

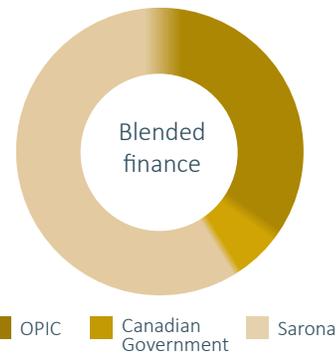
## Sarona Frontier Markets Fund 2: Blended Finance Delivered

The Canadian and USA governments have supported Sarona Frontier Markets Fund 2 (“the Fund”) to stimulate private investments into developing countries. The Fund invests growth capital in companies and private equity funds in frontier and emerging markets. It focuses on small to midmarket companies because Sarona believes these companies are best positioned to meet the needs of the rapidly growing middle class in those markets. The goal is to achieve superior returns by creating world class companies, employing highly progressive business strategies, and operating to the highest standards of business, ethical, social and environmental excellence.

Most of the Fund’s \$150mm<sup>1</sup> was invested by the private sector, which was attracted by a blended finance structure that offers uniquely favourable economics. The Canadian Government provided \$15mm of catalytic equity capital to act as a first loss protection for other investors, while the US Government’s Overseas Private Investment Corporation (“OPIC”) supported the Fund with cost-effective leverage.

Sarona and its predecessors have developed a wealth of experience and knowledge through 60 years of private investments in frontier markets.

The Fund’s blended finance model



Sarona Frontier Markets Fund 2 <sup>1</sup>	
<b>Fund size</b>	\$150 million
<b>Blended Finance</b>	
Canadian Government	\$15 mm
USA Government	\$50 mm
Private Sector	\$85 mm
<b>Private Investors</b>	
107 Individuals/corporations	\$57 mm
7 Foundations/non-profit	\$11 mm
3 Pensions/endowments	\$17 mm
<b>Expected Impact</b>	
# of investee funds	15
# of companies	150
# of countries	30
# of clients/customers	10,000,000
# of jobs created	15,000
<b>Metrics tracked</b>	
<ul style="list-style-type: none"> <li>• Profit</li> <li>• Governance standards</li> <li>• Transparency</li> <li>• Social goals, policies and management</li> <li>• Environmental goals, policies and management</li> <li>• Labour standards</li> <li>• Job growth</li> <li>• Gender equity at employee, management, governance and ownership levels</li> </ul>	

## Sarona Strategy

### Frontier and emerging markets upside

According to World Bank data, countries with a GDP per capita below \$12,000 have outperformed developed countries for over 40 years. We expect this trend to continue with Emerging Markets expected to grow almost three times faster than Developed Markets between 2009 and 2030.<sup>2</sup>

### Small and medium enterprises

Sarona’s underlying fund managers typically look for growth in small and medium enterprises with average deal sizes below \$25mm. We believe this segment represents the “real economy” with less competition, more opportunities, and a lower risk of government intervention.

### Financial returns

Sarona seeks to outperform listed markets and generate attractive absolute returns by investing in private equity teams who focus on high value-added investments.

### Ethical, social and environmental values

With the right partners and strategy, growing highly successful and profitable companies can have a significant developmental impact. This is what drives Sarona: building a diversified portfolio of funds and companies to deliver high risk-adjusted returns while positively impacting the communities where we invest.

### Private equity

Private equity is a good way of capturing GDP growth in frontier and emerging markets, because – thanks to its long term nature – it provides greater access to sectors such as healthcare, education and consumer goods than listed markets.

### Diversification

A broad allocation to primary funds, secondary funds, and direct co-investments ensures diversification across a number of dimensions, including time. This is important for optimising risk-adjusted returns. Ultimately, the Fund targets 12-18 primary fund managers, investing in 150-200 companies, in over 30 countries. The investment period spans 3-6 years.

<sup>1</sup> All figures in USD



## Canadian concessionary capital<sup>3</sup>

The Canadian Government has provided the Fund with \$15mm in equity paid up-front. The account is charged organisational costs, management fees and fund expenses, in proportion to other investors, but will not accrue gains or profits. Instead profits are shared with other equity investors, potentially boosting their returns. Most importantly, the Canadian Government investment acts as a first loss guarantee against capital losses suffered by the Fund on its underlying investments. A capital loss on any single investment will be charged to the account without the need for further approval, up to a maximum of the total amount committed. This will reduce the possible losses suffered by other investors as well as increase potential returns. This capital is meant to catalyse investment in developing economies and is supplemented with a \$5mm in technical assistance facility provided through MEDA, an international development association.

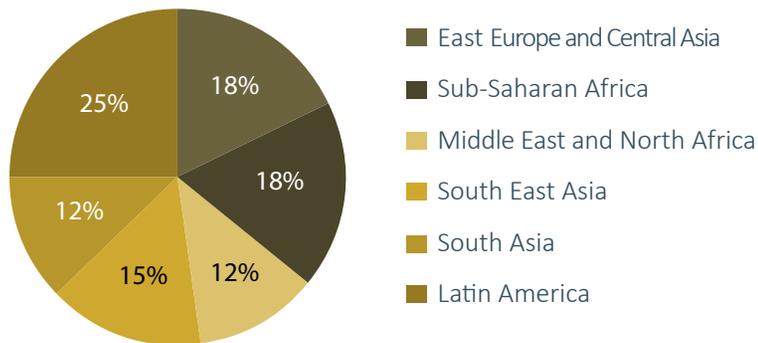


## The Overseas Private Investment Corporation<sup>3</sup>

OPIC, an agency of the USA Government, has provided the Fund with \$50mm financing at a rate of \$1 for each \$2 of the Fund's equity capital. Thanks to this facility, Sarona is able to borrow capital from the private markets using the USA Government's credit rating, thereby achieving very favourable interest rates. On the first draw-down finalised in May 2014, the Fund was able to borrow \$15.5mm with two year maturity, at 60 bps per annum (plus 75bps for the cost of the OPIC guarantee). The debt facility is particularly favourable because OPIC can only claim against distributions and not against equity investors or assets. Debt repayments occur at the same time as distributions to equity investors.

OPIC chose to support Sarona only after extensive due diligence by Cambridge Associates and because through the Fund it can stimulate the flow of capital to high-growth markets by improving the risk-return profile for other investors.

## Illustrative regional breakdown\*



\* Subject to available opportunities and investment committee approval

## Reference and footnotes

<sup>1</sup> All numbers in USA dollars unless otherwise indicated

<sup>2</sup> Source: HSBC Global Economics (2012), GDP growth in 2000 constant USD

<sup>3</sup> The above summary is a précis of the actual terms provided in the Commitment Letter and Term Sheet. The actual terms may vary significantly from this summary.

## Disclaimer

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