GRAYGHOST℠ VENTURES

2016 Annual Report

CEO LETTER

Dear Friends,

Gray Ghost Ventures has successfully completed another year in the impact investment space as a pioneer fund manager focused primarily on its Fund II, the Gray Ghost DOEN Social Ventures Coöperatief, unlike in previous years where we managed multiple assets. This afforded us a greater opportunity to be engaged more closely with our investee companies as they migrate from start-up mode to growth stage enterprises. The Fund continues to deliver outstanding social impact and financial performance.

This is an interesting phase in the life of the fund as we approach the final two years of its existence. Building relationships and developing strategic partnerships with possible acquirers of these entities will ensure a smooth transition. Years of preparation consisting of enhancing the executive teams, opening new markets and products, with renewed focus on expenses to attain profitability have positioned the portfolio for a successful conversion. This is where the rubber meets the road for a fund: carrying these portfolio companies over the mantle and the ability to market them for successful exits.

Since the Fund's inception in 2009, in typical Gray Ghost fashion, we have been focused on the operations and execution side of these start-ups. We have developed a unique formula for each of our investments, often while enduring market challenges, product development, hiring the right team, and more importantly, navigating regulatory changes. We believe each of our eight remaining investments are well structured and their core operations are functioning relatively smoothly.

For the next two years, we will solely focus on exit opportunities, as this Fund comes to an end in December 2018. We anticipate that some of our investments will blaze new trails in the impact investment space and demonstrate how truly impactful, both socially and financially, these ventures can be. We embarked on this journey eight years ago with the sole belief that our efforts would be a catalyst in improving the lives of millions of people. To accomplish this, we also believed that these entities needed to be scalable and replicable. We hope to have aided in building that platform on which true growth can occur.

I have been assisted by a great team of colleagues, supportive partners and a hardworking management team in each of our investments; it is this combination that is the backbone of every successful fund. Over the next two years, it will be incumbent on the team and I to translate eight years of hard work into meaningful social and financial results that will confirm our investment thesis on which we launched the Gray Ghost DOEN Social Ventures Coöperatief.

To those who have supported us over the years, we wish to thank you and hope that we can do this all over again on an even grander scale.

Sincerely,

Arun Gore
President & CEO

Investing in India

Where Are We Now?

Impact investing in South Asia has had a truly productive decade. What started as investments in fledgling microfinance institutions is now an asset class with commitments of USD $15+ billion, according to The Sixth Edition of the GIIN and JP Morgan Annual Impact Investor Survey. Impact investing has grown not just in size but across sectors and stages at which capital is being committed. Impact investing's philosophy, committed to both social impact and financial returns, is being delivered by companies like Babajob that reached 8.5 million+ job seekers and later stage investments like MFIs delivering profitable exits. As impact enterprises demonstrate the business case for focusing on under-served customers and funds deliver market aligned returns, impact investing is now making a compelling case as an asset class to be included in investor allocations.

Any conversation about impact investing must mention its success as a catalyst for change and the emerging trend of entrepreneurs building solutions driven mostly by telecom and technology that would not have been imaginable ten plus years ago. As a catalyst - consider how impact funds back entrepreneurs attempting to build markets in sectors where they are no match in size for incumbents both from delivery (Government or NGOs) and investing (mainstream capital) standpoints. That some of India's publicly listed MFIs count impact funds as their first investors is a reflection of the structural change this asset class has facilitated in a relatively short period. Telecom and technology are now core to businesses across sectors like financial inclusion (bKash, BEAM), health care (Narayana Hrudayalaya, Aravind Eyecare and PharmaSecure) or off-grid clean energy (d.Light, M-KOPA) that are able to deliver high quality products and services at lower costs to those that were considered too poor or expensive to serve.

Looking ahead, we believe that some of the biggest successes of impact investing will come from businesses built on the backs of telecom and technology platforms. Opportunities in South Asia may emerge from businesses that serve client groups like the 41 million+ subscribers (~75% penetration of mobile services) in rapidly growing Myanmar, ~1 billion individuals registering for India's Universal Identification Scheme – Aadhaar, 99% of households in India having a bank account or micro businesses affected by the roll out of a single tax in India. Enterprises built around these (example - mobile payments/ settlements, health-tech) will lay the foundation akin to the railroads in the United States which fueled growth and large scale socio-economic gains. We do recognize that neither telecom nor technology are a panacea for all challenges, but more so the catalytic role they will play and opportunities they will create in under-served communities are notable.

