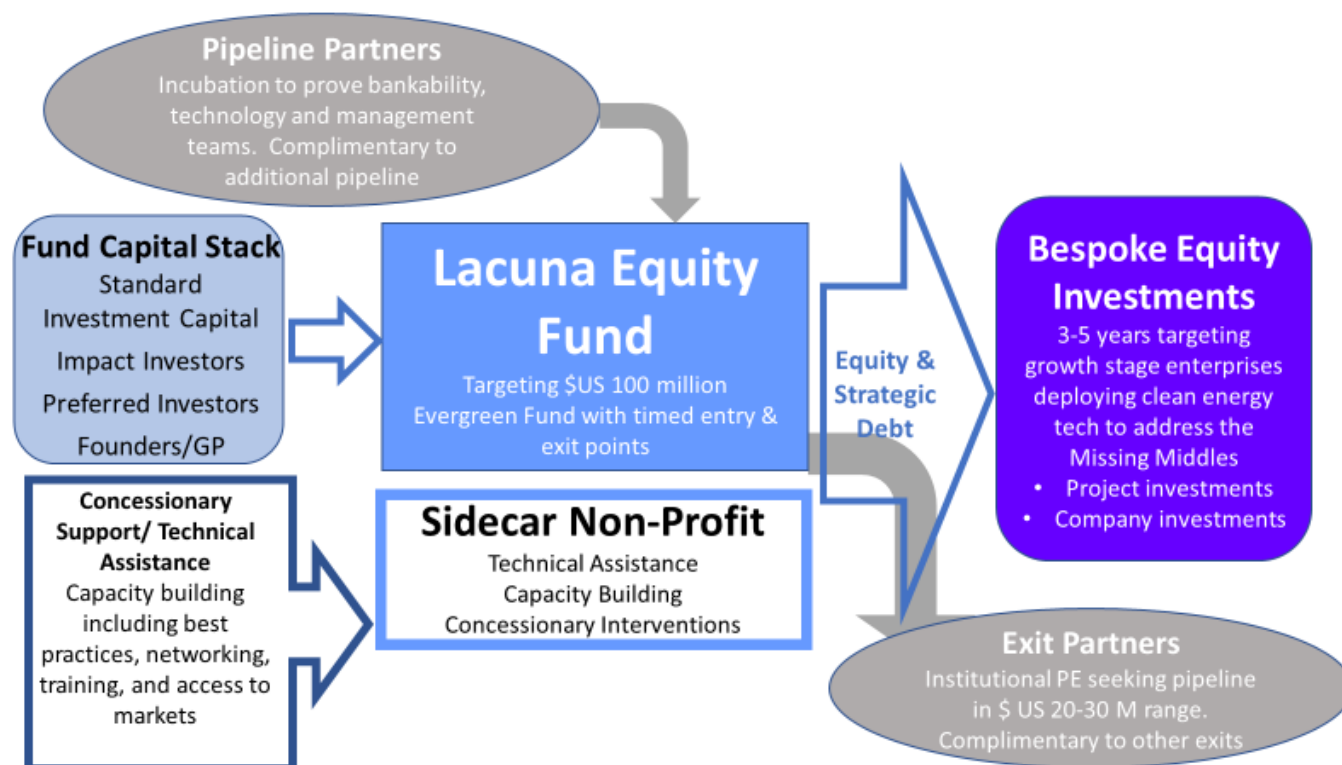


**ILLUSTRATIVE FUND STRUCTURE**

Our assessment of successful private equity in Africa and the Middle East makes clear that funds that have endured economic cycles are those built predominantly on providing concrete and transformational growth in investees. In our view,



there is clear untapped growth potential in clean tech and renewable energy applications—in both projects and companies. The opportunities require time and attention to achieve success, but the growth potential is significant. In addition, we believe there is a relatively untapped source of capital that is interested in African private equity opportunities but discouraged by the illiquid fixed life fund model. Instead, we propose an evergreen fund in response to the constraints created by the traditional fund model. Moreover, we carefully designed an investment structure that enables the fund investment partners to better achieve sustainable and resilient growth results over both direct investment and traditional fund approaches. This approach begins with leveraging our experience to determine what is required for investees to achieve substantial and resilient growth, working backwards to the type of fund instruments required to deploy those techniques, finally coming to what capital structure makes sense to maximize developmental and financial returns.



## DEVELOPMENT ROADMAP—PARTNERSHIP OPPORTUNITIES

In order to establish the fund, Lacuna is seeking strategic and financial partners in the following areas:

- Seed funding to establish the legal and administrative structure of the fund and hire local talent to build out and lead the investments. For entities providing seed funding, Lacuna is willing to negotiate GP interests and liquidation preference.
- Limited Partner capital. Lacuna is seeking \$100M for the total fund, with the potential for a soft close at a lower threshold.
- Strategic partners for pipeline, exits, co-investment, and technical advisory to portfolio projects and companies.

