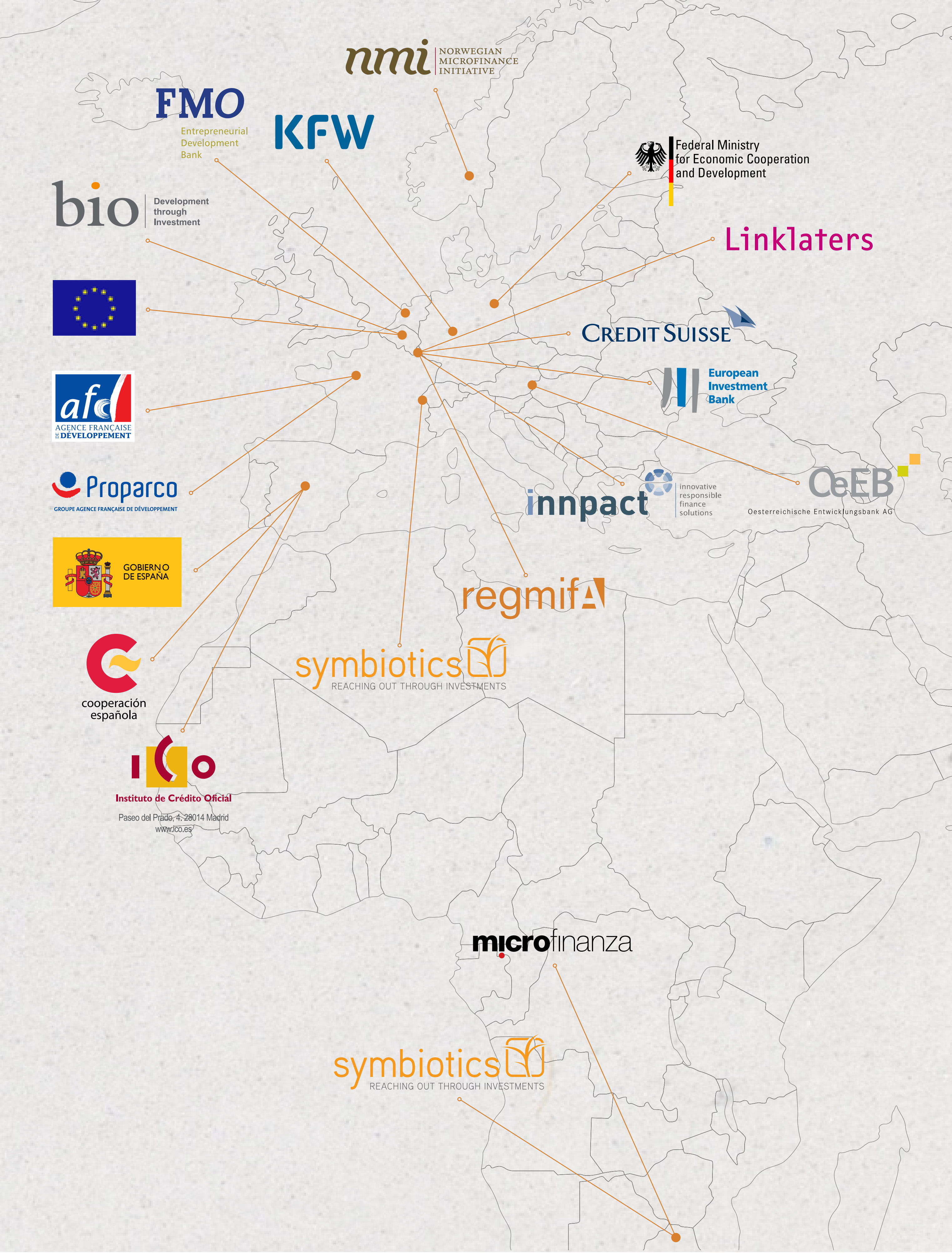
Regional MSME Investment Fund For Sub-Saharan Africa S.A., SICAV-SIF

ANNUAL REPORT 2013

Contents

International Finance Corporation
World Bank Group

REGMIFA Stakeholders



Key Figures

Since its inception

90

INSTITUTIONS ANALYZED

42

INSTITUTIONS FINANCED

110

PRIVATE DEBT TRANSACTIONS

USD 150 million

ORIGINATED

trade, agriculture, housing, education

SECTORS

About REGMIFA

REGMIFA's mission is to foster economic development in sub-Saharan Africa by supporting financial institutions which serve micro, small and medium-sized enterprises (MSMEs), while simultaneously observing the principles of additionality and sustainability.

Launched in May 2010, the Regional MSME Investment Fund for sub-Saharan Africa SA, SICAV-SIF, is a Luxembourg-based investment fund which seeks to foster economic development and prosperity in sub-Saharan Africa. To this end, the Fund provides medium- to long-term debt financing in local currency to partner lending institutions (PLIs) that serve MSMEs.

Complementary to the Fund's investment activities, a specific Technical Assistance Facility (TA Facility) focuses on providing technical support to client institutions. It was set up as an entity independent from the Fund and structured as a fiduciary agreement under Luxembourg law in July 2010.

Among the public investors are the French Development Agency (AFD), the German Federal Ministry for Economic Cooperation and Development (BMZ), the Belgian Investment Company for Developing Countries (BIO), the European Investment Bank (EIB), the Netherlands Development Finance Company (FMO), the International Finance Corporation (IFC), the German development bank KfW Bankengruppe (also acting as the structuring agent), the Spanish Ministry of Foreign Affairs and Cooperation (Ministerio de Asuntos Exteriores y de Cooperación – MAEC), Spanish Development Bank (Instituto de Crédito Oficial - ICO), the Norwegian Microfinance Initiative (NMI), the Development Bank of Austria (Oesterreichische Entwicklungsbank – OeEB), and the French Investment and Promotions Company for Economic Cooperation (Société de Promotion et de Participation pour la Coopération Economique – Proparco).

Symbiotics SA, a social and microfinance investment services company based in Geneva, Switzerland, which has a specialized asset management unit, was entrusted by the Fund with the dual mandates of Investment Manager and Technical Assistance Facility Manager.

As of end 2013

GROSS ASSET VALUE

USD 128.9 million

NET ASSET VALUE

USD 108 million

OUTSTANDING PORTFOLIO

USD 104.3 million

NUMBER OF MICRO CLIENTS FINANCED

194,303

NUMBER OF COUNTRIES

17

NUMBER OF PARTNER LENDING INSTITUTIONS

37

NUMBER OF OUTSTANDING INVESTMENTS

75

Greetings

Greetings

Letter from the Chairman

Together with my fellow directors, I am pleased to present the 2013 annual report, which demonstrates not only REGMIFA's continued capacity to grow while pursuing both social impact and commercial viability, but also the increased preference shown by the Fund's partner lending institutions (PLIs) in choosing REGMIFA as a reliable supporting partner, as well as REGMIFA's clear consolidation as a market benchmark in sub-Saharan Africa.

From a social performance perspective, REGMIFA prides itself on the fact that it has proven that it is possible to invest public money in a socially responsible yet commercially profitable way. It has set a precedent for other commercial lenders to follow, that of investing in troubled or developing economies in sub-Saharan Africa, reaching an increasing number of end borrowers who have no or limited access to credit. In 2013, the Fund's financial support is estimated to have reached more than 190,000 end borrowers who received loans that averaged USD 537 (28% of gross national income per capita). Most of these clients were women (71%) running a micro, small or medium-sized business (94%) and living in urban areas (64%).

During the period under review, the Fund's portfolio surpassed the important milestone of USD 100 million invested after three and a half years of activity, reaching at the end of the year an outstanding portfolio of USD 104 million, a net growth of USD 26 million, in line with our forecasts, and a gross asset value (GAV) of USD 128 million. The Fund extended its outreach to five new countries by investing for the first time in the Democratic Republic of the Congo, Zimbabwe, Angola, Chad and Rwanda, thus reaching 17 countries and contributing to an increase in the Fund's regional diversification.

Eleven new partnerships with PLIs were entered into, increasing the number of investees to 37. Among these new partners, the Fund supported an increasing number of less mature institutions, supporting the Fund's objective of enlarging the number of smaller and less developed PLIs which are not commonly served by existing microfinance funders. In terms of total assets, 9 out of the 11 new partners were Tier 2 and Tier 3 institutions. This year the Fund again saw a clear size shift, since roughly one-third of the smaller PLIs grew along with the Fund and now qualify as Tier 1 PLIs (total assets above USD 30 million).

Our PLIs profited from REGMIFA's demand-oriented financial services. At year's end, 86% of the financing to PLIs was denominated in local currency and 95% of the transactions had fixed interest rates, bringing significant added value to the PLIs since they do not bear foreign exchange or interest rate risk on their balance sheet. To this end, REGMIFA uses adequate hedging instruments and has close partnerships with renowned hedging counterparties.

From a risk management perspective, the Fund relies on proven policies and instruments to manage and monitor the risks related to its business and operations. In an operating environment with higher risk components than other regions, the credit risk profile of the Fund's investees remained stable in 2013, with an average shadow credit risk rating of BBB- and the absence of any impairment of investment. Furthermore, the portfolio quality in terms of portfolio at risk greater than 30 days at the Fund level was zero, and at the PLI level remained largely stable at 4.8.

In parallel, REGMIFA's Technical Assistance (TA) Facility, a key element of the Fund's value proposition, delivered very satisfactory results in 2013. Twenty-five projects for a total of EUR 1.9 million were approved and 18 were completed in diverse areas responding to the specific needs of the PLIs. I would like also to mention that REGMIFA commissioned a detailed Impact Assessment Study in 2013 to measure the impact of its investments and the technical assistance provided. The final report is not yet released, but its findings confirm that the TA Facility's intervention helped PLIs improve their risk profile in areas such as institutional transformation, risk management, customer service, and management information system (MIS) improvement, while the Fund's investment activity sustained PLI growth. Both interventions contributed to raising the profiles of the PLIs with international commercial investors.

To finish these short comments on 2013 performance, I would like to point out that the financial results give impressive evidence of the Fund's continued financial sustainability. Thanks to a portfolio yield higher than projected, the absence of any loan loss provision, and costs under control, the Fund is able to not only pay all target dividends but also to reward the strong commitment of shareholders with the payment of complementary dividends. In addition, the Board of Directors decided to allocate USD 370,000 to the TA Facility.

For 2014, experts expect the macro-economic indicators to continue their positive trend in sub-Saharan Africa, with GDP growth projected above 5% for the region, driven by changes in information and communications technology, demographic growth, rapid urbanization, and increases in commodity exports. At the same time, the Fund will continue to operate in an environment in which many countries are facing important elections in 2014 or early 2015, are going through difficult monetary situations due to a lack of foreign currency reserves, or are setting new interest caps, all of them challenging developments with a potential impact on the microfinance sector and on our PLIs' profitability.

Considering all of the above, I believe that REGMIFA's results prove that it has the capacity to continue its path through 2014 in the face of the challenges ahead and achieve the ambitious targets it has set, for which we count on the support and commitment of all REGMIFA stakeholders.

Sincerely,
Wolfgang Kroh,
Chairman of the Board of Directors

Board of Directors

Left to right: Mr. Juan Ignacio Izuzquiza Rueda, Mr. Ruurd Brouwer, Mr. Hanns Martin Hagen,

Mr. Wolfgang Kroh (Chairman), Dr. Marcel Gérard Gounot, Mr. Ulf Linders, Mr. Philippe Serres

Letter from the Investment Manager

In 2013, the Fund continued its strong growth momentum, enlarged its social and developmental impact, and consolidated its leading position among the largest regional debt microfinance investment funds in the sub-Saharan Africa region thanks to the continually increasing trust placed by the partner lending institutions (PLIs) on REGMIFA as a reliable investment partner.

As pointed out by the Chairman in his letter, REGMIFA focusses strongly on pursuing social impact. The Fund made 90% of its total investments in countries with low human development. On average, the countries benefitting from REGMIFA's investments show a United Nations Human Development Index (HDI) of 161 out of 187, a life expectancy of 57 years, and gross national income per capita of USD 1,851.

During the year, REGMIFA crossed the USD 100 million mark and invested a total of USD 52.2 million, closing 2013 with total assets of USD 128 million. Its outstanding portfolio of USD 104.3 million was distributed in 12 currencies along 37 institutions and 17 different countries, notably Nigeria (33%), Ghana (18%) and Tanzania (12%). Compared to 2012, the portfolio registered a net growth of 33.8%, of which the Fund disbursed 75% to new institutions added to the portfolio in 2013, while 25% went to previous partners of the Fund in the form of top-up loans for their consolidation and growth.

The strong investment activity is evidenced by the fact that a total of 40 transactions were made during the year (among them REGMIFA's first subordinated loan), while 19 loans came to maturity, totaling 75 outstanding investments at year's end. In terms of outreach increase, the Fund added five new countries to its portfolio (Angola, Chad, Democratic Republic of the Congo, Rwanda and Zimbabwe) and established relationships with 11 new PLIs. Nine of these new PLIs had total assets of less than USD 30 million and received 65% of the Fund's investment volume made into new PLIs in 2013.

In line with its objective of supporting its partner institutions with the provision of loans in local currencies to prevent them from being exposed to currency volatility, 86% of REGMIFA's outstanding loans at year's end was denominated in local currency, whereas the remainder denominated in hard currency was due to investments in dollarized economies or to regulatory reasons. The Fund continued its strategy

of maintaining a small open currency exposure, representing 5% of the portfolio.

In its third year of existence, the Technical Assistance (TA) Facility addressed a high number of needs of many different institutions, supporting them in crucial areas. In 2013, the TA Facility approved 25 projects for EUR 1.9 million, completed 18 (including four training projects), and supported 33 PLIs in 14 countries. All projects targeted one or more environmental and social responsibility dimensions. In addition to its customized projects and training grants approach, in 2013 the TA Facility also integrated the TA package approach, which identifies common TA needs among the existing PLI portfolio and contracts one consultant to deliver services to several PLIs.

For 2014, the Fund will continue to grow its portfolio and increase its PLI and country diversification. Although it is forecast that four key markets—Nigeria, Senegal, Tanzania and Ghana—will continue to account for 45-50% of the portfolio in terms of volume, as the Fund further consolidates in terms of size and operational maturity, in 2014 it will deploy a strategy to deepen its developmental objective and to increase over time the number of investments in "frontier institutions" smaller and less developed partners that are not commonly served by existing microfinance funders.

On the TA Facility side, with a strong foundation built by the solid relationships established with its PLIs and a promising project pipeline, it will further pursue the application of its four pillar strategy (customized, multi-focus, packages and training projects) in the future. In terms of outreach, the TA Facility will not only look at PLIs that are already investees, but will also involve institutions that are considered potential investees.

These achievements would not have been possible without the engagement and energy invested by our staff and without the support received from all REGMIFA stakeholders and service providers. With this firm background and notable track record, we are convinced that REGMIFA's model will continue to prevail and further enlarge its strong position in the sub-Saharan Africa microfinance landscape.

With kind regards,

The Investment Manager Team

Interview

with Mr. Karl-Heinz Fleischhacker

Chairman of the Investment Committee

Please tell us about your professional background and what led you to work in the area of development economics and microfinance

I specialized in development economics and attended courses at the South Asia Institute at Heidelberg University, where a dynamic exchange between research economists was already taking place in the late 1970s. This direct contact with scientists, for example from India, laid the foundation for my interest in working concretely in or with developing countries. It is no surprise that this would eventually lead me to the microfinance industry, which became one of the key achievements of my professional career at KfW. Since 2003, I have been leading KfW's Financial and Private Sector Division for sub-Saharan Africa.

What are your main accomplishments in the domain of microfinance and what led you to work for REGMIFA?

In 2005, during the International Year of Microcredit, KfW and IFC [International Finance Corporation] decided to launch a special greenfield microfinance initiative for sub-Saharan Africa, called MIFSSA. Our intention was to contribute to the establishment of new microfinance institutions [MFIs] that could serve as lighthouses in the microfinance markets of various African countries. They were meant to demonstrate that MFIs can become financially viable when applying the highest client protection principles. Following this, more than twenty MFIs were set up and contribute massively today to those objectives. Emulating this, new MFI networks were created, such as Access Holding and Advans Holding. Our supporting instruments were mainly equity investments and capacity building (technical assistance).

In spite of these achievements, we found that we did not yet have an impact of scale and that access to regular financial services in the region was still too low (with 20 to 25%) so we wanted to increase the impact for low-income households and SMEs . We discovered that smaller but well-performing MFIs could not use their potential to increase financial inclusion as they did not have sufficient opportunities to refinance. With the help of a market analysis conducted by Frankfurt School Advisory Services, we were able to confirm that a "missing middle" of high-profile MFIs existed and that were in need of senior debt, mainly in local currency and at a longer term. This is where the idea of REGMIFA was born.

We then took the opportunity to suggest to participants at the 2007 G8 Summit in Heiligendamm, Germany, the establishment of an investment fund for the promotion of micro, small and medium-sized enterprises (MSMEs) in sub-Saharan Africa. The idea was strongly welcomed and the German Government asked KfW to coordinate this idea closely with other development finance institutions, international finance institutions and donor governments to make it a multi-party initiative. Finally, we acted as structuring agent and brought together 10 different investors. The fund was launched in 2010.

What role do you play within REGMIFA today?

I have had the privilege to be with REGMIFA from the start, with operations running since 2010 and a portfolio of about 104 million U.S. dollars at the beginning of this year. I contribute to REGMIFA as the Chairman of the Investment Committee, for which I received a personal mandate, independent from my current tasks as Head of KfW Entwicklungsbank's Financial and Private Sector Division for sub-Saharan Africa. The REGMIFA Investment Committee decides on all investment and divestment proposals presented by the Investment Manager (Symbiotics). Its primary task is to supervise the Investment Manager's performance in these major areas: developing the pipeline, portfolio transactions, portfolio performance, the hedging approach for local currency transactions, and compliance with all investment guidelines. As REGMIFA is working in an open market, we are often challenged with unforeseeable developments and have to make adjustments to our policy. This applies in particular to compliance with our key benchmarks, and limits the application of a market-oriented, risk-mitigating strategy for foreign exchange exposure, or the continuing development of eligibility criteria for our partner microfinance institutions. We are fortunate to have developed a rather speedy approval process, although the Investment Committee now holds monthly meetings due to growing demand.

What are your major successes and future aims for the funds?

