TABLE OF CONTENTS

02  Board Chair and COO Letter
04  TAEF At a Glance
06  Investment Strategy & 2018 Overview
   — TAEF Investment Portfolio – Continued Growth
   — TAEF Investment Portfolio – Diverse Sectors
   — TAEF Investment Portfolio – Throughout the Country
   — TAEF Investment Portfolio – Stable & Growing Employment
   — TAEF Investment Portfolio – Investing for Impact
16  TAEF Investments
   — Microbusiness
   — SME Direct – TASME (Tunisian American SME Company)
   — SME Direct – TASF (Tunisian American Search Fund)
   — SME Fund of Funds
   — Start-ups
32  TAEF Fellows Program
34  TAEF Board of Directors
35  TAEF Staff
It is hard to believe that TAEF marked five years of operations in July 2018. During these five years, we have deepened our commitment to Tunisia and its entrepreneurs. We have refined our approach to investing in the breadth of Tunisia’s SME companies. We have sought out and adapted innovative financing mechanisms to Tunisia. We have gathered a strong and talented team at the board and staff levels. We have built networks of partners and colleagues.

Throughout it all, we continue to be inspired and awed by the tenacity, persistence, and vision of Tunisia’s entrepreneurs. The stories of a couple of these entrepreneurs are highlighted in the pages that follow.

This annual report gives an overview of our work in 2018. It is accompanied for the first time by a video that can be found on our website taefund.org along with more detail, company photos and videos. We invite you to spend some time meeting our entrepreneur partners and exploring the diversity of companies in TAEF’s portfolio.

_______ LOOKING AHEAD

In 2019, TAEF will continue to build on the strong base we have in place and will invest according to our strategy in the full range of SMEs. TAEF will continue to pilot other select initiatives that support entrepreneurship and employability.

We remain committed to Tunisia, to its SMEs, to piloting innovate approaches to financing and to working in full partnership with entrepreneurs, managers, investors and Tunisian institutions.

Warm regards,

W.Bowman Cutter          Hela Kaddour Fourati
Chair                   Managing Director & Chief Operating Officer
TAEF
AT A GLANCE

$100 MILLION
Fully funded as of May 2018
An Innovative Committed Impact Investor

**TAEF MISSION**
- **Support** the Tunisian economy
- **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 OBJECTIVES**
- Financial sustainability & returns
- New & stable employment
- Investments throughout the country with a focus on the interior regions
- Strong support to women and young entrepreneurs

**FUNDING SOURCE**
The U.S Agency for International Development funds TAEF and provides oversight

**FUNDING AMOUNT**
As of May 2018, fully funded at $100 million

**FUNDING TERM**
The fund will continue to actively invest through 2028, 10 years after the last $20 million tranche was appropriated by the U.S. Government. A period of investment exits and fund wind-down will follow.

**TAEF VALUES**
TAEF commits to conducting itself with transparency and integrity, adhering to the highest standards of ethical behavior and corporate governance and to acting in full compliance with laws and regulations.
TAEF’s investment strategy (shown in the chart below) funds small and medium enterprises (SMEs) throughout their life cycle from start-up to early growth and maturity. We invest

— In microfinance institutions that reach the smallest of Tunisia’s business owners
— Directly in SMEs through TASME, our SME platform and our Search Fund
— In partnership with Tunisian investment firms that target larger SMEs
— In digital, technology and knowledge based start-ups through Flat6 Labs accelerator and Anava Seed Fund
It was a year of continued growth

By the end of 2018, TAEF had invested in and committed $52 million across all investment business lines (see chart below), a significant increase from the $38 million of investments and commitments in 2017.

This increase reflects investments across our strategy in microfinance institutions, TASME, our Tunisian American Search Fund, and in INMA Holding, an investment company targeting SMEs.
TAEF ACTIVE & COMMITED INVESTMENT
FYE 2018

Total at Dec 31, 2018: $52,000,000

- SME Direct
- SME Fund of Funds
- Microbusiness
- Start-Ups

2018

$40,000,000
$30,000,000
$20,000,000
$10,000,000
$5,000,000
$0

$60,000,000
$50,000,000
$40,000,000
$35,000,000
$30,000,000
$25,000,000
$20,000,000
$15,000,000
$10,000,000
$5,000,000
$0

$33,000,000
$8,000,000
$8,000,000
$4,000,000
$0

$4,000,000

SME Direct
SME Fund of Funds
Microbusiness
Start-Ups
At TAEF we are frequently asked which sectors we target for investment. Our reply is “almost all of them.” The chart below illustrates the wide diversity of sectors: chemistry and plastics, education, IT, building materials, handicrafts and food and agribusiness. Our portfolio speaks to the great diversity of enterprises in Tunisia – the enterprises of a modern economy.

