

Hedge Fund Alert

THE WEEKLY UPDATE ON FUND MANAGEMENT INTELLIGENCE

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Reprinted from Howard Kapiloff at Hedge Fund Alert

Firms Back Emerging-Markets Businesses

Alternative-investment manager **Scious Investments** is crafting a vehicle for accredited investors who seek short-duration, high-yield opportunities that also have a meaningful impact on entrepreneurs in emerging markets.

The Tampa firm, which hopes to raise \$50 million, will begin its fundraising later this month, coinciding with its appearance at the EarthX environmental and sustainability conference in Dallas from April 21 to April 25. There, Scious will promote the advantages of so-called embedded finance, essentially digital banking for small businesses to provide them with access to capital, insurance and automated payment systems.

The as-yet-unnamed offering would be the fifth in a series that Scious, formerly known as **Conscious Capital Alternative Asset Management**, has marketed in a partnership with **Untapped Global**, a San Francisco operation with offices in Kenya and Cape Town.

Scious was founded by entrepreneur **Lawrence Ford**, the founder of a variety of related entities including Conscious Capital Foundation and Conscious Wealth Management, which he designed to align capital with impact, or socially responsible, investment opportunities.

Untapped Global, founded in 2012 by emerging-markets investor **Jim Chu**, provides what it calls revenue-based asset financing to entrepreneurs in emerging markets, particularly Latin America and Africa.

Additional details about the new fund couldn't be learned. In the past, Scious issued notes that were backed by a portfolio of small and midsize companies assembled by Untapped Global.

The last vehicle on which the two firms partnered – called **Consciously Untapped 24** – closed to commitments on Dec. 31. It has a 24-month duration and provides a fixed interest rate of 14.5% annually on aggregated investments over \$1 million, paid out quarterly. It's unknown how much capital the firms raised for the offering; it required a minimum investment of \$50,000.

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Scious and Untapped believe the biggest potential for embedded finance is in regions where traditional banks fear to tread. In the poorest countries, entrepreneurs are risky bets because they often lack collateral and have limited financial data and repayment challenges. The financing gap for small businesses in those regions is \$5.2 trillion and growing, according to the **World Bank**.

Untapped Global identifies and vets small businesses that use the capital it provides to help them scale operations. Think fleets of cars for rideshare businesses or equipment for other ventures such as solar pumps, water kiosks and various merchant inventory. In exchange for the capital, Untapped gets a revenue share, which it passes on to investors via the notes.

Untapped mitigates its risk using a digital integration technology it calls Smart Asset Finance, which provides the manager with real-time transparency of a company's relevant data including revenue generation and asset usage. Also, the technology has an integrated digital payment system to safeguard repayment cashflow.

The current mayhem in global stock markets caused in part by President **Donald Trump's** tariff policies might seem an inopportune time to risk investments in emerging markets. Trade policy uncertainty makes traditional equity and debt exposures to emerging markets more volatile. But because embedded finance operates locally, it's better insulated from cross-border shocks, Scious contends.

Also, with U.S. foreign aid reduction, private capital becomes the default financing option for entrepreneurs in those markets. And that's a dynamic that offers higher yield, accountability and real impact – without the complexity of large-scale government development finance, according to Scious.

Finally, the firm's argument goes, for investors overexposed to equities and looking for stable returns, these asset-backed portfolios represent a small but growing alternative sleeve.

Scious is undergoing a transformation from its former identity as Conscious Capital Alternative Asset Management, which was formed in July 2023. As part of a rebranding, Scious seeks to eventually add blockchain to its infrastructure.

Recognized as the "Shaman of Wall Street" by **The Washington Post**, Scious' Ford began his career in finance in 1989 as a retirement planner for his namesake company, **Ford Investment Group**. His Conscious Capital Foundation promotes entrepreneurs via "story telling" on podcasts and social media and at trade show events.

Chu, like Ford, is an entrepreneur. Chu founded **The Nest**, a community that connects aspiring entrepreneurs in frontier markets with angel investors from around the world. In addition to work with charities, Chu was chief executive of **Riottt**, a digital media and social networking startup. He earlier founded digital platform **Tradewatch** in 1994.

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