We are proud of having established REGMIFA as a structured fund that applies very high standards, rules and procedures which ensure best practice lending in local currency to African MFIs and sets standards in the market. The investment advisory reports (provided by the Investment Manager), which form the basis for the Investment Committee's decision on individual lending proposals, fulfill the highest professional requirements in many respects. They cover all essential aspects of a borrowing financial institution—its institutional background, governance, mission, management, operational and financial performance, and risk assessment. Having accompanied the Investment Manager in the building up of these standards, we would now like to support the Investment Manager in consolidating growth and furthering innovation.

Please tell us about what you like to do in your leisure time?

I love going mountain biking, jogging, and skiing. I also like photography and going to theater performances.

Do you have a favorite city or place on the African continent?

Yes, the Serengeti National Park in Tanzania because it stands alone for its magnitude, calmness and the beauty of nature, of which we are only mere fragments.

Do you have a personal motto that you live by?

Enjoy when you can and endure when you must.

If there was one thing you could change in the world, what would it be?

War.

What are you reading right now?

Corrections, by Jonathan Franzen

Do you have a favorite novel or author?

Not a single one, but the German classics—Goethe, Schiller, Hesse, Böll, M. Walser—have been important in my life.

Zimbabwe 10 Key Indicators (2013*)

POPULATION	POP. LIVING IN POVERTY	HUMAN DEV. RANK	GDP PER CAPITA	REAL GDP GROWTH
13.2 million	68%	172/187	USD 600	4.4%

*or latest available

Meet Mrs. Fadzai Bhanisi

garments and blankets seller

Mrs. Bhanisi, a mother of three, runs her small business in the vibrant market of Harare, the capital city of Zimbabwe. She sells garments, blankets, and small appliances such as radios. Her husband is based in South Africa and supports the family by sending money back home. Mrs. Bhanisi's sister also helps run the business from time to time.

Mrs. Bhanisi has been borrowing from MicroKing (MK) for the last three years to meet her financing needs to expand her business. She currently has an outstanding loan of USD 750, her third loan from MicroKing, which has enabled her to buy stocks of blankets. Low interest rates and flexible repayment terms are the main benefits that attracted her to this institution.

Empowered and successful, Mrs. Bhanisi is planning to buy property at another location. In order to achieve this plan, she is counting on the fact that MicroKing will be offering housing loans in the near future.

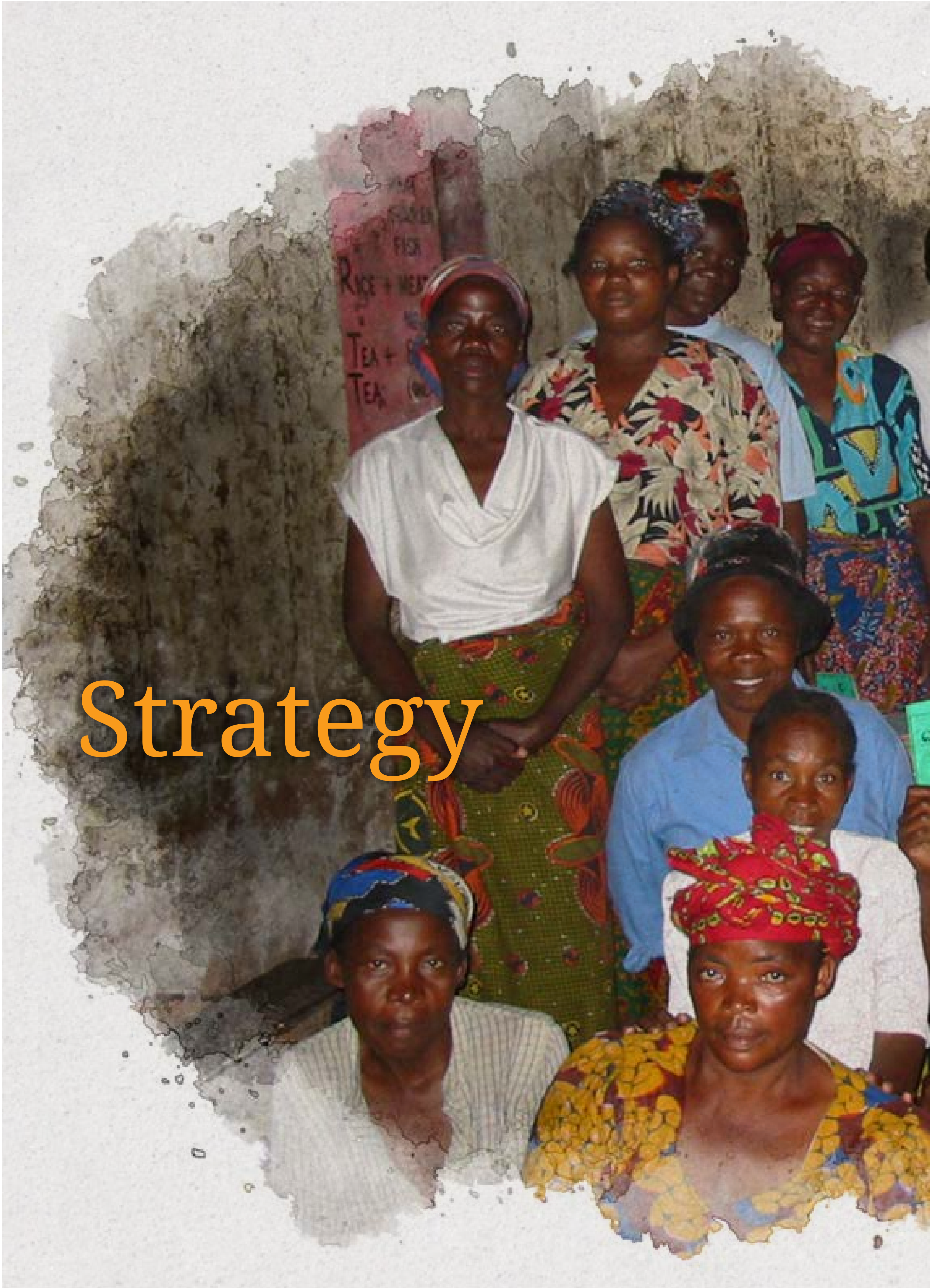
Zimbabwe is an agricultural-based economy. Its agriculture sector was hampered by the regime's land reform program in 2000, leading to food shortages. Hyperinflation soon followed and the economy collapsed, leading to a decade of negative growth. Dollarization in April 2009 brought stability and helped reduce inflation. Despite a recent surge in the mining sector and a growing economy, Zimbabwe still has widespread poverty, high unemployment, and political uncertainty. Microfinance began in the early 1990s and suffered during the period of hyper-inflation, with nearly all microfinance institutions (MFIs) being de-capitalized. The microfinance sector continues to be characterized by high interest rates, liquidity constraints due to limited funding availability, and a wave of new entrants providing primarily consumer lending. The new Microfinance Act (August 2013) aims to stabilize the industry's legislative landscape, with clearer rules for all credit-only and deposit-taking MFIs.

MicroKing is the country's leading MFI. It was founded in 2001 as a division of Kingdom Bank and licensed in 2006 as an independent entity wholly owned by AfrAsia Kingdom Zimbabwe. MK provides five loan products—individual and group working capital, asset finance, salary and agriculture—through its 10 branches to clients mainly active in trade (46%). Its main portfolio consists of individual business loans and consumer loans (53% and 29% respectively). Since 2010, it has enjoyed fast but decreasing growth coupled with strong profitability despite high borrowing costs. By 2015, it aims to reach its strategic goal of 66,000 clients and to increase its current market share from 28% to 40%; it also expects its gross loan portfolio to reach USD 40 million.

REGMIFA is supporting MicroKing with a USD 2 million senior debt investment. Business planning and credit risk management have been identified as key areas for a potential technical assistance intervention in 2014.

INFLATION RATE	FOREX HEDGING COSTS (36M)	PRIVATE CREDIT	FOREIGN AID	REMITTANCES
8.2%	n.a.	44.5% GDP	USD 715 million	USD 43.7 million

Strategy



Strategy

MSMEs form the backbone of every economy; they are the engines of growth and income generation. A lack of financial resources constrains African MSMEs from realizing their full potential. Removing these obstacles and unlocking the potential of local capital markets is a priority for REGMIFA investors.

In accordance with its mission, REGMIFA's strategy is to foster economic development and prosperity, as well as employment creation, income generation and poverty alleviation in sub-Saharan Africa through the provision of innovative financial products and, where applicable, technical assistance support to eligible partner lending institutions (PLIs) that serve micro, small and medium-sized enterprises (MSMEs).

REGMIFA's development goal is to reach and support MSMEs through active partnerships with PLIs. The Fund is founded on the principles of the Paris Declaration; it seeks to increase investor effectiveness by pooling resources and harmonizing standards in REGMIFA's investment and technical assistance support activities. Thus, the Fund observes the principles of sustainability and additionality, combining public mandate and market orientation. Moreover, removing the obstacles to African MSMEs and unlocking the potential of local capital markets is a priority for our investors.

Fund

REGMIFA is a debt fund with a focus on financing regulated and non-regulated microfinance institutions, local commercial banks and other financial institutions (PLIs) that are established in sub-Saharan African countries and serve micro, small and medium-sized enterprises (MSMEs). It provides its PLIs with longer term senior loans, subordinated debt, term deposits and guarantee schemes, the majority of which are delivered in local currency.

The Fund aims to build a balanced portfolio, with small and medium-sized PLIs targeted at comprising the majority of the Fund's client mix. Small PLIs (Tier 3) include those with total assets below USD 10 million, medium PLIs (Tier 2) include total assets between USD 10 million and 30 million, and large PLIs (Tier 1) include total assets exceeding USD 30 million.

Fund Structure

Founded as a public-private partnership aimed at establishing a vehicle to combine funds from public and private investors, REGMIFA is structured as a multi-layer fund that reflects the risk/return requirements of its investors. In order to meet these requirements, three shareholder classes (A, B, C) have been established, as well as two noteholder classes (senior and subordinated), with each share and note class possessing its own risk profile and targeted return.

Legal Name

Regional Micro, Small and Medium Sized Enterprises Investment Fund for sub-Saharan Africa S.A., SICAV-SIF (REGMIFA)

Fund Type

Investment public limited company under Luxembourg Law, qualified as Specialized Investment Fund

Registered Office

5, rue Jean Monnet
L-2013 Luxembourg

Inception Date

May 2010

Main Financial Products

Medium- to long-term senior loans at fixed and floating interest rates, term deposits, letters of credit, guarantees

Investment Currency

USD, EUR, local currency

Investment Manager and TA Facility Manager

Symbiotics SA

Structuring Agent

Kreditanstalt für Wiederaufbau (KfW)

General Secretary

Innpact Sàrl

Custodian / Administrator

Credit Suisse Fund Services (Luxembourg) SA

Legal Counsel

Linklaters LLP

Auditor

Ernst & Young SA

The C-Shares form the foundation of the capital structure. They are primarily subscribed by development financial institutions and comprise a mandatory minimum of 33% of REGMIFA's total assets. In addition to this core quality, by representing the first loss tranche layer, they provide an appropriate cushion to investors that contribute to REGMIFA's development impact by underwriting A-Senior and B-Mezzanine Shares and Senior and Subordinated Notes.

Investors

Initiated at the G8 Summit in Heiligendamm, REGMIFA is a public-private partnership aimed at establishing a vehicle to combine funds from public and private investors. Among the public investors are the French Development Agency (AfD), the German Federal Ministry for Economic Cooperation and Development (BMZ), the Belgian Investment Company for Developing Countries (BIO), the European Investment Bank (EIB), the Netherlands Development Finance Company (FMO), the Spanish Development Bank (ICO), the International Finance Corporation (IFC), KfW Bankengruppe (also acting as the structuring agent), the Spanish Ministry of Foreign Affairs and cooperation (MAEC), the Norwegian Microfinance Initiative (NMI), the Development Bank of Austria (Oesterreichische Entwicklungsbank – OeEB), and the French Investment and Promotions Company for Economic Cooperation (Proparco).

TA Facility

Following the inception of the REGMIFA fund, the REGMIFA TA Facility was launched in 2011 to complement the financial services delivered to the existing investees of the Fund. The REGMIFA TA Facility is a key part of the Investment Fund's value proposal, enabling it to provide technical support to MSME financial institutions in sub-Saharan Africa and increase their developmental impact while mitigating risk at the Fund level. The Facility's activities are specifically targeted at supporting the investment portfolio of the Fund and are complementary to other industry initiatives in the region. The approach of the implementation and management of the Facility is based on the following principles:

- **Delivery of high-quality consultancy services**
- **Fair and transparent processes and procedures**
- **Provision of services based on clients' needs.**

Despite the fact that REGMIFA operates as one partner, the REGMIFA TA Facility is a separate entity with its own oversight body—the TA Facility Committee—and is governed by its own rules and regulations, making decisions independently from the Fund. The daily operations and project implementation, including the management of the consultant pool of more than 425 consultants, is coordinated by the TA Facility Manager, namely Symbiotics SA.

Contributors

The Spanish Agency for International Development Cooperation (Agencia Española de Cooperación Internacional para el Desarrollo – AECID), the German Federal Ministry for Economic Cooperation and Development (BMZ), the European Union, the German development bank KfW Bankengruppe, the European Investment Bank (EIB), the Development Bank of Austria (Oesterreichische Entwicklungsbank – OeEB), and the REGMIFA Fund.

REGMIFA's capital structure embodies the principle of public-private partnership by leveraging public funds as a risk cushion to attract significant private sector capital to sub-Saharan Africa.

Debt
Senior Notes
Subordinated Notes

Equity
A Shares
B Shares
C Shares

The TA Facility aims to provide high-quality consulting services to our partner lending institutions.

Legal Structure
Fiduciary Agreement / Fiducie; under Luxembourg law on trust and fiduciary contacts

Start of Operations of the TA Facility
January 2011

TA Facility Manager
Symbiotics SA

TA Advisor
Microfinanza Sarl

Fiduciary custodian
Credit Suisse (Luxembourg) SA

Tanzania 10 Key Indicators (2013*)

POPULATION
48.2 million

POP. LIVING IN POVERTY
28.2%

HUMAN DEV. RANK
152/187

GDP PER CAPITA
USD 1,600

REAL GDP GROWTH
6.9%

*or latest available

Meet Mr.Geoffrey Mtini

owner of a business producing cleaning brushes made with local wood

Mr. Geoffrey Mtini lives on the outskirts of Dar es Salaam. His wife is a teacher and they have four children; the eldest is 14 years old. In 2005 he opened a business producing cleaning brushes made with local wood. Production is executed in three phases: the wood is first shaped and smoothed, the holes are then drilled, and finally a filling machine inserts the bristles in the holes. As a complement to this activity, Mr. Mtini also develops cleaning products (soap, tile cleaner). He received a first loan from Entrepreneur Financial Center Tanzania (EFC) in 2012 amounting to TZS 5 million (USD 3,000) to grow his business. The loan helped him employ more people (11 permanent staff currently) and sell his products to more than 100 clients, including supermarkets and wholesalers. As he resides far from EFC's branch, Mr. Mtini sometimes repays his loan through mobile services like M-Pesa. In the near future, he would like to take out a second loan of TZS 10 million (USD 6,000) in order to buy new materials and an additional machine.

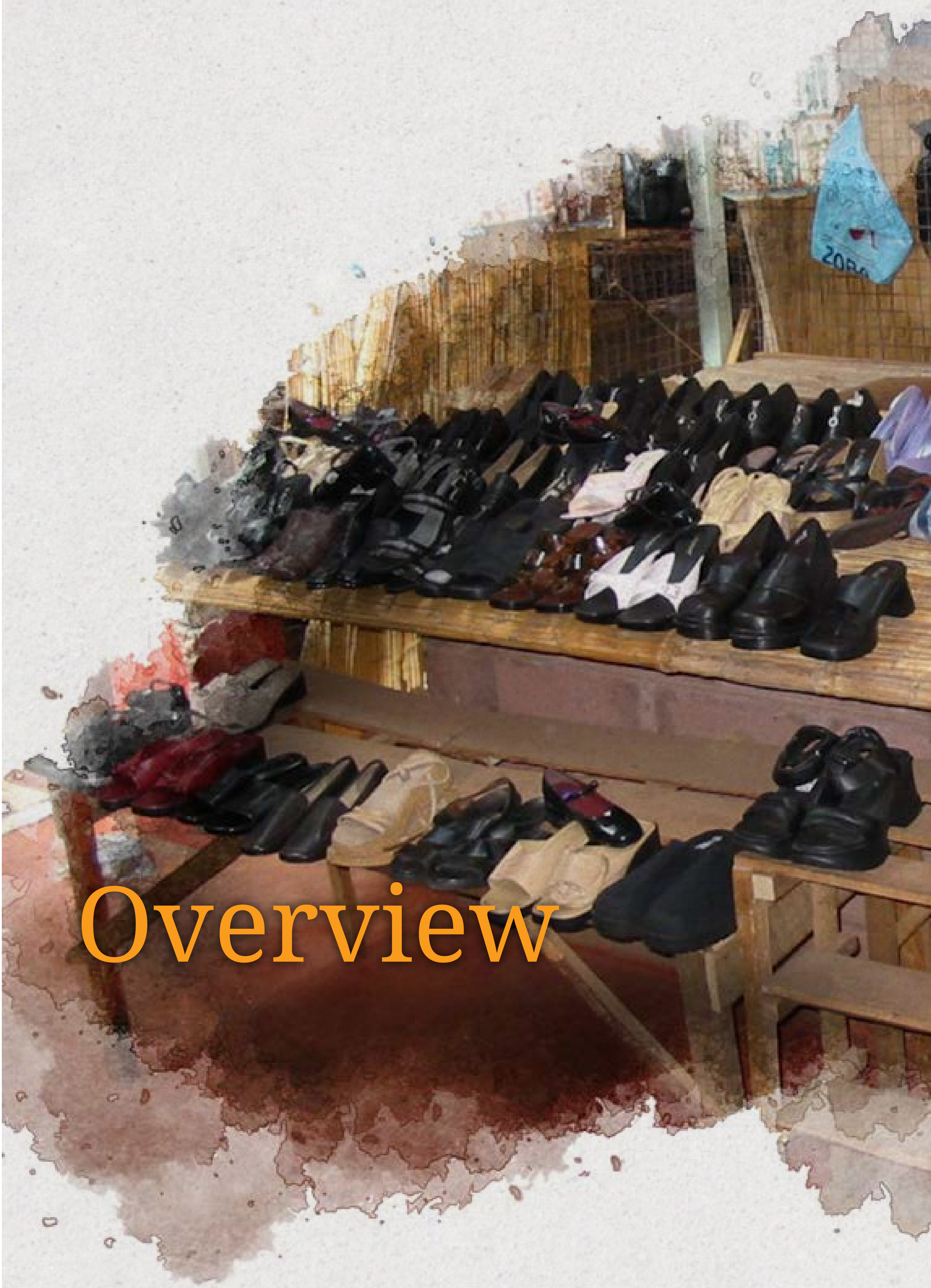
Situated in Eastern Africa, Tanzania is one of the poorest economies in terms of per capita income. It has attracted donor funding and investments during the past 10 years. Non-governmental organizations (NGOs) and savings and credit cooperative organizations (SACCOs) pioneered the microfinance industry, which is currently led in size by the National Microfinance Bank (NMB). The sector has been expanding since 2000, when commercial banks and other institutions active in the industry started downscaling to microfinance. The country's "Microfinance Regulations", approved in 2005, are starting to generate positive results with two microfinance companies (MFCs) having recently been given operating licenses. CreditInfo Tanzania, the newly opened private credit reference bureau in Dar es Salaam, further complements the Government's efforts to improve financial inclusiveness in the country.

