



Egyptian American Enterprise Fund “EAEF” Annual Letter

February 14, 2019

Dear Stakeholders of the Egyptian-American Enterprise Fund,

There is much to report about the events that unfolded in 2018 and some thoughts about 2019.

On the macro front, Egypt is beginning to reap the benefits of the economic reform program. The implementation of strong policies along with the gradual restoration of confidence and stability are starting to yield positive results. Egypt’s FY2017/18 GDP grew 5.2% compared to a growth rate of 4.7% the previous year. Annual headline inflation dropped to 12.0% in December, down from 15.7% the previous month and currently falls within the Central Bank of Egypt (CBE) inflation target range of 13% +/-3%. Hard currency reserves reached USD 42.55 billion compared to USD 37.0 billion a year before. The CBE terminated its repatriation mechanism for fresh foreign currency portfolio investments entering the local currency T-bills and T-bonds market, indicating a phasing out of intervention in the FX market and increasing transparency. Moody’s Investors Services upgraded its outlook for Egypt from stable to positive, reflecting the continuing structural improvements in the fiscal and current account balances.

In her latest statement on Egypt, IMF Managing Director Christine Lagarde, commented that Egypt’s reforms have led to the current macroeconomic stabilization in the country. Earlier this month, the IMF board signed off on the fifth USD 2.0 billion tranche of the Extended Fund Facility, bringing the total disbursement under the program to-date to USD 10.0 billion.

The EAEF is executing on its mission of promoting financial inclusion, creating jobs and developing the private sector in Egypt. We continue to invest in growing businesses with proven solutions while simultaneously supporting new innovative models. In this regard, I am pleased to report that we closed our latest investment in November 2018, increasing our portfolio to 8 companies. EAEF invested USD 3.0 million in Dawi Clinics, a women-led chain of medical clinics. This is a strategic step to support the growth of Egypt’s healthcare sector and to promote women empowerment in Egypt, especially women entrepreneurs looking to make a difference in the community.

I am also pleased to report that we sold approximately 40% of our position in consumer finance provider, Sarwa Capital, for USD 46 million in an initial public offering valuing the company at three times our original investment. We continue to own 44% of Sarwa. Since EAEF’s investment in 2015, the company grew significantly, providing access to finance to thousands of Egyptians and creating hundreds of jobs.

Our portfolio companies are witnessing significant growth. Following our investment in 2017, Orchidia Pharmaceutical Industries acquired a new production line to expand its current product offering and provide affordable high-quality alternatives to previously imported pharma products. Similarly, Fawry is expanding the range of its products and services and has recently acquired final approval for an insurance brokerage license.

Throughout the past year, TCV, Algebra Ventures and Flat6Labs have helped us address funding market gaps in Egypt. These funds identify and support high-potential businesses in underserved markets in an



array of sectors such as fintech, agribusiness, transportation among others. The aggregate number of small and early-stage businesses that we are supporting through these funds is 37 at year-end.

This year, we are examining best practices in measuring the impact of our investments. Easier said than done. A number of organizations are active in this area. We will report on the progress as we gather data from our investees.

Our key relationship with Lorax Capital Partners “LCP” has been instrumental in enabling us to identify growing businesses in Egypt and to fulfill our development objectives. We are excited about our pipeline and optimistic that EAEF will close a number of transactions this year. In the very near future, we will make our first investment in education and our first investment in agriculture. We continue to focus on sectors of high development priority concurrent with our work on long-term inclusive growth.

I am very proud to report that for the 6 years since inception, we estimate that the rate of return for EAEF has exceeded 20% per annum.

On the operational front, EAEF made a number of positive changes. EAEF’s Executive Director Amal Enan moved to Cairo to represent the fund in Egypt. Her presence in Cairo has enabled us to identify growth opportunities on the ground and share the fund’s story with stakeholders in Egypt.

I would like to express a word of thanks to our Board of Directors for their level of engagement and continued support. I am pleased to announce that Mohamed El Beih, Senior Managing Director at The Blackstone Group, has joined the Board. He replaces our long-term director Dr. Hani Sarie El Din who was very helpful to the fund since the early years. We will always be grateful for his support and advice during those challenging times. We wish him well in his future endeavors.

I take this opportunity to express a few personal observations. Our success in Egypt is largely due to the talented Egyptians working for us in Cairo, to our staff in New York and to our board. It is an excellent example of the best in public-private partnerships and an Arab-American partnership. I am hopeful that the US government will expand the enterprise fund model to many other countries and that someday other countries will initiate their own enterprise programs.

Finally, the private sector impact funds are increasingly recognizing that enterprise funds are in fact the ultimate impact investment. In the future, I expect that private sector impact funds will join with the US government or with other countries to significantly increase funding and technology support for the developing and frontier world.

Sincerely,

A handwritten signature in blue ink that reads "James A. Harmon". The signature is fluid and cursive, with the first letter "J" being particularly large and stylized.

James A. Harmon
Chairman