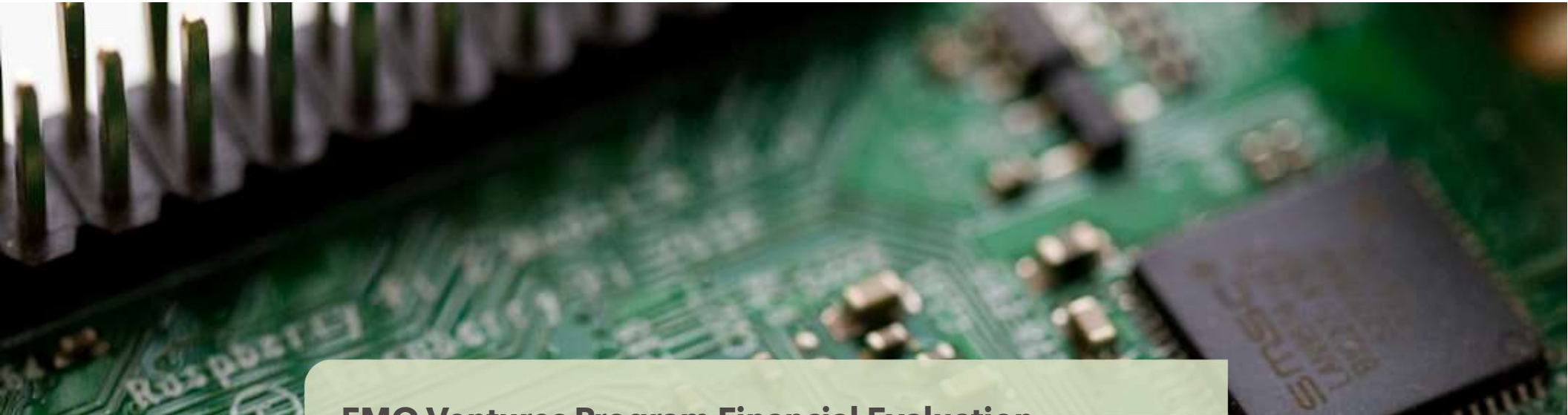


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FMO Ventures Program Financial Evaluation

(External) Executive Summary
April 9th, 2026

DRAFT: Private and confidential

Introduction to the evaluation and Venture Capital (VC) investing

The **FMO Ventures Program 1** (FVP 1) was launched by FMO, the Dutch entrepreneurial development bank, in 2020 to support innovative tech-enabled business models and venture capital (VC) funds in emerging markets, with a focus on Africa and Asia. The program makes direct investments alongside lead investors into companies in the Fintech, AgriTech and CleanTech (including energy access) sectors, as well as indirect investments through generalist and sector-specific VC funds. FVP 1 has a 50:50 allocation target across direct and indirect (fund) investments.

In 2024, after FVP 1 was fully deployed and its portfolio was complete, FMO launched a successor program, FVP 2. FVP 2 has a revised capital structure, with a smaller first-loss buffer than FVP 1 (25% versus 50%). As the financial performance of FVP 1 is still largely unrealized and remains uncertain due to currently being relatively early in its lifecycle, FMO commissioned, with support from Dutch government funding, an end-of-deployment financial evaluation of FVP 1, including early analysis of FVP 2 deployment to-date.

Setting the Scene: How VC usually works [in developed markets] ...

Deployment (investment period)	Portfolio management	Exit (harvesting period)
<ul style="list-style-type: none"> • Pipeline origination: Source companies for investment • Investment process: Conduct due diligence, negotiate terms (e.g. valuation), then (often) take Board or advisory roles 	<ul style="list-style-type: none"> • Value creation: Support investee growth, e.g. strategy & ops, connection to partners / customers, follow-on fundraising, etc. • Power Law: As VC takes early-stage risk, expect most investees to fail while a few high-performers grow rapidly and drive fund returns • Investment staging: Cut losses early for underperforming investees and double-down on high-performers through follow-on investments 	<p>VC investor tries to realize returns, often through three exit pathways:</p> <ol style="list-style-type: none"> 1. Secondary: Sale of shares to another investor 2. Strategic: Company acquired by another firm 3. Initial Public Offering (IPO): Company publicly listed on a stock exchange

... vs. in emerging markets where development finance institutions (DFIs) typically operate

Due to a lack of existing (digital) infrastructure, **transaction costs can be higher**; more early-stage market ecosystems also mean that **pre-investment support** can be required for investment readiness

Financial additionality becomes a component of value creation, e.g. filling a financing gap, taking higher risk than typical commercial investors, creating a demonstration effect and/or crowding-in other investors; a few high-performers generating **outsized returns is less likely**; **investment staging is also influenced by impact considerations** - follow-on investment may be deployed to support companies through challenging periods, which often arise due to external market factors that tend to be more challenging in emerging markets

More challenging pathways to exit: Strategic sales require interested buyers with sufficient capital, which are often more limited in emerging markets; IPOs are constrained by smaller and less active stock exchanges, esp. in Africa; secondaries often become the main exit route, but they occur at lower valuations.

Overview of the FMO Ventures Program's structure (FVP 1 and 2)

FVP 1 is a ringfenced pool of capital with a blended finance, risk-sharing structure between FMO-A (FMO's on-balance sheet, risk-managed capital), Dutch Ministry of Foreign Affairs (MFA) government funding, and the European Commission (EC). These funders are organized into 1st and 2nd loss tranches that allow each to take on different risk and geographic exposure.

