



OPT
IMI
ZER
FOUNDATION

OPTIMIZER FOUNDATION

Impact Report 2017

We invest in scalable solutions to improve
the lives of children and youth

January 2018

Table of contents

1. A NOTE FROM THE CHAIRMAN.....	1
2. WHY OPTIMIZER FOUNDATION?.....	2
3. OPTIMIZER FOUNDATION IN SHORT.....	4
5. LOOKING BACK AT 2017.....	5
6. INVESTMENTS 2017.....	6
7. OPTIMIZER FOUNDATION PEOPLE.....	9
8. OUR PARTNERS.....	10
9. MEMBERSHIPS.....	10



A NOTE FROM THE CHAIRMAN

When founding Optimizer Foundation, we saw a big gap in early stage funding of hard-working and creative social entrepreneurs who struggled to get new, innovative ideas ready for the market. Young companies who have bold solutions to some of the world's most pressing social challenges. We made it our mission to find and support these brave voyagers.

To invest in companies with a social mission, prioritizing positive social or environmental impact alongside financial results, is called 'impact investing'. In 2017, the word impact investing came in the 9th place of the most searched word on Investopedia, beaten only by words such as Bitcoin and Blockchain. We are thrilled that what we believe in and commit ourselves to now is getting more and more attention: i.e. to use capitalism and the effectiveness of the business mind-set to address society's greatest societal challenges.

42 % of the population of Kenya is under the age of 15 (compared to for example 13 % in Germany). Of the 2.5 million unemployed people in Kenya, approximately 67 % are youth. 75 % of the Kenyan population lack health insurance. In our line of work, scalability is key. In order to solve big scale challenges, we need big scale solutions.

Ever since Africa's mobile revolution erased the need for traditional and expensive landline telephones, the idea that the continent could "leapfrog" the rest of the world was born. The presumption is that Africa could skip the many and longer steps already taken by other regions in the world and go straight into more advanced

technologies. There are lots of great examples of how technology has been used in new ways to create solutions to societal challenges and the possibility to scale up tech based solutions are often very promising.

As the founders of Optimizer Foundation have a strong tech background we are always excited to see new tech solutions to social problems. However, there are many examples of tech solutions failing to succeed, oftentimes being directly replicated from a European or American market into an emerging market, where the pre-set conditions are hugely different. We therefore focus on companies with vast local knowledge and presence.

For us, impact investing is about matching the soul of philanthropy with the spirit of investment, so let's get to it. Let us find and scale the best solutions out there and support those bright and brave social entrepreneurs.