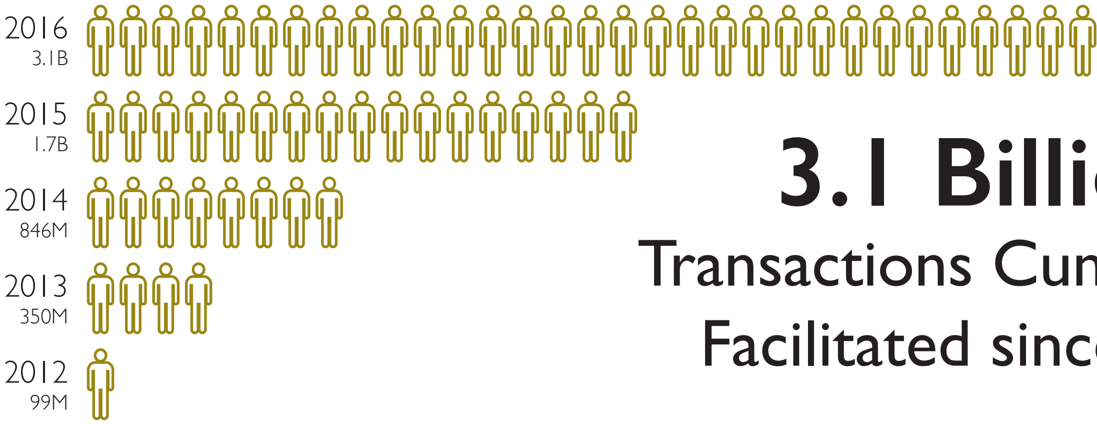
Even as they look back with satisfaction, it is important that impact investors and entrepreneurs raise their levels of ambitions to find opportunities driven by telecom and technology that serve middle and low income communities in a meaningful manner and generate healthy economic returns.

SOCIAL IMPACT

Gray Ghost Ventures (GGV) has always been about supporting the early commercialization of enterprises, investing in startups through which we could encourage and foster entrepreneurial solutions to some of the world's most intractable social problems. The company's fundamental belief is that innovative early-stage investments, particularly those in technology-led products and services, can open the doors for the most vulnerable in the communities we serve. The evidence of both our investment and social impact thesis in action through our portfolio companies in 2016 continues to confirm that we are in alignment with the goals and expectations we imagined when we began this work 11 years ago.

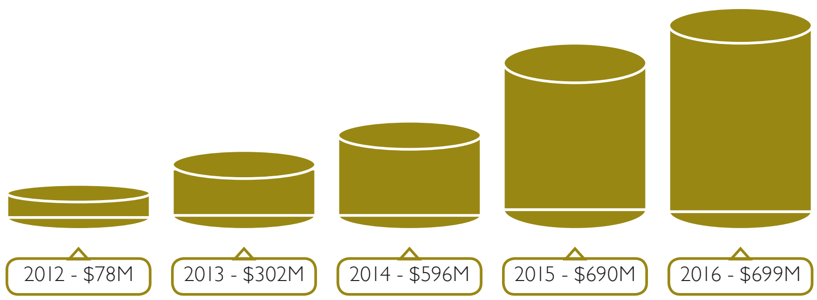
Over the last year, the value of demonstrable social impact created by our enterprises according to their Social Value to Paid In Capital (SVPI) is 75.1x. This means that for every dollar invested by GGV in South Asia, Latin America and East Africa, $75 of impact was generated in these markets. In expanding this further, to date our portfolio companies have now witnessed over 3.1 billion transactions with customers, a time and cost savings totaling more than $1.6 billion and enhanced productivity equating to $699 million. GGV and the customers of its portfolio companies have benefited from the life changing digital revolution with outcomes speaking to the power of the solutions offered by our portfolio companies.

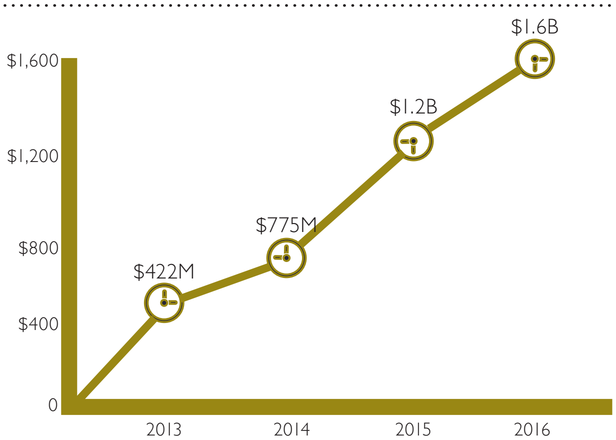
Social Impact Highlights



3.1 Billion
Transactions Cumulatively Facilitated since 2006

$699 Million
Cumulative Enhanced Productivity (Increased Income)