The Entrepreneur Financial Center Tanzania (EFC) is a deposit-taking institution founded by Développement International Desjardins (DID owns 34%). It started operations in July 2011 and is the first MFC to be licensed and regulated by the Bank of Tanzania. EFC serves the micro and small entrepreneur (MSE) market by providing business loans ranging from USD 3,000 to USD 30,000. It also offers two housing products (Home Improvement Loans and Home Ownership Savings Accounts). Clients who are living in urban areas in Dar es Salaam are eligible to become shareholders of EFC through the Client Share Ownership Programme (CSOP), a first of its kind in the Tanzanian microfinance sector. After incurring losses during its first two years of operations mainly due to high start-up costs and regulatory provisioning rules, EFC expects to earn profits from October 2013 and reach an annual breakeven point in December 2014. High growth is expected to continue through 2015 with the current product base and the development of mobile banking services.

REGMIFA is supporting EFC with a senior debt investment of USD 750,000. A TA project to assist EFC in the opening of a new business loan center and in its institutional development is under discussion.

INFLATION RATE	FOREX HEDGING COSTS (36M)	PRIVATE CREDIT	FOREIGN AID	REMITTANCES
16%	12%	17.9% / GDP	USD 2.44 billion	USD 67.4 million

GREETINGS
STRATEGY
OVERVIEW
PERFORMANCE
AUDITED FINANCIAL STATEMENTS
ADDITIONAL INFORMATION



Overview

Highlights of 2013

01 Crossed USD 100 million mark

By end of the year, the investment portfolio crossed the USD 100 million mark and reached a nominal value of 104.3 million, thanks to overall disbursements of USD 52.2 million during 2014 and a net growth of 26.4 million.

A total of 40 transactions were made during the year, while 19 loans came to maturity, totaling 75 outstanding investments at year's end. Relationships with 11 new PLIs were established, resulting in a portfolio of 37 PLIs. The Fund increased its outreach by carrying out first-time investments in five new countries: Angola, Chad, Democratic Republic of the Congo, Rwanda and Zimbabwe.

02 Continued focus on local currency

The REGMIFA fund maintains its strong focus on supporting its partner institutions by providing loans in local currencies to prevent them from being exposed to volatility caused by currency movements: 86% of the Fund's outstanding loans at year's end are denominated in local currency. The remainder of the portfolio is denominated in hard currency due to investments in dollarized economies (Democratic Republic of the Congo, Zimbabwe) or for regulatory reasons (Tanzania). The Fund continued its strategy of maintaining limited open currency exposure, representing 5% of the portfolio, in Ghanaian Cedi, Ugandan Shilling and the CFA Franc (XOF, XAF).

03 Issued first subordinated debt

REGMIFA issued its first subordinated debt of USD 3 million (2.9% of total portfolio) to support one of its partner lending institutions. Subordinated debt, through the strengthening of Tier 2 capital, may allow an institution to raise further capital, thus increasing its outreach to end borrowers. It can be argued that subordinated debt has far reaching social benefits due to its multiplier effect on capital.

04 Impact study

In 2013 an impact study was launched to gain detailed insight into the financial and social influence of the services provided by the Fund and the Technical Assistance (TA) Facility to the PLIs. The final report was expected by Q2 2014.

05 Two new market studies launched

Two market studies with a focus on Tanzania, Rwanda, Malawi, Democratic Republic of the Congo and Niger were launched in 2013, with the target of identifying opportunities to go deeper into the market and reach out to smaller PLIs.

06 First technical assistance package encompasses 28 PLIs

In the first semester of 2013, the first TA package on "Strengthening Middle Management Skills: Capacity Building on Leadership, Management and Supervisory Skills" was awarded via the first international tender. By the end of this TA assignment, which is planned to last 13 months, the mid-managers of 28 PLIs will have undergone comprehensive training and mentoring activities in leadership, management and supervision. In addition, selected key personnel from each PLI will be designated as trainers and able to deliver the trainings provided in this TA assignment to additional staff in the future.

07 Marketing highlights

The investment manager increased REGMIFA's presence by participating in various regional events, including the African Microfinance Conference in August 2013 in Durban, South Africa and the African Microfinance Transparency Forum in December 2013 in Arusha, Tanzania. These marketing events proved very helpful in raising the profile of the Fund, building contacts with potential partners, strengthening the relationship with existing investees, and receiving feedback on the services provided by REGMIFA and on the TA projects.

In 2013, REGMIFA

CROSSED THE

USD 100

MILLION MARK, PORTFOLIO AT

USD 104.3 million

GREW BY

USD 26.4 million

CARRIED OUT

40 transactions

ADDED

11 new PLIs

Invested in five new countries: Angola, Chad, Democratic Republic of the Congo, Rwanda and Zimbabwe

Was awarded the LuxFLAG Microfinance Label for the third consecutive year.

Market Overview and Outlook

Environment and Challenges in 2013

African countries continued to see improved social and economic situations in 2013. However, growth has slowed in countries where political and social tensions have arisen, such as Mali, Central African Republic, Democratic Republic of the Congo, South Sudan and Somalia. In East Africa, after a peaceful presidential election in Kenya in March 2013, inflation stabilized and economic growth, driven by Kenya and Tanzania, had a positive impact on micro-entrepreneurs. In Ghana, local currency depreciation (24% in 2013) and inflation (13.5% in 2013) impacted micro-entrepreneurs' activities, with portfolio at risk (PAR) increasing, while a lack of hard currency made foreign payments increasingly difficult. In Nigeria, the security situation remained worrying in the North, where there have been frequent attacks by Boko Haram. However, strong economic development in the second half of the year prefigured a potential strong year in 2014 for the microfinance sector. Positive developments in microfinance regulations were noticed as well in 2013. For example, Tanzania saw the opening of its first credit bureau, while an amendment of the Microfinance Act was passed in Kenya. In Nigeria, the Central Bank released new guidelines for the swift implementation of the next stage of the Nigerian Financial Inclusion Strategy (NFIS) project, extended its cashless banking initiative, and enforced a number of steps regarding client protection.

Fund Outlook for 2014

Indicators continue to be positive for 2014 in sub-Saharan Africa, with GDP growth projected above 5% for the region, driven by changes in information and communication technology, demographic growth, rapid urbanization, and commodity exports. Many countries in the region face important election periods in 2014 or early 2015, with a potential impact on the microfinance sector (Nigeria, South Africa, Mozambique, Malawi, and Angola, among others). In the West African Economic and Monetary Union (UMOA), a new interest cap of 24% was set in January 2014 by the central bank, with microfinance institutions (MFIs) now facing profitability challenges. The difficult monetary situations in Ghana, due to a lack of foreign currency reserve, and in Nigeria, due to a strengthening of regulations, will need to be closely monitored for the development of the Fund's investments. However, microfinance indicators continue to be positive for the region, which is set to drive the targeted growth of the Fund.

Technical Assistance Facility Outlook 2014

Taking into account the realities of the Technical Assistance (TA) Facility operating environment and requests for mainly a customized approach with relatively small project amounts, the results for 2013 proved successful for the applied "four pillar" strategy (customized single-focus, customized multi-focus, TA packages and training grants), increasing the average project size and allowing for efficiency gains. With a strong foundation built by the solid relationships established with its partner lending institutions (PLIs) and a promising project pipeline, the TA Facility will pursue this strategy further. Specifically, the 2014 project pipeline contains three TA packages and four multi-focus TA projects. The TA package approach implies that the common TA needs among the existing PLI portfolio will be identified and that the contracted consultant will deliver services to multiple PLIs. In the multi-focus TA project approach, the TA Facility Manager will identify the most important TA needs (in more than one area) for a single PLI and will design a multi-focus project to be implemented by one consultant. In terms of outreach, the TA Facility will not only look at PLIs that are already investees, but will also involve institutions that are considered potential investees.

Nigeria 10 Key Indicators (2013*)

POPULATION	POP. LIVING IN POVERTY	HUMAN DEV. RANK	GDP PER CAPITA	REAL GDP GROWTH
174.5 million	70%	153/187	USD 2,700	6.6%

*or latest available

Meet Mrs. Patience Nosakhare

snacks and drinks seller

Mrs. Patience Nosakhare is 38 years old and lives in a suburb of Benin City with her three kids. After a long period of unemployment, she opened a small shop selling snacks and drinks to support her family. To finance her business, she has taken out loans from LAPO through Osata Group and is already in her third loan cycle. Osata Group brings together 20 women living in the same neighborhood who can save and/or borrow, with borrowers deciding on the loan amounts depending on needs and repayment capacity. Her outstanding debt amounts to NGN 50,000 (USD 314), enabling her to buy stock and generate income. Mrs. Nosakhare plans to expand her business in the near future by providing a more diversified product offering in order to attract more clients.

Nigeria is the most populous country in Africa. In 1999, the country completed its transition to a civilian government following 16 years of military rule. Nigeria is Africa's leading oil producer, with the sector accounting for 20% of GDP and 90% of export revenue. Despite healthy GDP growth rates of 7.5% over the last decade, the population's living standards have yet to improve due to longstanding ethnic and religious tensions, corruption, and slow implementation of reforms. With a strong savings culture and high entrepreneurial activities, Nigeria has huge potential for microfinance, which was initiated formally in the late 1990s. Today, almost 900 microfinance banks (MFBs) are registered. Regulation and supervision by the Central Bank has been improving since 2010, with new prudential ratios and guidelines to prioritize organic growth for MFBs. In April 2012, a "cash light" policy was introduced in Lagos to push electronic transactions and mobile banking. However, the sector's current overall outreach to microenterprises remains low.

Lift above Poverty Organization (LAPO) was established in 1987 as an NGO and is today the leading microfinance institution (MFI) in Nigeria, operating in 27 out of 36 states through 320 branches. The MFI is only one of two institutions in Nigeria that received a national microfinance bank license from the Central Bank of Nigeria in September 2012. Since September 2013, LAPO has shown excellent gross loan portfolio quality thanks to strong social values coupled with solid internal controls. LAPO's portfolio yield fell from 90% in 2009 to a still very strong 50% today due to decreasing interest rates. The entire capitalization of LAPO's high profits has enabled equity growth and a rise in capital adequacy ratio from 24% in 2012 to 27% as of September 2013. With the enormous potential of the Nigerian market, LAPO aims to reach 5 million clients by 2017. Its strategy will revolve around savings and technology, with mobile banking solutions enabling the diversification of existing products and services, the reinforcement of savings mobilization and targeted individual lending.

Since 2011, REGMIFA has been supporting LAPO and has provided senior debt in local currency, equivalent to USD 9 million, along with two TA projects on making LAPO MFB compliant with International Financial Reporting Standards (IFRS) norms and strengthening local staff SME lending capacities.

INFLATION RATE	FOREX HEDGING COSTS (36M)	PRIVATE CREDIT	FOREIGN AID	REMITTANCES
12.2%	14%	20.9% / GDP	USD 1.8 billion	USD 20.6 billion

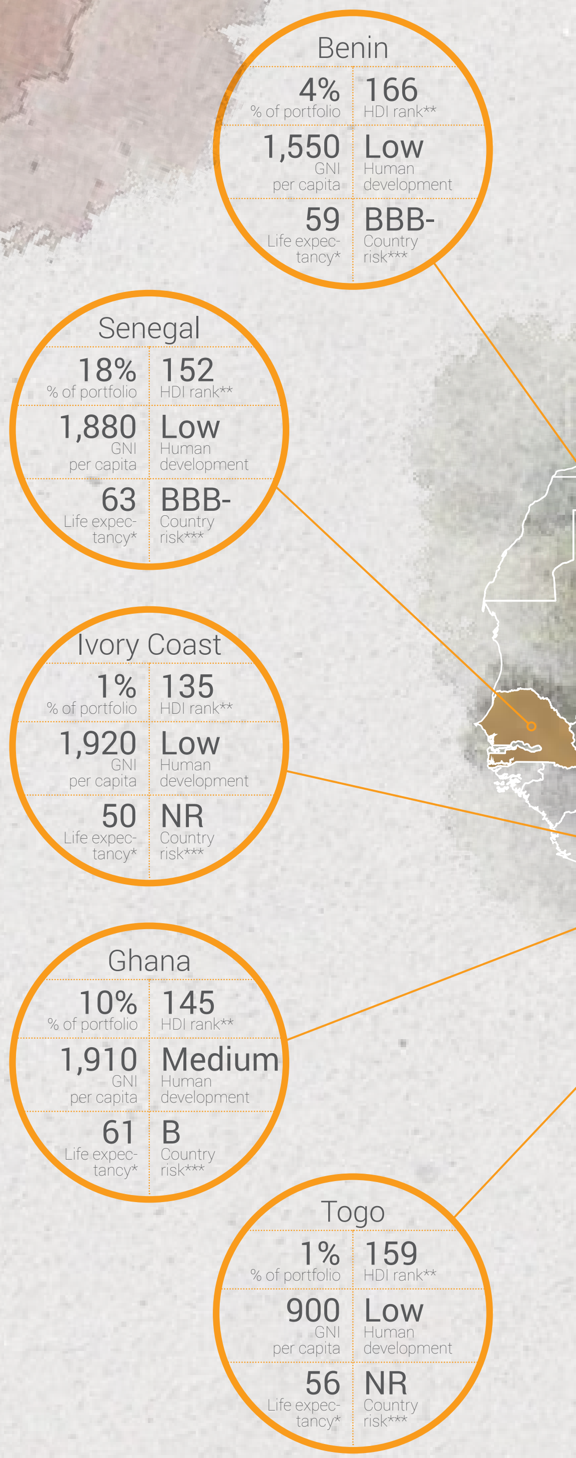
Performance

Development Impact

Sector Level

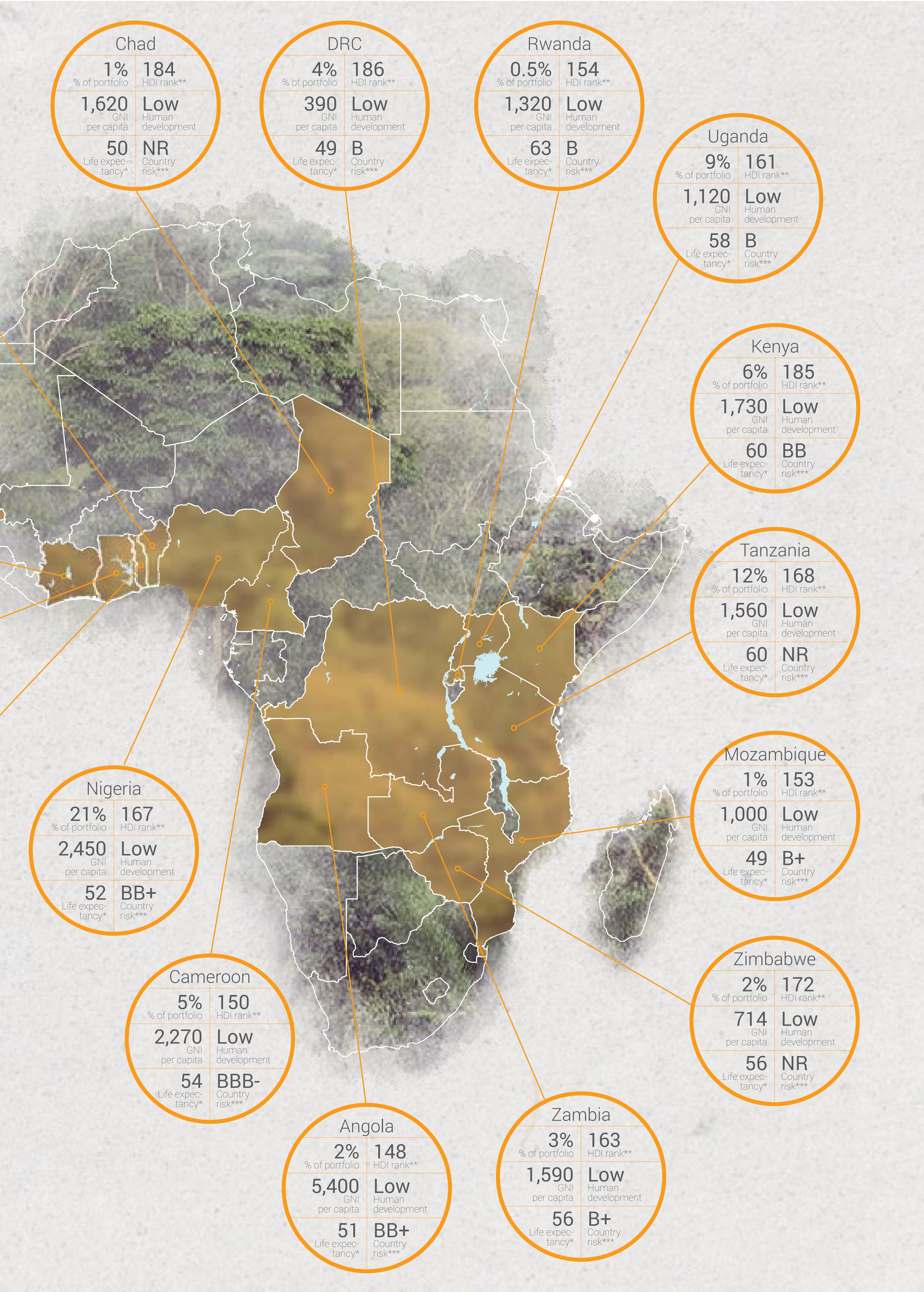
In 2013, the Fund maintained its growth momentum by investing USD 52.2 million and ended the year with an outstanding portfolio of USD 104.3 million, registering total net growth of 33.8% compared to 2012. The Fund increased its geographical outreach to 17 countries in sub-Saharan Africa by adding five new countries to its portfolio.

