

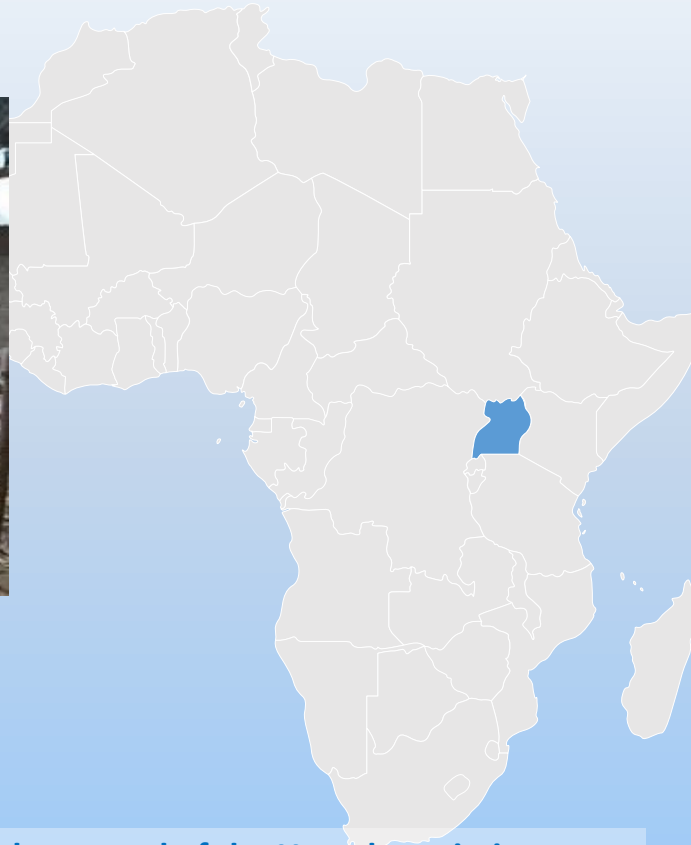
Dutch Good Growth Fund



Ministry of Foreign Affairs of the Netherlands

Dutch Good Growth Fund

iungo capital



Leveraging local business angels to serve the lower end of the Ugandan missing middle

DGGF's Seed Capital and Business Development (SC&BD) facility is supporting iungo capital, a new investment vehicle targeting Small and Growing Businesses (SGB) in Uganda.

iungo proposes an innovative co-investment model that leverages local business angels' expertise and capital to serve the missing middle segment. The strategic fit for DGGF lays in this unique set up and its ability to potentially tackle information asymmetry and high transaction costs connected to small deals.

iungo seeks to provide growth capital, typically in the form of debt with royalty components. Ticket sizes will range between one and seven hundred thousand US dollars. The focus will be on SGBs in value-adding businesses - specifically the agri-processing and light manufacturing sectors - that already have promising cashflows and can compete with imports on a regional scale.

iungo engages with Ugandan business angels through a co-investment structure, in which angels chip in with 5 to 10% of the invested amounts. This co-investment model is expected to be beneficial for all parties involved. The SGB receives financial services and bespoke tutoring. For iungo capital, the active involvement of local angels means a gain in credibility, lower transaction costs and access to a wealth of local knowledge. On the other side, angels can enter deals that are generally quite outside their financial possibilities and diversification appetite.

The blended investment provided by SCBD is a combination of technical assistance to the fund manager (mostly liquidity support towards first closing), business development services to pipeline companies and seed capital to test pilot deals. After the launch phase, iungo capital aims at raising a USD 20 million fund.