
The 2007 Microfinance Investment Vehicles Survey

MicroRate, Inc.

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Disclosures

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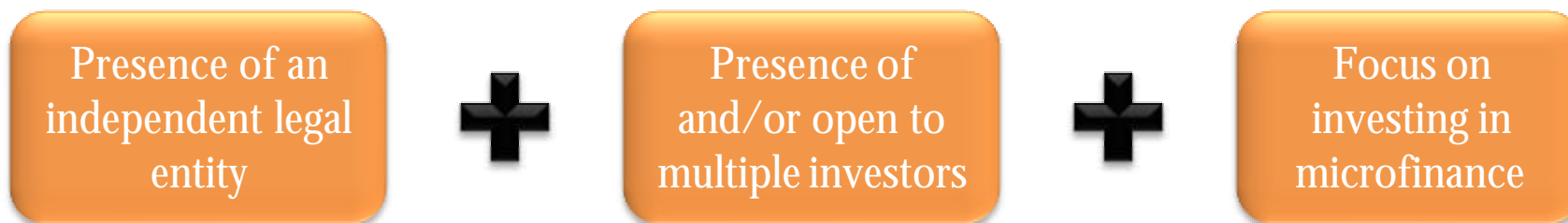
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Survey Background

- This is the fourth consecutive year MicroRate has conducted the *Survey* to assess the impact of Microfinance Investment Vehicles (MIVs) as a funding channel for microfinance institutions (MFIs).
- The main objective was to identify new MIVs and gather up to date information about the portfolios of new and existing MIVs. Information was collected through a structured E-Survey. Based on feedback and responses received in the past, the *Survey* was designed to limit the information requirement. MIVs prefer to be discrete about their performance and information disclosure is primarily restricted to their investors.
- In 2007, MicroRate provided a definition for “MIVs” to remove any ambiguity in its *Survey* results. Traditionally MIVs covered a very broad spectrum of funds which were fairly diversified in their legal structure, investors and investment focus.
- This *Survey* covers only those legal investment entities that focus on investing in microfinance and provide private investors an opportunity to invest. MicroRate has developed three criteria to determine whether an investment vehicle qualifies as an MIV. All historical data referred to in this *Survey* were reevaluated under the new MIV definition. Please be aware that some historical data reported herein will differ from what was presented in previous *Surveys* because of this more precise definition of what constitutes an MIV.

Definition of a Microfinance Investment Vehicle

MicroRate defines an MIV as an independent investment vehicle, which satisfies the following three criteria:



1. The vehicle must be an independent legal entity for raising and investing funds. It must be independent of the MFIs being funded;
 - Hence MIVs such as ProCredit Holdings, which often tops the list of MIVs, are excluded from this *Survey*.
2. There must be a presence of multiple private and/or public investors and/or the vehicle must be open to such investors;
 - MIVs which are only sponsored by development agencies or government bodies and are not set up collectively with private investors or open to private investors in the future are excluded.
 - An investment vehicle supported only by donors does not qualify as a MIV. Examples include Grameen Foundation, Omidyar Tufts Microfinance Fund, Deutsche Bank Start Up Fund and Deutsche Bank Microcredit Development Fund. However, MIVs who accept both donor and investment capital, like MicroCredit Enterprises, are included.
3. The investment vehicle must focus on investing in microfinance.

Methodology

- An E-Survey was sent to specific individuals at 81 identified MIVs. A brief presentation of the previous year's results along with the previous year's *MIV Survey*, where available, was also attached to the email request. This contributed to a 99% response rate.
 - Of the 81 MIVs contacted, 70 met the qualifying criteria. We received completed E-Surveys from 69 of those MIVs, a 99% response rate.
- MicroRate obtained permission from each MIV to release their responses to the public.
 - Information has been used only on an aggregate basis for those MIVs who opted for non-disclosure of individual E-Survey information.
- The *Survey* relates to information as of December 31, 2007 unless otherwise noted. All data are reported in US\$ millions, unless otherwise noted. When data are reported in currencies other than US dollars, exchange rates are based on published year-end rates.

Methodology (continued...)

- The results in this presentation differ from earlier versions of the *Survey*, because MIVs which did not qualify as such under the new definition have been excluded. For example ProCredit Holding, which was included in the original *Surveys* of 2004, 2005 and 2006 has now been excluded from all results. Also, smaller MIVs with total portfolios under \$2 million, which were excluded from all previous *Surveys*, are now included.
- Many of the funds' composition of debt, equity and guarantees may not equal their outstanding assets in microfinance. This is due to the fact that many of the funds have retained liquidity pending disbursements, or in some cases investment opportunities are being sought. In these instances, MicroRate used the total value earmarked for microfinance to express outstanding assets in microfinance.

Survey Highlights

Growth

- The 69 MIVs responding to the *Survey* had total outstanding assets of \$3.88 billion, an increase of 97% over 2006 (\$1.97 billion).
- Outstanding microfinance (MF) assets have increased by 107% from \$1.48 billion in 2006 to \$3.07 billion in 2007.

Allocation to MF assets

- The share of MF assets compared to total fund assets grew from 59% in 2005 to 79% in 2007.

Foreign exchange impact

- The appreciation in the Euro during 2007 partly contributed to the growth of MIV assets. If exchange rate fluctuations are ignored, growth of MIV assets would have slowed from 97% to 91%. Outstanding microfinance assets would have grown by 100% instead of by 107%.

Survey Highlights (continued...)

New entrants in 2007

- 11 new MIVs were added to the *Survey*, all primarily focusing on debt;
- Two of the new MIVs ranked in the top 10 MIVs;
- Legal structures of the new MIVs included SICAVs/Mutual Funds, Collateralized Debt Obligations (CDOs) and Special Purpose Vehicles (SPVs);
- Most were launched by leading fund managers – Blue Orchard, Developing World Markets, MicroVest, Symbiotics, etc.

Top 10 MIVs based on outstanding MF assets

- The top 10 MIVs account for 61% of total MF assets.
- Blue Orchard Loans for Development SA (BOLD) and SNS Institutional Microfinance Fund, launched in 2007, were both in the top 10. Deutsche Bank's db Microfinance-Invest Nr. 1, also launched in 2007, ranked 11th.
- All top 10 MIVs have outstanding MF assets of almost \$100 million or more, compared to 2006 when only three of the top 10 had outstanding MF assets greater than \$100 million.

Survey Highlights (continued...)