$1.6 Billion
Cumulative Time & Cost Savings

75.1x
Social Value to Paid In Multiple

Current Performance of Our Portfolio Companies

79%

Revenue positive in the 1st 18 months

135%

Average annual revenue growth rate (CAGR)

$229 MILLION

Total funds raised by all companies

6.61x

Signal ratio (total capital / GGV investment)

2.36x

Return Multiple
* Book value based on last round valuations; no mark-ups

100%

Companies receiving follow-on financing

72%

Companies receiving uprounds post initial investment

186 THOUSAND

Workforce across all portfolio companies

Portfolio Highlights

Platform that connects employers with informal sector workers via web and mobile phone
• Over seven million job seekers have benefited from the platform
• Facilitating nearly 500,000 job applications per month

A digital mobile wallet platform that focuses on the underserved populations in India enabling them to transact anytime, anywhere, with anyone
• Strong distribution network of more than 20,000 agents in low income areas
• More than 19 million unbanked customers

The world's largest mobile financial services provider for the unbanked populations in Bangladesh
• Handles over 4 million transactions per day and with more than 165,000 agents across the country
• More than 28 million customers are transacting using the bKash wallet

Pharmaceutical authentication platform that identifies counterfeit drugs via mobile phones
• More than two billion products protected
• Operational in more than 40 countries with over 60 customers from the pharmaceutical industry

Provider of an affordable mobile network infrastructure using open BTS technology for rural and poor communities
• Deployed networks in remote villages and rural communities in Zambia, Chile, Mexico and Indonesia
• Less than 20% of the cost of custom hardware required for standard deployments

Creates a health care ecosystem that is easily accessible for the low income populations in India
• Launched the e-Sehat platform, allowing for growing partnerships with marquee health care brands in India
• Achieved the lowest-cost doorstep screening and diagnostics in the market

Provides the most sophisticated "pay as you go" platform in the world by enabling affordable access to products for underserved communities
• Connected more than half a million homes with solar home systems in Kenya, Uganda and Tanzania
• After launching in February, witnessed the sale of more than 10,000 solar powered television sets

Cross border mobile payments platform that enables customers to affordably send remittances to their families in Latin America
• Reduced the average cost of cash remittances to Latin America down to approximately $4
• Operational in eight US states plus Mexico and Guatemala

EXITED

INDIA

According to the International Monetary Fund (IMF), India emerged as the fastest growing major economy in the world in 2015 with a growth rate of 7.6%. The momentum was carried forward into 2016 and the economy grew at 7.1% despite the demonetization drive announced by the Government in November 2016. The country faced a short lived cash crunch that led to payment disruptions and negative consumption. Notwithstanding the temporary impact of the currency demonetization move, India registered strong domestic growth on back of a stable government, easing Foreign Direct Investment (FDI) norms, economic development and investor confidence. One of the major highlights the country witnessed was industrial production rising by 5.7% in November 2016 and exports peaking to their highest levels since early 2015. Alongside its growth, India halved the share of the population in extreme poverty between 1994 and 2012, from 45% to 22%. Further, the pace of poverty reduction accelerated threefold during 2005–12. Based on the $1.90 per person a day line (in 2011 purchasing power parity, PPP), India lifted more than 160 million people out of poverty in recent years, surpassed only by China. If this trend continues, India is on track to eliminate extreme poverty by 2026 (to below 3%), the World Bank estimates.

Unlike most Asian countries sensitive to global demand, India's economy is driven primarily by domestic consumption. While consumption in the yesteryears came from urban city centers, India's villages and rural areas have seen significant growth in consumption of basic services and essentials. A favorable track record coupled with the government's push to make it easier to do business in India, an innovative culture, deep capital markets and the possible enormity of impact due India's population size continue to attract impact investments into the country.

For the year 2016, Bangladesh registered a ~7.2% GDP growth rate up from 6.5% in the previous year. Bangladesh is among the top 12 developing countries with a population of over 20 million, which achieved a more than 6% growth rate in 2016.

