

Dear Social Enterprises/Investors

On behalf of EDA CapitalConnect I welcome you to the first edition of our newsletter. We are excited to update you on the latest progress on our platform and to share with you our vision for the future as we work to make CapitalConnect a significant force of change in the development sector.

EDA CapitalConnect was launched in July 2008 as an online marketplace to allow institutional lenders, investors, and social enterprises worldwide to communicate with one another, initiate financial transactions, and analyze market trends. Our objective is to *increase transparency and capital flow into the development sector* by tackling/addressing problems of information asymmetry.

Recent trends in the development and growth of EDA CapitalConnect emphasise the increasing importance of the social enterprise space in enabling low income producers (such as those in our theme photo – above right) to improve their lives. We are happy that CapitalConnect is making a growing contribution to this process. We hope you will continue/join with us on this exciting journey.

We look forward to our continued association with you in this enterprise.

Sanjay Sinha
Director



Snapshot

- **Membership doubled** since March 2009 (110 members), **diversified portfolio** of social enterprises
- **Global scope** (members based in 27 countries), with operational presence in **51 countries**
- Registered investors focused on Asia and Africa with investment corpus of **US\$332 Million**
- **Sustained interactions** between providers and seekers of capital; more focused offers exchanged on the platform
- **Partnership linkages** with leading associations and organizations operating in the social enterprise domain
- Launch of **offline services** in association with EDA Rural Systems Pvt Ltd and M-CRIL



Membership Analysis

Membership on CapitalConnect has increased significantly in recent months – our platform currently has **110 members**, including **100 social enterprises (SEs)** and **10 institutional lenders/investors**.

Registrations with CapitalConnect have continued to increase steadily to the current rate of **13 registrations per month**. Presently, CapitalConnect represents a balanced membership composition of 1:1 between for-profit and not-for-profit enterprises.

The present **ratio of enterprises to investors** is **10:1**, and we continue to have a strong pipeline of both providers and seekers of funds.

With increasing member **participation**, our reach has expanded on a global scale with members based in 27 countries throughout **Africa, Asia, Europe and the Americas** as of mid-August 2009.

Social Enterprises

Domains

The 100 enterprises registered on CapitalConnect operate in diverse domains, frequently providing multiple services. While most of our members still operate in the microfinance sector, the representation of other sectors has witnessed an increasing trend. (See Diagram 1)

Diagram 1: Sector Composition

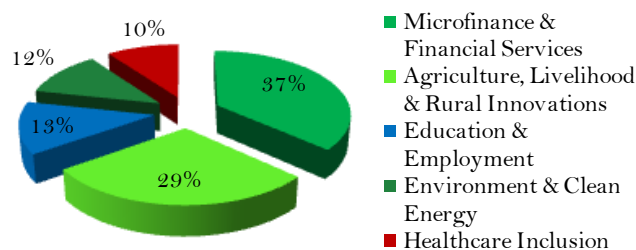
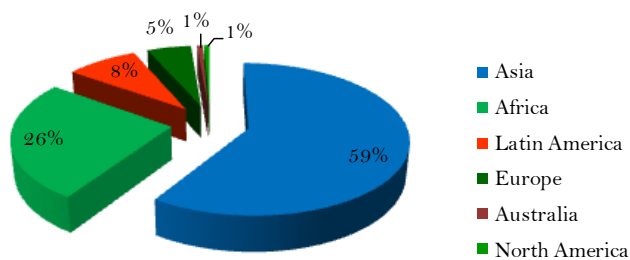


Diagram 2: Geographies of Operations



Continents: Geographies of Operations

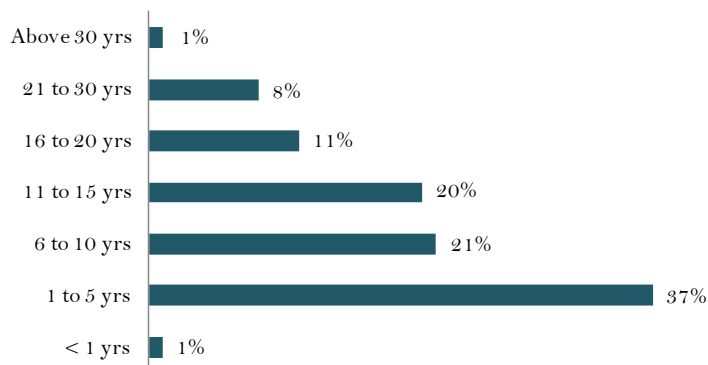
While the majority of our members operate in Asia, recent activity on our platform has seen increasing participation from Africa, Europe, and Latin America. Many of our registered social enterprises operate in a diverse range of countries – including Australia and the United States – bringing CapitalConnect’s effective reach to 51 countries. (See Diagram 2)