The Fund made 90% of its total investments in countries with low human development: an average United Nations Human Development Index (HDI) of 161 out of 187, a life expectancy of 57 years, and USD 1,851 gross national income per capita.



Data source: United Nations Development Programme (UNDP) database at https://data.undp.org/dataset/Inequality-adjusted-HDI-value/9kqn-ia92

NR - No rating available


Chad
1% % of portfolio
184 HDI rank**
1,620 GNI per capita
Low Human development
50 Life expectancy*
NR Country risk***
DRC
4% % of portfolio
186 HDI rank**
390 GNI per capita
Low Human development
49 Life expectancy*
B Country risk***
Rwanda
0.5% % of portfolio
154 HDI rank**
1,320 GNI per capita
Low Human development
63 Life expectancy*
B Country risk***
Uganda
9% % of portfolio
161 HDI rank**
1,120 GNI per capita
Low Human development
58 Life expectancy*
B Country risk***
Kenya
6% % of portfolio
185 HDI rank**
1,730 GNI per capita
Low Human development
60 Life expectancy*
BB Country risk***
Tanzania
12% % of portfolio
168 HDI rank**
1,560 GNI per capita
Low Human development
60 Life expectancy*
NR Country risk***
Mozambique
1% % of portfolio
153 HDI rank**
1,000 GNI per capita
Low Human development
49 Life expectancy*
B+ Country risk***
Zimbabwe
2% % of portfolio
172 HDI rank**
714 GNI per capita
Low Human development
56 Life expectancy*
NR Country risk***
Zambia
3% % of portfolio
163 HDI rank**
1,590 GNI per capita
Low Human development
56 Life expectancy*
B+ Country risk***
Angola
2% % of portfolio
148 HDI rank**
5,400 GNI per capita
Low Human development
51 Life expectancy*
BB+ Country risk***
Cameroon
5% % of portfolio
150 HDI rank**
2,270 GNI per capita
Low Human development
54 Life expectancy*
BBB- Country risk***
Nigeria
21% % of portfolio
167 HDI rank**
2,450 GNI per capita
Low Human development
52 Life expectancy*
BB+ Country risk***

PLI Level

In May 2013, REGMIFA engaged Planet Rating to conduct an impact assessment of the REGMIFA Intervention (Fund and Technical Assistance) on PLIs, with the general objective of assessing the financial and social impact of the REGMIFA Intervention at the Institutional level of PLIs. The findings confirm that the TA Facility's intervention helped PLIs improve their risk profile in areas such as institutional transformation, risk management, customer service, and management information system (MIS) improvement, while the Fund's investment activity sustained PLI growth. Both interventions contributed to raising the profiles of the PLIs with international commercial investors.

The Fund's investees displayed healthy profitability figures and solid loan portfolio quality, with an average portfolio at risk greater than 30 days of 4.8%, while at the same time reaching out to the lower income segments of the population as illustrated by an average loan balance of USD 537.

End Borrower Level

In 2013, REGMIFA's funding reached out to 194,303 end borrowers. These borrowers were:

- Mostly women (71%)
- Located in urban areas (64%)
- Spread throughout 17 different countries, notably Nigeria (33%), Ghana (18%) and Tanzania (12%)
- Running a micro, small or medium-sized business (94%)
- Primarily involved in trade (72%), but also other types of activities (service, agriculture or manufacturing).

They received loans that:

- Averaged USD 537
- Represented 28% of gross national income (GNI) per capita
- Included both individual (68%) and group loans (32%)
- Had a repayment rate of 94%.

These borrowers also have access to a wide range of services offered by PLIs, including:

- Savings products (81% of PLIs), such as time and sights deposits, checking, or special purpose accounts
- Insurance products (86%), such as life insurance
- Other financial services, such as remittances (76%) and payment services (49%)
- Non-financial services (38%), such as business development, education or health services.

End-borrowers by:

gender

71% women

26% men

3% entities

activities

72% trade

8% service

10% production

3% other

7% agriculture

location

64% urban

36% rural

PLI services by:

credit products

72.5% micro enterprise

21.4% small & medium -sized enterprise

3.1% consumption

1.7% other

0.9% housing

0.3% education

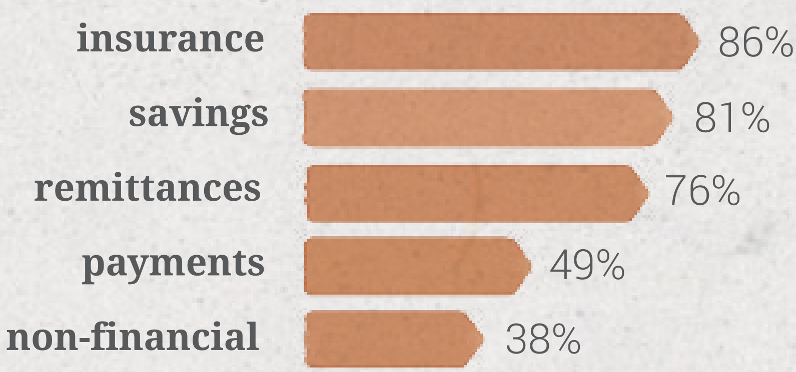
0.1% large enterprise

lending methodology

68% individual

32% small solidarity group

services other than credit

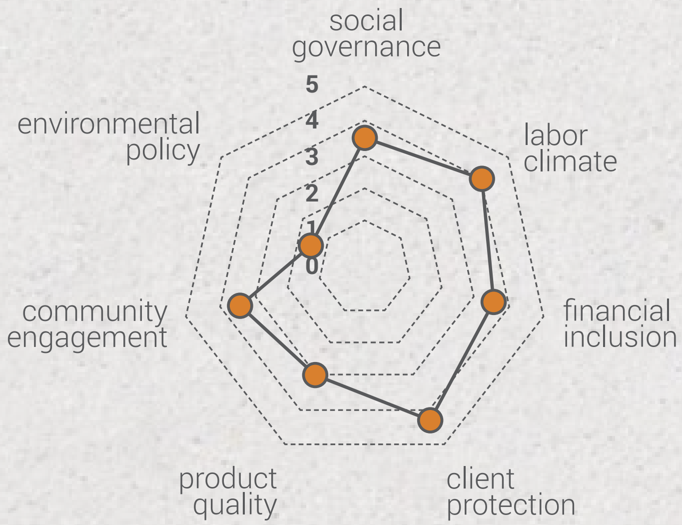


Average Social Score of the Portfolio ★★★½☆

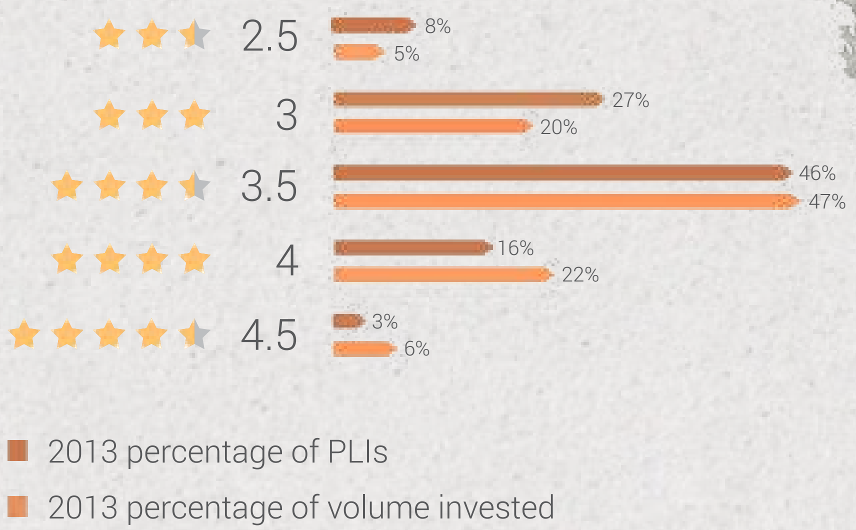
REGMIFA's partner lending institutions (PLIs) maintained an average social rating of 3.6 stars, which translates to "strong likelihood of contributing to sustainable development; low risk of having negative social impact".

The social rating of a PLI is a key parameter in the investment decision. REGMIFA invests in PLIs that are socially oriented and have a score of 2.5 stars or higher. PLIs with a strong or very strong likelihood of contributing to sustainable development received 95% of the invested portfolio.

2013 Portfolio ESR Rating



Portfolio distribution by ESR Rating of PLIs



Social Responsibility Policy

REGMIFA pursues a triple bottom line strategy aiming to promote sustainable development actively in sub-Saharan Africa. The governance of the Fund makes sure each step of the investment process reflects this strategy.

The Social Responsibility Policy includes:

- The Fund's environmental and social responsibility (ESR) procedures defining its ESR strategy
- The ethical chart based on the client protection principles (CPP) to which the Fund adheres
- The ESR Compliance Officer who is in charge of ensuring the compliance with ESR procedures
- The regular training of REGMIFA staff on ESR and client protection issues
- The social rating tool used to assess PLIs, select them, identify needs for technical assistance (TA), and monitor results
- The systematic incorporation of ESR issues in investment decision-making and loan agreements
- The annual ESR report informing investors of the Fund's ESR performance level
- The Fund's income distribution mechanism, including a contribution to the TA facility
- Regular external ESR assessments of the Fund's activities (social audit undertaken in 2012, impact assessment of the REGMIFA intervention on PLIs in 2013)

The Fund uses a social rating tool to rank PLIs according to their commitment to social and environmental goals and distinguishes the most socially oriented institutions from those that adhere to less-ethical business models. The main purpose of the tool is to assess a PLI's commitment to and capacity for sustainable development, the effectiveness of the institution's systems and services in this area, and its results. The Fund measures a PLI's performance on seven dimensions: social governance, labor climate, financial inclusion, client protection, product quality, community engagement, and environmental policy.

Methodology to assess social outreach

The Fund uses a weighted average system based on its investment in each PLI to compute the ESR indicators contained in this report, which are in line with the Consultative Group to Assist the Poor (CGAP) Microfinance Investment Vehicles (MIV) Disclosure Guidelines. We believe that such a methodology allows for the more accurate assessment of the Fund's social outreach. Statistics on services other than credit exclude compulsory savings and credit life insurance products.

★★★★★ *Extremely strong likelihood of contributing to sustainable development. Extremely low risk of having negative social impact.*

★★★★☆ *Very strong likelihood of contributing to sustainable development. Very low risk of having negative social impact*

★★★☆☆ *Strong likelihood of contributing to sustainable development. Low risk of having negative social impact*

★★☆☆☆ *Moderate likelihood of contributing to sustainable development. Moderate risk of having negative social impact*

★☆☆☆☆ *Very low likelihood of contributing to sustainable development. Very high risk of having negative social impact*

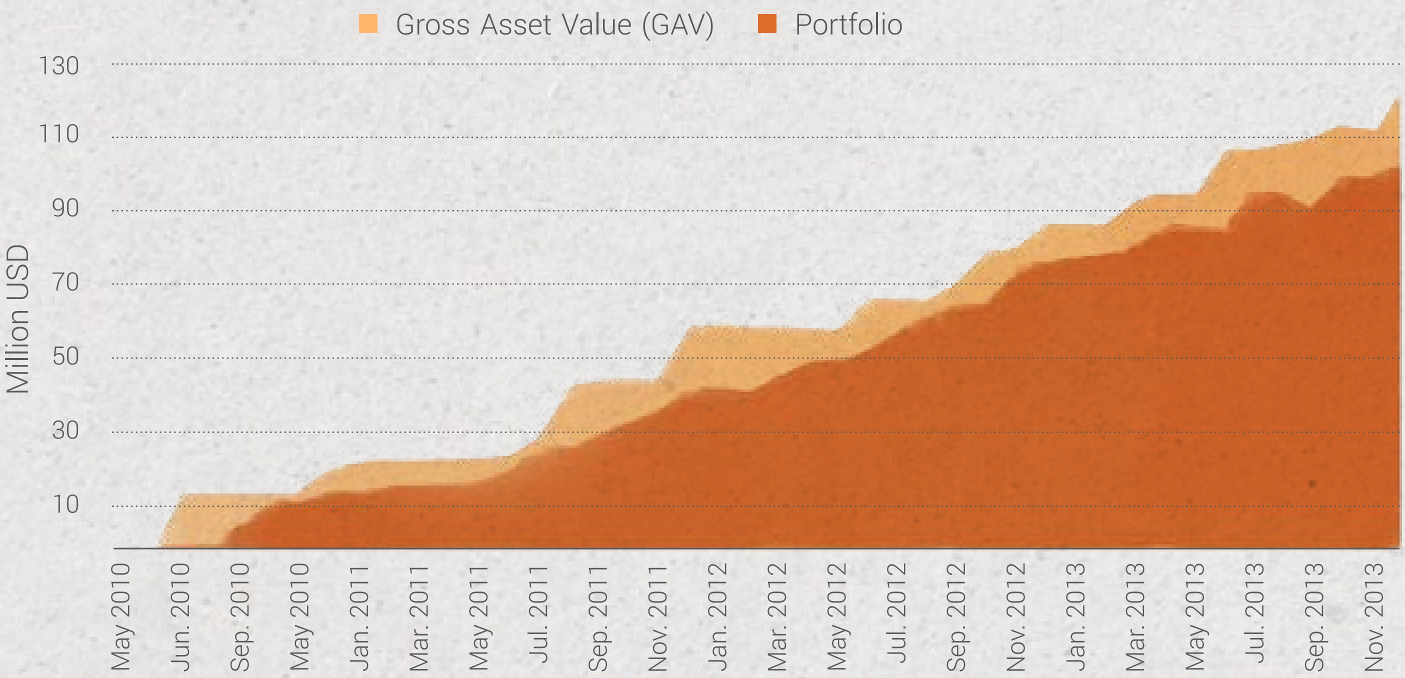
Investments and Partner Lending Institutions

REGMIFA's portfolio grew by net USD 26.4 million during the year to reach USD 104.3 million. Of this net growth, the Fund disbursed 75% of the volume to new institutions added to the portfolio in 2013, while 25% went to previous partners of the Fund in the form of top-up loans for their consolidation and growth.

In addition to the investments mentioned above, USD 25.8 million in loans present in the portfolio came to maturity during 2013, of which 56% were renewed for an amount of USD 14.5 million.

The Fund carried out 40 transactions during 2013, while 19 loans came to maturity, resulting in 75 outstanding investments at year's end.

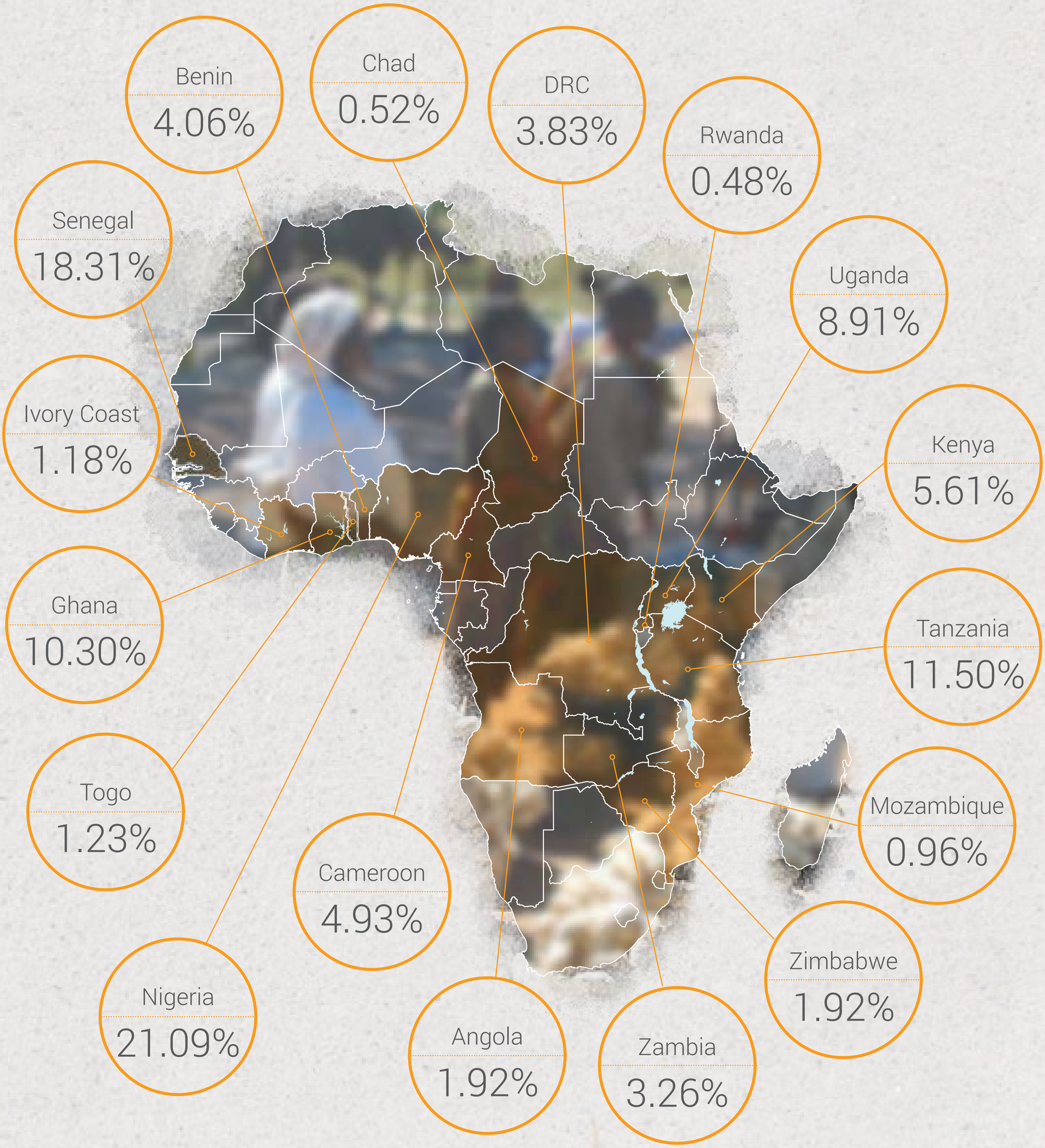
Fund Portfolio and Total Asset Growth



Evolution in Key Portfolio Statistics

	2013	2012
Outstanding portfolio (USD)	104,322,147	77,948,155
Average investment amount (USD)	1,390,962	1,443,484
Average investment amount (USD) per PLI	2,819,517	2,886,969
Number of investments outstanding	75	54
Number of direct investments	75	54
Number of investees	37	27
Number of countries	17	12
Number of currencies	12	10
Average maturity at closing	31.8 months	29.2 months

Invested Portfolio per Country



Nigeria remained a significant country for REGMIFA, with a total investment of USD 22 million, representing 21% of the portfolio at year's end 2013. Senegal, Tanzania and Ghana remained important markets, representing more than 40% of REGMIFA's portfolio.

