

Itsose Impact Fund

Private Market Offering (Class B), Income and Growth



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Fundraising Objective

Ripple Capital presents an opportunity to invest in the 'Itsose' Impact Fund, an investment vehicle that will provide alternative credit solutions to MSMEs in Botswana, Africa. The fund is aiming to raise up to \$11 million in exchange for *Class B shares, from either a single investor or a pool of investors. The fund offers a low-risk income and investment growth opportunity in Botswana, a developing economy, which has a strong commitment to economic and social growth.

Fund Summary

The fund's objective is to empower Botswana's MSMEs with fairer access to Microfinance, with an aim to enable them to partake in the supply of goods and services to government and private sector citizens empowerment programmes. The programmes are targeting a combined allocation of over \$3 Billion in spend to SMEs by 2030, which will create an attractive market for Microfinance. The fund provides short-term alternative credit solutions and seeks opportunities in-line with its sustainability framework; opportunities that have a positive economic and social impact with a strong possibility to generate attractive financial returns. Specifically, the fund aims to provide these solutions to those MSMEs who have been excluded from the market by unfavourable financing solutions, and especially targets women and youth led MSMEs, and those who are participating in sector initiatives that contribute to delivering UN Sustainability Development Goals. We believe Botswana's development relies on the collective participation of all its MSMEs, therefore, the fund will work to make Microfinance inclusive, fair, and accessible to all MSMEs, which will enable their wider participation in the country's development.

Fund Strategy and Credit Process

The fund actively provisions alternative short-term credit via its credit solutions: purchase order finance, invoice discounting, and cash advance. The fund may also provide a credit facility in the future to those MSMEs who are engaged in medium to long-term contracts and require a line of credit. This is one of many opportunities in the market to expand the fund's portfolio of solutions.

To minimise risks, the fund provisions credit solutions via government and private sector programmes, who act as guarantors, and where the following acts as collateral:

- a purchase order or Invoice generated from the buyer, or
- a genuine contract generated from the buyer to purchase services and goods from the supplier over the medium to long-term.

The fund underwrites credit directly to the supplier against this form of collateral, and once the supplier fulfils the order, the buyer transfers the credit amount plus interest and charges directly to the fund.

Of the profit generated, investors are rewarded with income in the form of a preferential dividend paid quarterly, and investment growth.

The fund may appeal to investors who typically plan to invest for five years or more, and who:

- are interested in developing markets, social and environmental impact, and
- are interested in a combination of income and investment growth, and
- understand and can accept the risks of the fund, including the risks of investing in developing markets, and the associated risks related to loans and credit facilities.

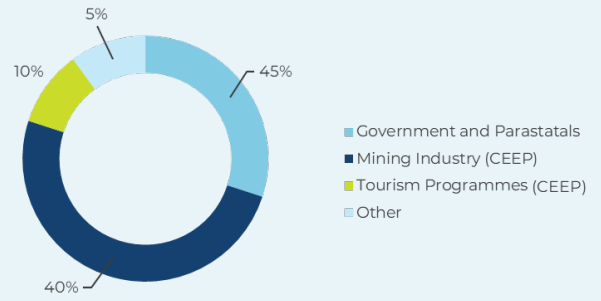
**Class B shares pay a preferential dividend before any other class is paid, and hold voting rights at annual general meetings, however, do not carry the weight to participate in the Fund's day-to-day operations in line with the Limited Partnership model.*

Target Fund Size

The fund is targeting up to \$11 million in investment from Investors, with the typical positioning of funds to the following sectors:

Positions are indicative and are subject to change in-line with changes in market trends and associated lending opportunities across sectors.