Size

- 54% of the MIVs have less than \$20 million in MF assets. This is similar to 2006.
- There has been a substantial increase within the large MIV category. MIVs with outstanding assets above \$50 million have doubled both in number and aggregate outstanding MF assets since 2006.
- In 2007 there were five MIVs with outstanding MF assets exceeding \$150 million, compared to two MIVs in 2006.

Projected growth

- 38 MIVs, with combined MF assets of \$1.49 billion in 2007, expect to invest an additional \$1 billion in 2008.

Top MIV managers

- Blue Orchard tops the list of MIV managers with outstanding MF assets of \$548 million, followed by responsAbility with \$350 million under management.

Survey Highlights (continued...)

Geographic distribution

- Latin American and the Caribbean (LAC) and Europe and Central Asia (ECA) account for 78% of all outstanding MF assets.
- Investments in LAC, ECA, Africa, South Asia and East Asia and Pacific have all more than doubled since 2006, while investments in the Middle East and North Africa (MENA) region have decreased. This does not necessarily mean that all funding for the region has decreased since organizations like Grameen Foundation and Legatum, both of which heavily invest in the MENA region,^{1,2} did not qualify as MIVs under the new, more precise definition.

Increasing role of commercial banks

- Deutsche Bank established three microfinance-oriented funds in 2007. Two were excluded from this *Survey* because they are based entirely on donor funding.
- Bank-supported funds (Triodos Bank, Credit Suisse (responsAbility), Deutsche Bank) account for almost \$700 million of combined MF assets.

1. "Grameen Foundation: Where we Work: Middle East / North Africa." Grameen Foundation. 23 July 2008
http://www.grameenfoundation.org/where_we_work/middle_east_north_africa/.

2. "Legatum Global Development." *Legatum Fact Sheet*. 2008. TheMIXMarket. 23 July 2008
http://www.mixmarket.org/medialibrary/1501.2320/20080207_Legatum_FactBooklet.pdf.

Survey Highlights (continued...)

Fund of Funds

- This strategy allows an MIV (MIV A) to purchase shares of other MIVs (MIV B).
 - Advantages:
 - Diversification – MIV A gains access to a basket of MFIs (via MIV B’s portfolio) instead of committing capital to individual MFIs;
 - MIV A saves the considerable expense of analyzing MFIs.
 - Disadvantages:
 - Administrative costs of MIVs A and B accumulate;
 - Potential for over-exposure should MIV A invest in various MIVs all of whom have invested in the same MFI.
 - *In this Survey, there is the potential for double-counting of assets whenever MIV A and MIV B both account for the same investment(s). In this Survey, \$75 million in Fund of Funds investments were disclosed. While the actual total Fund of Funds investment was not determined, because several of the large funds confirmed that they had no investments of this type and because the actual number is most likely to remain a low percentage of total investment amounts and Fund of Funds were included in the total investment numbers.*

- Instances of Fund of Funds in the Survey include BBVA Codespa Microfinanzas and Gray Ghost Microfinance Fund. Partial Fund of Funds include Global Partnership Microfinance Fund, ACCION Gateway, responsAbility Global Microfinance Fund, Saint Honore Microfinance Fund, and DID Fonidi.

- In 2007, Co-operative Bank launched a \$50 million bond Fund of Funds managed by Global Commercial Microfinance Consortium.

Survey Highlights (continued...)

Composition

- MIVs continue to be mainly debt funds, with the following MF asset composition: 82% debt, 16% equity and 2% guarantees.
- While equity investments grew 149% between 2006 and 2007, they continue to represent a relatively small percentage of the portfolio.

Steps to expand equity market

- In 2007, ACCION Gateway launched a sub-fund called Gateway Investment Vehicle Fund with the objective of offering equity products.
- ACCION is also in the process of establishing the Center for Financial Inclusion. This program will facilitate development initiatives between the private sector and the microfinance industry with investors, policy makers, service providers and microfinance practitioners.
- The formation of the Council of Microfinance Equity Funds (CMEF) also contributed to this expansion. CMEF is the first membership organization to bring together private equity firms in the microfinance industry to develop a collective strategy for increasing equity investments in this sector.

Survey Highlights (continued...)