Age

The experience and organizational maturity of our social enterprise members ranges from start-ups with less than a year of operations to enterprises with over 30 years of experience.

Access to capital is critical for social enterprises during the seed and early phases; nearly 38% of our members have existed for less than 5 years, highlighting the importance of connecting to social investors at these stages. (See Diagram 3)

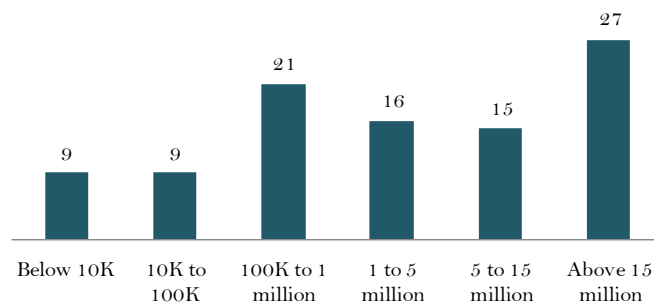
Diagram 3: Years of Formation



Turnover

The scale achieved by our social enterprises continues to be spread across the spectrum, with start-ups at one end and organizations with asset bases of over US\$100 million at the other. Correspondingly, revenues range from less than US\$10,000 to over US\$10 million. (See Diagram 4)

Diagram 4: Revenue(USD)



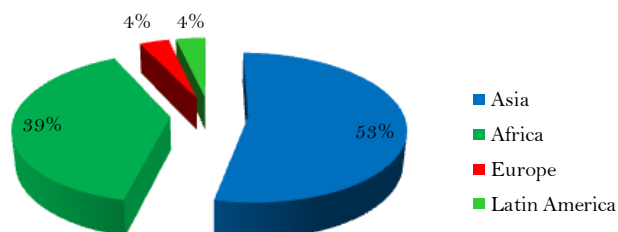
Investors

As of the mid-August 2009, there are 10 institutional funders/investors registered on the platform. The existing funding exposures of these entities together span across 20 countries.

Portfolio

The cumulative investment corpus of these funders is over US\$332 million.

Diagram 5: Focus Areas



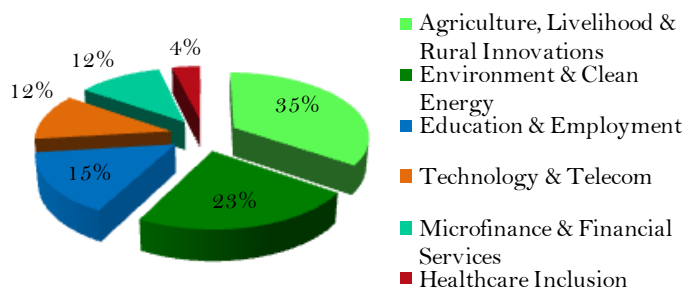
Focus Areas

Most of our investors are interested in investment opportunities located in Asia and Africa, but there has been a growing interest in investments in Europe and Latin America. We are increasing our efforts at expanding our membership network into these continents. (See Diagram 5)

Focus Domains

Our registered investors are interested in funding social enterprises in a variety of sectors including Agriculture, Alternative Energy, Healthcare, and Microfinance. (See Diagram 6)

Diagram 6: Focus Domains



Future Plans

Featured Members

We are working closely with our social enterprise and investor members in order to put together the most relevant and promising businesses and publish success stories to be used as guide and motivation to start-ups.

New Features on the Website

We are increasing our variety of off-line support services, working in partnership with the talented staff of M-CRIL and EDA Rural Systems.

