2015 is the year when TAEF implemented our distinctive investment strategy. By the end of 2015, TAEF was invested in a range of small and medium enterprises (SMEs). TAEF has an unique investment approach:

- TAEF invests in businesses from micro enterprises to larger SMEs
- TAEF seeks financial returns and development impact on regions and employment for youth and women
- TAEF deploys a customized and innovative investment financing mechanism
- TAEF has a two pronged product approach:
  - traditional businesses of the SME sector
  - innovation based & knowledge driven industries

All of our investments are directed to supporting the Tunisian people, expanding economic and employment opportunities throughout the country and strengthening Tunisian companies. We invest for financial and social impact: a double bottom line.
Our belief in and commitment to Tunisia’s small and medium enterprises (SMEs), the backbone of the Tunisian economy, is evident. TAEF:

- Created TASME, the Tunisian American SME Company, to focus exclusively on small to medium sized SME companies
- Allocated $30 million, the bulk of our funding, to SME investments
- Adapted proven and innovative SME financing mechanisms to the Tunisian context
- Co-invested alongside others in a private equity fund dedicated to larger SMEs

Even now, in the first year of TASME, the demand for SME financing is clear. At the end of 2015, TASME had received over 100 applications for financing, illustrating great demand.

Future TAEF success depends upon the success of our investee companies and entrepreneurs. To support our investee companies, we work closely with the entrepreneurs starting with the deal review and due diligence process and continuing after investment. Our team meets with entrepreneurs to review results, identify issues and strategize on how to resolve issues and access technical assistance when needed. We are active partners.

### 2016 Expectations

In 2016, we expect to

- Invest in the last branch of our strategy: start-up and early stage companies
- Speed up our SME investment cycle by streamlining our investment process
- Expand our microfinance institution (MFI) investments
- Deepen our commitment to TunInvest Croissance through potential co-investments
- Explore investments in other financial institutions that support SME growth

We are encouraged by TAEF’s progress and are prepared for the coming year. Along with our board members and staff, we remain constant in our commitment to Tunisia and to our work.

W. Bowman Cutter  
Chair

Hela Fourati  
COO
TAEF AT A GLANCE

Purpose

TAEF was created to

Support the Tunisian people following the Tunisian revolution.
Expand economic and employment opportunities throughout the country.
Catalyze investments and promote broad economic growth.
Strengthen small and medium enterprises, improve prospects for sustainable growth.

TAEF Investment Strategy

TAEF provides financing to underserved markets with the following focus

TAEF targets microenterprises to large SMEs by investing in
- Microfinance institutions that finance microenterprises
- Existing SMEs’ expansion and growth
- Startups and early stage enterprises

TAEF funds enterprises throughout their life cycle from start-up and early stage to growth and maturity.

TAEF seeks financial returns and development impact in terms of geographic distribution and employment, especially for youth and women.

TAEF employs a customized and innovative financing mechanism combining equity and debt.

TAEF seeks social impact and production process impact in two main SME sectors:
- Traditional SME businesses
- Innovation based and knowledge driven industries
### Funding - Source

The U.S. Agency for International Development funds the TAEF and provides oversight.

### Funding - Amount

Up to $100 million  
**Funded to Date:** $60 million in three $20 million tranches.

### Funding - Term

The fund will continue to actively invest for 10 years after the last $20 million tranche is appropriated by the U.S. Government (projected for 2017). We expect to invest actively through 2027, followed by a period of investment management and fund wind-down.

<table>
<thead>
<tr>
<th>Investments</th>
<th>TAEF Commitment</th>
<th>Invested as of 12/31/2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>TunInvest Croissance – an SME Equity Fund</td>
<td>TND 4 million</td>
<td>TND 2.7 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>8 SME companies</td>
</tr>
<tr>
<td>Tunisian American SME Company</td>
<td>US $ 30 million</td>
<td>US $1.8 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3 SME companies</td>
</tr>
<tr>
<td>Microfinance Institutions</td>
<td>US $ 2.5 million</td>
<td>US $1 million</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1 MFI</td>
</tr>
</tbody>
</table>

Pictures taken at Bachmara and Proxym IT, two of our investee companies.
TAEF expanded its investment activity in 2015. At the beginning of the year, TAEF was invested in TunInvest Croissance, a private equity fund focused on larger scale Tunisian small and medium enterprises (SMEs). By the end of 2015, TAEF also was invested directly in small and medium sized SMEs and in microenterprises through an investment in a microfinance institution.