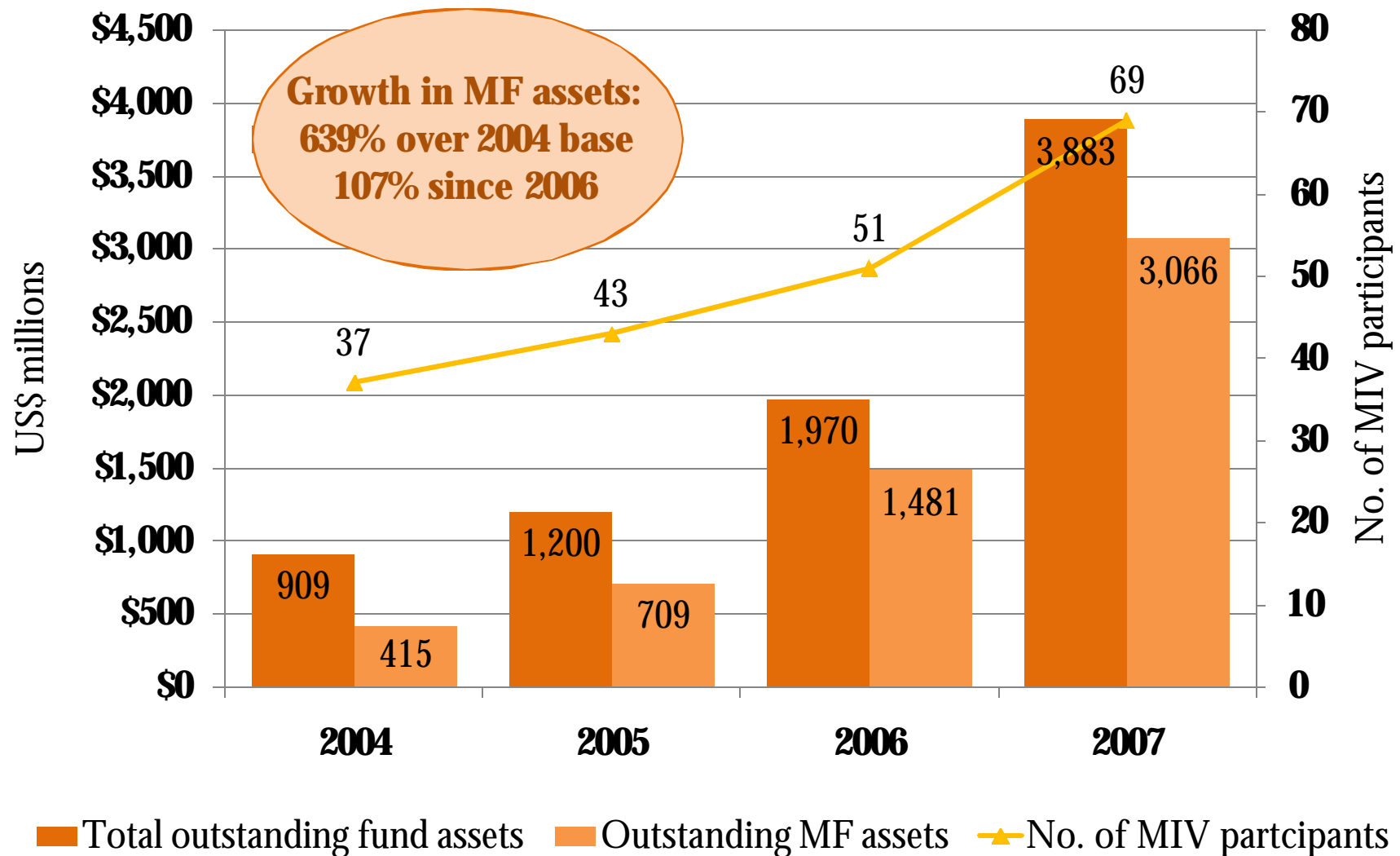
Local currency MIVs

- ❑ Goodwell Microfinance established Aavishakaar Holding;
- ❑ Bellwether MF Fund set up a partnership with Gray Ghost and Hivos-Triodos Fund;
- ❑ Lok Capital was organized by institutional investors like CDC Group (CDC) and International Finance Corporation (IFC) along with ACCION International and others;
- ❑ LOCFUND was founded in 2007 by eight international investors to provide local currency funding in the LAC region;
- ❑ Minlam Microfinance Fund, a microfinance hedge fund, plans to reduce the borrowing MFIs' vulnerability to currency devaluation by making investments strictly in local currency.

Securitization

- ❑ In 2007, Deutsche Bank launched db Microfinance-Invest Nr. 1, the world's first securitization of subordinated microfinance credits. It included 21 MFIs with a total portfolio of €60 million and received a BBB credit rating.
- ❑ Examples of successful cross-border securitization deals include Blue Orchard Microfinance Securities – 1 and XXEB in 2004 and 2006, respectively.

Outstanding MIV Assets, 2004 - 2007



MIV Portfolio Indicators

Debt

- Debt instruments continue to be the primary form of microfinance investments, accounting for over 80% of outstanding fund assets. The 10 largest MIVs make up 67% of the outstanding debt investments in microfinance.

Equity

- Equity investments account for 16% of total MF assets.
- In April 2007, the IPO of Banco Compartamos was oversubscribed 13 times despite an offering price representing a 1,150% premium over book value. Technically a secondary offering, 30% of Compartamos' outstanding shares were sold by the issuers for \$468 million.³
- 73% of the aggregate equity investments in microfinance are held by five MIVs – primarily within the ACCION group.
- Compartamos notwithstanding, few exit opportunities exist for equity investors. These opportunities must become more prevalent before investors will commit additional equity capital to MIVs.