According to the Bangladesh Bureau of Statistics (BBS), per capita income increased from $1,466 in 2015 to $1,602 in 2016, a 9.3% increase. Most economic development indicators in the South Asian nation reached historic highs through buoyant exports, rising agricultural output, declining interest rates and stable exchange rates. The World Bank reports that the overall economy has done well and that the benefits of growth have trickled down to lower income groups as evidenced by declining poverty rates. Labor intensive exports, decline in food inflation, and rise in real wages are likely to have contributed to continued gains in poverty reduction.

Despite an enviable growth rate and economic performance, infrastructural impediments still remain. While the government has already approved a few important legal amendments, implementation needs to be further reinforced. Revenue collection targets in 2016 fell short of expectations causing budget deficit to rise. Additionally, the 7th Five Year Plan estimates about US$ 410 billion financing, twice the size of GDP needed for developing the country's infrastructure.

Private sector participation and investment would have an important role to play in Bangladesh's growth story as multiple sectors are ripe for new investments. A stable macroeconomic and political environment, sustained per capita income growth, and a large under-served population would continue to act as catalysts for driving private investment in the country.

The Kenyan economy grew by 5.9% in 2016, a five year high, compared to 5.4% in 2015. This was a result of a stable macroeconomic environment, low oil prices, earlier and favorable harvest, rebound in tourism, strong remittance inflows, and an ambitious public investment drive. Sectors that have done well in 2016 include real estate, agriculture, forestry and fishing, transportation and storage, and wholesale and retail trade.

Despite weaknesses in global economic performance, Kenya's growth has remained consistently solid, helped primarily by investments and private consumption. With strong growth prospects supported by an emerging, urban middle class and rising appetite for consumption, Kenya stands to leverage on a stronger services sector that is increasingly attracting inflows compared to other large African economies which are supported, to a large extent, by commodities such as oil, gas, metals and minerals.

The continuous growth over the last eight years, according to the World Bank, has been generated by construction, currency stability, low inflation, low fuel prices and a growing middle class. This growth is projected to surpass the average regional growth for Sub-Saharan Africa, making Kenya an attractive investment destination. The reducing cost of doing business and stable macroeconomic environment continue to give a clear signal that Kenya is open for business.

In a year of modest growth globally, Mexico's economy grew at a rate of 2.3% in 2016, down from 2.6% in 2015. The economy has been weighed down by low oil prices, lackluster manufacturing activity and stagnant trade. As a result, Mexican stocks were Latin America's worst performer for the year, declining more than 4%. Negative rhetoric during the U.S. presidential campaign also hurt investment in the country. However, the Mexican consumer remains strong, buoyed by remittances, real wage increases, and employment growth.

From an investments standpoint, ambitious structural reforms and sound macroeconomic policies have historically ensured the resilience of the highly-open Mexican economy in the face of challenging global conditions. Disparities between a higher-productivity modern economy in the North and in the Centre and a lower-productivity traditional economy in the South have increased. Experts believe Mexico can reignite growth by reprioritizing its public spending towards infrastructure, training, health, and poverty reduction.

Despite recent headwinds, Mexico's sound business environment and geographic location continues to make it an attractive investment destination. Its deep manufacturing sector, an increasingly strong logistics infrastructure, reliable utilities supply, a sizeable and low-cost labor market, and low levels of trade bureaucracy, continue to make it a preferred investment destination over its other Latin American peers.

Impact Alignment: Gray Ghost Ventures and the SDGs

Gray Ghost Ventures (GGV) was conceived and built almost ten years prior to the establishment by the United Nations in 2015 of the Sustainable Development Goals (SDGs). Nevertheless, GGV has recently found that the SDGs provide an interesting framework from which to discuss the softer, less-quantifiable side of our impact work. What are the SDGs?... The SDGs are a set of goals to end poverty, protect the planet, and ensure prosperity for all. Each goal has specific targets to be achieved by 2030.

Our previous impact reports, and indeed other sections of this report, have quantified the cumulative impact of our portfolio companies within the communities they serve. However, bouncing the work of the portfolio companies off of the SDGs provides us an additional way to consider and evaluate the societal benefit of GGV's investees. Specifically, we have been pleased to see the alignment between our portfolio and the SDGs. To be sure, as mobile technology becomes more affordable, more powerful and more present in low-income communities and regions, opportunities will arise to support the multi-sector effort to achieve the SDGs. There are seventeen SDGs, which are further divided into additional sub-goals. It would be nearly impossible, or certainly improbable, for our portfolio to speak to each of the SDGs; however, it is interesting to see how each of our portfolio companies speaks to components of the SDGs.