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**Percentage of TAEF’s Total Committed & Disbursed Portfolio by Sector**
TAEF actively seeks investment opportunities throughout Tunisia, in particular beyond the capital region.

- Microbusiness
- SME Direct
- SME Fund of funds
- Startups
To state the obvious, stable and growing companies create jobs. Investments in companies create opportunity, for the entrepreneur and for their current and future employees.

TAEF alone cannot meet the employment gap of Tunisia, but it can support employment growth at the level of individual companies.
### Investment Companies

<table>
<thead>
<tr>
<th>Investment</th>
<th># Companies</th>
<th>Total Employment</th>
<th>Women %</th>
<th>Women Managed / Owned</th>
<th>Youth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Microfinance Institutions</td>
<td>2</td>
<td>262</td>
<td>51%</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>TASME</td>
<td>20</td>
<td>1251</td>
<td>50%</td>
<td>14</td>
<td>71%</td>
</tr>
<tr>
<td>Tuninvest Croissance</td>
<td>11</td>
<td>1608</td>
<td>42%</td>
<td>1</td>
<td>54%</td>
</tr>
<tr>
<td>INMA</td>
<td>1</td>
<td>193</td>
<td>76%</td>
<td>1</td>
<td>40%</td>
</tr>
<tr>
<td>Flat6Labs &amp; Anava Seed Fund</td>
<td>20</td>
<td>58</td>
<td>41%</td>
<td>2</td>
<td>47%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>54</strong></td>
<td><strong>3372</strong></td>
<td>-</td>
<td><strong>23</strong></td>
<td>-</td>
</tr>
</tbody>
</table>

### Per cent age of Women per investment

In addition to the direct employment effect of TAEF’s investee activity, there is significant indirect employment. The indirect effect is most readily measured at the microfinance institution level where each client represents a small business that employs the owner and often others.

#### Microfinance Institutions

- **2 Companies**

#### 9283 Total Clients

- **41% Women**
TAEF is committed to investing for both financial returns and development impact through our focus on geographic distribution, growth, gender equality, youth opportunity and as follows:

INVESTEE PROTECTION PRINCIPLES
TAEF applies the best standards of protection for our investees, including: appropriate product design and delivery, prevention of over-indebtedness, responsible pricing, fair and respectful treatment of clients, privacy of client data, and mechanisms for complaint resolution.

GOVERNANCE
TAEF participates in the governance of investee companies, often taking board positions or requiring changes in governance practices. We also participate in the hiring of senior management positions (CFO, sales managers).

COMPLIANCE
TAEF is committed to conducting itself with transparency and integrity, adhering to the highest standards of ethical behavior, and acting in full compliance with laws and regulations.

ENVIRONMENTAL IMPACT
The environmental impact of each company’s operations is reviewed as part of TAEF’s standard due diligence.

TAEF brings a high standard to its work and to our investees. TAEF encourages its investees to adopt best practices and governance standards. In fact, many companies improve their governance, legal and financial practices as a prerequisite to receiving a TAEF investment. In addition, TAEF connects investees to technical assistance programs offered by our partners.
TAEF INVESTMENTS
MICROBUSINESSES
In 2018, TAEF was invested in two microfinance institutions. These investments support Tunisia’s working micro-entrepreneurs throughout the country.

TAEF is an active investor providing debt, equity, technical assistance and appointing board members.

OPPORTUNITY

Promote inclusive finance especially for women and youth, and provide scarce capital for very small businesses.

In 2019, TAEF expects to continue its active governance role in CFE and to make one or two additional MFI investments.

**Invested**

$1 million loan

(repaid fully in 2018)

**Committed**

$5.2 million

(partially invested)

equity, loan, technical assistance
SME DIRECT – TASME (TUNISIAN AMERICAN SME COMPANY)
The Tunisian American SME Company (TASME) is a 100% TAEF funded SME investment platform. TASME’s approach adapts an innovative mezzanine financing mechanism specifically designed to meet the needs of traditional family owned SMEs with an average investment ticket of $1 million.