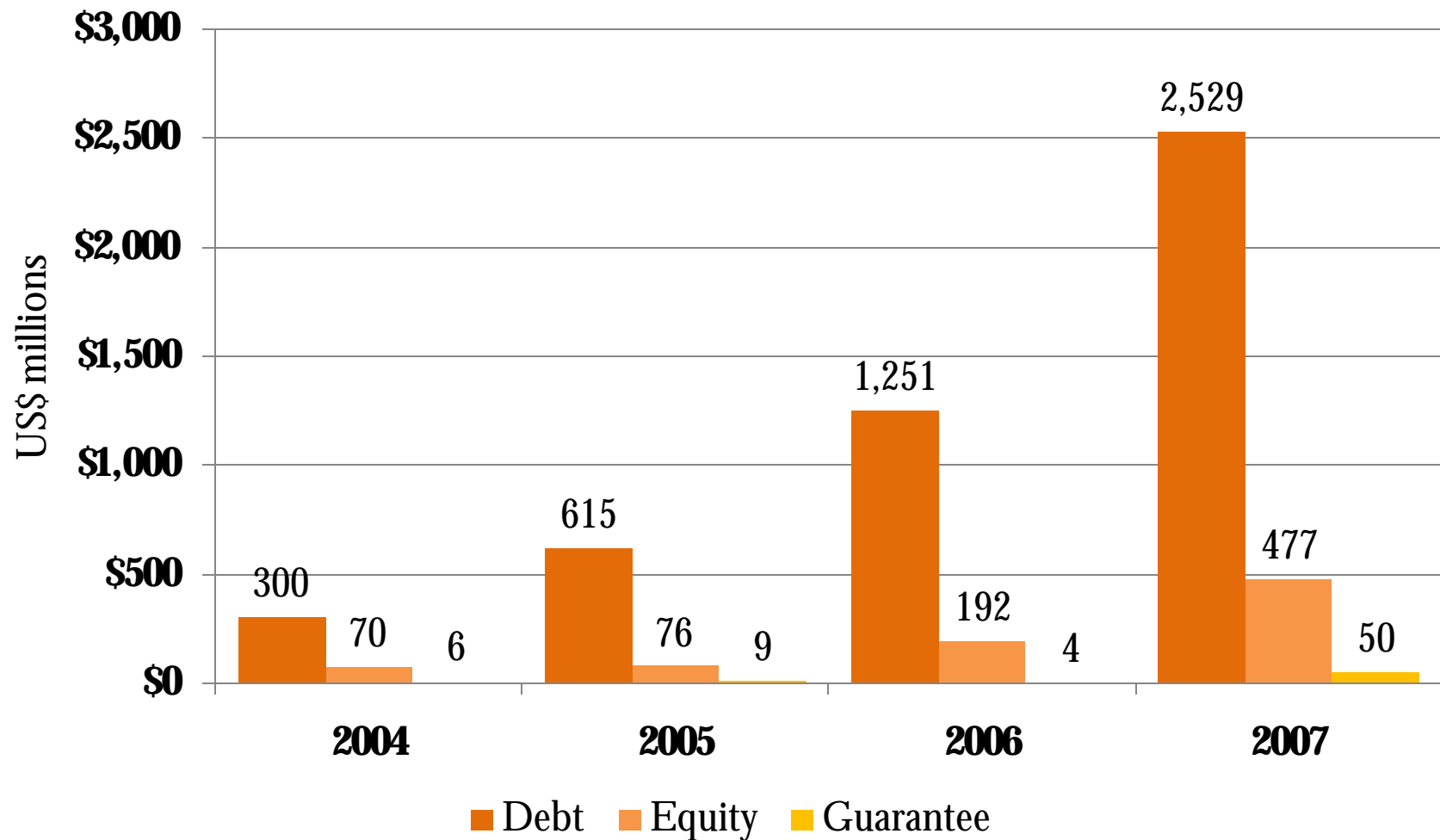
Guarantee

- Guarantees make up just 2% of total MF assets. At \$22.5 million, Global Commercial Microfinance Consortium has the largest guarantee facility of any MIV, representing nearly 30% of their portfolio.

3. Rhyne, Elizabeth and Andres Guimon "The Banco Compartamos Initial Public Offering." *InSight* #23, June 2007. ACCION International. 23 July 2008
http://publications.accion.org/insight/InSight_23_227.asp.

MIV Portfolio Indicators (continued...)

Composition of MF Portfolio



MIV Portfolio Indicators (continued...)

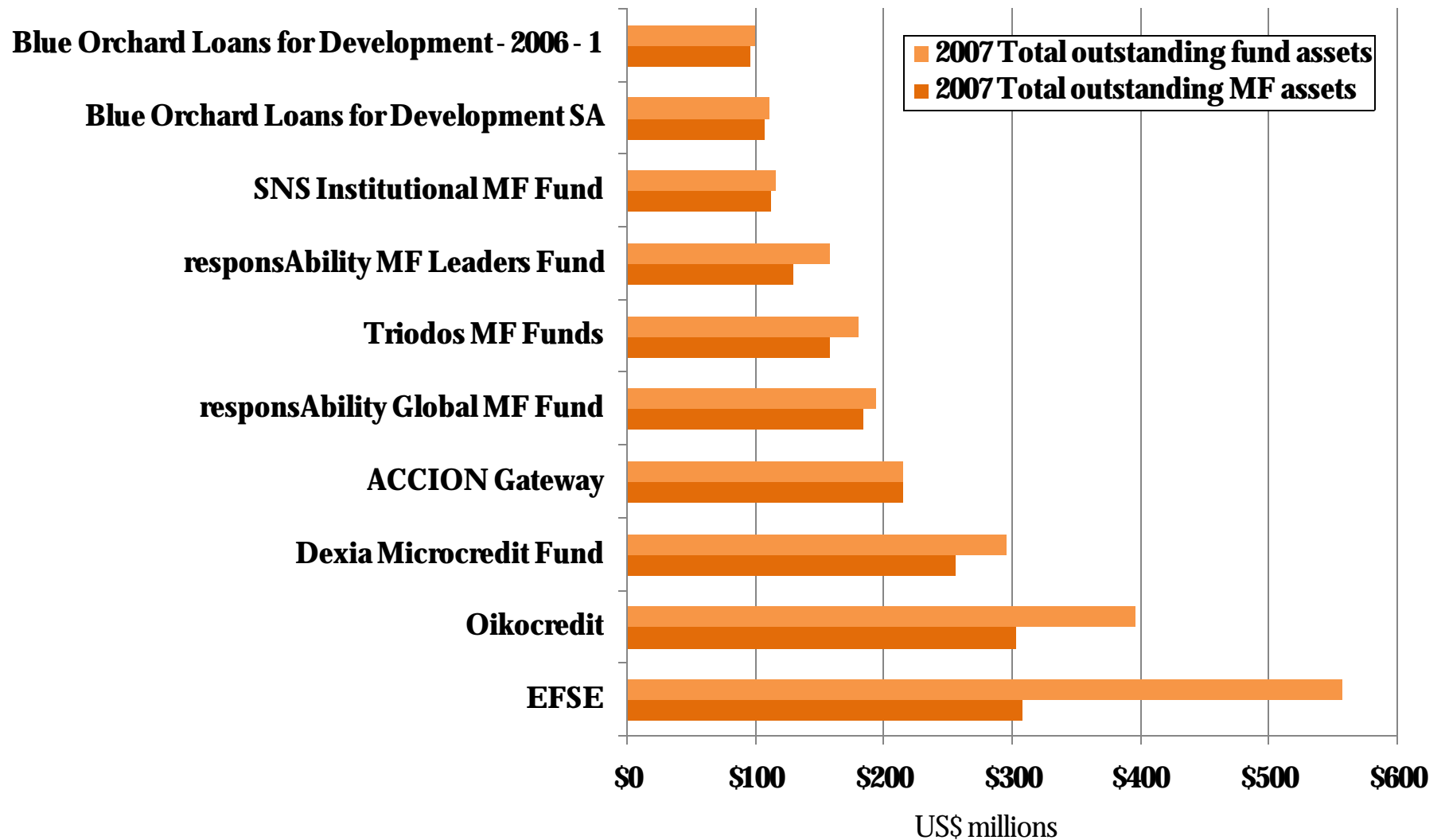
	2004	2005	2006	2007
Number of qualified MIV <i>Survey</i> participants	37	43	51	69
Total outstanding fund assets*	\$909	\$1,200	\$1,970	\$3,883
Debt	N/A	N/A	\$1,621	\$3,042
<i>% of total outstanding fund assets</i>			82%	79%
Equity	N/A	N/A	\$225	\$552
<i>% of total outstanding fund assets</i>			11%	14%
Guarantee	N/A	N/A	\$8	\$60
<i>% of total outstanding fund assets</i>			<1%	2%
Total outstanding MF assets*	\$415	\$709	\$1,481	\$3,066
<i>% of total outstanding fund assets</i>	46%	59%	75%	79%
Debt	\$300	\$615	\$1,251	\$2,529
<i>% of total outstanding MF assets</i>	72%	87%	85%	82%
Equity	\$70	\$76	\$192	\$477
<i>% of total outstanding MF assets</i>	17%	11%	13%	16%
Guarantee	\$6	\$9	\$4	\$50
<i>% of total outstanding MF assets</i>	1%	1%	<1%	2%

*in US\$ millions

Top 10 MIV Investments in Microfinance

- In 2007, the top 10 MIVs accounted for 61% of total MF assets, down from 70% in 2006 and 77% in 2005.
- Nine of the top 10 MIVs have over \$100 million in outstanding MF assets, which suggests their growing reach. In 2006, half of the top 10 MIVs had less than \$100 million in outstanding MF assets.
- 2007's top 10 MIVs included two new funds, BOLD and SNS Institutional Microfinance Fund. Deutsche Bank's db Microfinance-Invest Nr. 1, also launched in 2007, ranked 11th.
- Debt investments continue to lead, accounting for 83% of the top 10 MIV's MF assets.
- Equity investments are gradually increasing. It should be noted that MIVs with equity investments are adopting internationally recognized financial accounting and reporting standards. One of our respondents uses the 'marked to market' method as opposed to traditional cost accounting.