Early in 2015, TAEF established a subsidiary specifically designed to invest in small to mid-sized SMEs: the Tunisian American SME Company (TASME). By the end of 2015, TAEF had invested over $4.9 million in companies through TASME. A more detailed description of TASME’s investments is found below.

TAEF’s active portfolio at the end of December 2015 was $26 million across four investment vehicles designed according to TAEF’s strategy: TASME (targeting small to medium sized family owned companies). TunInvest Croissance (focusing on larger SMEs), microfinance institutions (investing in microentreprises and early stage platform (for startups). The chart of TAEF’s active portfolio illustrates TAEF’s investment process and the flow of deals:

- Companies are added to the pipeline after preliminary review by TAEF staff (36% of the active portfolio).
- An investment committee considers deal reviews to determine the next appropriate steps, including further investigation of concerns, identification of critical issues to be resolved prior to moving forward, or approving the next stage of due diligence (30% of active portfolio);
- After legal and financial due diligence, the investment committee considers a structured investment as presented by staff for approval and financing commitment.
- Once approved, TAEF and the investee finalize the legal steps required for the investment, leading to the “committed but not disbursed” category of the active portfolio (18% in the chart below).

TAEF involvement does not stop with investment. TAEF takes an active role in its investee companies, making linkages to technical assistance where desired, serving as board members and/or on investment and advisory committees, communicating regularly for reporting and problem solving. TAEF is a partner and a resource to its investees, investing in the future with talent, energy, resources and financing.
This chart above illustrates the allocation of TAEF’s funds invested and committed at the end of 2015 across in each of the three investment vehicles.

2015 proved to be a year of implementing strategy and putting in place infrastructure and staffing. TAEF will build on that strong foundation in 2016, and expects to significantly increase investments in each of the three investment vehicles and to add a fourth: early stage and startups.
As described above, in 2015 TAEF established TASME, the Tunisian American SME Company, a subsidiary totally financed by TAEF to invest in Tunisian SMEs. TASME adapted an innovative financing mechanism used elsewhere: investments combine equity, a royalty based payment and low interest debt to finance growing companies.

At the end of 2015, TASME total active portfolio of companies in various stages of the investment process from preliminary review, through due diligence to formal commitment and disbursement equaled $14 million. The $1.8 million funds invested represent investments in three companies, with an average size of $600,000. Note that the pipeline is approximately twice the size of invested and approved deals. With less than one year of activity, the chart paints an accurate picture of the ratio of investments considered to those approved.

TASME invests across many of Tunisia’s sectors as portrayed in the accompanying chart. This diversity of sectors provides some risk adjustment for the fund.
MICROFINANCE INSTITUTIONS

TAEF considers investments in Microfinance Institutions (MFIs) to be the best way to increase financing to Tunisian micro enterprises. At the end of 2015, TAEF had made one investment in a MFI, Taysir, with a loan commitment of $2,500,000, of which $1,000,000 had been disbursed.

Review of other MFI investments was underway at the end of 2015: One investment was approved for full due diligence at an investment level of $3,800,000, a second MFI investment was in preliminary discussions.

In 2016, TAEF expects to significantly increase its investment in MFIs, helping to make financing available to Tunisians throughout the country.

TUNINVEST CROISSANCE

TAEF’s first investment was in TunInvest Croissance, a private equity fund of Tunisia’s AfricInvest. Through investment in TunInvest Croissance, TAEF finances larger SMEs. At the end of 2015, TunInvest Croissance was invested in 8 companies with an average investment of over $1 million. Two additional investments had been approved but were not yet disbursed for a total additional $2.8 million.

The sectors invested in by TunInvest Croissance are diverse: energy & environment, education, microfinance, building materials, IT, food and agribusiness.

In 2016, TAEF expects to disburse its remaining committed funding to TunInvest Croissance. In addition, TAEF will begin reviewing co-investment opportunities in TunInvest Croissance portfolio companies with proven track records that could benefit from additional equity and or debt to fund growth.

EARLY STAGE AND START-UP

TAEF strategy envisions investments at every stage of the small business growth cycle. In 2015, TAEF began actively seeking partners and an investment vehicle that would invest in startups with high growth potential. At the end of 2015, TAEF was carrying out due diligence on an investment of approximately $4 million.

In 2016, TAEF expects to complete the due diligence and invest in this partnership.
TAEF BOARD MEMBERS

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Mohamed Malouche Treasurer
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Ann Wyman
Africinvest

The U.S. Agency for International Development administers the U.S. foreign assistance program providing economic and humanitarian assistance in more than 80 countries worldwide.

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