



Citizen-Centered Approaches
to State and Market



Economic Tools Mapping

HOMESTRINGS

Market Building Initiative: A Program with the Aspen Institute

Institute for State Effectiveness

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Overview

Homestrings was established in 2010 as an independent entity majority of the boutique asset management firm Gravititas Capital that serves as an investment platform raising both equity and debt capital for a variety of industries in emerging and frontier markets. Geared toward diaspora populations from the developing world wishing to channel capital into productive investment in their home countries, the platform provides access to larger-scale funds and projects with positive developmental impact previously available only to institutional investors. Return rates on these projects and funds are projected to be considerable and investors are given the comfort of knowing that the portfolio of options that they select from are vetted by a very rigorous due diligence process examining both return and developmental impact.

Structure

All investment options are selected for socio-economic impact and investment profitability by the Homestrings due diligence process, and, once vetted, are placed on the web platform. The web platform allows qualified investors the opportunity to scan through a catalog of projects, funds and public-private partnership fact sheets that provide risk information, industry, location, access type, and investment amounts. Homestrings then invests on the selected investor's behalf in these opportunities. Access types for investment include bonds, funds, projects, and public-private partnerships and current investment opportunities exist in Africa, Asia, the Caribbean, and Latin America.¹ Some funds are country-specific while others are regionally-oriented. Some options for investing are with existing private equity managers like Actis or SEAF and some others directly with sovereigns like the Government of Kenya. Industries typical of the Homestrings offerings include agribusiness, real estate, energy, media, SME, and transportation.² All investments are monitored either monthly or quarterly and individualized reporting is sent to the investor at these intervals, much like a mutual fund or unit trust.

Individual investment options on the platform include an executive summary, fact sheet, information about promoters, total managed assets, minimum investment amounts for investors and the days remaining to access said investment.³ The fact sheets detail historical performance, target performance, risk, benchmark performance, developmental impact, and anticipated holding time. The investment strategy and process and allocation parameters are also made available for viewing. Full due diligence reports as well as social, governance, and environmental impact reports are also easily accessed via the platform.⁴

Rules

Only "Qualified Investors" may be considered for using the Homestrings platform to make investments. This restricts the pool to a person who has a net worth (including residence) equal to US\$1 million, or has reported income, for each of the past 3 consecutive years, equal to US\$250,000.⁵ Though the fund

¹ "Catalog", Homestrings, 2012, <https://www.homestrings.com/Catalog>

² Ibid.

³ Ibid.

⁴ "Frequently Asked Questions", Homestrings, <https://www.homestrings.com/Questions>

⁵ Ibid.

advertises that the tool is of use for diaspora communities, no restrictions on investors exist requiring that they come from developing countries. Currently, Homestrings is not available to US investors. There are restrictions requiring minimum investment amounts by individual and there are additional minimum limits on individual investments that are determined by formulas considering the overall capital of Homestrings as well as the amount needed to make certain investments profitable.

Not all potentially developmentally impactful or profitable investment promoters can register to offer investments on the platform. Homestrings uses a rigorous, multi-stage promoter selection process before determining catalog options for investors. Each prospective promoter must submit track records, history and evidence of adherence to impact-investing and how investments they've made in the past have improved the lives of the people in whose country or region the fund or project where promoters have invested.⁶ In addition, each promoter must show that its investments have been, on the whole profitable, while keeping in mind that past performance is no guarantee of future results. Homestrings stresses transparency, professionalism and industry standards and only selects projects and funds that meet economic, social and good governance (ESG) objectives.

Financing

Initial capital for Homestrings operation was gained through the fund managers' previous position at Gravitas Capital, though it appears to be gaining capital primarily from qualified investors at present. Currently, Homestrings is offering long term investments where dividends are paid out opportunistically over an average of 5 to 7 years.⁷ There is conservatively estimated to be at least £ 2,500,000 (about \$4,000,000 USD) in investment capital being managed through the Homestrings platform. The minimum investment amount by investor is £ 5,000 (about \$8,000 USD) overall, and typical minimum investments by project are \$10,000-\$25,000 USD.⁸

Operations and Outcomes

Because the Homestrings platform launched in 2010, it does not yet have extensive returns data on its projects, funds, and other investments which are long term (5-7 years). That said, Homestrings is seeing a massive expression of investor interest in their products, with registration figures at around 50-100 investors per month.⁹ Company surveys of investors are showing that these 500 current investors have about \$25,000 per year to invest and tend to be white-collar professionals from Kenya, Ghana, and Nigeria.¹⁰

Homestrings continues to expand its portfolio, offering more diverse investment options. Currently, they are aiming to introduce more liquid investment opportunities paying out in the short and medium terms.¹¹ They have just offered their first diaspora bond, a local-currency-denominated Kenyan instrument and are hoping to add Ghana and Ethiopia soon. These bonds are less traditional in the sense that they are

⁶ "Catalog", Homestrings, 2012, <https://www.homestrings.com/Catalog>

⁷ "Frequently Asked Questions, Homestrings", Homestrings, <https://www.homestrings.com/Questions>

⁸ Ibid.