Top 10 MIV Investments in Microfinance (continued...)



Top 10 MIV Investments in Microfinance*

Rank	2005		2006		2007	
	MIV	Size**	MIV	Size**	MIV	Size**
1	Oikocredit	\$141	Oikocredit	\$198	EFSE	\$308
2	Blue Orchard MF Securities – 1	\$81	EFSE	\$180	Oikocredit	\$303
3	EFSE	\$79	Triodos MF Funds (all 3 Funds)	\$111	Dexia Microcredit Fund	\$255
4	Triodos MF Funds (all 3 Funds)	\$73	Dexia Microcredit Fund	\$107	ACCION Gateway	\$214
5	Dexia Microcredit Fund	\$72	Blue Orchard Loans for Development – 2006 – 1	\$99	responsAbility Global MF Fund	\$183
6	responsAbility Global MF Fund	\$41	responsAbility Global MF Fund	\$86	Triodos MF Funds (all 3 Funds)	\$157
7	Global Commercial MF Consortium	\$31	Blue Orchard MF Securities -1	\$81	responsibility MF Leaders Fund	\$129
8	Calvert Social Investment Foundation	\$23	Global Commercial MF Consortium	\$71	SNS Institutional Microfinance Fund	\$111
9	Latin America Challenge Investment Fund	\$21	XXEB	\$60	Blue Orchard Loans for Development SA	\$106
10	ASN-Novib Fund	\$20	Gray Ghost Microfinance Fund	\$45	Blue Orchard Loans for Development – 2006 – 1	\$96
	Total	\$582	Total	\$1,038	Total	\$1,862
					Adj. for exchange fluctuation	\$1,712

* Previous year's data has been modified to illustrate all three Triodos Microfinance Funds combined in all 3 years

**in US\$ millions

Top 10 MIV Investments in Microfinance (continued...)

Top 10 MIVs – % of MF assets

Rank	Top 10 MIVs	% of MF assets in portfolio
1	EFSE	55%
2	Oikocredit	77%
3	Dexia Microcredit Fund	86%
4	ACCION Gateway	100%
5	responsAbility Global MF Fund	95%
6	Triodos MF Funds (all 3 Funds)	87%
7	responsAbility MF Leaders Fund	82%
8	SNS Institutional MF Fund	97%
9	Blue Orchard Loans for Development SA	96%
10	Blue Orchard Loans for Development – 2006 – 1	97%
	<i>Average</i>	<i>87%</i>

Top 10 MIVs – Composition

In US\$ millions	2006	2007
Debt	\$887 (91%)	\$1,550 (83%)
Equity	\$84 (9%)	\$301 (16%)
Guarantee	\$3 (<1%)	\$11 (1%)
<i>Total</i>	<i>\$974</i>	<i>\$1,862</i>

Top 5 MIV Portfolio Managers – Assets Under Management

MIV		Total MIV assets*		Total MF assets*	
Fund Manager	Funds	2006	2007	2006	2007
1) Blue Orchard	Blue Orchard Loans for Development – 2006 – 1 Blue Orchard Loans for Development SA Blue Orchard Microfinance Securities – 1 Dexia Microcredit Fund St. Honore Microfinance Fund	\$297	\$609	\$297	\$548
2) responsAbility	responsAbility Global Microfinance Fund responsAbility Microfinanz Fonds responsAbility Microfinance Leaders Fund	\$195	\$392	\$114	\$350
3) Developing World Markets	XXEB SNS Institutional Microfinance Fund	\$60	\$ 175	\$60	\$160
4) Cyrano	Latin America Challenge Investment Fund Global Microfinance Consortium Solidus Investment Fund	\$80	\$150+	\$80	\$150+
5) Symbiotics	Dual Return Fund MLO – 1 MLO	\$34	\$100+	\$34	\$100+
	Top 5 MIV total	\$666	\$1,426+	\$585	\$1,308+
	<i>% of MIV Survey participant total</i>	<i>34%</i>	<i>37%</i>	<i>40%</i>	<i>43%</i>
	MIV Survey participant total	\$1,969	\$3,882	\$1,481	\$3,066
	<i>(Number of MIVs)</i>	<i>(51)</i>	<i>(69)</i>	<i>(51)</i>	<i>(69)</i>

*in US\$ millions

Size of Microfinance Portfolio

- In 2006 and 2007, over half the MIVs had outstanding assets under \$20 million.
- In 2007, 41% of total MF assets are controlled by only five MIVs.

MF asset categories (in US\$ millions)	Aggregate value of MF assets (in US\$ millions)	% of Total MF assets	# of MIVs	% of Total MIVs
< \$5	\$34	1%	14	20%
\$5 – \$20	\$223	8%	23	33%
\$20 – \$50	\$399	13%	12	18%
\$50 – \$100	\$801	26%	12	18%
\$100 – \$150	\$346	11%	3	4%
\$150+	\$1,263	41%	5	7%
Total	\$3,066	100%	69	100%

Size of Microfinance Portfolio (continued...)