Currency Allocation

Providing PLIs with local currency and fixed interest rate financing solutions is at the core of REGMIFA's mission. It brings significant added value to PLIs since they do not bear foreign exchange or interest rate risk on their balance sheet. To this end, REGMIFA uses adequate hedging instruments and has close partnerships with renowned hedging counterparties. As of the end of 2013, 86% of the total loan portfolio was denominated in local currencies.

Whenever possible, REGMIFA hedges its investments against the United States dollar – the reference currency of the Fund. Additionally, the Fund may, in some specific cases, take open currency exposure under strict compliance with its foreign exchange risk management guidelines and with the aim of making the opening of new markets possible and to provide funding to PLIs when, for example, the hedging expenses are unreasonably high for a specific currency or specific tenor.

In 2013, the Fund continued its open currency exposure policy, which it started in 2012. At year's end, the open currency exposure amounted to USD 4.8 million, denominated in Ghanaian Cedi, Ugandan Shilling and CFA Franc, representing 5% of the total loan portfolio.

Distribution of Loans by Currency

25.2% XOF $ 26,253,498	21.1% NGN $22,000,000	12.0% USD $12,500,000
10.3% GHS $10,750,000	9.4% UGX $9,790,000	6.7% TZS $7,000,000
5.6% KES $5,850,000	3.5% XAF $3,623,231	2.9% ZMW $2,975,321
2.0% EUR $2,080,097	1.0% MZN $1,000,000	0.5% RWF $500,000

Profile of Partner Lending Institutions

At the end of 2013, the Fund had forged relationships with 11 new partner lending institutions, for a total of 37. These PLIs are typically small, with 70% holding total assets of less than USD 30 million. These institutions combined employ more than 19,672 people. These PLIs were awarded shadow credit risk ratings ranging from BB- to BBB+ by the Investment Manager, and range from greenfield (new) to well-established institutions.

Top 5 PLI Exposure

PLI	Country	Currency	Volume (USD millions)	% of portfolio
AB-Nigeria	Nigeria	NGN	6	10.4%
ACEP Sénégal	Senegal	XOF	9.6	8.3%
FINCA Tanzania	Tanzania	TZS	5	7.8%
LAPO MFB	Nigeria	NGN	9	7.7%
Sinapi Aba (SASL)	Ghana	GHS	5	6.4%

Key Indicator of Fund's Investees

	Simple average			
Key indicators	**Tier 1**	**Tier 2**	**Tier 3**	**Overall average**
Total asset (USD millions)	77,528,048	20,807,506	7,813,425	50,893,098
Loan portfolio (USD millions)	56,016,837	15,026,958	4,931,150	36,654,326
Number of active borrowers	104,068	18,583	7,132	65,245
Debt/equity ratio	4,48	2,90	2,80	3,78
Portfolio yield	41.9%	49.9%	51.8%	45.7%
Operating expense ratio	30.3%	35.5%	53.1%	35.4%
Operational self-sufficiency	112.9%	113.2%	90.1%	109.3%
Return on equity	11.9%	9.6%	-9.2%	7.9%
Portfolio at risk	4.4%	7.3%	4.9%	5.2%

Portfolio at risk constitutes a portfolio at risk of more than 30 days plus PAR>30 on restructured loans. Average PAR for the portfolio is 5.2% when calculated using simple averages method and 4.8% when weighted by portfolio share.

Distribution by Institutional Size

The Fund is increasingly investing in smaller institutions with increased social impact. Of its new partners in 2013, 9 out of 11 were Tier 2 (T2) and Tier 3 (T3) institutions representing 65% of investments in terms of volume made into new PLIs in 2013. REGMIFA provides financial assistance to the weaker institutions so that they can grow along with the Fund. As a result, of the 16 T2 and 10 T3 institutions that the Fund engaged with at the beginning, 5 institutions have graduated to T1 and another 5 to T2 respectively today.

invested volume

77% T1 | 19% T2 | 4% T3

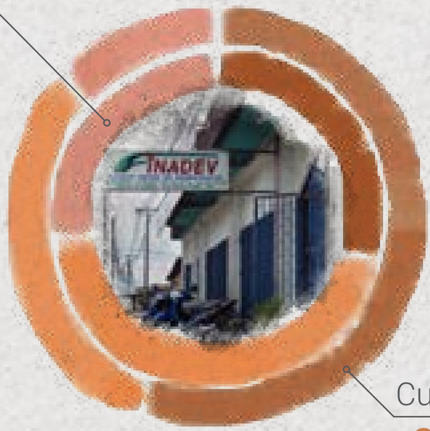
number of PLIs

57% T1 | 30% T2 | 13% T3

PLI Size

Tier at first REGMIFA disbursement

11 T1 | 16 T2 | 10 T3



Current tier

21 T1 | 11 T2 | 5 T3

institutional type

65% NBFI | 8% NGO | 12% Bank | 15% Cooperative

years of existence

3% 0-3 | 19% 3-6 | 41% 6-15 | 38% >15

The REGMIFA Tier classification system

- *Small PLIs (Tier 3) have total assets below USD 10 million.*
- *Medium PLIs (Tier 2) have total assets between USD 10 million and USD 30 million.*
- *Large PLIs (Tier 1) have total assets exceeding USD 30 million.*

2013 at a glance:

25 projects

APPROVED (EUR 1,930,545)

33 PLIs

SUPPORTED

OUTREACH TO

14 countries

AVERAGE PROJECT SIZE OF

€100,007

19.8% PLI

CO-FINANCING CONTRIBUTION TO COSTS OF APPROVED PROJECTS

48%

OF THE TA VOLUME GRANTED TO T2 AND T3 PLIS

The TA Facility's flexible approach allows it to respond to the most urgent needs of PLIs.

TA Facility

The REGMIFA TA Facility– Addressing a Variety of TA needs

The Technical Assistance (TA) Facility's third year of existence was again challenging. The TA Facility addressed a high number of needs of many different institutions, supporting them in crucial areas. In 2013, the TA Facility approved 25 projects and completed 18 (including four training projects). Together with the PLIs, the TA Facility team thoroughly assessed where support made the most sense and tailored projects to the urgent needs of the institutions. In addition to its customized projects and training grants approach, in 2013 the TA Facility also integrated the TA package approach, which identifies common TA needs among the existing PLI portfolio and contracts one consultant to deliver services to several PLIs. This year, REGMIFA approved the first TA package on "Strengthening Middle Management Skills: Capacity Building on Leadership, Management and Supervisory Skills" and awarded and contracted a first international restricted tender. Another important milestone in 2013 was the kick-off of the REGMIFA Impact Study, which aims to gain insight into the effectiveness of the activities of both the Fund and the TA Facility.

Countries of operation in 2013

Angola, Benin, Cameroon, Chad, Ghana, Kenya, Mali, Mozambique, Nigeria, Senegal, Tanzania, Togo.

Market studies

Niger, Democratic Republic of the Congo, Rwanda and Malawi, Tanzania.

Support from leading international donor agencies

Following very positive results for 2013, REGMIFA contributed USD 370,121 towards the TA Facility. The Facility was once again able to attract support from the Government of Luxembourg and OeEB at the beginning of 2014. Strong backing from leading donor agencies enabled the TA Facility to finance a large number of projects and to count on solid expertise and experience.

trainings approved by country (in EUR)

2,000
Benin

3,300
Kenya

9,356
Nigeria

14,613
Senegal

7,367
Tanzania

3,684
Angola

4,000
Cameroon

grant approved (in EUR)

71,900
Benin

49,756
Ghana

159,555
Kenya

99,426
Nigeria

95,121
Senegal

198,814
Tanzania

181,371
Uganda

97,540
Zambia

40,581
Angola

48,050
Chad

funding by institution (% of total)

33%
AECID

33%
EIB

17%
EU

9%
OeEB

4%
BMZ

2%
REGMIFA


ROSE

TA project in Uganda:

Pride Microfinance Limited (MDI), Uganda

"Developing financial education for low-income clients, enhancing financial management and strengthening specific staff technical skills"

Pride Microfinance Limited was incorporated as a non-profit limited guarantee company and named Pride Uganda in 2001. In 2004, the MFI transformed into Pride Microfinance Limited (PML), and in 2005, the Government of Uganda acquired all shares in Pride and it obtained a Tier 3 license from the Bank of Uganda. PML has 31 branches throughout Uganda and serves 73,554 borrowers and 373,667 savers. Pride's strategy is to focus on being a full-range financial services provider to clients. While access to a diversified product mix and to business delivery channels is increasing, Pride has noted the need to develop financial education and client sensitization in order to improve the quality of the use of financial services by low-income households given the low financial literacy levels of its clients. Additionally, the institution required enhanced financial management, improved information and communications technology (ICT) security, and the strengthening of specific staff technical skills, like credit and operational risk management.

Therefore, the TA Facility engaged a consulting firm with the overall objective of supporting PML in increasing its outreach to low-income clients by implementing financial education activities for its clients and potential clients while strengthening its financial management processes and sharpening staff skills in order to enhance performance and sustain the growth of the organization. The project commenced in the second semester of 2013 in response to a series of needs identified during previous consultations between the consultant, PML, and the TA Facility. At the end of 2013, the consulting firm completed the financial education, marketing and client sensitization for new products and ICT project components. The second part of the project, taking place in 2014, aims at components concerning credit and operational risk management.

In line with PML's strategy, the financial education program and the revised marketing plan developed with the consultant help sensitize the PLI's clients to take up new products, such as mobile phone banking, which increase and encourage efficient savings by adopting appropriate technologies. Corresponding to the TA Facility, the assignment integrated aspects of client protection principles (CPP) as defined by the Smart campaign: the customer relationship management and financial education training manual includes dedicated sections on CPP, while the financial education training material for customers includes illustrated cartoons to ensure that the material remains accessible for all target populations. In addition, the financial education guides specifically outline the importance of creating customer relationships that focus on long-term rather than short-term gains. The benefits of customers developing a sense of loyalty to PML products outweigh short-term, purely profit-based transactions. Additionally, the expected outcome to enhance financial management, improve ICT security and strengthen staff technical skills are quite relevant given PML's plans to become a commercial bank.

The Republic of Benin

10 Key Indicators (2013*)

POPULATION	POP. LIVING IN POVERTY	HUMAN DEV. RANK	GDP PER CAPITA	REAL GDP GROWTH
9.9 million	37.4%	166/187	USD 1,600	5.4%

*or latest available

Meet Mr. Atemenou

cattle seller

Mr. Atemenou is a cattle salesman in Benin. He buys high-quality calves in the North of the country and brings them back to Kraké, in the South, where they are fed and cared for by local cattle keepers and their families until they are sold. In order to meet steadily growing demand, he has already borrowed twice from Vital Finance; the second loan amounts to XOF 2 million, or USD 4,000. He currently employs five cattle keepers and their families and anticipates hiring more. He is a successful entrepreneur, is well known in the meat sector, and has an important client base. Caring for his reputation, he always travels with a veterinarian in order to ensure top quality. High demand is fueling his enterprise's rapid expansion, and he anticipates borrowing a further XOF 5 million, or USD 10,000, in the near future.

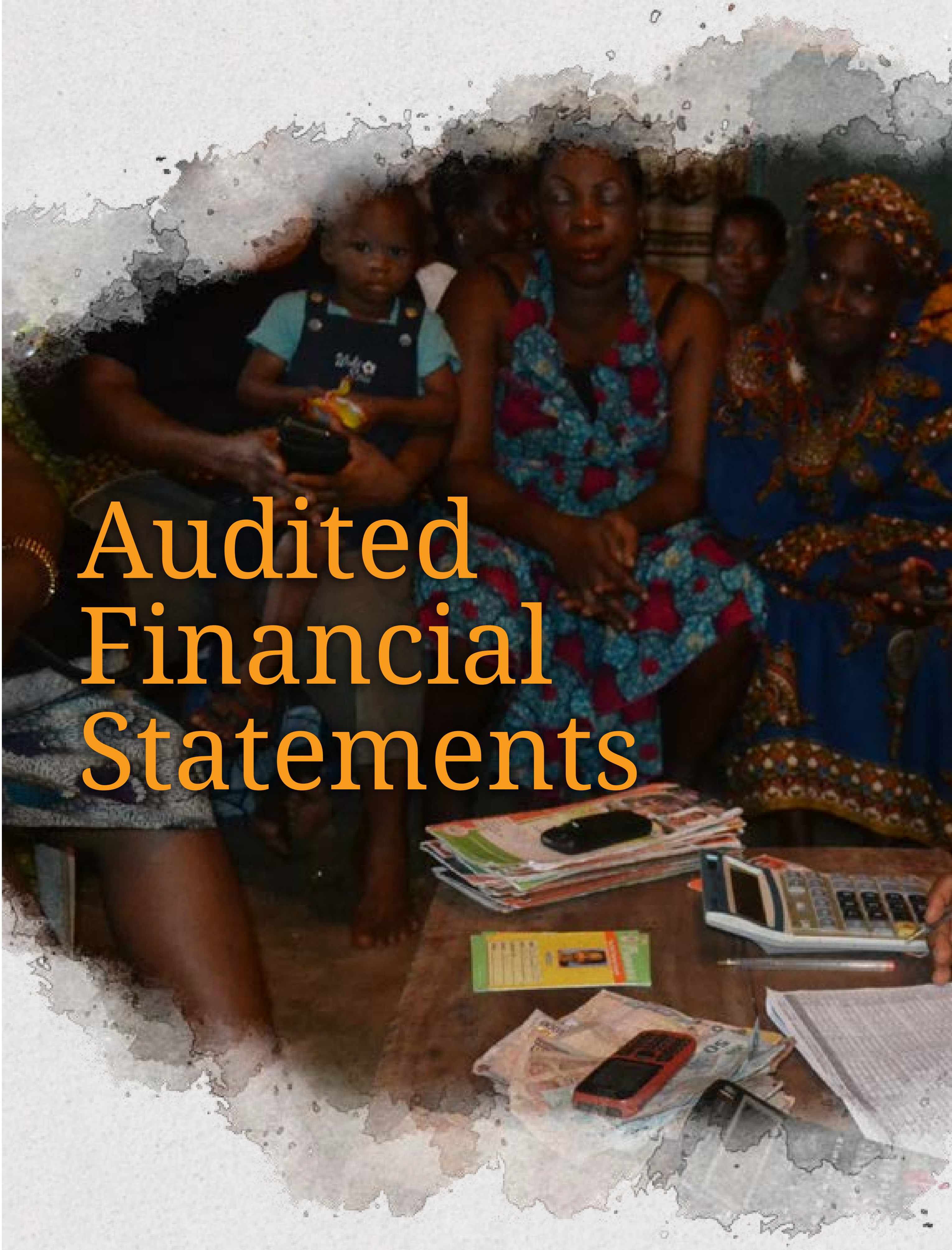
The Republic of Benin is situated in West Africa, between Nigeria and Togo. It is both one of Africa's most stable democracies and one of its largest cotton producers. Its economy relies heavily on agriculture and on trade with neighboring countries. In 2010, thousands of families were left penniless following the collapse of a pyramid scheme in Benin, leading to high default rates and adversely impacting the microfinance sector. Since then, many measures have been put in place to avoid a recurrence of such a situation and to strengthen the microfinance sector in the country. President Yayi Boni, a former managing director of the West African Development Bank (BOAD), has made microfinance a key part of his political program today. Furthermore, a project to develop a reliable credit bureau supervised by the Ministry of Microfinance and a supervisory team for Benin is currently on track.

Non-governmental organization VITA launched Vital Finance in 1998 with initial technical support and sponsorship from USAID. Vital Finance is a deposit-taking microfinance institution regulated by Benin's Ministry of Finance and Economy. Through its 13 branches, it focuses on urban and peri-urban traders, covering the south of Benin. The MFI proposes two different loans for business development: individual loans from USD 100 to USD 20,000, and group loans for three persons of up to USD 400. Consumer loans are only reserved for employees. Its gross loan portfolio continued to grow between 2010 and 2012 and had reached USD 14.5 million by December 2012 with more than 13,000 active borrowers.

REGMIFA is supporting Vital Finance with a senior debt investment of EUR 1.5 million in local currency and through a customized technical assistance project in the areas of geographical information system (GIS) management by improving automatic level controls and ensuring the transfer of skills to the audit department on the GIS evaluation methodology and operational risk related to GIS and information technology.