Helena Riese Harstad

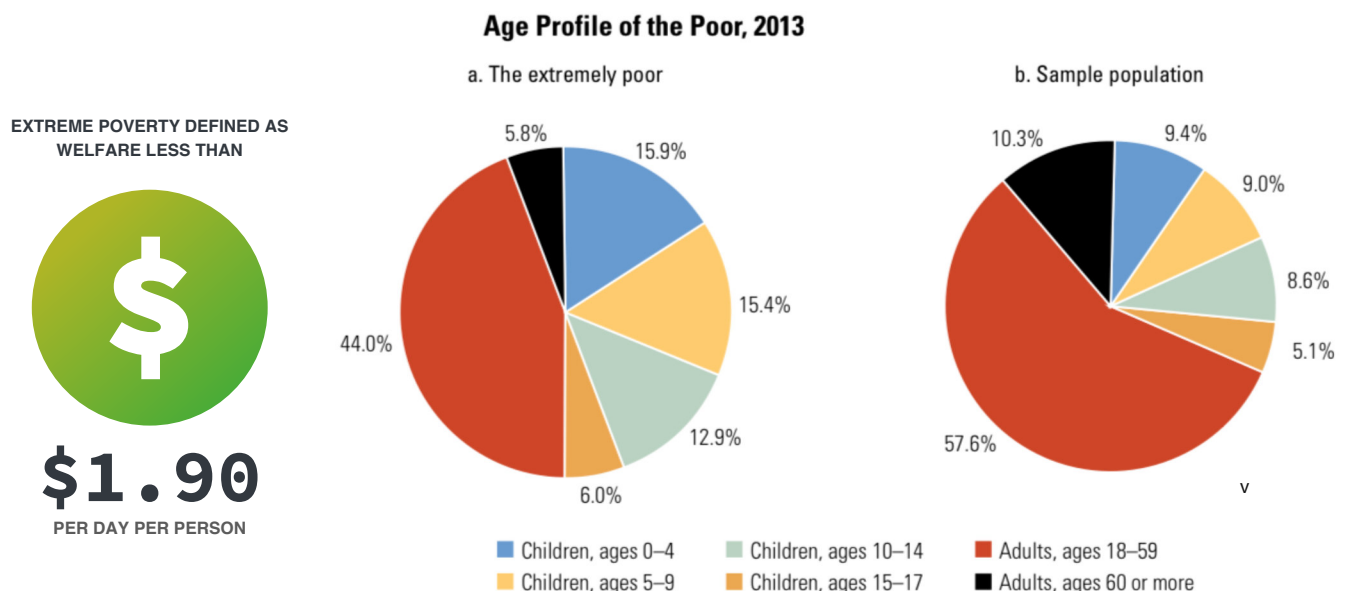
Chairman of the Board

WHY OPTIMIZER FOUNDATION?

In many aspects, the world is becoming a better place. The number of children who die before their fifth birthday has been cut in half since 1990. Not even thirty years ago, 35 % of the global population lived in extreme poverty, today that number is 10 %. This means that we are moving in the right direction. However, many challenges remain.

Half of the world's extremely poor are children. This means that in the world today there are almost 385ⁱ million children living in extreme poverty. 48% of them live in sub-Saharan Africa and 30 % live in India.ⁱⁱ India accounted for the largest number of people living below international poverty line, with 224 million of its population under the \$1.90-a-day poverty measure.ⁱⁱⁱ

These numbers are of course dire and essentially why we started Optimizer Foundation. They also partly, along with a set of other factors, influenced our geographic focus on East Africa (Kenya, Uganda, and Rwanda) and India. So how do you improve the life situation and opportunities for the young people living in extreme poverty? A good place to start is in the sectors of health and education. By improving access to high quality and affordable education as well as healthcare, the pre-conditions for an individual to raise out of poverty increase dramatically. For example, each additional year of schooling typically raises an individual's earnings by 8–10 %, with larger increases for women.^{iv} Further, weak health is a major cause of poverty. This is partly due to the costs of seeking health care, coupled with loss of income associated with illness in developing countries. In addition, poor families coping with illness might be forced to sell assets to cover medical costs, or take on loans at high interest rates. Hence, if we are able to find and support scalable solutions increasing access to affordable education and healthcare, we can have huge impact for low income populations across our markets.



Half of the world's extremely poor are children

OPTIMIZER FOUNDATION IN SHORT

Optimizer Foundation invests in early-stage social ventures. We search for scalable and system-changing solutions, improving the lives of children and young adults. The organizations we support have a specific focus on education and health sectors.

In addition to funding, we work closely with our investees, providing business advisory support to help our investees to scale. We use the skills and expertise of the experienced Foundation team, but we also leverage the knowledge and skills of our seed funders, the Optimizer Invest team, as well as our other broader networks.

Any return on investment and repayment of debt goes back into the Foundation to benefit additional social ventures.

Facts In Education

- 17% of the population in Rwanda and 15% of the population in Uganda complete upper secondary school.^{vi}
- The pupil/classroom ratio in Uganda is 56:1.
- Only 55 % of the teachers in Uganda scored 80 % or higher on a 4th grade math test.
- In India, only half of grade 5 students could fluently read text at the level of the grade 2 curriculum.
- Over 60 percent of Kenya's working-age population have just level 1 literacy or below their literacy proficiency is limited to understanding basic texts, but not able to integrate, evaluate, or interpret information from a variety of text materials.^{vii}

Facts In Health

- In Kenya, you find 1 doctor per 10,000 people (WHO recommends min. 23 doctors per 10,000 people).
- ~76 % of Kenyans pay for healthcare out-of-pocket.
- In Uganda there are 93 death on 1,000 children under the age of five (compared to 3 death on 1,000 children in Sweden).
- Every ten minutes a mother dies in childbirth in India and over 2,1 million children die each year in India before their fifth birthday.
- 30 % of all medications in the Kenyan market are substandard (quality; expired) or counterfeit.

Words about Optimizer Foundation as an investor

"Optimizer Foundation has been a strong growth partner to our company since they invested in our Seed Round. In a short time, they have been able to identify key ways to contribute beyond financial investment including opening introductions to key partners in East Africa, improving strategic planning processes, supporting us on recruitment of key personnel, and even rolling up their sleeves to work with leadership in tackling the complex legal frameworks we'll require in order to pioneer our educational content marketplace. It's already removing roadblocks to growth and I'm looking forward to further support in the years to come as we scale access to quality education and training."