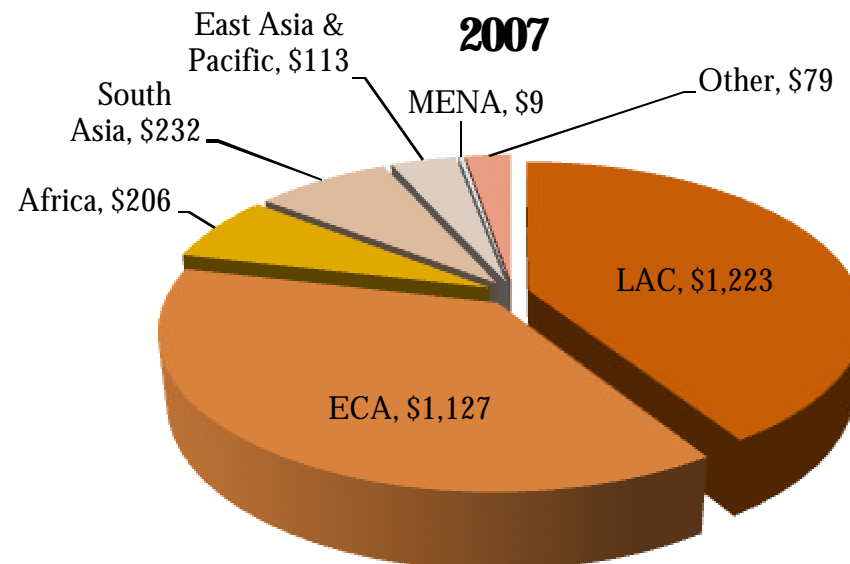
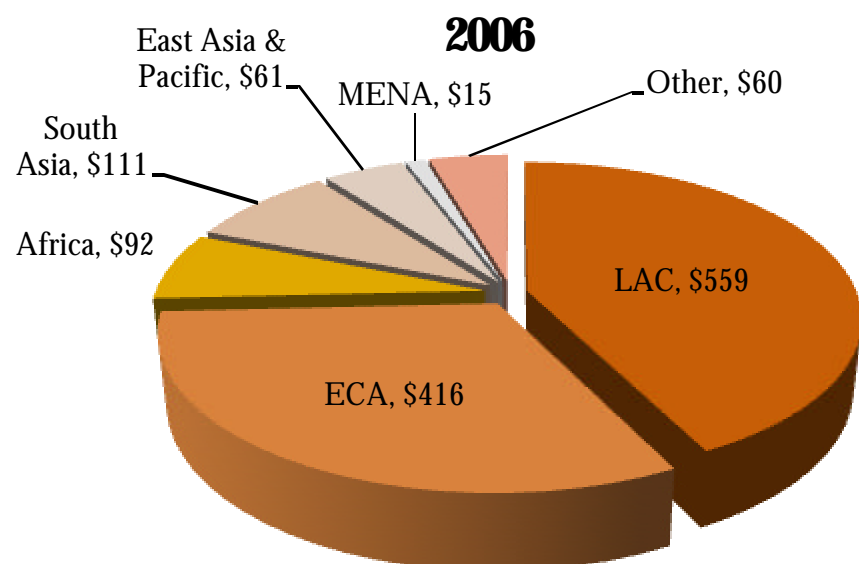
- The following chart illustrates how a selected sample of funds grew in 2007:

Outstanding MF assets (in US\$ millions)	2006	2007	% Growth
Access Microfinance	\$3	\$10	233%
Incofin	\$10	\$17	70%
St. Honore MF Fund	\$10	\$17	70%
ACCION SPC	\$18	\$32	78%
responsAbility MF Leaders Fund	\$27	\$129	378%
ASN Novib	\$42	\$80	90%
responsAbility Global MF Fund	\$86	\$183	113%
Dexia Microcredit Fund	\$107	\$255	138%
EFSE	\$180	\$308	71%

Geographic Concentration of MF Assets

- In 2006 and 2007, over 75% of total MF assets were invested within the LAC and ECA regions.
- Investments in LAC, ECA, Africa, South Asia, and East Asia and Pacific have more than doubled since 2006.
- Three of the new 2007 MIVs are leading players in the ECA region – SNS Institutional MF Fund, Deutsche Bank’s db Microfinance-Invest Nr. 1 and BOLD.
- Investments in MENA have decreased, most likely as a result of local regulatory requirements regarding information disclosure. Additionally, large institutions like Grameen Foundation and Legatum, both of which invest heavily in the MENA region, were excluded from this *Survey* for failure to qualify as MIVs.

Geographic Concentration of MF Assets (continued...)



<i>in US\$ millions</i>	LAC	ECA	South Asia	Africa	East Asia & Pacific	MENA	Other	Total
*2006	\$559	\$416	\$111	\$92	\$61	\$15	\$60	\$1,314
<i>% of Total</i>	43%	32%	8%	7%	5%	1%	4%	
**2007	\$1,223	\$1,127	\$232	\$206	\$113	\$9	\$79	\$2,989
<i>% of Total</i>	41%	38%	8%	7%	4%	<1%	2%	

*Based on 88% of the MIV assets in microfinance

**Based on 97.5% of the MIV assets in microfinance

Top 10 Investments in Microfinance in LAC

- LAC continues to attract the largest share of microfinance investments;
- Top 10 MIVs account for 80% of the outstanding MF investment in LAC in 2006 and 67% in 2007.

Rank	2006		2007	
	MIV	Size*	MIV	Size*
1	Oikocredit	\$100	ACCION Gateway	\$214
2	Blue Orchard Microfinance Securities – 1	\$66	Oikocredit	\$123
3	Blue Orchard Loans for Development – 2006 – 1	\$63	Dexia Microcredit Fund	\$83
4	Dexia Microcredit	\$52	Blue Orchard Microfinance Securities – 1	\$65
5	Triodos MF Funds (all 3 Funds)	\$45	responsAbility Global Microfinance Fund	\$65
6	responsAbility Global Microfinance Fund	\$33	Blue Orchard Loans for Development – 2006 – 1	\$61
7	XXEB	\$28	<i>Undisclosed**</i>	\$58
8	Global Commercial MF Consortium	\$26	Triodos MF Funds (all 3 Funds)	\$54
9	Gray Ghost MF Fund	\$17	Blue Orchard Loans for Development SA	\$53
10	ACCION Investments in Microfinance SPC	\$15	responsAbility Microfinance Leaders Fund	\$43
	Total	\$445	Total	\$819

* in US\$ millions

** Based on MIV disclosures permitted

Top 10 Investments in Microfinance in ECA

- Top 10 MIVs account for 89% of total MF assets in ECA in 2006 and 74% in 2007;
- Top five MIVs account for 72 % of total MF assets in ECA in 2006 and 56% in 2007;
- Three 2007 MIV entrants – SNS Institutional MF Fund, Deutsche Bank’s db Microfinance-Invest Nr. 1 and BOLD.