⁹ Pete Guest, "Bringing It All Back Home", *Forbes Africa*, March 2012, https://www.homestrings.com/Resources/MediaCoverage/Forbes_Homestrings.pdf

¹⁰ Ibid.

¹¹ "Frequently Asked Questions, Homestrings", <https://www.homestrings.com/Questions>

transparent, often project- or purpose-specific, and express less of a desperation for capital and more a preference for a particular type of investor and low borrowing costs.

Diaspora remittances for Africa alone are estimated to be around \$40 billion USD annually and global remittances to developing countries peaked in 2011 at \$351 billion.¹² With interest rates being kept very low, austerity impacting investment options in the West, and an overall interest in the profitability of risk-managed investments in emerging and frontier markets, Homestrings is filling an important market niche. The malaise toward charity-oriented development solutions by those wishing to create meaningful impact has sparked an interest in private sector-led, durable, accountable solutions for wealth creation.

Box 1- Homestrings Catalog Examples

Pan African Housing Fund- A real estate private equity fund targeting to raise \$30 million USD to invest in middle income residential real estate, mining village, and hostels projects in Kenya, Uganda, Zambia, Mozambique, and Botswana. The Fund will be developing sustainable communities where people will want to live and work, which is in line with the terms of the Bristol Accord. These developments are safe and inclusive, well planned, built and run, and offer equality of opportunity and good services for all. Minimum investment amount is \$10,000 and Shelter Afrique is the primary promoter with FMO, NORFUND, CDC, PTA Bank, Africa-RE as co-promoters. Expected ROI is 20%.

Silk Road Frontiers Fund- A fund investing in listed equities across the frontier markets, predominantly in off benchmark emerging markets. Differentiating the investment strategy of Silk Invest are stricter than portfolio concentration, diversification, and exposure rules. Minimum investment is \$10,000 USD and expected ROI is 30%.

SEAF India Agribusiness Fund- Fund will invest primarily in the agribusiness value chain ranging from the “Farm Gate to the Food Plate”. The fund is promoted by SEAF and co-promoted by Omidyar, Saron, Unigrains, and Proparco. The fund will seek to invest across the sector identifying opportunities to develop future market leaders with right intervention of capital and technological inputs. The identified companies are adequately positioned to explore the sector opportunities and bridge the sector constraints using smart capital. The minimum investment is \$10,000 USD and expected ROI is 20%.

See: Homestrings Investment Catalog/Fact Sheets

¹² World Bank, “Migration and Remittances”, *Topics in Development*, 2012
<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/0,,contentMDK:21924020~pagePK:5105988~piPK:360975~theSitePK:214971,00.html>

Box 2- Homestrings Impact Assessment

Homestrings considers a variety of dimensions in its vetting, offering, and reporting process and while each investment may not meet all criteria, each is examined in a rigorous and multifaceted portfolio of developmental impact:

- Millenium Development Goals
 - Poverty and Hunger Eradication
 - Universal Education
 - Gender Equality
 - Child Health
 - Maternal Health
 - Combatting HIV/AIDS
 - Environmental Sustainability
 - Global Partnership
- Homestrings Impact Criteria
 - SME Growth
 - Urbanization
 - Infrastructure
 - Technology
 - Banking and Finance
 - Healthcare
 - Scale
- Statements and Reports
 - Social
 - Governance
 - Environment
 - Historical Performance and Impact
 - Projected Risk
 - Due Dilligence Report

See: Homestrings Private Investor Catalog/Fact Sheets

Further Resources

- Homestrings Catalog- <https://www.homestrings.com/Catalog>
- World Bank Migration and Remittances- <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/0,,contentMDK:21924020~pagePK:5105988~piPK:360975~theSitePK:214971,00.html>
- Homestrings in Forbes- https://www.homestrings.com/Resources/MediaCoverage/Forbes_Homestrings.pdf