€100M	2nd loss tranche: FMO-A	
	Funded by FMO-A across all geographies	
€40M	1st loss tranche: FMO-A / EC; Dutch Government Funds	
	Funded by FMO-A with a full EC guarantee, limited to investments in Africa and the European Neighborhood (<u>not</u> Asia)	€100M total (implying 50% first loss buffer)
€60M	MFA funding, specifically through MASSIF (24M), BP (24M) and AEF (12M) across all geographies	

FVP 2 has a lower first loss buffer and no EC guarantee, reflecting a deliberate shift toward reducing reliance on public funds. The structural adjustment also signals the growing maturity and depth of experience (hence lower risk) of FMO's Ventures team.

\$150M	2nd Loss tranche: FMO-A	
	Funded by FMO-A across all geographies	
\$50M	1st Loss tranche: Dutch Government Funds	
	Funded by MASSIF, BP and AEF across all geographies (implying 25% first loss buffer)	

Other differences between FVP 1 & FVP 2: FVP 2 shifts from FVP 1's 60:40 Africa-Asia allocation to 50:50, increasing exposure in Asia. FVP2 maintains the same early-stage tech focus (FinTech, AgriTech, CleanTech) but is denominated in US dollars rather than Euros.

FVP 1's performance and implications for DFIs in VC investing

Performance headlines

- Based on current performance and expected future value realization, **positive returns are expected across all FVP 1 tranches.**
- FVP 1's structure allowed FMO to test the adequacy of a 50% first-loss tranche for impact-driven VC investing; based on FVP 1's current performance and expected future value realization, this structure provides **more-than-sufficient risk management** for the second-loss capital.
- These lessons are **reflected in the design of FVP 2**, which incorporates a lower first-loss buffer of 25% (vs. 50% in FVP 1). Based on current projections, if FVP 2 mirrors FVP 1's performance, this reduced buffer would still be sufficient to manage risk for FVP 2's second-loss capital.

Lessons	Recommendations
<ul style="list-style-type: none"> • VC Power Law: Return distributions for a VC portfolio in Africa and Asia will be skewed towards a higher number of moderate (1-3x) performers, rather than a small number of high (10-15x) performers, as in 'traditional' VC in developed markets 	<p>1 Be prepared to take a proactive investor role in supporting investees, which may require higher team capacity and more specialized sector expertise vs. equity investments in later-stage companies</p>
<ul style="list-style-type: none"> • Investment staging: Balancing financial additionality and financial performance is a challenge for DFIs in VC investing, both for deciding when to stop supporting underperforming investments and when to invest follow-on capital in high-performers 	<p>2 Focus partner selection on co-investors with a proven track record of high-touch investee support (especially in downside scenarios) and achieving exits</p>
<ul style="list-style-type: none"> • Portfolio management: Effective value creation in emerging markets requires tailored hands-on operational support to strengthen governance and execution capacity, as well as a readiness to support investees through challenging growth stages 	<p>3 Target higher shareholding with initial investments to secure more influence; develop a disciplined follow-on investment strategy - follow-ons should be selective and based on achievement of key milestones</p>
<ul style="list-style-type: none"> • Sector: AgriTech and CleanTech are challenging sectors in emerging markets, often due to smallholder-centric (for AgriTech) and capital-intensive models • Profitability focus: Focusing on investee path to profitability early (not just growth at all costs) is crucial in nascent VC markets, where successive fundraising to solve liquidity crunches is not always guaranteed 	<p>4 Focus on asset-light models; diversify AgriTech investments across a range of business models while strengthening smallholder-focused investments with deeper analysis of critical success factors</p>
<ul style="list-style-type: none"> • Exit strategy: In nascent VC markets (e.g. Africa and Asia), there is tension between realizing returns via secondaries (which often offer earlier but discounted opportunities to exit) vs. waiting for a potentially better strategic but uncertain exit to materialize in the future 	<p>5 Target a balance between secondary vs. strategic exit strategies; adopt a hybrid strategy to realize returns in high-performers via secondaries up to a set target, then hold remaining shares to maximize future return</p>

Annex 1: Glossary

Acronym	Definition
AEF	Access to Energy Fund: <i>managed by FMO on behalf of the Dutch government, focused on supporting private sector projects providing long-term access to energy</i>
BP	Building Prospects: <i>managed by FMO on behalf of the Dutch government, focused on improving economic prospects for people in developing countries through sustainable social and economic growth</i>
DFI	Development finance institution: <i>government-backed organizations that invest in developing economies to generate positive social, economic, and environmental impact</i>
EC	European Commission
FMO-A	Investments made from FMO's balance sheet subject to banking regulation and risk management
FVP 1	FMO Ventures Program 1
FVP 2	FMO Ventures Program 2
IPO	Initial Public Offering: <i>the process by which a private company lists its shares on a public stock exchange for the first time</i>
MFA	Ministry of Foreign Affairs
MASSIF	<i>Managed by FMO on behalf of the Dutch government, focused on financial inclusion and expanding access to financial services for underserved micro-entrepreneurs and MSMEs—particularly women and youth—while supporting innovations in inclusive business</i>