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SEAF's Trans-Balkan Romania Fund Completes Its Term with High Marks

Small Enterprise Assistance Funds (SEAF) announced today that the SEAF Trans-Balkan Romania Fund LLC (the Fund) has exited its last investment, completing its term with excellent results. The Fund, with USD 8.5 million in committed capital, invested a total of USD 7.5 million in small and medium enterprises (SMEs) across Romania, and achieved a gross IRR of 40% and 2.4 times the invested capital. The net IRR to the investors was more than 19% after all fees and expenses. The exceptional results of the Fund placed it in the top half of the top quarter of the best performing venture capital funds operating in Europe. *Romania Business Digest* praised the fund as likely to be “the most profitable country-focused fund targeting Romania.”¹

Mircea Jalba, an experienced local venture capitalist, led the fund management team as part of SEAF's TransBalkan Fund, which also invested in Bulgaria and Croatia. The Fund invested in software (TotalSoft), retail (ARTIMA, RomPhoto and GSM), distribution (TELEZIMEX, ILS Jupiter), real-estate development (Casa Real Estate and Casa Real Estate Investment), energy-related services (ELCOMEX), auto parts manufacturing (Interpart Production) and in the wine sector (Vinterra). Among others,

¹ <http://rbd.doingbusiness.ro/en/2008/september/romanian-business-climate/11/64-foreign-direct-investment-in-romania.html>

the Fund worked with Florentin Banu, Liviu Dragan, Ion Greco, and Zoltan Nagy, four successful and dynamic entrepreneurs in Romania, and still maintains a strong and supportive relationship with them and their companies.

The major investors in the Fund were International Finance Corporation (IFC), Black Sea Trade and Development Bank, Finnish Fund for Industrial Cooperation Ltd. (Finnfund), Norwegian Investment Fund for Developing Countries (Norfund), The State Secretariat for Economic Affairs in Switzerland (SECO), and USAID. Investments ranged in size between USD 200,000 and USD 1.6 million with an average investment size of less than USD 1 million. The Fund made equity and quasi-equity investments in companies with high growth potential and ideally sought a minority position of 25 – 49% in the company. The Fund made eleven investments and exited its positions from them within a period of eight years, effectively closing one year before the allotted fund life.

Importantly, the Fund's positive results went well beyond achieving financial returns. Since 1989, SEAF's work throughout the developing world has demonstrated that investing in small businesses creates jobs for unskilled or low-skilled individuals who then receive training and see significant growth in their wages and overall benefits. In addition, each small company provides economic benefits to a host of other stakeholders—from its suppliers, customers, and competitors, and through tax payments, social security contributions and frequent philanthropic donations, local government and community. In the case of SEAF's Romania fund, the development impact of investments was very impressive. Artima, the Romanian supermarket chain in which the Fund invested, increased the number of employees in the years after SEAF's investment from 314 to 1,090. Additionally, Artima invested directly in the infrastructure of the local communities where its stores operate. The supermarket chain invested in the refurbishment of parks and playgrounds and the construction and improvement of roads, streetlights, and municipal parking facilities. Telezimex, an electronic components distributor, on average pays employee wages that are at least twice the market rate. In addition to competitive benefits packages, Telezimex employees also receive formal training programs and company assistance in external schooling costs. The company and its employees also initiated and continue to sponsor community charity programs that support a local children's foundation. The foundation provides disadvantaged children with meals, tutors, vocational training, and recreational activities.

SEAF is a global firm specialized in the management of private equity funds in emerging markets. SEAF's two decades of experience investing in nearly 270 small businesses have permitted it, together with its partners in these funds, to effectively and efficiently deploy growth capital to fast-growing markets underserved by traditional funding sources. SEAF's extensive experience has allowed it to identify and invest in promising companies that deliver both positive financial results, as well as significant economic and social benefits to their employees and their communities.

Note: For more information on the SEAF Trans-Balkan Romania Fund and SEAF's other global funds, please visit: www.SEAF.com

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