TASME invests
- In sustainable and growing SMEs
- In a variety of industrial and service sectors
- Throughout the country
- With an interest in companies that are led by and create employment for women and youth
- In investment tickets up to TND 5 million

At the end of 2018 TASME’s portfolio contained

20 Companies
Committed (partially invested)
$21,593,211

In 2019, TAEF expects TASME to continue to actively invest in Tunisia’s SMEs in a variety of sectors and throughout the country.
TASME NEW INVESTMENTS 2018

**BIOLIVE COMPANY (THE DOMAINE OF SEGERMÈS)**

Founded in 2014 by Mounir Bousetta, Biolive produces premium olive oil. The core business is the cultivation of 300 Ha of olive trees, the production, storage, bottling and export of premium organic olive oil. With a production capacity of 100 tons of olive oil, Biolive has been awarded major international olive oil distinctions.

**Location** | Zaghouan  
**Sector** | Agribusiness (Olive oil)

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**VEGA GROUP**

Founded in 2012, VEGA GROUP is a technology company that:

- Promotes products including: tablets, smartphones, laptops, television sets and a wide variety of technological accessories;
- Develops its in-house innovations in the fields of security and mobile phone; and
- Develops software applications and business software tools.

**Location** | Tunis & Sousse  
**Sector** | IT
ALEONAT
Founded in 2012, Aleonat is a pharmaceutical laboratory specialized in phytotherapy, 100% natural dietary supplement products.
Location | Sfax, Tunis & Sousse
Sector | Dietary Supplements

STIPE
STIPE was created in 2005 by Mr. Aymen Khalfallah, a young Tunisian entrepreneur who grew in the foundry sector and the recycling of metals. He has a high entrepreneurial spirit and a great dynamism.
Location | Sfax
Sector | Building Materials & Steels (Foundry)

PUBLICOM
Publicom is a design and signage company that provides solutions for indoor and outdoor visual communication.
Location | Tunis
Sector | Other industries (Design, production and installation of urban furnishings, display stands and signs)

LEADER FOOD PROCESS
LFP is specialized in the production and processing of spices, herbs and nuts.
Location | Sfax
Sector | Food & Agribusiness
Publicom Story

Publicom

Industry | Other industries (Design, production and installation of urban furnishings, display stands and signs)
Location | Tunis

2018 Investments

TND 120,000 equity
TND 1,080,000 loan

Established in 1993 by Mr. Montassar Azaiez, Publicom is a design and signage company that provides solutions for indoor and outdoor visual communication. Publicom has diversified from its core design, manufacture and installation of signage products to apply its expertise in the

- Design and furnishing of commercial premises
- Design and manufacture of street furniture
- Design and construction of display stands.

Under the able leadership of Mr. Azaiez, Publicom Marketing is becoming a market leader in Tunisia. Mr. Azaiez draws on his strong training to guide the company—two masters’ degrees in finance from ISG Tunis (1988) and in tourism (1991) from IHEC Carthage. TAEF spends a great deal of time with potential investees and the entrepreneurs—these individuals are the key to company success. Mr. Azaiez is a desirable partner as he brings serious dedication to his work and an appetite for cautious expansion within a dynamic industry.

Our equity and loan investment supported Publicom’s growth and expansion into new markets in sub-Saharan Africa: Publicom has carried out projects in Ivory Coast, Cameroon and Senegal.

TAEF looks for partners like Publicom that are able to leverage the talent and location of Tunisia to access markets in the region.
LEADER FOOD PROCESS

Industry | Food & Agribusiness
Location | Sfax
2018 Investments | 
TND 960,000 loan
TND 240,000 equity

TAEF invests in many companies in the agribusiness and food sectors. Leader Food Process (LFP) is one such company. LFP is specialized in the production and processing of spices, herbs and nuts.

LFP’s production facilities, freezing rooms and packaging equipment are located in one of Tunisia’s industrial zones in Sfax.

LFP came to TAEF looking for investment for working capital so it could buy in bulk directly from suppliers and expand its sales team. LFP’s need for working capital is a typical problem for Tunisian SME companies – and it is a need that TAEF –through TASME – is perfectly positioned to fill.
SME DIRECT – TASF (TUNISIAN AMERICAN SEARCH FUND)
As part of TAEF’s commitment to bringing successful, innovative financial approaches to Tunisia, TAEF created TASF, Tunisia’s first search fund.

We saw an opportunity to support experienced and dynamic entrepreneurs in the search, acquisition, management and growth of companies with owners looking to exit. TASF supports entrepreneurship through acquisition. For our first search fund, TAEF found a highly qualified and skilled entrepreneur/manager in Slah Kooli.