Digital and mobile are transforming many sectors, and in the process are becoming powerful tools for development. The SDGs range broadly from the eradication of poverty to empowerment and productivity, access to financial services, health and wellness, education, gender equality, energy usage, infrastructure, and, finally, to transparency and the strengthening of regulations for financial institutions and markets. GGV finds areas where its portfolio companies are making on-the-ground impact toward these broad goals. We will explore a small handful of these and see where the evidence takes us.

As an initial example, SDG 9.c relates to "resilient infrastructure" and "inclusive and sustainable industrialization," reading as follows, "Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet." This SDG has highlighted a key tenet held by GGV in building the portfolio, and two companies from the portfolio have made an impact toward achieving this goal, Movirtu (exited) and Range Networks. Specifically, with regard to Range we have seen the following progress:

SDG Indicator	INVESTMENTS
9.c	Range Networks
Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020	- 20k low-resourced individuals accessed the company's affordable voice and data services - $6M cumulative cost-savings achieved by customers - $8.5M in enhanced productivity for low-income communities with increased access to ICT

• Nearly 20,000 individuals in low-resource settings have been able to subscribe for voice and data services via Range's software-defined, affordable mobile networks.

• Achieve a cumulative cost savings of nearly USD 6.0 million, as the cost of a call via a Range network is significantly less than the alternatives in these settings.

• Facilitate nearly USD 8.5 million in enhanced productivity among low-income and marginalized communities due to increased access to information and communications technologies.

Range Network's current social impact amounts to over $14.0 million contributed back to the communities in which it operates. As it continues its forward momentum, we will see the expansion of a powerful tool to harness the potential of technology to improve people's lives and sustain development.

While this example touches on a specific goal, there are portfolio companies such bKash, M-Kopa, BEAM, and BillMo which all hit on a number of the goals. Among others, each of these companies hit squarely on SDG 9.3, which states, "Increase the access of small-scale industrial and other enterprises, particularly in developing countries, to financial services, including affordable credit, and their integration into value chains and markets." Perhaps no other portfolio better than bKash can depict the magnitude and power of the GGV portfolio to make an impact along the lines of this SDG. As the largest provider of mobile financial services on the planet, bKash has been able to:

• Open more than 5.4 million mobile wallets in the past year, for a cumulative total of over 30 million wallet holders.

• Conduct more than 1.3 billion transactions in the last twelve months, a rate equal to more than 3.5 million transactions per day.

• Achieve a total social impact equaling more than USD 1.0 billion, based on increased productivity, and time and cost savings.

SDG Indicator	INVESTMENTS
9.3	bKash
Increase the access of small-scale industrial and other enterprises, particularly in developing countries, to financial services, including affordable credit, and their integration into value chains and markets	- 5.4M wallets opened this year, and over 30M cumulative wallet holders - 1.3B transactions in LTM, an average of 3.5M transactions per day - $1B total Social Impact created, based on increased productivity, and time and cost savings

bKash is a distinguished example of what can happen when a country with significant mobile phone penetration has the foundation for additional layers of goods and services. These services, such as what bKash offers, can be combined to greatly expand and integrate low-income and excluded populations into the valuable platforms of the financial services sector in itself but, more importantly, into the broader markets as a whole.

As a final detailed example of the intersection of GGV's portfolio companies and the SDGs, the highly innovative and rapidly-scaling M-Kopa blazes a trail for an entire industry while targeting SDG 7.b, which states, "Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries." Some impressive elements of the social value creation of M-Kopa include:

SDG Indicator	INVESTMENTS
7.b	M-KOPA
Expand infrastructure and upgrade technology for supplying modern and sustainable energy services for all in developing countries..	- 200k solar home systems sold in 2016, with over 500k total systems to date - $14M in enhanced productivity to commercial customers in LTM - $50M+ in cost savings vs kerosene purchases for residential customers

• Selling nearly 200,000 solar home systems throughout 2016.

• Allowing for nearly USD 14.0 million in opportunities for enhanced productivity to commercial customers in the last twelve months.

• Saving more than USD 50.0 million in 2016 via the displacement of kerosene purchasing costs for household customers.

With a cumulative societal impact that exceeds USD 125.0 million, not even taking into consideration the cost savings from improved credit terms which households and single-merchant owned businesses may avail due to their new M-Kopa-generated credit profiles, M-Kopa shines as a disruptive innovation in the provisioning of energy services for all and is a bellwether for the entire emerging industry.