**Other may include sectors such as Information Technology, Manufacturing, and Agriculture.*



Pre-market Performance

Prior to this market offering, Ripple Capital ran a 3-year pilot programme with an initial investment of \$60,000 to prove this concept. The pilot concentrated on providing short-term credit finance to SMEs who were serving Government contracts only, which generated:

	Year 1	Year 2	Year 3	3-Year CAGR	Since Inception (Cumulative)
Return %	46%	67%	38%	50%	237%

Final cash balance: \$201,992

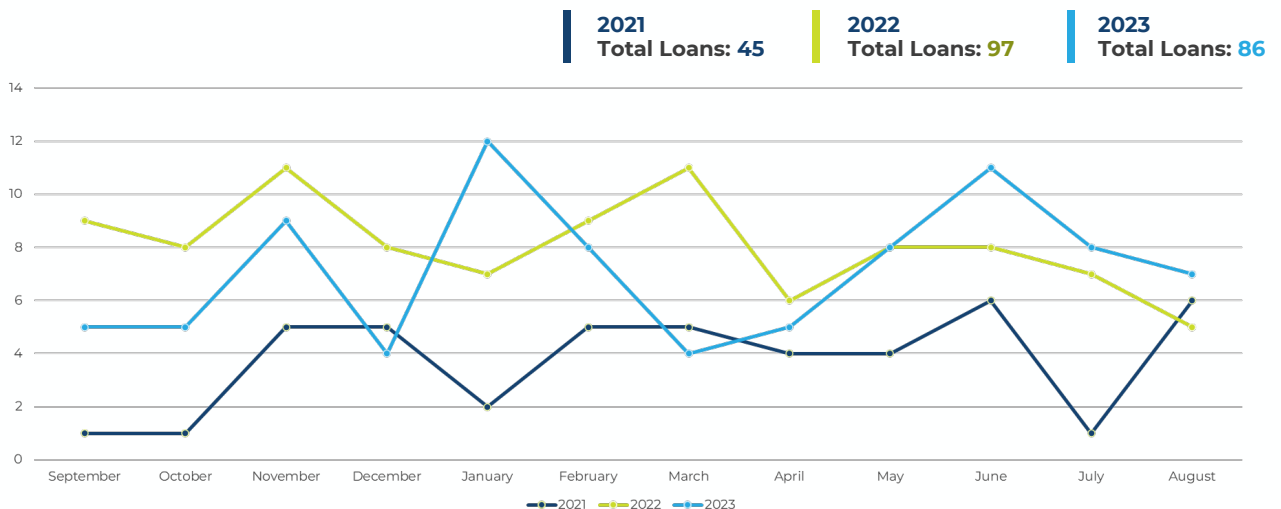
The concept had the ability to generate higher returns across all three years, however, it was restricted by its limited access to capital, which capped the number of high-value credit opportunities it could fund.

Possible returns factoring in missed opportunities:

	Year 1	Year 2	Year 3	3-Year CAGR	Since Inception (Cumulative)
Possible Return %	53%	117%	53%	72%	407%

Possible final cash balance: \$304,048.

During this period, a total of 228 Loans were underwritten, and the number of loans underwritten substantially grew as the market was penetrated further.



Our Impact: Alignment to UN Sustainability Development Goals (SDGs)

The Fund’s strategy aims to align with the United Nations Sustainability Goals (UN SDGs) and will ensure it contributes to those goals through its Impact Framework, which will steer capital to those MSMEs who can benefit the most from Microfinance.

Our Impact on UN SDGs:



Our Contribution:

SDG 1: No Poverty: By providing short-term credit solutions to MSMEs, we aim to reduce poverty and improve the economic well-being of marginalized groups.

SDG 8: Decent Work and Economic Growth: We aim to create job opportunities and to promote economic growth by funding MSMEs participating in Botswana's CEEP programs.

SDG 10: Reduced Inequalities: Our focus on financial inclusion and support for marginalized groups contributes to reducing economic inequalities in Botswana.

SDG 17: Partnerships for the Goals: We collaborate with various stakeholders, including government, private sector, and civil society, to achieve our mission and maximize our impact.

SDG 5: Gender Equality: We prioritise supporting women-led MSMEs, thereby contributing to gender equality and empowering women economically.