Over 24 months of search, Slah met more than 100 intermediaries and company owners, he analyzed in detail about 20 companies and presented one to our Investment Committee. The transaction was approved at the end of 2018 for a 100% acquisition combining TAEF equity investment and a leverage buy-out.

In 2019, TASF anticipates finalizing the company acquisition.
In 2018, TAEF was a co-investor in two investment vehicles targeting larger Tunisian SMEs. We invest alongside other Tunisian financial institutions, thereby leveraging our investments.

Both investments are consistent with our strategy of partnering with local financial institutions and are aligned with our social development and impact goals.

**TunInvest Croissance:** TunInvest Croissance is a private equity fund fully invested in 10 companies in a variety of sectors. The fund is currently in the phase of managing portfolio companies’ growth and preparing for exits.

**INMA Holding:** TAEF is a co-investor in the innovative, newly formed investment company INMA Holding that targets larger, growing Tunisian SMEs as well as companies undergoing a transition or restructuring phase. INMA made its first investment in 2018 in a group of schools based in Tunis.

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**OPPORTUNITY**

In partnership with other investors, address the growth needs of large and/or mature SMEs.

In 2019, TAEF expects that TunInvest may exit some of its investments and that INMA will make additional investments.

(TAEF at 15.5 %) Invested $2.4 million equity

(TAEF at 30%) Committed $6.038 million equity

In 2019, TAEF expects that TunInvest may exit some of its investments and that INMA will make additional investments.
START-UPS

OPPORTUNITY

A unique platform addressing Tunisian startups’ limited access to support, acceleration and venture capital.

In 2018, a second cycle of 7 companies completed the full Flat6Labs Tunis program of competitive selection, bootcamp, participation in the accelerator and presenting their business plans to investors at a Demo Day. A third cycle of 7 companies was underway.

Anava Seed Fund, a fund affiliated with Flat6Labs, is investing along outside investors from seed to pre-Series A stages of the start-ups.

Committed
TND 8 million equity
($3.6 million at time of commitment)
HEALUP
Healup aims to change the patient experience during the healthcare journey by supporting doctors delivering quality care regardless of location and income.

P’TIT CHEF
Homemade dishes with fresh and seasonal ingredients can be ordered in 3 clicks and delivered for lunch at the office or at home in 35 minutes.

CHANTIER PLATFORM
Chantier is a platform that connects homeowners with verified and qualified service professionals for home improvement and repair projects.

JIBLY BY MONRESTO
The platform is an everything delivery mobile app using advanced technology and logistics to deliver all kinds of products as a B2C and a B2B service.

TOUFOULA KIDS
Toufoula Kids connects children with their social and natural environment, with both physical and digital technologies enabling a rich civic education oriented content.

OPTIMALLOGISTIC
Optimalogistic is a marketplace which connects road hauling and lifting & handling companies with customers.
LOGIS provides a set of tools designed for the real estate sector to help industry professionals work smarter in a digital world.
Logis was founded by Riadh Ellouze, a young entrepreneur who graduated from UCLA and the University of Westminster. He brings real estate experience from his work in China and in the US to Tunisia’s market.

Logis provides a set of technology tools designed for the real estate sector: it helps industry professionals work smarter in a digital world and real estate customers find properties to buy or rent.

Logis sees real opportunity in Tunisia and throughout the MENA region.
In addition to our investments in companies, TAEF is committed to have impact on entrepreneurship and employability. In 2017, we started a Fellows Program to nurture the next generation of entrepreneurs and business people while providing talented interns to TAEF investees. TAEF selects students from Tunisian universities to work on specific projects that meet real needs of our investee companies.

In 2018, 13 students (5 women) worked at a variety of TAEF investees in the technology, manufacturing, health care and water treatment industries.

A few of these students have been offered permanent positions at the companies. Others have caught the entrepreneurship bug and are working on creating their own startups.

In 2019, TAEF expects the Fellows Program to grow.
TAEF BOARD OF DIRECTORS

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SETCAR

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Grameen Foundation

Gil Crawford
Microvest Capital Management

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Photo credits. All photos of TAEF investee companies.

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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.

This annual report is made possible by the generous support of the American people through the United States Agency for International Development (USAID). The contents are the responsibility of the Tunisian American Enterprise Fund and do not necessarily reflect the views of USAID or the United States Government.
TAEF STAFF

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