## FUND MANAGEMENT AND GOVERNANCE

As indicated above, Lacuna is actively seeking partnerships that complement the strong track record the Founding Team has in facilitating impact investments in emerging markets. Lacuna will deploy this structure with a general partnership among Sponsor, seed partners, and regulated entity, alongside a management contract, to feed into a fund with a jurisdiction chosen based on anchor investment.

Fund management will lead on sourcing, due diligence, and execution of transactions. The Founding Team is actively creating fund management from local and high-skilled investment teams based out of East Africa and potentially UAE. The Founding Team will lead the governance structure through the codification of investment criteria and underwriting guidelines, along with the formation of a screening committee and investment committee. Investment efforts will be complimented by a sidecar non-profit foundation that will spearhead capacity building activities.

## ILLUSTRATIVE INVESTMENT EXAMPLES

We have mapped out over a hundred projects and companies that fit within these “missing middles.” Below are indicative examples of the way our investments will use clean technology applications across industries, as well as how our investments will be structured in a way that is appropriate for the needs of the business and industry.

### *Project Investment: Geothermal heat*

- Using geothermal heat to dry agricultural cash crops, reducing post-harvest losses by 25-50%, leading to a 20-25% per annum increase in farmer income. Project entails developing and operating geothermal heat and crop drying facilities.
- Total investment (if all equity): \$15M.
- Potential return: 25-28% (based on 15-year operations; fund would exit earlier) .
- A “project finance” approach with discrete tranches of investment and investors, over a longer time horizon with more variability in exits.

### *Company Investment: Biodigester manufacturing company*

- Production of anaerobic digesters specifically designed, and business model incubated for emerging market applications. Investment needed for growth capital to reach new markets.
- A corporate investment approach with more standard investment structure.
- Capacity building with investee company to ensure steady growth stage systems, management and practices.
- Total investment: \$5M for significant minority stake. Incentivize management buyout in increments.

## FOUNDING TEAM

Our principals, through successful careers as bankers, fund managers, consultants, and overall emerging markets experts, have successfully implemented organizational transformation in order to build up businesses, investment funds, TA programs, and impact investments. The Founding Team came together for Lacuna in part because of joint contributions to value creation and collaborative expertise in emerging markets. The team is a collaboration between Near Northeast and Athena Global Alliance. With decades of experience of investing in Africa and the Middle East, the Lacuna team is enthusiastic about the driving value for investors and investees.

**Amanda Lonsdale** is an emerging markets renewable energy finance expert. With over 20 years’ experience, she has spent the last several years working with developers and governments on renewable energy projects in East Africa and has seen firsthand the lack of investment in small and medium-sized projects and companies. After one too many conferences where investors declared that energy investments under \$100M are not worth their time, she is determined to show that the value in small and medium sized investments can meet, if not exceed larger investments.

**Stephen Morel** is an emerging markets investment professional with considerable experience in the energy sector. With over 15 years of experience in EM investments crafted to meet specific market and regulatory conditions, he has become a strong believer in taking the time to utilize bespoke and structured investments in order to match the business case of growing companies. His hope now is to help institutional capital recognize the same and, with a little more out-of-the-box thinking in private equity structures, help that capital become believers again in emerging markets funds.

**Kaylene Alvarez** is a seasoned professional in emerging markets investment and finance, with a focus on impact investing. Over the course of a 25 year career, she has structured investments, transactions, developed financial products and instruments, and supported financial services companies in over 40 countries. After weathering multiple financial crises, and learning from the mistakes of others, she’s holding steadfast that investing in companies that are “too something” for most people, are the path towards building long-term economic resiliency for the middle classes.

“The senior team at a GP needs company building know-how... I would like a senior team with more than just PE backgrounds because financial engineering will only take you so far {in emerging markets}.”  
--an endowment with investments in Africa on the ability to be successful. EMPEA 2018 LP Survey

## **DISCLOSURES**

This preliminary presentation (the “Presentation”) is being issued in draft form for discussion and informational purposes only to prospective investors to determine preliminary interest regarding an investment in the Lacuna Equity Fund or similarly structured or named fund entity to be established by the Founding Team and one or more related investment entities. This Presentation may not be reproduced or used for any other purpose. The information contained herein is subject to material updating, revision, correction, and amendment. It is not intended to represent all data and information eventually to be contained in private placement memorandum for the fund, and should not form the basis of, or be relied on in connection with, any contract to purchase or subscribe for any interest in the Fund. No representation or warranty, express or implied, is made or given as to the accuracy, the reliance to be placed on, or completeness of the presentation. The Founding Team does not accept any express or implied liability for the information contained in the presentation. Prior to making any decision to purchase or subscribe for interests in the fund, prospective investors should perform and solely rely on due diligence analysis in addition to seeking the advice of legal and tax consultants.