Craig Heintzman, Founder, Arifu



Anne Stubert Partridge is the COO of Optimizer Foundation. She is responsible for developing and implementing the strategy of the foundation, identifying and evaluating investment opportunities, and managing the portfolio. She is a former strategy consultant with specific focus on international development/social impact. She has over 12 years of experience in advising private, public and non-profit organizations across emerging markets as well as in Europe.

Investment strategy

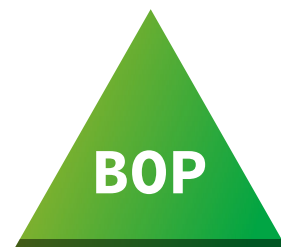
Optimizer Foundation is guided by the below strategic focus:

- **Focus sectors:** Education and Health
- **Geographies:** East Africa (Kenya, Uganda, Rwanda) and India
- **Investment size:** 50,000-150,000 USD
- **Investment type:** Equity, debt
- **Stage:** Early-stage ventures

We search for ventures that meet a number of criteria:

- **Impact:** evidence of socio-economic impact of product/service/intervention (i.e. improved living standards for end customer/beneficiary)
- **Customer segment:** core customer segment is 'low income' (i.e. individuals living on less than ~5 USD/day)
- **Scalability:** Strong scalability potential for national/regional scale up, as well as replication of model in other countries
- **Team:** fulltime team in place with strong leadership skills, business acumen, and a clear orientation to drive impact – i.e. improve the lives of the end-customer/beneficiaries
- **Financial sustainability:** revenue traction, but no requirement on breakeven/profitability

Further, when assessing investment opportunities, we also search for clear synergies between a potential investee's advisory needs, and the value Optimizer Foundation can add beyond capital.



The **Bottom of the Pyramid** is the largest, but poorest socio-economic group. In global terms, this is the 2.7 billion people who live on less than \$2.50 a day.



Our Impact

We strive to improve low income populations' access to affordable and high-quality health and education, to strengthen their quality of life and opportunities. Our impact on low income populations is visible through our investments (profiled below). We regularly collect and assess data measuring both outputs (i.e. numbers of people reached with the service/ product/ intervention), as well as the effect on the target segment.

We are aware that when investing in start-ups, limited data is available on the effect of the intervention. Hence, it is critical for us to support our investees to build up processes and frameworks to measure adequate indicators. As the organisations grow, a richer data set demonstrating the social impact can be gathered.



LOOKING BACK AT 2017

2017 has been a busy year for Optimizer Foundation. It's been an incredible and exciting journey so far. Since our official launch in April 2017, we recognize a few key achievements. All these have been reached with invaluable support from our board, advisory board, funders as well as many partners in our respective markets.

- Developed our investment strategy and criteria.
- Conducted in-depth market analysis on the education and health sectors in Kenya and Uganda; as well as India; resulting in a strong pipeline of investment opportunities.
- Closed three investments (profiled below)
- Built up a strong foundation team of COO, research associate and advisory board.

It is with great excitement we are looking forward to 2018. A few areas will be of focus for us.

- Close an additional 3-4 investments across the education and health in our focus markets, with the aim of diversifying our portfolio into Uganda and Rwanda.
- Grow the Foundation team, including deepening our local presence in markets.
- Raise additional funds for the Foundation.

INVESTMENTS 2017



In September 2017, we invested in Arifu, a Kenyan based digital platform providing high quality educational content to low income people. We invested a convertible loan alongside the impact investing firms Global Partnerships/Eleos Social Venture Fund and Mercy Corps Social Venture Fund. We are looking forward to working closely with Arifu over the coming years, supporting scale up of the organisation across East Africa and the broader continent.

The challenge: In a developing market such as Kenya, low income populations struggle to access relevant and affordable information to improve the quality of life. Access to internet remains an obstacle and the information is rarely packaged in an easily accessible way.

The solution: Founded in 2013, Arifu solves this problem by providing a digital platform, including a 'chatbot' and a content 'market place', where content related to agricultural practices, health, entrepreneurship etc. is accessible through SMS, without requiring internet access. Arifu aims to leverage Artificial Intelligence, to provide tailored answers to the customers' questions, ranging from health advice to recommendations on how to maximize the agricultural yield.

Arifu facts

Location: Nairobi, Kenya

Year Founded: 2013

Founder: Craig Heintzman

Sector: Education

Investment: 100,000 USD

Type: Convertible Debt

Date Invested: 26 Sep 2017

Website: www.arifu.com

"To create, grow and secure a good income, working women and men must be able to access the knowledge and capital they need to thrive. Doing this can be both difficult and expensive. Arifu is a new kind of platform that's making quality education affordable and scalable."