Rank	2006		2007	
	MIV	Size*	MIV	Size*
1	EFSE	\$180	EFSE	\$308
2	Dexia Microcredit Fund	\$38	Dexia Microcredit Fund	\$117
3	Blue Orchard Loans for Development – 2006 – 1	\$31	responsAbility Global Microfinance Fund	\$84
4	Oikocredit	\$26	SNS Institutional MF Fund	\$66
5	responsAbility Global Microfinance Fund	\$26	responsAbility Microfinance Leaders Fund	\$58
6	XXEB	\$24	Oikocredit	\$56
7	Triodos MF Funds (all 3 Funds)	\$16	db Microfinance-Invest Nr. 1	\$37
8	BOMS-1	\$11	<i>Undisclosed**</i>	\$37
9	MicroVest	\$9	<i>Undisclosed**</i>	\$36
10	Impulse Fund	\$8	Blue Orchard Loans for Development SA	\$36
	Total	\$369	Total	\$835

*in US\$ millions

**Based on MIV disclosures permitted

Top 5 Investments in Microfinance in Asia[†]

Rank	2006		2007	
	MIV	Size*	MIV	Size*
1	Oikocredit	\$39	Oikocredit	\$80
2	Global Commercial Microfinance Consortium	\$32	Dexia Microcredit Fund	\$41
3	Triodos MF Funds (all 3 Funds)	\$25	Triodos MF Funds (all 3 Funds)	\$38
4	Unitus Equity Fund	\$15	Global Commercial Microfinance Consortium	\$33
5	Avishkaar Goodwell India Microfinance Development Company	\$11	responsAbility Global Microfinance Fund	\$18
	Total	\$122	Total	\$210

[†]Combines South Asia and East Asia & Pacific regions

*in US\$ millions

Top 5 Investments in Microfinance in Africa

	2006		2007	
Rank	MIV	Size*	MIV	Size*
1	Oikocredit	\$31	Oikocredit	\$45
2	Triodos MF Funds (all 3 Funds)	\$23	Triodos MF Funds (all 3 Funds)	\$31
3	<i>Undisclosed**</i>	\$19	<i>Undisclosed**</i>	\$20
4	Dexia Microcredit Fund	\$7	db Microfinance-Invest Nr. 1	\$16
5	Global Commercial Microfinance Consortium	\$6	Dexia Microcredit Fund	\$13
	Total	\$74	Total	\$125

*in US\$ millions

**Based on MIV disclosures permitted

Conclusion

- Microfinance is moving from a donor-backed funding model to a capital market-based model.
 - The MIV sector is not only growing, it is also becoming more diverse. Traditional Funds and Finance Companies have now been joined by structured CDOs and Fund of Funds.
 - Instruments continue to be created to satisfy the needs of the emerging class of dual-return investors. This significant and successful transformation is reflected in the 97% MIV growth rate in 2007.

- Innovative financial structures are needed to attract commercial investors. A Developing World Markets report stated that while CDOs have become very popular, fewer than 100 MFIs qualify for inclusion in a CDO.⁴ Because of this, investors can only invest directly in the remaining MFIs. This typically carries greater risk than investing in MFIs through a CDO. To reduce risk and/or increase return, credit enhancements and increased transparency are required. Structuring CDOs, while a potentially attractive instrument, has its challenges.

4. Swanson, Brad. "The Role of International Capital Markets in Microfinance." Developing World Markets. 23 July 2008
<http://www.dwmarkets.com/Resources/Capital%20markets%20funding%20microfinance%20footnoted.pdf>.

Conclusion (continued...)

- The demand for microfinance capital is enormous and various studies forecast sustained, substantial growth for the future.
 - A recent Deutsche Bank Research study estimates a \$250 billion gap in financing for the microfinance industry.⁵
 - Capital markets will play a very important role in filling this gap. The report forecasts that by 2015 microfinance investments will reach \$25 billion, (of which \$20 billion would come from the private sector and \$5 billion from International Financial Institutions). To reach this goal, private sector investments must grow 25% annually.
- While considering future growth, it is important to mention the potential impact of market downturns on microfinance investments.
 - A recent survey conducted by New York University revealed that MFI financial results are less sensitive to economic downturns than emerging market commercial banks.⁶ However, this is only an indicator and longer term downturns would likely have a negative impact on the growth forecast.

5. Dieckmann, Raimar. "Microfinance: An emerging investment opportunity." Deutsche Bank Research. 23 July 2008 <http://www.dbresearch.com>.

6. Walter, Ingo and Nicolas A. Krauss. "Can Microfinance Reduce Portfolio Volatility?" (January 30, 2008). Available at SSRN: <http://ssrn.com/abstract=943786>. This study examined the operating performance of 283 MFIs in 65 developing countries compared to 112 commercial banks from 33 developing countries.

Conclusion (continued...)

- Transparency among MIVs is extremely important to attract commercial investors. The increased risks in MFI and MIV investing will demand a higher level of transparency than currently exists.
- Creating an equity-conducive market
 - As the number of exit opportunities increases, equity investments will become more attractive for investors.
- Foreign Currency Risk
 - Currently, the inability to hedge local currencies is pushing the risk onto the MFIs, who in turn are passing it on to their clients.
 - Strategies to hedge foreign currency fluctuations will effectively lower this risk in the future.