INFLATION RATE	FOREX HEDGING COSTS (36M)	PRIVATE CREDIT	FOREIGN AID	REMITTANCES
6.8%	3.7%	24% / GDP	USD 672 million	USD 172 million

Audited Financial Statements



General Information

Board of Directors	Mr. Wolfgang Kroh (Chairman) Dr. Marcel Gérard Gounot Mr. Hanns Martin Hagen Mr. Ulf Linders Mr. Philippe Serres (since 6.11.2013) Ms. Alix Pinel (until 5.11.2013) Mr. Ruurd Brouwer Mr. Juan Izuzquiza
Registered Office	5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
Investment Manager and Placing Agent	Symbiotics S.A. 31, rue de la Synagogue CH-1204 Geneva, Switzerland (since 18.11.2013) 75, rue de Lyon CH-1203 Geneva, Switzerland (until 17.11.2013)
Custodian	Credit Suisse (Luxembourg) S.A. 56, Grand Rue L-1660 Luxembourg Grand-Duchy of Luxembourg
Administrative Agent	Credit Suisse Fund Services (Luxembourg) S.A. 5, rue Jean Monnet L-2180 Luxembourg Grand-Duchy of Luxembourg
Independent Auditor	Ernst & Young S.A. 7, rue Gabriel Lippmann Parc d'Activité Syrdall 2 L-5365 Munsbach Grand-Duchy of Luxembourg
Legal Advisors	Linklaters LLP 35, Avenue John F. Kennedy B.P. 1107 L-1011 Luxembourg Grand-Duchy of Luxembourg

Report of the Board of Directors

We are pleased to submit the annual report for the year ended 31 December 2013 and the Independent Auditor's Report for the Regional MSME Investment Fund for sub-Saharan Africa S.A., SICAV-SIF ("REGMIFA" or the "Fund").

REGMIFA demonstrated in 2013 a continued capacity to grow while pursuing its dual objective of achieving a positive social impact alongside commercial viability, establishing the Fund as a preferred partner for its Partner Lending Institutions ("PLIs") serving micro, small and medium-sized enterprises in sub-Saharan Africa.

During the year under review, the Fund surpassed the important milestone of USD 100m invested portfolio after 3.5 years of activity and reached an outstanding investment portfolio of USD 104m and a Gross Asset Value ("GAV") of USD 128m as of end of year, a year-on-year net portfolio growth of USD 27m in line with our forecasts. The Fund added five new countries by investing for the first time in the Democratic Republic of Congo, Zimbabwe, Angola, Chad and Rwanda, thus reaching 17 countries and contributing to increase the Fund's regional diversification. New partnerships with eleven carefully selected PLIs were entered into, increasing the number of financed PLIs to 37. Among these new partners, an increasing number of less mature institutions was reached, supporting the Fund's stated developmental objective to finance smaller and less developed PLIs which are not commonly served by existing microfinance funders. Five of the eleven new partners are categorized as Tier 3, four as Tier 2 and two as Tier 1 institutions (defined in terms of their total assets size).[1]

From a risk management perspective, the Fund conducts a systematic due diligence of PLIs, including onsite visits, and grants to each of them a credit risk shadow rating updated on a yearly basis. The credit risk profile of the Fund's portfolio remained stable in 2013 with an average investee shadow credit risk rating of BBB and the absence of any provision or impairment of investment as at year's end. The portfolio quality of investees, measured through Portfolio at Risk > 30 days, remained largely stable at 4.8% (4.9% in 2012). In addition to these credit risk assessments, the Fund relies on strict policies and procedures to manage and monitor investee and country concentrations, country risk, currency risk, interest rate risk and liquidity risk. Interest rate risks are systematically mitigated through swap instruments while currency risks are quasi-systematically hedged. As of December 2013, the open currency exposure of the Fund was USD 4.8m, i.e. 3.7% of its GAV. The Board has not found any major deficiency in the internal controls environment of the Fund during the year and deems the relevant controls satisfactory.

From a social performance perspective, the Fund's financial support is estimated to have reached out to more than 190'000 end borrowers in 17 countries, who received loans that averaged USD 537 (28% of gross national income per capita). 71% of these clients were women and 94% of them were running a micro, small or medium-sized business.

In parallel, REGMIFA's Technical Assistance Facility (TAF), a key element of the Fund's value proposition, delivered excellent results in 2013. Twenty-five projects were approved and eighteen were completed in a diversity of areas responding to PLIs' specific needs. In order to get an independent assessment of the Fund's and TAF's impact on PLIs, the TAF commissioned an Impact Assessment Study. The final report is not yet released but findings are very encouraging and confirm that the TAF's intervention notably helped PLIs improve their risk profile in areas such as institutional transformation, risk management, customer service, and MIS improvement, while the Fund's investment activity sustained PLIs' growth. Both interventions contributed to raise the PLIs' profile towards international commercial investors.

Last but not least, the 2013 financial results give impressive evidence of the Fund's continued financial sustainability. Thanks to a portfolio yield higher than projected, the absence of any loan loss provision and costs under control, the Fund is able to not only pay all target dividends but also to reward the shareholders' strong commitment with the payment of complementary dividends. In addition, the Board of Directors decided to allocate a significant amount of USD 370'121 to the benefit of the TA Facility.

Macro-economic indicators continue to be positive for 2014 in sub-Saharan Africa, with GDP growth projected above 5% for the region, driven by changes in information and communication technology, demographic growth, rapid urbanization and commodity export. The microfinance sector is expected to grow accordingly to support this value creation. At the same time, the Fund will continue to operate in a risky environment due to the fragility of the global economy and to the risks inherent to the target region and countries of the Fund, such as political, civil and social unrest.

[1] Tier 1 institutions are PLIs with total assets above USD 30m, Tier 2 institutions have total assets between USD 10 and 30m, and Tier 3 institutions have total assets below USD 10m.

Status

The Regional MSME Investment Fund for sub-Saharan Africa S.A., SICAV-SIF was established on 1 December 2009 as a société anonyme, qualifying as a société d'investissement à capital variable-fonds d'investissement spécialisé (SICAV-SIF) under the Luxembourg Law of 13 February 2007 ("SIF-Law"). The Fund was registered with the Registre de Commerce et des Sociétés, Luxembourg, section B, under number B-150.766. The articles of incorporation of the Fund ("Articles") were published in Mémorial C, Recueil des Sociétés et Associations.

Results

The performance of the Company during the year is disclosed in the Income Statement on page 6.

Dividends and other contributions

As per the 2013 financial exercise, the Fund generated a total distributable income of USD 3,659,242.

Based on this income, all target dividends will be paid to the Class A and Class B shareholders and capitalized to the Class C shareholders: USD 446,882 to Class A Shares, USD 900,537 to Class B Shares, and USD 1,253,178 to Class C Shares. Furthermore, the Board resolved to allocate the remaining amount of distributable income as follows: an allocation of USD 235,919 as FX compensation amount to Class C Shares; a USD 370,121 contribution to the Technical Assistance facility; an incentive bonus of USD 90,521 to the Investment Manager; and a USD 362,084 complementary dividend of which USD 41,178 is allocated to Class A Shares, USD 94,453 to Class B Shares and USD 226,453 to Class C Shares.

Directors

The following persons served as Directors of the Fund during the year:

Mr. Wolfgang Kroh (Chairman)

Mr. Ruurd Brouwer

Dr. Marcel Gérard Gounot

Mr. Juan Ignacio Izuzquiza Rueda

Mr. Hanns Martin Hagen

Mr. Ulf Linders

Ms. Alix Pinel (until 5.11.2013)

Mr. Philippe Serres (since 6.11.2013)

During 2013, the Board of Directors has held three meetings and executed several circular resolutions in exercise of its governance duties.

Investment Committee

The following persons served as members of the Investment Committee of the Fund during the year:

Mr. Karl-Heinz Fleischhacker (Chairman)

Mr. Edvardas Bumsteinas

Mr. Juan Ignacio Izuzquiza Rueda

Mr. Njord Andrewes

Mr. Mariano Larena

During 2013, the Investment Committee has held ten meetings.

FX Committee

The following persons served as members of the Foreign Exchange Committee of the Fund during the year:

Mr. Giuseppe Ballocchi, CFA

Mr. Helie d'Hautefort

Dr. Michael Schulze

During 2013, the FX Committee has held one meeting.

TA Facility Committee

The following persons served as members of the Technical Assistance Facility Committee of the Fund during the year:

Dr. Karin Derflinger (Chairperson) (until 10.12.2013)

Ms. Karin-Hoensch Walter (Chairperson) (from 11.12.2013)

Mr. Juan Ignacio Izuzquiza Rueda

Mr. Stefan Kerpen

During 2013, the TA Facility Committee has held one meeting.

Statement of Directors' Responsibilities

The financial statements are the responsibility of the Board of Directors.

We hereby authorize the Fund's financial statements as at 31 December 2013 for issue.

20 May 2014

Board of Directors

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Ernst & Young
Société anonyme

7, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
L-5365 Munsbach

Tel: +352 42 124 1

www.ey.com/luxembourg

B.P. 780
L-2017 Luxembourg

R.C.S. Luxembourg B 47 771
TVA LU 16063074

Independent auditor's report

To the Shareholders of
Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF
5, rue Jean Monnet
L-2180 Luxembourg
Luxembourg

We have audited the accompanying financial statements of Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF, which comprise the statement of financial position as at 31 December 2013, the income statement, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 31 December 2013, and a summary of significant accounting policies and other explanatory information.

Responsibility of the Board of Directors for the financial statements

The Board of Directors is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal control as the Board of Directors determines is necessary to enable the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibility of the "réviseur d'entreprises agréé"

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted for Luxembourg by the "*Commission de Surveillance du Secteur Financier*". Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the judgement of the "*réviseur d'entreprises agréé*", including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the "*réviseur d'entreprises agréé*" considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF as of 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Ernst & Young
Société Anonyme
Cabinet de révision agréé

Alain Kinsch

Luxembourg, 20 May 2014

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Statement of Financial Position

As at 31 December 2013 (expressed in USD)

Assets	31 December 2013	31 December 2012
Gross Loans to Partner Lending Institutions	104,147,826	77,000,913
Impairment allowances	-	-
Net Loans to Partner Lending Institutions (Note 3)	104,147,826	77,000,913
Derivative financial instruments (net) (Note 4)	-	301,814
Interest accruals on loans (Note 3)	3,139,750	2,242,429
Other receivables	657,131	1,378,244
Prepaid expenses	17,649	24,528
Cash and cash equivalents	20,891,879	6,979,273
Total Assets	**128,854,235**	**87,927,201**
Liabilities		
Notes (Note 5)	13,121,470	13,121,470
Derivative financial instruments (net) (Note 4)	1,817,263	-
Accrued expenses (Note 9.5)	836,720	550,867
Other payables	76,052	-
Subscription received in advance (Note 7)	3,000,000	-
Dividends payable to holders of redeemable shares (Note 11)	1,483,050	744,172
Contribution to the technical assistance facility (Note 11)	420,076	49,955
Net assets attributable to holders of redeemable Class A Shares (Note 6)	23,954,908	22,465,122
Net assets attributable to holders of redeemable Class B Shares (Note 6)	36,950,000	12,950,000
Total Liabilities	**81,659,539**	**49,881,586**
Equity		
Share capital	44,379,281	35,950,000
Retained earnings	2,815,415	2,095,615
Total Equity (Note 6)	**47,194,696**	**38,045,615**
Total Liabilities and Equity	**128,854,235**	**87,927,201**

The accompanying notes are an integral part of these financial statements.

Statement of Comprehensive Income

For the year ended 31 December 2013 (expressed in USD)

Income	**2013**	**2012**
Interest income on loans (Note 8.1)	12,759,553	8,643,766
Bank interest	3,310	4,725
Other income	389,621	73,697
Realized gain on derivative financial instruments	1,285,281	940,950
Realized FX gain on loans to Partner Lending Institutions	101,407	-
Change in unrealized gain on derivative financial instruments (Note 4)	1,904,030	1,805,642
Realized gain and change in unrealized gain on foreign exchange	832,742	804,641
Total Income	17,275,944	12,273,421
Expenses		
Management fees (Note 9.1)	(1,891,275)	(1,267,449)
Secretary fees (Note 9.3)	(82,507)	(56,282)
Legal and audit fees	(121,531)	(89,256)
Administration, custodian and domiciliation fees (Note 9.4)	(171,574)	(128,078)
Other administrative expenses	(67,343)	(82,009)
Marketing and promotion expenses	(26,819)	(37,477)
Interest expense on Notes (Note 8.2)	(194,995)	(138,839)
Bank charges	(3,370)	(1,910)
Contribution to the technical assistance facility	(370,121)	(49,955)
Incentive bonus (Note 9.2)	(90,521)	(17,710)
Realized loss on derivative financial instruments	(6,627,246)	(4,409,844)
Realized FX loss on loans to Partner Lending Institutions	(1,311,724)	(940,671)
Change in unrealized loss on derivative financial instruments (Note 4)	(4,023,107)	(4,227,593)
Realized loss and change in unrealized loss on foreign exchange	(90,961)	(116,068)
Total Operating Expenses	(15,073,094)	(11,563,141)
Operating profit	2,202,850	710,280
Distribution to holders of redeemable ordinary shares	(1,483,050)	(744,172)
Profit / (loss) for the Year	719,800	(33,892)
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income / (loss) for the year, net of tax	719,800	(33,892)

The accompanying notes are an integral part of these financial statements.

Statement of Cash Flows

For the year ended 31 December 2013 (expressed in USD)

	2013	2012
Cash flows from operating activities		
Operating profit before tax	2,663,492	777,925
Adjustments for:		
Net Change in unrealized loss on derivatives financial instruments	2,119,077	2,421,951
Operating Profit before working capital changes	4,782,569	3,199,896
Net (increase) in interest accruals on loans	(897,321)	(1,022,202)
Net decrease / (increase) in other receivable and prepaid expenses	727,992	(1,182,918)
Net increase in accrued expenses and other payable (incl. incentive bonus)	271,384	154,630
Dividends payable to Class A and Class B Shareholders	(744,172)	(406,488)
Amount paid for technical assistance facility	-	(129,250)
Cash-flows used in operating activities	4,140,452	613,668
Cash flows from investing activities		
Net (increase) in loans to Partner Lending Institutions	(27,146,913)	(35,237,083)
Cash-flows used in investing activities	(27,146,913)	(35,237,083)
Cash flows provided by financing activities		
Cash received on Notes issued	-	9,621,470
Cash received on Shares issued	33,919,067	27,115,122
Advance of cash on subscriptions	3,000,000	(9,999,998)
Cash-flows provided by financing activities	36,919,067	26,736,594
Net increase / (decrease) in cash and cash equivalents	13,912,606	(7,886,821)
Opening cash and cash equivalents	6,979,273	14,866,094
Closing cash and cash equivalents	20,891,879	6,979,273

The accompanying notes are an integral part of these financial statements.

Statement of Changes in Equity and Earnings per Class A and B Redeemable Ordinary Shares and Class C Shares

For the year ended 31 December 2013 (expressed in USD)

Statement of Changes in Equity

	For the year ended 31 December 2013		For the year ended 31 December 2012	
	Net Equity	Number of shares	Net Equity	Number of shares
Balance at beginning of the year	38,045,615	665.777	21,179,507	368.750
Issue of equity	8,429,281	148.121	16,900,000	297.027
Redemption of equity	-	-	-	-
Total comprehensive income	719,800	-	33,892	-
Balance at end of the year	47,194,696	813.898	38,045,615	665.777

Earnings per Class A and Class B Redeemable Ordinary Shares and Class C Shares for the years 2013 and 2012

Class of shares	2013	2012
Class A - Series 1	2,172.14	2,357.25
Class A - Series 2	2,172.14	2,357.25
Class B - Series 1	964.88	982.76
Class B - Series 2	964.88	982.76
Class B - Series 3	964.88	-
Class C - Series 1	998.38	(59.10)
Class C - Series 2	998.38	(59.10)
Class C - Series 3	998.38	(59.10)
Class C - Series 4	998.38	(59.10)

The accompanying notes are an integral part of these financial statements.

Supplementary Information

As at 31 December 2013 (expressed in USD)

Statement of Changes in Equity and Net Assets Attributable to Holders of Redeemable Ordinary Shares

	Class A	
	Net assets attributable to shareholders	Number of shares
At 31 December 2012	22,465,122	224.651
Issue of redeemable ordinary shares	1,489,786	14.898
Redemption of redeemable ordinary shares	-	-
Issue of equity	-	-
Redemption of equity	-	-
Operating profit	488,060	-
Distribution payable to holders of Class A and Class B shares	(488,060)	-
At 31 December 2013	23,954,908	239.549

	Class A	
	Net assets attributable to shareholders	Number of shares
At 31 December 2011	18,250,000	182.500
Issue of redeemable ordinary shares	4,215,122	42.151
Redemption of redeemable ordinary shares	-	-
Issue of equity	-	-
Redemption of equity	-	-
Operating profit	460,331	-
Distribution payable to holders of Class A and Class B shares	(460,331)	-
At 31 December 2012	22,465,122	224.651

Net Asset Values per Share

Class of shares	31 December 2013	31 December 2012	31 December 2011
Class A	100,000.00	100,000.00	100,000.00
Class B	25,000.00	25,000.00	25,000.00
Class C	57,986.02	57,144.68	57,787.03

Class B		Class C		Combined
Net assets attributable to shareholders	Number of shares	Net assets attributable to shareholders	Number of shares	Net assets attributable to shareholders
12,950,000	518.000	38,045,615	665.777	73,460,737
24,000,000	960.000	-	-	25,489,786
-	-	-	-	-
-	-	8,429,281	-	8,429,281
-	-	-	-	-
994,990	-	719,800	-	2,202,850
(994,990)	-	-	-	(1,483,050)
36,950,000	1,478.000	47,194,696	813.898	108,099,604

Class B		Class C		Combined
Net assets attributable to shareholders	Number of shares	Net assets attributable to shareholders	Number of shares	Net assets attributable to shareholders
6,950,000	278.000	21,179,507	368.750	46,379,507
6,000,000	240.000	-	-	10,215,122
-	-	-	-	-
-	-	16,900,000	297.027	16,900,000
-	-		-	-
283,841	-	(33,892)	-	710,280
(283,841)	-		-	(744,172)
12,950,000	518.000	38,045,615	665.777	73,460,737

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

As at 31 December 2013

Note 1 – Description

1.1. Corporate information

Regional MSME Investment Fund for sub-Saharan Africa S.A., SICAV-SIF (hereafter referred to as the "Fund") is a closed-ended investment company with variable capital, incorporated as a public limited company (a "société anonyme"), and organized under the laws of Luxembourg as a *société d'investissement à capital variable – fonds d'investissement spécialisé*. The Fund is registered pursuant the law of 13 February 2007 on specialized investment funds (the "SIF Law").

The Fund was set up for an unlimited duration on 1 December 2009.

The Articles of Incorporation of the Fund ("Articles") were published in *Mémorial C, Recueil des Sociétés et Associations*. The Fund is registered with the Luxembourg Company Register under Number B 150.766.

The registered office of the Fund is established in Luxembourg, Grand Duchy of Luxembourg and its address is set at 5, rue Jean Monnet L-2180 Luxembourg.