CRAIG HEINTZMAN FOUNDER, ARIFU



The impact: So far, Arifu's main impact is visible in the area of agriculture, as well as financial literacy training. The company is looking to enter additional areas including health and energy in 2018. Since its foundation, the company has created significant impact amongst low income population:

- 616,000 individuals have benefitted from Arifu's educational content of which 493,000 are smallholder farmers (i.e. majority of which are BOP)
- Research shows that farmers who use Arifu have witnessed an increase in yield of ~55 % which represents ~190 USD in increased income/hectare annually.
- Research by CGAP^{viii} on individuals who have accessed Arifu's financial literacy training show a strong increase in financial literacy – demonstrated by lower amounts of outstanding loans, and quicker ability to repay loans compared to non-Arifu users.



Since April 2017, we are supporting the organisation ARMMAN in India. Over the coming years, we are looking forward to working closely with ARMMAN on their journey to improving the health of pregnant women and decreasing child mortality and morbidity in India.

The challenge: Every ten minutes a mother dies in childbirth in India. Over 2.1 million children die each year in India before their fifth birthday. Many of these deaths could be prevented by access to relevant information, during both pregnancy and during the child's first year. In developed countries, people are surrounded by relevant and life-saving information from the minute they find out that they are pregnant, but in India this is not the reality for most of the population.

The solution: ARMMAN strives to provide pregnant women with adequate information to facilitate a healthy pregnancy and delivery, and decrease the risk of infant morbidity/death. Through a digital platform, the pregnant woman receives semi-weekly voice calls covering, for example, the necessity of iron folic acid and the early warning signs of preeclampsia. Further, post-birth and throughout the child's first year, information about vaccinations, family planning, and health advice (for ex. how to create rehydration liquid to address baby diarrhoea – a major cause of infant death in India) is provided on a regular basis.

The impact:

- 1,200,000 women have been reached by ARMMAN since its foundation (data as of September 2017).
- 70% of the women accessing ARMMAN's service live off less than ~5 USD/ day (data April – September 2017)
- In addition to the digital platform, ARMMAN carried out awareness campaigns on the significance of breastfeeding and nutrition, educating close to 2,300 pregnant women and lactating mothers in 2017.

Armman facts

Location: Delhi, India

Year Founded: 2013

Founder: Dr. Aparna Hegde

Sector: Health

Investment: 50,000 USD
(Committed)

Date Invested: 27 April 2017

Website: www.armman.org

OPTIMIZER
FOUNDATION

In April 2017, we invested in Acumen's Education Fund (2016-2020), striving to transform affordable education across India and Pakistan. The goal of the fund is to impact 5 million students by 2020. Focus will be on investments in low cost schools, student support services, education technology, and vocational training. So far Acumen has invested in eight companies including LabourNet (profiled below), EduBridge and Vikalp.

The Impact:

- ~190,000 individuals have been reached by the portfolio companies of the Education Fund
- ~60% of the individuals reached by the companies of the education portfolio live off less than ~6USD/ day (data January 2018)

Acumen Education Fund facts

Location: India, Pakistan

Timeline: 2016-2020

Sector: Education

Portfolio Companies:

LabourNet, Vikalp India, Nasra Public School, Ignis Careers, SEED Schools Edubridge

Investment: 100,000 USD (Committed)

Date Invested: 3 April 2017

Website: www.acumen.org

LabourNet

LabourNet is a social enterprise that enables sustainable livelihoods for disadvantaged men and women in urban and rural areas. They create social and business impact by bridging gaps in education, employment and entrepreneurship. They focus on formalizing the informal work market by improving the socioeconomic status of people associated with the unorganized value chain. This is achieved through improving skills through education, facilitating wage/self-employment and entrepreneurship by bringing together all the stakeholders: large, small and medium enterprises, corporates, government, individuals and educational institutions.

LabourNet is uniquely poised to create social impact while delivering business value to all stakeholders of the livelihood eco-system.

Their solutions are powered by their combined capabilities in employability and entrepreneurship, capacity building, project implementation and impact consulting. Primarily targeted at corporates, schools, individual and government, their solution stack is backed by their experience and expertise in 28+ sectors and scale in over 60+ geographic clusters in 23 states and 5 union territories of India.