Partners

We are increasing our linkages with relevant stakeholders in the SE space to provide comprehensive value services to our members to enable them to achieve higher returns and long term prosperity.

Transaction Summary

From July 2008 through August 2009, a number of offers have been made on the CapitalConnect platform. There is a larger number of debt offers reflecting the fact that 52% of social enterprises registered with CapitalConnect are not-for-profit organizations and can, therefore, only receive debt investments.

The types of offers exchanged on the platform, along with the terms of those offers are summarized in Table 1. Offers to borrow are significantly higher in number than offers to lend, reflecting the ratio of social enterprises to institutional funders (10:1) registered on the platform (Table 2).

Particulars	Debt	Equity
Transaction Type		
Buy/Lend	5	1
Sell/Borrow	14	7
Nature of Offer		
Fresh	18	7
Secondary	1	1
Recipient Type		
Specific	10	3
Generic	9	5

Particulars	Debt	Equity
Offer Period (days)		
Minimum	8	12
Maximum	365	181
Average	78	77
Offer Amount (USD)		
Minimum	10,000	8,000
Maximum	30,00,000	30,00,000
Average	5,91,563	9,43,569
Median	1,50,000	5,47,500
Interest Rate %		
Minimum	0.00%	
Maximum	15.00%	
Average	11.10%	
Average Range	3.40%	
Loan Tenure (months)		
Minimum	3	
Maximum	60	
Average	26	

Since December 2008, the interactions on the platform have become more focused; participants are choosing to make more offers to individual and select groups of organizations, rather than to all the members of CapitalConnect.

Offline Service Offerings

CapitalConnect Offers Consulting Services to the Social Enterprise Sector

Investors - Empowering Social Capital

We present an integrated approach in working closely with social investors and social enterprises in order to ensure that local driven solutions have a long-term impact. To that end, CapitalConnect offers services across the value chain of investments targeted at greater social returns:

- Identification
 - Search and selection of productive investments
 - Assessment of companies: Social Ratings
 - Vetted Pipeline of Small & Medium Enterprises (SMEs) and Microfinance Institutions (MFIs)
- Due diligence
- Monitoring and direct engagement

SEs and MFIs – Facilitating Growth

Together with EDA Rural Systems and M-CRIL, our teams provide research and support activities specializing in advisory services to *SEs and MFIs in developing their business strategies, managing operations efficiently and achieving sustainability* in a diverse range of areas, from risk management to human resource development:

- Marketing Strategy
- Strategic Guidance
- Financial Services
- Social Performance and Sustainability
- Impact Assessment
- Capacity Building and Training

As Social Enterprises and Microfinance Institutions grow, they reach critical junctures. CapitalConnect is a unique organization that provides business planning, feasibility analysis, market analysis, strategic planning and associated services in order to assist these companies successfully grow through these crucial expansion stages.

Partners

The CapitalConnect team is pleased to be partnering with the following organizations:



Ayani, Inclusive Financial Sector Consultants BV is an international finance management and consulting company. Incorporated in the Netherlands, with offices in Africa, the Middle East and Asia, it offers regional expertise to complement its global experience.



Babyloan is the first French Peer-to-Peer microlending website facilitating online microlending to micro entrepreneurs in developing countries. By lending small amounts beginning with 20€, you can finance a micro entrepreneur's project around the world.



Fundación D-MIRO Misión Alianza is a non-profit NGO founded in Ecuador in 1997 to promote the integral development of the economically less favoured, by offering micro-credit, improving socioeconomic conditions in rural and marginal urban areas of the country.



SocialEarth is a fresh, entrepreneurial and socially mindful weblog that seeks, promotes and supports social entrepreneurs who have the audacity to create mindful businesses where profitability is a necessary objective and solving a 'social ill' is an imperative.



Unitus Capital is a financial advisory firm specializing in arranging capital for microfinance institutions (MFIs) and other social enterprises benefiting those at the bottom of the economic pyramid and it delivers a range of services to clients in India and the rest of Asia.



UnLtdWorld is a platform for social entrepreneurs and the people that support them to connect and to share information in a more efficient way. Its members share their insight, experiences and interests and tell them what they need to succeed.