The mission of the Fund is to build a unique public private partnership between donors, development finance institutions and international finance institutions, private investors and African stakeholders to foster economic development and prosperity in sub-Saharan Africa through the provision of demand-oriented financing to qualified and, to the extent necessary, technically supported partner lending institutions serving micro, small and medium sized enterprises.

1.2. Investment objectives

The Fund seeks to invest in a balanced portfolio of regulated and/or non-regulated micro finance institutions and/or local commercial banks and/or other financial institutions, established in sub-Saharan African countries providing funding to MSMEs, (each a Partner Lending Institution - "PLI").

1.3. Share capital and Notes

The Fund may issue various classes of Shares (each a "Class"), each evidencing a different level of risk.

- The first loss Class C Shares ("Class C Shares"), which may be issued in successive series, bear all unrealized/realized capital losses of the Fund (e.g. foreign exchange loss, deterioration in credit quality or defaults with respect to the investments of the Fund) until the Net Asset Value ("NAV") of Class C Shares has been fully depleted. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class C Shares in the order of priority as detailed in Note 10. The Class C Shareholders' dividend entitlements rank junior to the dividend entitlements of the Class A and Class B Shareholders as per the waterfall model detailed in Note 10. The NAV of all C Shares must represent at least 33% of the total assets of the Fund at all times.
- The mezzanine Class B Shares ("Class B Shares"), which may be issued in successive series, bear unrealized/realized capital losses of the Fund only if the NAV of the Class C Shares has been reduced to zero. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class B Shares in the order of priority as detailed in Note 10. The Class B Shareholders' dividend entitlements rank senior to the dividend entitlements of the Class C Shareholders but junior to the dividend entitlements of the Class A Shareholders as per the waterfall model detailed in Note 10. The sum of the NAVs of the C Shares and the B Shares must represent at least 50% of the total assets of the Fund at all times.
- The senior Class A Shares ("Class A Shares"), which may be issued in successive series, are insulated against unrealized/realized capital losses of the Fund, bearing such losses only if the NAV of both the Class C Shares and the Class B Shares has been reduced to zero. Write backs on unrealized investments and any realized or unrealized capital gains shall be allocated to the Class A Shares in the order of priority as detailed in Note 10. The Class A Shareholders' dividend entitlements rank senior to the dividend entitlements of the Class B and Class

C Shareholders as per the waterfall model detailed in Note 10.

The Fund may also from time to time issue notes in the form of subordinated notes ("Subordinated Notes") and senior notes ("Senior Notes") (together the "Notes").

The Fund may issue Notes in successive Series, each with its own duration and coupon determined at the discretion of the Board of Directors at the time the relevant Series of Notes is being placed:

- The entitlements of holders of Senior Notes to receive interest payments and repayments of principal rank junior to other creditors of the Fund but senior to all Shareholder payment entitlements and senior to all payment entitlements of holders of Subordinated Notes.
- The entitlements of holders of Subordinated Notes to receive interest payments and principal repayments rank junior to other creditors of the Fund and junior to all payment entitlements of holders of Senior Notes but senior to all Shareholder payment entitlements.

Note 2 – Significant accounting policies

2.1. Statement of compliance

The Regional MSME Investment Fund for sub-Saharan Africa S.A., SICAV-SIF's financial statements (the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB as adopted by the European Union ("IFRS").

2.2. Basis of preparation

The Financial Statements have been prepared on a historical cost basis, except derivative financial instruments that have been measured at fair value.

The Fund's financial year starts on 1 January and ends 31 December of each year.

The preparation of Financial Statements in conformity with International Financial Reporting Standards requires the Board of Directors to make estimates and assumptions that affect the amounts reported in the Financial Statements and accompanying Notes. The Board of Directors believes that the estimates utilized in preparing its financial statements are reasonable and prudent. Actual results could differ from these estimates and the differences may be material to the Financial Statements.

(a) Significant accounting judgments and estimates

In the process of applying the Fund's accounting policies, the Board of Directors has used its judgments and made estimates in determining the amounts recognized in the Financial Statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The most significant use of judgments and estimates are as follows:

Fair value of financial instruments

Where the fair values of financial instruments recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken by observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Valuation of unquoted equity investments is based on one of the following:

- Recent arm's length market transactions;
- Current fair value of another instrument that is substantially the same;
- The expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics; or
- Other valuation models.

The determination of the adequate valuation method and of underlying assumptions requires significant estimation.

As at 31 December 2013 and 2012, the Fund uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities. This level includes listed equity securities and debt instruments on exchanges (for example, London Stock Exchange, Frankfurt Stock Exchange or New York Stock Exchange) and exchanges traded derivatives like futures;
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Impairment losses on loans

The Fund reviews its problem loans at each reporting date to assess whether an allowance for impairment should be recorded in the Financial Statements. In particular, judgment by the Board of Directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

(b) New and revised IFRS applied with no material effect on the Financial Statements

The accounting policies adopted are consistent with those used in the previous financial year, except for the following amendments to IFRS effective for the Fund as of 1 January 2013 (for the avoidance of doubt, only the new standards, amendments to standards and IFRIC which may have an effect on the Fund's accounts are mentioned below):

- *Presentation of Items of Other Comprehensive Income (issued in June 2011) – Amendments to IAS 1 – Presentation of Financial Statements*

The amendments modify the grouping of items presented in other comprehensive income. Items that could be reclassified (or "recycled") to the income statement at a future point in time are now to be presented separately from items that will never be reclassified. The layout of the statement of comprehensive income has been adjusted accordingly.

The amendments affect presentation only and have no impact on the Fund's financial position or performance.

- *IFRS 13 – Fair Value Measurement (new standard issued in May 2011)*

According to the specific transitional provisions embedded in IFRS 13, the new standard is to be applied on a prospective basis (with no requirement to restate / produce disclosures for the comparative period).

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when a fair valuation is required or permitted. IFRS 13 defines fair value as an exit price. IFRS 13 also requires additional disclosures.

Application of IFRS 13 has not impacted the fair value measurements of the Fund. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

- *Annual Improvements to IFRS 2009-2011 Cycle (issued in May 2012)*
  - *Amendments to IAS 1 – Presentation of Financial Statements*
  - *Amendments to IAS 32 – Financial Instruments: Presentation*

- *Disclosures – Offsetting Financial Assets and Financial Liabilities (issued in December 2011)*
  - *Amendments to IFRS 7 – Financial Instruments: Disclosures*

The amendments require an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements).

The new disclosures provide users with information that is useful in evaluating the effect of netting arrangements on the Fund's financial position. They apply to all recognized financial instruments that are subject to an enforceable master netting agreement, irrespective of whether they are set off in accordance with *IAS 32 – Financial Instruments: Presentation*.

Transitional rules indicate the amendments are to be applied on a retrospective basis.

(c) Standards issued but not yet effective

The Fund has also decided not to early adopt the standards, amendments to standards and interpretations of the IFRIC which have been published but are not applicable to the Fund for the year ending 31 December 2013. The Fund will adopt these standards on the date of their effective application and when they will be approved by the European Union.

This basically concerns the following publications (only the standards, amendments to standards and IFRIC which may have an effect on the Fund's financial position or performance are mentioned below):

- *Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32*

These amendments clarify the meaning of "currently has a legally enforceable right to set-off" and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting. These amendments are not expected to impact the Fund's financial position or performance and become effective for annual periods beginning on or after 1 January 2014.

- *IFRS 9 Financial Instruments – Classification and Measurement (Not endorsed by the European Union yet)*

IFRS 9, as issued, reflects the first and the third phases of the IASB's work on the replacement of IAS 39. Those phases relate to classification and measurement of financial assets and financial liabilities (as defined in IAS 39) and to Hedge Accounting. The second phase, which deals with impairment methodology, has not been published yet.

The IASB recently decided to tentatively remove the mandatory effective date for IFRS 9. That mandatory effective date will be set when the revised classification and measurement proposals and the expected credit loss proposals are finalised.

The adoption of the first phase of IFRS 9 is expected to have an effect on the classification and measurement of the Fund's financial assets, but not on the classification and measurement of financial liabilities. The Fund will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

- *IFRS 10 – Consolidated Financial Statements*

IFRS 10 replaces the portion of IAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 *Consolidation – Special Purpose Entities.*

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27. Based on the preliminary analyses performed, IFRS 10 is not expected to have a significant impact on the financial position and performance of the Fund.

The IASB determined the new standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014. Based on the analysis performed, IFRS 10 is not expected to have any impact on the currently held investments of the Fund.

- *IFRS 11 – Joint Arrangements*

IFRS 11 supersedes IAS 31 *Interests in Joint Ventures* and SIC-13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers.* It establishes revised principles for financial reporting by entities that have interest in arrangements that are controlled jointly.

Based on the preliminary analyses performed, the Fund has no interest in such arrangements. The IASB determined the new standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014. This standard is not expected to impact the financial statements of the Fund as the Fund has no such arrangements.

IFRS 12 – Disclosure of Involvement with Other Entities

The new IFRS includes all disclosures relating to consolidated financial statements previously included in IAS 27, as well as all disclosures previously included in IAS 31 *Interests in Joint Ventures* and IAS 28 *Investments in Associates*. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. One of the most significant changes introduced by IFRS 12 is that an entity is now required to disclose the judgements made to determine whether it controls another entity. Many of these changes were introduced by the IASB in response to the financial crisis. Now, even if the Fund concludes that it does not control an entity, the information used to make that judgement will be transparent to users of the consolidated accounts. Those users will then be able to make their own assessment of the financial impact were the Fund to reach a different conclusion regarding consolidation.

The IASB determined the new standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014. This standard is not expected to impact the financial statements of the Fund.

The Fund will need to disclose more information about the consolidated and unconsolidated structured entities with which it is involved or has sponsored. However, the standard will not have any impact on the consolidated financial position or performance of the Fund.

- *IAS 27 – Separate Financial Statements (as revised in 2011)*

As a consequence of the new IFRS 10 and IFRS 12, what remains in IAS 27 is limited to accounting for subsidiaries, jointly controlled entities and associates in separate annual accounts.

The IASB determined the revised standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014. This standard is not expected to impact the financial statements of the Fund.

- *IAS 28 – Investments in Associates and Joint Ventures (as revised in 2011)*

As a consequence of the new IFRS 11 *Joint Arrangements*, and IFRS 12 *Disclosure of Interests in Other Entities*, IAS 28 *Investments in Associates*, has been renamed IAS 28 *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. This revision is not expected to impact the financial statements of the Fund.

The IASB determined the revised standard should become effective for annual periods beginning on or after 1 January 2013; however, the European Union allowed preparers of financial statements to postpone the initial application of the standard to 1 January 2014. This application is not expected to impact the Fund's financial position or performance.

- *Investment Entities – Amendments to IFRS 10, IFRS 12 and IAS 27*

These amendments are effective for annual periods beginning on or after 1 January 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments should not significantly impact the Fund's financial position and performance.

2.3. Summary of significant accounting policies

2.3.1. Foreign currency translation

2.3.1.1 Functional currency translation

Items included in the Financial Statements are measured and presented using US Dollars (USD).

The Fund's results and financial position are translated from its functional currency to its presentation currency, as follows:

- assets and liabilities are translated at the closing rate at each statement of financial position date;
- income and expenses are translated at the monthly average exchange rate.

2.3.1.2 Transactions and balances

Foreign currency transactions are translated, in accordance with IAS 21, at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in currencies other than in USD are translated into USD at the exchange rate prevailing at the statement of financial position date. The gain or loss arising from such translation is recorded in the income statement.

Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the reporting currency at the foreign exchange rates ruling at the dates when the fair value was determined.

Exchange differences arising on the settlement of transactions at rates different from those at the date of the transaction, and unrealised foreign exchange differences on unsettled foreign currency monetary assets and liabilities, are recognized in the income statement.

2.3.2. Loans

2.3.2.1 Classification

The PLI investments are classified into the category Loans and Receivables which are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market.

2.3.2.2 Initial measurement

Loans and Receivables are recognized in the assets of the Fund when cash is advanced to the Partner Lending Institutions. They are initially recorded at cost (the net disbursed amounts), which is the fair value of the cash given to originate the loan, including any transaction costs that are directly attributable to the acquisition or issue.

2.3.2.3 Subsequent measurement

After initial measurement, Loans and Receivables are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated taking into account any discount or premium on acquisition that are not integral part of the effective interest rate.

The Fund assesses at each statement of financial position date whether there is any objective evidence that a loan is impaired. A loan is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred "loss event") and that loss event has an impact on the estimated future cash flow of the loan that can be reliably estimated.

Evidence of impairment may include indications that the PLI is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the loan's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement as "Credit loss expense". Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the loan. If in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-down is later recovered, the recovery is credited to the "Credit loss expense".

In addition to specific allowances against individually significant Loans and Receivables, the Fund also makes collective impairment test on exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. This collective impairment test is based on any deterioration in the internal rating of the groups of loans since there were granted or acquired.

2.3.2.4 Derecognition

The Fund derecognizes a loan when the contractual rights to the cash flows from the loan expire or when it transfers the loan and the transfer qualifies for derecognition in accordance with IAS 39.

2.3.3. Derivative financial instruments

The Fund may engage, for the proportion of its portfolio which is invested in a currency other than USD, in currency hedging operations with a view to manage exposures to foreign currency risk.

These hedging operations are assimilated as economic hedging. The Fund does not apply hedge accounting and the derivative financial instruments are classified as held for trading.

The derivatives financial instruments are measured at fair value through profit and loss accounts and carried as assets when the fair value is positive and as liabilities when the fair value is negative. Market values are determined by using quoted market prices, valuation techniques and broker quotations.

2.3.4. Notes

Notes are recognized initially at cost including any transaction costs that are directly attributable to their acquisition or issue. Subsequently, they are measured at amortized cost using the effective interest rate method.

2.3.5. Cash and cash equivalent

The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued as aforesaid and not yet received shall be deemed to be the full amount thereof, unless in any case the same is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Board of Directors may consider appropriate in such case to reflect the true value thereof.

2.3.6. Redeemable shares

The A and B Shares are redeemable at the maturity of the relevant tranches of classes of shares and are classified as financial liabilities. The liabilities arising from these shares are carried at the redemption amount being the net asset value calculated in accordance with IFRS.

The C Shares are classified as equity instruments for the following reasons:

- the shares entitle the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- the shares are in the class of instruments that is subordinate to all other classes of instruments;
- all shares in the class of instruments that is subordinate to all other classes of instrument have identical features;
- the shares do not include any contractual obligation to deliver cash or another financial asset other than the holder's rights to a pro rata share of the Fund's net assets;
- the total expected cash flows attributable to the shares over the life of the instrument are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognized net assets of the Fund over the life of the instrument.

2.3.7. Interest income and expenses

Interest income on loans and interest expenses are recognised on an accrual basis in line with the contractual terms.

2.3.8. Expenses

Most of these expenses, including management fees, are recognized in the income statement on an accruals basis. The other expenses are directly recorded in the income statement.

2.3.9. Taxation

The Fund is not subject to any tax except to the tax on Luxembourg undertakings for collective investment ("Subscription tax").

The annual subscription tax ("taxe d'abonnement") is generally levied at the rate of 0.01% per annum on the Fund's Net Asset Value calculated on the last valuation day of each quarter and is payable in quarterly installments.

In accordance with the "Règlement grand-ducal" dated 14 July 2010, the Fund is exempted from the subscription tax since 23 May 2011.

Partner Lending Institutions may be subject to withholding tax payable on the interest expense made to the Fund. However, the responsibility of such withholding tax payment lies with the Partner Lending Institutions at local level and has thus no impact to the financial statements of the Fund.

2.3.10. Transfer between levels of the fair value hierarchy

Transfers between levels of the fair value hierarchy are deemed to have occurred at the beginning of the reporting period.

During the year ended 31 December 2013, there were no transfers into and out of level 3 fair value measurement.

As at 31 December 2013, the accrued interest to be received on loans to Partner Lending Institutions amounts to USD 3,139,750 (2012: USD 2,242,429).

Note 3 – Loans portfolio

As at 31 December 2013, the Loans to Partner Lending Institutions have a carrying value amounting to USD 104,147,826 (2012: USD 77,000,913) and a fair value amounting to USD 104,452,846 (2012: USD 76,270,498).

The fair value of loans is calculated by using valuation techniques based on non-observable data in emerging markets and corresponds to level 3 of IFRS 7 fair value hierarchy. Due to the difficulty of reliably estimating discount rates as input into a discounted cash flow model in the absence of a liquid market for microfinance debt investments, the fair value of loans was calculated by taking into account since the disbursement date of loans 1) the change in foreign exchange spot rates and by deduction 2) the change in local yield curves (i.e. T-bills and Tbonds). The impact on valuation derived from the change in local yield curves was estimated from the change in the mark-to-market value of derivatives used for hedging the local currency denominated loan portfolio. The mark-to-market value of derivatives themselves is based on a discounted cash flow model taking into account the change in 1) foreign exchange spot rates and 2) local yield curves (i.e. T-bills and T-bonds) since the initiation of the hedge. The fair value of the loan portfolio is adjusted for any impairment allowance accounted for by the Fund (none as of 31 December 2013). The fair value of the portfolio represents a clean price as accrued interests are not factored in.

Note 4 – Derivative financial instruments

Derivative financial instruments

The notional amounts of certain types of derivative financial instrument (e.g. futures, swaps and forward contracts) provide a basis for comparison with instruments recognized on the Statement of Financial Position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and therefore do not indicate the Fund's exposure to credit or market price risk. These derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market prices, market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair value of derivative financial assets and liabilities can fluctuate significantly from time to time.

Swap contracts

As part of its asset and liability management, the Fund uses cross currency swaps for the proportion of its loan portfolio which is invested in currencies other than USD in order to simultaneously reduce its exposure to interest rate risk and foreign exchange risk.

As per 31 December 2013, the Fund holds 81 (2012: 67) cross currency swaps and 1 interest rate swap (2012: 1) with notional amount of USD 117,536,562 (2012: USD 100,777,763), which have a negative fair value of USD (1,750,871) as at 31 December 2013 (2012: positive fair value of USD 301,814). The nominal value of the derivative financial instruments is higher than the nominal value of the loan portfolio to Partner Lending Institutions as most loans denominated in XOF/XAF are first hedged from XOF/XAF to EUR and then from EUR to USD.