OPTIMIZER FOUNDATION PEOPLE



HELENA RIESE HARSTAD
Chairman & Co-Founder



ANNE STUBERT PARTRIDGE
COO



KARINA FASSBENDER
Associate Analyst



MARCUS WATSON
Advisor



CATHARINA BELFRAGE SAHLSTRAND
Board Member



ALEXANDRA ROSBERG HINXMAN
Board Member

OUR PARTNERS



In April 2017, we became a partner of Acumen. Acumen makes patient long-term debt or equity investments in early-stage companies providing reliable and affordable access to quality education, healthcare services, formal housing, and safe drinking water to low-income customers. The patient capital Acumen provides is accompanied by a wide range of support services to support organisational scale up. Its aim in investing patient capital is not to seek high returns, but rather to jump-start the creation of enterprises, and subsequently improve the lives of the poor. We look forward to working closely with Acumen as a partner in both India and in the East African markets.



Dasra is India's leading strategic philanthropy foundation focused on creating large-scale social change toward a transformed India where a billion thrive with dignity and equity. Founded in 1999, Dasra accelerates social change by driving collaborative action and powerful partnerships with funders, social enterprises and other key stakeholders. Dasra works on a range of challenges in India including empowering adolescents, sanitation and governance. We are excited to work with Dasra over the coming years to support the organisation ARMMAN's scale up and continue the important mission of reducing maternal and child mortality in India.

MEMBERSHIPS



The Aspen Network of Development Entrepreneurs (ANDE) is a global membership network of organizations that propel entrepreneurship in emerging markets. ANDE members provide critical financial, educational, and business support services to small and growing businesses (SGBs) based on the conviction that SGBs will create jobs, stimulate long-term economic growth and produce environmental and social benefits.



Intellectap is a pioneer in providing innovative business solutions that help build and scale profitable and sustainable enterprises dedicated to social and environmental change. Intellectap takes an ecosystem approach to amplify the impact that businesses can achieve and shape development outcomes in the process.



Intellectap Impact Investment Network (I3N or I-cube-N) is a global network of impact investors, both individuals and institutions who come together to co-invest in impact enterprises across India and East Africa. Their aim is to plug the pre-VC funding gap early stage enterprises face by mobilizing domestic capital and connecting international investors to domestic investors. Their investors come together to support brilliant and passionate entrepreneurs who are dedicated to solving difficult problems at the bottom of the pyramid. I3N has over 120 members across its 2 chapters in India and East Africa, with investing interests in 5 countries namely India, Kenya, Rwanda, Tanzania and Uganda.

FOOTNOTES

ⁱ “Children are most affected by extreme poverty - and by a huge margin. Our best estimate, based on data from 89 countries representing just over 84 per cent of the developing world’s population, is that almost 385 million children were living in extremely poor households in 2013. Perhaps most strikingly, children are more than twice as likely to be living in households in extreme poverty - with 19.5 per cent of children in developing countries estimated to live on less than \$1.90 a day, compared to 9.2 per cent of adults. This cannot be explained by a large youth population. In fact, children are disproportionately affected, as they make up around a third of the sample population, but half of the extreme poor. The youngest children are the worst off - over 20 per cent of all children below 5 in the developing world live in extremely poor households, compared with nearly 15 per cent of 15-17 year olds. Children living in extremely poor households are concentrated in certain parts of the developing world. Sub-Saharan Africa has both the highest rates of children living in extreme poverty at just under 49 per cent, and the largest share of the world’s extremely poor children, at just over 5 per cent. Since countries without data are not included in the analysis, the real share could be even higher. South Asia has the second highest share at nearly 36 per cent. Over 30 per cent of children living in extreme poverty live in India alone.” “Ending Extreme Poverty: a Focus on Children” Report by Unicef and World Bank Group, October 2016.

ⁱⁱ “In 2013, the year of the latest comprehensive data on global poverty, 767 million people are estimated to have been living below the international poverty line of US\$1.90 per person per day.” Report “Poverty and shared prosperity” by the World Bank 2016.

ⁱⁱⁱ Data from the World Bank latest comprehensive data on global poverty, 2013.

^{iv} “Learning to realize education’s promise” Report by the World Bank 2018.

^v “Taking on inequality” Report by the World Bank 2018.

^{vi} Data from UNICEF.

^{vii} “Learning to realize education’s promise” Report by the World Bank 2018. Page 76

^{viii} CGAP, ‘Increasing Digital Savings and Borrowing Activity with Interactive SMS: Evidence from an experiment with the M-PAWA savings and loan mobile money product in Tanzania’, Julian Dyer, Rafe Mazer, Nikhil Ravichandar, May 2017.

Thank you My Sandin for letting us use a few of your pictures.