Fortunately, there are many other examples we can provide, such as BillMo nailing SDG 10.c, which reads, "By 2030, reduce to less than 3 percent the transaction costs of migrant remittances, and eliminate remittance corridors with costs higher than 5 percent." BillMo has done this in 2016 with its radically innovative remittance model, the average cost to the customer of which is approximately 4 percent.

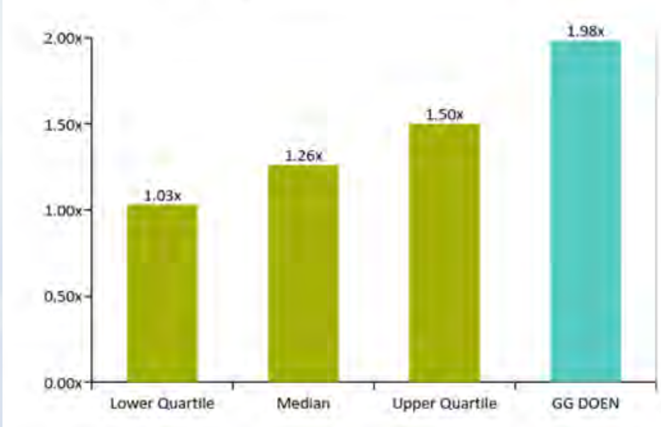
Similarly, Babajob has played a role in bringing both opportunity and transparency to low-income job seekers in India, in resonance with SDG 8.5: "Achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value." Further, PharmaSecure and SaralHealth both make a significant contribution to SDG 3, which suggests, "Ensure healthy lives and promote well-being for all at all ages." SaralHealth, in particular but not alone, also speaks to SDG 5.b: "Enhance the use of enabling technology, in particular information and communications technology, to promote the empowerment of women."

While we are proud of our portfolio companies and all that they have achieved, we have also been delighted to see how aligned our work has been with the broader imperative from the global community to address the challenges of exclusion and inequity. While putting up impressive "numbers" through our own impact measurement methodology, it is heartening to see that our portfolio companies are also making a difference to others in ways that are beyond our internal framework. We remain convinced that our selection, governance and monitoring has been influential in this process.

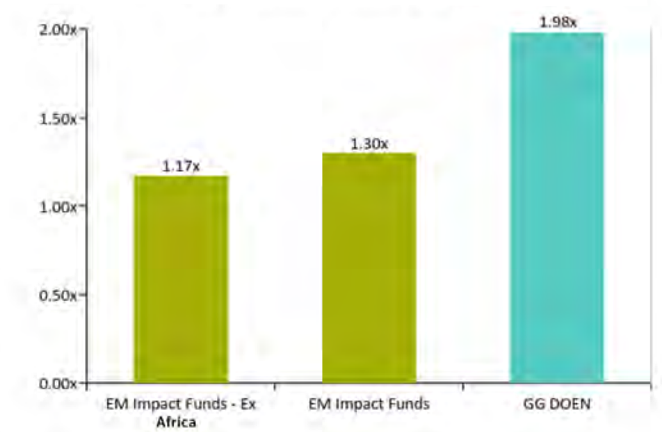
How Gray Ghost Ventures compares

With $114 billion in impact investing assets, according to the 2017 GIIN / JP Morgan Survey, the performance of fund manager's becomes a very important metric in promoting impact investments. The GIIN survey indicated that in 2016, $22 billion was invested in about 8,000 deals. The respondents anticipated that there would be an increase of the volume of invested capital by 17% in 2017. Gray Ghost Ventures believes that there are quite a few success stories in the impact space of late that should bring this asset class to the attention of large institutional investors. Gray Ghost Ventures has demonstrated that its performance is comparable to mainstream emerging markets funds. Who says you can't have your cake and eat it too?

Emerging Markets PE & VC Fund Index - TVPI



Impact Investing Benchmark Index - TVPI



Emerging Market PE & VC Fund Index data as of Sept 30, 2016. Impact Investing Benchmark Index data as of Sept 30, 2016. Source: Cambridge Associates, LLC

GRAY GHOST℠ VENTURES

Jennifer McReynolds
Gray Ghost Ventures
2200 Century Parkway N.E., Suite 100
Atlanta, Georgia 30345
Telephone (678) 365-4734
Fax (678) 365-4752
Email: jmcreynolds@grayghostventures.com
www.grayghostventures.com