



June 20, 2016

Dear Stakeholders,

It has been an eventful first half of 2016 for Egypt and a successful one for the Egyptian-American Enterprise Fund "EAEF". Egypt has experienced a currency devaluation, the appointment of a reformist cabinet and a renewed effort to prioritize energy and infrastructure investment. These changes provide the foundation for a potential growth cycle in the country. At the same time, the country continues to grapple with fiscal imbalances, poverty, youth unemployment and security. These challenges come at a time when there is growing concern over the future of the Middle East.

A stable and prosperous Egypt can be a positive force for peace in the region. Within the United States government, there is recognition that the EAEF is playing an important role in providing growth capital to the economy and supporting Egypt's human capital. As Ileana Ros-Lehtinen, the chairwoman of the Subcommittee on the Middle East and North Africa at the House Committee on Foreign Affairs, stated at a hearing on Egypt last week, "one bright spot on the economic horizon has been the Egyptian-American Enterprise Fund, which Congress authorized in 2012 and has been successfully investing in Egypt's private sector to create jobs and support sustainable development. The Enterprise Fund, as with all the aid that Congress has appropriated, is an example of how much the United States wants to help Egypt as both an ally and a strong supporter of peace."

I am pleased to report that our existing investments continue to thrive. As you know, in 2015 EAEF invested USD 76 million in two exciting financial services companies, Fawry and Sarwa Capital. Both companies have the potential to extend access to financial services to Egypt's large unbanked population. Supported by EAEF's Board of Directors and its management team, Lorax Capital Partners, our portfolio companies have shown impressive growth, outperforming targets in existing business lines. At the same time, both companies have introduced new products, improved corporate governance and enhanced their operational frameworks. With skilled management teams and additional capital from international investors, both companies are well positioned to grow revenues and improve profitability in the coming years.

These transactions highlight the importance of EAEF as a catalyst for attracting additional foreign direct investment (FDI) to Egypt. Leveraging US taxpayer funds in this way is a key part of our mandate. In the years to come, we hope that this facilitation role may prove to be as important as the capital that EAEF invests directly into Egypt.

Looking ahead, our management team in Cairo has assembled a promising pipeline of investment opportunities by focusing on high impact sectors that are capable of creating employment opportunities for Egyptians. EAEF's target sectors include manufacturing, logistics, food & beverage, renewable energy, pharmaceuticals and financial services. These industries are typically characterized by sizeable supply/demand imbalances and represent segments where we can add significant value.




We have recognized the importance of encouraging young, talented Egyptians to take risks and support them to build enterprises that solve big problems. To this end, EAEF embarked on a mission of investing in early stage companies to promote innovation and build companies that can be attractive investments for international institutional investors. We closed our first investment in a tech-enabled healthcare startup this year. SmartCare utilizes technology and innovation to extend affordable healthcare services that will improve the quality of life for millions of Egyptians. We believe that EAEF's initial investment of USD 1.2 million, combined with our expertise in the US healthcare sector, will allow us to build bridges for the founder to learn from similar business models and capture synergies within our portfolio.

To scale our contribution and attract more investors to Egypt's entrepreneurial ecosystem, we have identified two funds that provide funding to start-ups and small and mid-sized companies (SMEs) in Egypt. EAEF's Board of Directors approved a decision to invest USD 10 million in Tanmiyah Ventures, a mid-cap fund that aims to address the existing funding gap in Egypt's SME market. Founded by an Egyptian investment professional, Tanmiyah will invest in early stage companies that add to Egypt's industrial base and export potential. Our second transaction is a USD 10 million investment in a technology-focused venture capital fund, Algebra Ventures. Algebra's team combines VC and technology experience to support tech startups to address the needs of Egyptian consumers. EAEF is playing a critical role in backing a team of seasoned investors to attract funding from international development institutions and grow Egypt's technology infrastructure.

In organizational news, Sherif Kamel, a board member since 2013, recently accepted the position of Vice Chairman at the American University in Cairo and has tendered his resignation. Sherif has been a wonderful asset to the board during his three and a half years of services to EAEF and we thank him for his service. We wish Sherif the best in his new role and look forward to maintaining a close relationship with him in the years to come. We are fortunate to have a number of very qualified candidates to fill this vacancy.

EAEF is well positioned to meet its development goals in Egypt, thanks to the remarkable people driving the Fund and the continuous support received from all the stakeholders and friends. I invite you to continue to share your views on the Enterprise Fund with us as we continue to learn how to best support Egypt on its path to prosperity.

Sincerely,  
  
James A. Harmon  
Chairman