

## Case study: Impact Fund of the Year

This award recognises those fund managers who have a dedicated impact investment fund within their overall portfolio.

# Alitheia Capital

Founding date	2007
Geography	Western and Southern Africa
Sector	Financial services
SDGs	1 [no poverty], 2 [zero hunger], 5 [gender equality], 8 [decent work and economic growth], 9 [industry, innovation and infrastructure], 10 [reduce inequalities] and 12 [responsible consumption and production]
Web	<a href="https://www.alitheiaidf.com/">https://www.alitheiaidf.com/</a>

## Background

With a \$100m mandate to proactively invest in gender smart businesses, Alitheia IDF (AIF) is Africa's first and largest gender lens investment private equity fund. AIF exists to improve financial and social outcomes for women by driving investment into a diversified portfolio of women-owned, women-led or women-serving small and medium-sized enterprises (SMEs) as a pathway towards achieving the Sustainable Development Goals and ensuring inclusive economic growth. In addition, the fund seeks to demonstrate the viability of gender lens investing as an investment strategy that yields superior financial and social returns. AIF targets expansion-ready SMEs that operate in its priority sectors – agribusiness and essential goods/services – and equips them with the catalytic capital, strategy and business support needed to scale.

## Originality of design

Up to 90% of consumer needs are met by SMEs, as they are the engines of growth in Africa. However, this segment is often overlooked by typical institutional funding and the businesses remain undercapitalised. AIF provides access to finance and other resources to SMEs to enable them to grow and scale. Initial investment tickets are between \$3m and \$5m for a significant minority stake in companies. The companies must have a proven business model, be ready to scale regionally or internationally, and have a turnover below \$10m, or less than 200 employees, or assets worth less than \$10m. By strategically guiding the business, operating practices, corporate governance and expansion, AIF grows the share value of its portfolio companies during the investment period of five to seven years. The fund uses equity, convertible loan notes and mezzanine instruments to appropriately capitalise and structure businesses for growth. Value is realised through self-liquidating instruments or upon exit of the investments.

## Meeting unfilled needs

As already stated, the fund provides access to finance and other resources to SMEs to fuel their growth and enable them scale. Through targeting often overlooked companies, AIF ensures both top line growth as well as environmental, social and governance (ESG) and social impact improvements to create superior financial and social returns on all its investments.

## Theory of change

If AIF provides finance and other resources to gender smart businesses, particularly SMEs, then more customer needs would be met adequately as these SMEs would be able to scale. Additionally, gender inequality would be reduced.

## Impact thesis

As a gender lens investing fund, AIF is anchored on the premise of diversity and inclusion – investing in women as an underserved market and leveraging diversity as a source of alpha in generating competitive financial and social returns. AIF's impact efforts are geared towards increasing accessibility to affordability for, or inclusion of, an underserved market or group.

AIF provides capital and value addition to businesses where:

- A minimum of 50% women ownership, leadership and/or management is present.
- Gender diverse or male leadership demonstrate the intent to integrate gender inclusive strategies with middle management and teams.
- Women and/or girls are primary consumers and/or producers along the business' value and supply chain.
- The business strategy is to significantly increase access of women and girls to essential services.

By providing capital to women-led businesses and gender diverse teams, AIF impacts on the inclusion of more women as economic participants, reducing gender disparity and contributing to economic and social development. Specifically, AIF's investments aim to increase income/wealth in the hands of women; increase proportion and participation of women in the supply chain; and increase the number of women and girls with access to essential services and goods.

## SDG linkages



## Impact

AIF embeds gender dimensions and outcomes at every stage of the investment process, from eligibility to exit. At pre-investment, eligibility is determined by all four direct criteria of the 2X Challenge. Additionally, considerations include women's participation in supply and/or value chains. Based on the assessment of its gender performance, the SME is placed on a spectrum ranging from gender negative to gender strategic, and a gender value creation plan is implemented to track and improve outcomes for women and the gender smartness of the SME throughout the investment period.

Beyond its direct investment activity, AIF demonstrates commitment to improving economic outcomes for women by running Nzinga and Think Scale. These are boot camps which focus on developing the capacity and skills of gender diverse businesses and preparing them for institutional capital and expansion for scale. In addition to gender-specific outcomes, the investments also drive additional capital for investment, job creation, tax generation and export promotion, ultimately leading to growth and development in the economy and increased economic independence of women.

The investment guidelines are underpinned by a robust Environmental and Social Management System (ESMS) as informed by the International Finance Corporation (IFC) Performance standards, World Bank Environmental, Health and Safety (EHS) Standards, and the African Development Bank (AfDB) Integrated Safeguards System, among others. At the end of 2022, AIF had invested in nine companies across Nigeria, Ghana and South Africa. Seven of the nine companies are women-owned (77%). From inception, jobs have grown more than 1,000%, and more than half of these are for women. At the end of the fund life, AIF would have invested in 13 SMEs; created 23,000 jobs; enabled access to essential services for 5 million women and girls; and touched 15 million lives.

## Financial performance

By 2021, the fund had invested \$10.9m.

## Potential for replicability

The model can be replicated across different markets and sectors. In fact, AIF developed a Gender Lens Investing Toolkit which can be used as a guide when taking the gender lens approach to investing. That there is an estimated \$42bn funding gap between men- and women-owned SMEs in Africa highlights the need for gender lens investing across different countries and sectors on the continent.

## Risks

Investing with a gender lens, AIF uses its proprietary toolkit to create better outcomes in businesses, lower risk and enhance financial, economic and social returns in gender diverse value chains. Additionally, AIF's holistic and value-adding approach to ESG identifies not only the embedded and apparent risks, but also the potential opportunities in prospective investments.

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