SDG 9: Industry, Innovation, and Infrastructure: We invest in innovative projects within MSMEs and support infrastructure development to enhance their competitiveness.

SDG 13: Climate Action: We actively seek opportunities to support decarbonization initiatives across sectors, aligning with the global effort to combat climate change.

How We Measure Output: Key Performance Indicators (KPIs):

1. Percentage increase in income levels of MSMEs receiving short-term credit solutions.
2. Number of jobs created or sustained within MSMEs funded.
3. Percentage of funding allocated to innovative projects and infrastructure development.
4. Percentage of loans disbursed to women and youth-led MSMEs.
5. Contribution to reducing income inequality within the MSMEs we support.
6. Number of MSMEs participating in ESG and decarbonization-related initiatives through our funding.
7. Number of partnerships formed with government, private sector, and civil society organizations to support our mission.

The Fund is committed data collection and reporting for the purpose of continuous improvement.

How to Invest

Fees	Minimum Initial Investment	Sales Charge (Up to)	Management Charge P.A (Up to)
*CLASS B	\$1,000,000	0.3%	2.3%

A discretionary performance bonus may also be charged of up to 25% of every 1% returned to investors over the fund’s p.a. hurdle rate.

**Class B shares pay a preferential dividend before any other class is paid, and hold voting rights at annual general meetings, however, do not carry the weight to participate in the Fund’s day-to-day operations in line with the Limited Partnership model.*

Disclaimer and Important Information:

Even though the Fund categorises itself as low risk, there are a few risks that Investors need to be aware of. **Legal, regulatory risks & Compliance Risks:** We operate within a legislative and regulatory framework applicable to all NBFIs. The introduction of regulations in the future or any changes to the legislation currently in force in Botswana may require us to comply with new standards in ways that we cannot currently predict, or changes may restrict our ability to do business. **Market Perception and Reputation Risks:** Negative publicity, controversies, or public perception issues related to the fund may impact operating activities and its reputation and attractiveness to investors. **Economic conditions and political instability:** We generate all our revenue in Botswana and therefore, our results depend on Botswana's economic climate, which, in turn, is affected by global economic trends. Current challenges in Botswana include effects of Covid 19, underperformance of GDP growth, unemployment of vulnerable groups - all of which may affect the performance of the fund. **Dependence on Gov and Private Sector SDP's:** 100% of forecast revenue for the fund is generated from the Government and Private Sector SDP's, initiatives that have been designed to promote inclusion and encourage economic participation at the lowest level of society. This inherently introduces risks of dependency and concentration risk for our business. **Credit Risks:** The fund is subject to default risk emanating from the dependence on its clients and the debtors that they supply, each of whom may face economic uncertainty and changes in the regulatory landscape. This risk is a fundamental component of our business model, which is subject to inherent risks regarding client and counter-party creditworthiness and the recoverability of revenue from clients and other counterparties. **Operational Risks:** Execution in respect of purchase orders and contractual disputes between our client and the end user may arise during the underwriting loan facilities. The end user customer could claim that the product delivered, or the service provided was defective, or some other contractual dispute arises between our client and the end user customer. Purchase orders inherently attract risks as they contain an element of execution risk in that our client may fail to deliver the relevant product or service to the end user customer. **Fraud Risks:** The fund may face risk of external fraud by our clients in the form of illegitimate purchase orders, misdirected payments, pre-invoicing, or similar misinformation. While the fund will actively seek to minimise the risk of fraud through its extensive client evaluation and by testing information, there is no guarantee that such evaluations and verifications will be effective in all cases. **Liquidity Risks:** Investors may not be able to access their capital immediately when needed if their capital is tied up in instruments (loans) and liquidation of their shares may experience delays as per the funds policy. **ESG and Impact Risks:** While the fund aims to generate positive social and environmental impact, there is a risk that the intended impact may not be fully realized. Additionally, ESG criteria and impact metrics may evolve, impacting the fund's ability to meet its goals.