MIV Survey Participants

#	MIV Name	#	MIV Name	#	MIV Name
1	Avishkaar Goodwell India Microfinance Development Company	24	Development International Desjardins - Partnership Fund	47	MicroCredit Enterprises
2	Access Microfinance Holding AG	25	Development International Desjardins FONIDI	48	Microfinance Loan Obligation Compartment LC
3	ACCION Gateway Fund LLC	26	Development International Desjardins Guarantee Fund	49	Microfinance Loan Obligations SA Compartment Opportunity Eastern Europe 2005 – 1
4	ACCION International Global Bridge Fund	27	Dexia Microcredit Fund	50	Microfinance-Invest Nr. 1
5	ACCION International Latin America Bridge Fund	28	Dignity Fund	51	MicroVentures
6	ACCION Investments in Microfinance SPC	29	Dual Return Fund (SICAV)	52	Microvest I, LP
7	Advans SA Sicar (old name Lafayette Investissement)	30	European Fund for Southeast Europe	53	Minlam Microfinance Offshore Master Fund, LP
8	Africap Microfinance Investment Company Ltd.	31	Global Commercial Microfinance Consortium	54	MLC Frontiers LLC
9	ALTERFIN	32	Global Microfinance Facility	55	Oikocredit Ecumenical Development Co-operative Society U.A.
10	Antares Equity Participation Fund	33	Global Partnerships Microfinance Fund 2005	56	responsAbility Global Microfinance Fund
11	ASN Novib Fund	34	Global Partnerships Microfinance Fund 2006	57	responsAbility SICAV (Lux) Microfinanz Fonds
12	AXA Investment Managers / AXA World Funds – Responsible Development	35	Gray Ghost Microfinance Fund LLC	58	responsAbility SICAV (Lux) Microfinance Leaders
13	Balkan Financial Sector Equity Fund	36	Hivos Triodos Fund Foundation	59	Rural Impulse Fund S.A.
14	BBVA Codespa Microfinanzas, FIL	37	Impulse Microfinance Investment Fund	60	St. Honore Microfinance
15	Bellwether Microfinance Fund Private Limited	38	Incofin CVSO	61	ShoreCap International
16	Blue Orchard Loans for Development – 2006 – 1	39	Investiisseur et Partenaire pour le Developpment	62	SIDI Solidarite Internationale pour de Developpment et l'Investissement
17	Blue Orchard Loans for Development SA (BOLD II)	40	Kolbri Kapital ASA	63	SNS Institutional Microfinance Fund
18	Blue Orchard Microfinance Securities 1	41	Latin America Challenge Investment Fund	64	Societe Cooperative Fonds International de Garantie (FIG)
19	Calvert Foundation	42	LocFund	65	Solidus Investment Fund
20	Catalyst Microfinance Investors	43	LokCapital	66	Triodos - Doen Foundation
21	CORDAID (CORDAID Financial Services)	44	Luxmint	67	Triodos Fair Share Fund
22	CreSud SPA	45	Menmonite Economic Development Associates (MEDA)	68	Unitus Equity Fund LP
23	Developing World Markets - Microfinance Securities XXEB	46	MicroAccess Trust 2007	69	Wisconsin Coordinating Council on Nicaragua Nicaraguan Credit Alternative (NICA) Fund

List of Qualified MIV Entrants in 2007

No.	MIV	Outstanding MF assets (in US\$ millions)*
1	Blue Orchard Loans for Development SA	\$106
2	db Microfinance Invest Nr. 1	\$87
3	Dual Return Fund	-
4	LocFund	\$7
5	MicroAccess Trust 2007	\$38
6	Microfinance Loan Obligation Compartment LC	-
7	MicroVentures	\$11
8	Minlam Microfinance Offshore Master Fund	-
9	responsAbility SICAV Microfinanz Fonds	\$38
10	Rural Impulse Fund	\$9
11	SNS Institutional Microfinance Fund	\$111

**Based on disclosures permitted*

MIV Survey Participation

Exclusions to the 2007 MIV Survey (MIV – Reason)

Legatum – not a MIV per definition; not open to investors	Goodwell Microfinance – holding company investing in MIVs (e.g. Aavishkaar, which is included);
Co-operative Bank – Deutsche Bank confirmed it is entirely ‘Fund of Funds’	DB Start up Fund – based on donor funding;
DB Microcredit Development Fund – based on donor funding;	VG Microfinance-Invest Nr. 1 – same as db Microfinance-Invest Nr. 1, which is included;
Invision Global High-yield Fund – launched in 2008;	Planet MicroFund – based on donor funding only (source: website);
BRAC’s securitization – BRAC is the originator and service provider for this facility;	VDK MFI Loan portfolio – is a part of VDK Spaarbank, a commercial bank;
JAIDA – did not respond to the survey but appears to be a closed group of development agencies with the Moroccan government;	Women’s World Equity – launched in 2008.

List of MIVs which did not respond to the Survey

Consorzio Etimos

MIVs Requesting Non-disclosure of Individual E-Survey Data

1	Advans SA Sicar (originally La Fayette Investissement)	
2	Africap Microfinance Funds	
3	Dignity Fund	
4	Hivos Triodos Fund Foundation	Must disclose all three funds combined as "Triodos Microfinance Funds"
5	Triodos Doen Fund	
6	Triodos Fair Share Fund	
7	Dual Return Fund	
8	Microfinance Loan Obligations Compartment LC	
9	Microfinance Loan Obligations SA Opportunity Eastern Europe 2006-1	
10	Minlam Microfinance Offshore Master Fund	
11	Global Microfinance Facility	Cyrano Group: source of <i>Survey</i> information from Fitch Report
12	Latin America Challenge Investment Fund	
13	Solidus Fund	

Sample MIV E-Survey

SURVEY INSTRUCTIONS:	
1. Please fill in data in the orange-colored boxes only.	
2. Please provide data relating to the fund performance for FY 2007, preferably as of December 31, 2007. In case you do not have data for this period, please provide data for the latest period available.	
3. The preferred reporting currency is US Dollar. In case you do not have the data in US Dollar, please indicate the reporting currency.	
4. Please provide the financial data in '000s or mn., whichever is convenient.	
*Outstanding Assets = Disbursements - Repayment of Funds.	
Thank you for participating in this survey.	
For any queries: Please contact Radhika Minocha at radhikaminocha1@gmail.com or Rebecca Waskey at becca@microrate.com	
<input type="checkbox"/>	Please check this box if you do NOT want this information used publicly by MicroRate.

FUND PORTFOLIO	
Data as of <Day-Month-Year>	
Reporting currency and unit	
Total outstanding fund assets	
Composition of total - Debt investments	
- Equity investments	
- Guarantees	
Total outstanding microfinance assets	
Composition of MF assets - Debt investments	
- Equity investments	
- Guarantees	
Projected investments in microfinance in the next 12 months (Please provide if available, else leave blank)	

REGION	OUTSTANDING ASSETS IN MF
Latin America & the Caribbean	
Eastern Europe & Central Asia	
Africa	
South Asia	
East Asia & Pacific	
Middle East and North Africa	
Other	
Total	
PROSPECTIVE REGIONS OF INTEREST (Please provide names)	

GENERAL INFORMATION	
Legal Name	
Website Address	
Country of Incorporation	
Legal Structure (For e.g., LLC, Investment holding company, non-banking finance company, etc.)	
Open or Closed-End Fund (please specify)	
Contact Person: Name	
Contact Person: Email address	