

## AV Frontiers | Central Asia Impact Fund

### DEEP ADDRESSABLE CENTRAL ASIAN SMALL- AND MEDIUM-SIZED ENTERPRISE (SME) MARKET

**Central Asia's economic growth is accelerating.** SMEs act as true growth catalysts, as they promote innovation, operate inclusive supply chains, and generate significant employment opportunities. Still, they face severe challenges in accessing financing. Across Central Asia, steep collateral requirements of up to 200 percent of loan value hinder SMEs' development. SMEs also face a lack of technical assistance and mentorship in navigating this environment.

### AV FRONTIERS FILLS A GAP IN THE SME MARKET

**AV Frontiers** is an investment management firm based in Bishkek, Kyrgyz Republic. AV Frontiers is owned by Kyrgyz financial institution Frontiers and Washington DC-based impact investment manager AV Ventures, a subsidiary of development organization ACDI/VOCA.

**AV Frontiers is well equipped to fill the financing gap in the dynamic Central Asian SME market** by providing both favorable financing terms and technical assistance. This approach will allow AV Frontiers to return value to investors and put its impactful portfolio companies on a path of sustainable growth. **AV Frontiers is raising a US\$8–10 million evergreen Central Asia Impact Fund anchored with US\$2 million investment from ACDI/VOCA and affiliates.**

### AV FRONTIERS INVESTS IN COMPANIES THAT CATALYZE INCLUSIVE GROWTH

AV Frontiers invests in the following sectors, provided the investee companies contribute to the goal of cultivating inclusive growth: **agribusiness and food, technology and services, tourism, and consumer goods.**

In addition to being strong investments, companies must show an ability to make significant contributions to AV Frontiers' social impact mission, which aligns with the **Sustainable Development Goals (SDGs)**:



**Inclusion:** Business models that spur lasting change for lower-income or marginalized groups (SDG 8)



**Employment:** Creating jobs at a rate above the national average (SDG 8)



**Gender:** Promoting women's leadership and equality (SDG 5)



**Climate:** Business models that positively impact the environment or mitigate climate change (SDG 12)



### CENTRAL ASIAN MARKET AT A GLANCE

- Kyrgyz Republic GDP has grown at 6.5% CAGR between 2007 and 2017.
- SMEs employ 60 percent of the labor force in the Kyrgyz Republic and Kazakhstan.
- Kyrgyz SMEs produce US\$3 billion worth of goods and services and contribute 40% of the Kyrgyz Republic's GDP.

### INVESTMENT TEAM

- **Taalibek Djoumataev, Managing Director, AV Frontiers (Bishkek, Kyrgyz Republic).** Kyrgyz national with 25+ years' experience in private commercial banking, microfinance lending, and financial regulation with the Kyrgyz National Bank (Central Bank). Key figure in the Kyrgyz Republic's structural and regulatory changes during the country's shift to a market-based economy
- **Arsalan Ni, Fund Management Advisor, AV Frontiers (Almaty, Kazakhstan).** American citizen with 20+ years' experience in venture capital, development finance, SME lending and investing, and entrepreneurship. Proven track record launching and managing SMEs funds in emerging and frontier markets at the IFC, World Bank, and United Nations Green Climate Fund.
- **Geoffrey Chalmers, Managing Director, AV Ventures (Washington, DC).** American citizen with 20+ years' experience in development partnerships, catalyzing investment in emerging and frontier markets, and enterprise development.

## ACDI/VOCA'S MULTI-GENERATIONAL IMPACT ON SUSTAINABLE SMES

Starting in 1992 through USAID and US Department of Agriculture funding, ACDI/VOCA launched nine microfinance institutions (MFIs) throughout Central Asia to promote financial inclusion and spur economic development. **The initial donor investment of US\$9 million has been leveraged over 40 times to date.** These affiliated financial institutions have a total loan portfolio of over US\$485 million and a customer base of over 320,000 clients, 60 percent of whom are women.

Two affiliates of this MFI network, KMF Demeu and Frontiers, will participate in CAIF as investors and managers, respectively. This will allow ACDI/VOCA Group affiliate and partners to reinvest their dividends (capital, expertise, networks) and realize the goal of a sustainable finance platform.

**With US\$2.0 million in initial capital already raised,** ACDI/VOCA and its related entities are the anchor investors in CAIF.

## A SYSTEMIC APPROACH TO SME INVESTING

**AV Frontiers' investment approach leverages ACDI/VOCA's position as a market systems leader.** We identify, nurture, and finance SMEs that produce systemic financial, social, and environmental impact for Central Asia. ACDI/VOCA's **wide network of real sector SMEs across Central Asia** will serve as a robust pipeline for CAIF, built on 20+ years of experience with SMEs in Central Asia.

ACDI/VOCA also leverages **a track record of launching funds in emerging markets.** In Ghana, ACDI/VOCA launched AV Ventures Ghana, a blended finance vehicle offering debt and mezzanine investing in Ghanaian SMEs and financial institutions.

ACDI/VOCA and AV Ventures serve as advisors to AV Frontiers, complementing the investment team's background and financial expertise.

## FRONTIERS EXHIBITS STRONG FINANCIAL PERFORMANCE IN CENTRAL ASIA

Frontiers was founded by ACDI/VOCA in 2003 to finance and support MFIs in Central Asia. The company has 16 years of experience in wholesale lending to MFIs bundled with substantial capacity building and has funded 105 MFIs in the Kyrgyz Republic, Kazakhstan, and Tajikistan. **Frontiers has succeeded in attracting more than US\$31 million in funding from foreign creditors.** It currently has a loan portfolio of approximately US\$10 million and 19 clients, serving more than 215,000 sub-borrowers, 56 percent of whom are women. **Frontiers' average 10 year ROE is approximately 14%.**

In addition to its debt financing, Frontiers made an equity investment in Arvand, one of the **most successful MFIs in Tajikistan with a current ROE of 20%.** Frontiers is a co-investor alongside European social investors Triodos and Incofin. The company provides loans to families and micro-entrepreneurs. Since the financing, Arvand has scaled to approximately 70 service points and more than 40,000 sub-borrowers.

The Frontiers team brings an extensive **track record of impact-oriented financial performance and their experience with tens of thousands of sub-borrowers across Central Asia.** The team has proven itself as a corporate governance champion, guiding MFIs to establish best practice processes.

**AV Frontiers seeks partners interested in learning more about its Central Asia Impact Fund.**

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## CENTRAL ASIA IMPACT FUND AT A GLANCE

**Sectors:** Food and agriculture, tech and services, tourism, consumer goods

**Structure:** Limited Partnership fund structure coupled with pre- and post-investment technical assistance and market development

**Countries:** Kyrgyzstan, Kazakhstan, Uzbekistan, Tajikistan

### Target Investment Platform Size

- US\$10 million in investment capital
- US\$2 million of technical assistance and market linkages

**Investment Range:** US\$100,000 to US\$500,000

### Financial Products:

Structured exits (revenue-share debt or similar), equity

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