The fair values of cross currency swaps are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles and so involved valuation techniques where all the model inputs are observable (either directly or indirectly) in the market. It corresponds to level 2 of the IFRS 7 fair value hierarchy.

Forward foreign exchange contracts

As at December 31, 2013, the Fund had the following forward foreign exchange contracts:

- Purchase of USD 22,154 against sale of EUR 16,115 (maturing on 17/06/2014)
- Purchase of USD 22,281 against sale of EUR 16,203 (maturing on 17/12/2014)
- Purchase of USD 346,016 against sale of EUR 255,623 (maturing on 31/07/2014)
- Purchase of USD 353,067 against sale of EUR 260,878 (maturing on 30/04/2014)
- Purchase of USD 357,656 against sale of EUR 264,300 (maturing on 31/01/2014)
- Purchase of USD 50,030 against sale of KES 4,722,824 (maturing on 16/06/2014)
- Purchase of USD 523,288 against sale of EUR 380,490 (maturing on 17/02/2015)
- Purchase of USD 655,831 against sale of KES 64,992,824 (maturing on 15/12/2014)

The net unrealised appreciation on the open forward foreign exchange contract(s) on December 31, 2013 amounts to USD (66,392).

The fair values of Forward foreign exchange contracts are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles and so involved valuation techniques where all the model inputs are observable (either directly or indirectly) in the market. It corresponds to level 2 of the IFRS 7 fair value hierarchy. During the year ended 31 December 2013 and 2012, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.

Note 5 – Notes

As at 31 December 2013, the outstanding Notes issued by the Fund amount to USD 13,121,470 (2012: USD 13,121,470) and are fully drawn.

The floating rate Notes are valued at their amortized cost as of 31 December 2013 and 2012, the risk profile of the Fund having not significantly changed since the issuance of the Notes.

Note 6 – Share Capital and Net Assets Attributable to Holders of Redeemable Shares

As at 31 December 2013, the issued capital and net assets attributable to holders of redeemable shares are as follows:

In USD	Senior Class A Shares	Mezzanine Class B Shares	First Loss Class C Shares
As at 31 December 2013			
Initial commitment (USD)	10,000,000	47,743,750	-
Initial commitment (EUR)	10,000,000	13,000,000	54,000,000
Amount called (USD)	(10,000,000)	(31,559,375)	-
Amount called (EUR)	(10,000,000)	(4,163,802)	(35,516,041.18)
Uncalled commitment (USD)	-	16,184,375	-
Uncalled commitment (EUR)	-	8,836,198	18,483,958.82
Total amount subscribed (USD)	23,954,908	36,950,000	44,379,281
Operating profit (USD)	488,060	994,990	719,800
Distribution payable to holders of redeemable shares (USD)	(488,060)	(994,990)	-
Prior earnings / (losses) (USD)	-	-	2,095,615
Net Asset Value (USD)	**23,954,908**	**36,950,000**	**47,194,696**

As at 31 December 2012, the issued capital and net assets attributable to holders of redeemable shares were as follows:

In USD	Senior Class A Shares	Mezzanine Class B Shares	First Loss Class C Shares
As at 31 December 2012			
Initial commitment (USD)	10,000,000	47,743,750	-
Initial commitment (EUR)	10,000,000	13,000,000	54,000,000
Amount called (USD)	(10,000,000)	(9,482,375)	-
Amount called (EUR)	(8,915,747)	(2,664,977)	(27,011,701)
Uncalled commitment (USD)	-	38,261,375	-
Uncalled commitment (EUR)	1,084,253	10,335,023	26,988,299
Total amount subscribed (USD)	22,465,122	12,950,000	35,950,000
Operating profit (USD)	460,331	283,841	(33,892)
Distribution payable to holders of redeemable shares (USD)	(460,331)	(283,841)	-
Prior earnings / (losses) (USD)	-	-	2,129,507
Net Asset Value (USD)	22,465,122	12,950,000	38,045,615

Note 7 – Subscription received in advance

As at 31 December 2013, a subscription for Class C Share for an amount of USD 3,000,000 has been received by the Fund (2012: nil). The subscription price of these shares is based on the net asset value of the related class of shares as of 31 December 2013. These shares will be issued early 2014 and have no impact on the total equity of the Fund as of 31 December 2013.

Note 8 – Interest income and expense

8.1. Interest income on loans

For the year ended 31 December 2013, the interest income is composed by interest on loans and upfront fees amounting to respectively USD 12,238,294 (2012: USD 8,170,009) and USD 521,259 (2012: USD 473,757).

8.2. Interest expense on Notes

For the year ended 31 December 2013, the interest on Notes expensed by the Fund amounts to USD 194,995 (2012: USD 138,839).

Note 9 – Expenses

9.1. Fund management fee

In consideration for its services to be provided to the Fund, the Investment Manager is entitled to a management fee payable by the Fund which shall be the aggregate of:

(i) a percentage of the outstanding capital invested by the Fund (“Invested Capital”) in PLI Investments as at the end of any calendar month determined as follows:

a. 2 % per annum for the first USD 50 million of Invested Capital invested in PLI Investments at the end of such calendar month; plus

b. 1.75 % per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 50 million up to the amount of USD 100 million; plus

c. 1.50 % per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 100 million up to the amount of USD 200 million; plus

d. 1.25 % per annum for the amount of Invested Capital invested in PLI Investments at the end of such calendar month exceeding USD 200 million; and

(ii) 0.2 % per annum of the amount of Invested Capital invested in Investments other than PLI Investments at the end of such calendar month.

For the year ended 31 December 2013, the Fund management fee amounts to USD 1,891,275 (2012: USD 1,267,449).

9.2. Investment manager incentive bonus

Depending on the performance of the Fund and the attainment of certain performance targets by each Class of Shares determined by the Board of Directors, the Investment Manager might be entitled to additional performance based remuneration ("Investment Manager Incentive Bonus"), calculated as a percentage of the year-to-date amount remaining available for allocation of the Income Waterfall, as defined in Note 10.

For the year ended 31 December 2013, an Investment Manager Incentive Bonus of USD 90,521 has been accrued (2012 USD 17,710).

9.3. Secretary fees

The secretary fees are paid on a monthly basis upon receipt of the invoice. For the year ended 31 December 2013, the secretary fees amount to USD 82,507 (2012: USD 56,282).

9.4. Administration, custodian and domiciliation fees

The Fund pays an administration fee to Credit Suisse Fund Services (Luxembourg) S.A., which is based on the total net assets including the aggregate issue amount of the Notes issued by the Fund in accordance with the following scale, payable quarterly:

- 0.10% per annum on the first amount of USD 100 million,
- 0.08% per annum on the next amount of USD 100 million,
- 0.04% per annum on the amount above USD 200 million.

A minimal amount of USD 60,000 of administration fee is applied per annum.

For the year ended 31 December 2013, the administration fee amounts to USD 106,099 (2012: USD 71,843).

The Fund pays a custodian fee to Credit Suisse (Luxembourg S.A., which is based on the total net assets including the aggregate issue amount of the Notes issued by the Fund in accordance with the following scale, payable quarterly:

- 0.03% per annum on the first amount of USD 100 million,
- 0.02% per annum on the next amount above USD 100 million.

A minimal amount of USD 20,000 of custodian fee is applied per annum.

For the year ended 31 December 2013, the custodian fee amount to USD 35,475 (2012: USD 26,235).

The Fund pays an annual lump sum domiciliation fee to Credit Suisse Fund Services (Luxembourg) S.A. For the year ended 31 December 2013, the domiciliation fee amounts to USD 15,000 (2012: USD 15,000).

As at 31 December 2013, the registrar and the compliance monitoring fees amount to USD 15,000 (2012: USD 15,000).

9.5. Accrued expenses

As at 31 December 2013, the accrued expenses relate to management fees and direct operating expenses and amount to USD 836,720 (2012: USD 550,867).

Note 10 – Allocation and distribution waterfalls

At each date on which a NAV calculation is made ("NAV Calculation Date"), the year-to-date cumulative net income ("Net Income") of the Fund for the relevant calendar year is determined. The Net Income equals the sum of (i) the Fund's cumulative year-to-date income (received and/or accrued) in the relevant calendar year less the year-to-date cumulative Fund Expenses (including, but not limited to, operating expenses and Management Fees) for the calendar year, plus (ii) any year-to-date interest payments on the Notes for the calendar year. For the purposes of this computation: (i) all realised and unrealised (ie accrued) interest payments to the Fund are included in the Fund's Net Income (if any interest payments are not received by the Fund or if previously accrued interest payments are not paid to the Fund, such amounts come in deduction of the Fund's Net Income) and (ii) the portion of the value of any related derivative financial instrument which is linked to the accrued interest on any loan is allocated to the Net Income of the Fund.

At each NAV Calculation Date, the year-to-date positive Net Income of the Fund is allocated according to the Fund waterfall mechanism as set forth in the Issue Document, which is designed to compensate investors based on their respective investment risk and provide the necessary funding for the Fund's ongoing operations. The amount of dividend distributable to Classes A, B and C Shares at each NAV Calculation Date is limited to a level of target dividend whose determination is defined in the relevant subscription agreements. Operational aspects of the Fund compensated through the waterfall structure include i) the Foreign Exchange Currency ("FX") reserve payment, which is allocated annually to the Class C Shares to protect against an erosion of value due to FX losses; ii) a component of the overall funding for a technical assistance facility ("TA Facility") established in parallel with the Fund to provide technical assistance to PLIs in their development and growth as well as to prepare and to support PLI Investments; and iii) the Investment Manager Incentive Bonus, as described in Note 9.2, included to align the interests of the Investment Manager with those of the Fund's investors.

All amounts exceeding target dividends and contributions to operational aspects are used to pay out complementary dividends to shareholders in accordance with the terms and conditions stated in the Fund's Issue Document.

At each NAV Calculation Date, in case the year-to-date Net Income of the Fund is negative, it will be allocated in the following order of priority:

- Class C Shares up to the total NAV of the Class C Shares, pro rata to the NAV of each Series of Class C Shares,
- Class B Shares up to the total NAV of the Class B Shares, pro rata to the NAV of each Series of Class B Shares,
- Class A Shares up to the total NAV of the Class A Shares, pro rata to the NAV of each Series of Class A Shares.

In addition, at each NAV Calculation Date, once the allocation of Net Income has been made, the Capital Waterfall of the period is determined as follows:

- any year-to-date write backs on unrealized Investments, plus
- any impairment allowances due to the deterioration in credit quality or defaults with respect to the Investments of the Fund, plus
- any realized and unrealized gains and losses on local currency loans to PLIs due to changes in the value of the local currency, plus
- any other year-to-date realized or unrealized capital gains and losses on foreign exchange (other than on local currency loans to PLIs), plus
- the foreign exchange compensation amount ("FX Compensation Amount"), which protects the C Share class against expected FX depreciation on unhedged investments, plus
- realized and unrealized gains or losses from the value of derivative financial instruments held by the Fund. This is calculated as the portion of the value of derivative financial instruments held by the Fund other than the portion of the value of the related derivative financial instruments which is linked to the accrued interest on the loans (this accounting rule has been defined after Fund inception, which explains why no reference to it is made in the Fund's Issue Document).

The Capital Waterfall is allocated in the following order of priority:

- first to Class A Shares showing a positive difference between the issue price and their NAV (the "NAV Deficiency") at period ends,
- then to Class B Shares showing a NAV Deficiency at period ends,
- to Class C Shares pro rata to their NAV at period ends.

Note 11 – Calculation of distributable income and capital gains and losses

Calculation of Distributable Income (income waterfall)

	2013	2012
As at 31 December 2013		
Interest income on loans	12,759,553	8,643,766
Bank interest	3,310	4,725
Other income	389,621	73,697
Realized losses on derivative financial instruments (interest portion)	(6,532,084)	(4,380,063)
Management fees	(1,891,275)	(1,267,449)
Secretary fees	(82,507)	(56,282)
Legal and audit fees	(121,531)	(89,256)
Administration, custodian and domiciliation fees	(171,574)	(128,078)
Subscription tax	-	-
Other administrative expenses	(67,343)	(82,009)
Marketing and promotion expenses	(26,819)	(37,477)
Interest on Notes	(194,995)	(138,839)
Debit interest	(3,370)	(1,910)
Change in unrealized loss on derivative financial instruments (interest portion)	(401,744)	(584,748)
Total (in USD)	3,659,242	1,956,077

For the year ended 31 December 2013:

The distributable income amounting to USD 3,659,242 is allocated as follows:

- Target dividend on A-shares: USD 446,882
- Target dividend on B-shares: USD 900,537
- FX compensation amount: USD 235,919
- Target dividend on C-shares: USD 1,253,178
- Contribution to the TA Facility: USD 370,121
- Investment manager incentive bonus: USD 90,521
- Complementary dividends on A-shares, B-shares and C-shares: USD 362,084

As a result of this allocation, a total amount of dividends (including target and complementary dividends) of USD 488,060 is distributed to the Class A Shares, USD 994,990 to the Class B Shares, and USD 1,479,631 allocated to the Class C Shares. The FX Compensation Amount is also allocated to the Class C Shares, resulting in a total amount of USD 1,715,550 of the Fund's total distributable income allocated to the Class C Shareholders.

For the year ended 31 December 2012:

The distributable income amounted to USD 1,956,077. A total amount of dividends (including target and complementary dividends) of USD 460,331 was distributed to the Class A Shares, USD 283,841 to the Class B Shares, and USD 1,055,987 capitalized to the Class C Shares. The FX Compensation Amount was also allocated to the Class C Shares, resulting in a total amount of USD 1,144,240 of the Fund's total distributable income capitalized to the Class C Shareholders.

Allocation to Class C Shares (capital waterfall)

	2013	2012
Realized and change in unrealized loss on foreign exchange (only portion related to PLIs)	(518,140)	(296,216)
Realized and change in unrealized gain on foreign exchange (other than portion related to PLIs)	49,604	44,117
Realized and change in unrealized loss on derivative financial instruments (notional portion)	(527,214)	(926,033)
Total (in USD)	**(995,750)**	**(1,178,132)**

For the year ended 31 December 2013:

In compliance with the Fund's Issue Document, the amount of USD (995,750) is allocated to the Class C Shares, pro rata to the NAV of each Series of Class C Shares. Consequently, considering total dividends allocated to Class C Shares for the year ended 31 December 2013 as well as the FX compensation amount, a total amount of USD 719,800 has been capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

For the year ended 31 December 2012:

In compliance with the Fund's Issue Document, the amount of USD (1,178,132) was allocated to the Class C Shares, pro rata to the NAV of each Series of Class C Shares. Consequently, considering total dividends allocated to Class C Shares for the year ended 31 December 2012 as well as the FX compensation amount, a total amount of USD (33,892) was capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

Note 12 – Risk management

The Fund is mainly exposed to credit risk, market risk (which includes mainly currency risk and interest rate risk) and liquidity risk arising from the financial instruments its holds.

12.1. Credit Risk

Credit risk is the risk that an issuer or counterparty will be unable to meet a commitment that it has entered into with the Fund.

The insolvency or other business failure of any one or more of the Partner Lending Institutions in which the Fund has invested could have a material and adverse effect on the Fund's performance and ability to achieve its objectives.

The Fund also runs the risk of any one or more of the Partner Lending Institutions defaulting on their borrowings from the Fund. Such Partner Lending Institutions may default on their interest and/or on their principal repayment. The Fund mitigates this risk by carefully selecting the Partner Lending Institutions and then by closely monitoring them on a quarterly basis.

Prior to submitting a PLI Investment to the Fund's Investment Committee, the Investment Manager, through its Sub Saharan Africa-based team, performs a detailed country analysis, a PLI credit risk assessment, a PLI social responsibility evaluation, a PLI monthly monitoring report and an Anti-Money Laundering assessment. The outcomes of all above checks are reported in a detailed report presented to the Investment Committee.

In addition in order to be selected as suitable PLIs financial institutions should meet a number of criteria at the time of investment by the Fund (in each case as reasonably determined by the Investment Committee upon recommendation by the Investment Manager). Such criteria relate to a wide array of PLI dimensions, but not limited to the legal, operational, social, governance, and environmental aspects.

On the monitoring side, the Investment Manager reviews on a monthly basis the credit quality and financial reporting of each PLI based on the monthly financial data that is reported by the PLI directly in the Investment Manager's information system at the end of each month. In addition, the Investment Analysis team of the Investment Manager performs an in-depth and onsite review of each PLI on an annual basis (or more frequently in case of material change). Each analyst remains in constant interaction with the PLI through its monthly processes and signals any material change to the Investment Services team which could affect any given transaction with such PLI, similarly at the country level. Portfolio valuation and covenant monitoring is performed on an ongoing basis. This close monitoring of the financial performance of investees enables the team to detect as early as possible any negative trend that would negatively impact the PLI's ability to reimburse a loan or enter into a breach of covenants. In addition, the Investment Manager performs the legal risk management process, reviewing each loan covenant of each given transaction on a monthly basis.

For all outstanding investments in the loan portfolio, the Investment Manager performs the following:

- Legal and financial covenants monitoring: The Investment Services team reviews all legal covenants and obligations related to each transaction for material events on a monthly basis, validating their compliance and reporting to the client. Any material event triggers a risk management process for the underlying obligation which involves challenging and questioning by the Investment Analysis team over and beyond the monthly and annual monitoring.
- Quarterly Investment valuation: Pursuant to the legal covenant review and risk management process, the Investment Services team proposes quarterly valuation guidance for each transaction to the Investment Manager based on predefined rules and criteria.
- Payment collection: On each payment date, the Investment Services team sends out reminders and confirmation receipts to the PLI and custodian bank. The team supervises and assists throughout the payment collection process.

12.1.1. Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk of the Fund as of 31 December 2013. The maximum exposure is shown gross, before the effect of mitigation through the use of collaterals.

	As at 31 December 2013 (USD)	As at 31 December 2012 (USD)
Statement of financial position		
Loans to Partner Lending Institutions	104,147,826	77,000,913
Interest accruals on loans	3,139,750	2,242,429
Derivative financial instruments	-	301,814
Cash at bank	20,891,879	6,979,273
Other receivables	657,131	1,378,244
Total	128,836,586	87,902,673
Off balance sheet		
Committed undisbursed amounts on loans to Partner Lending Institutions	-	-
Total	-	-
Total gross maximum exposure	128,836,586	87,902,673

12.1.2. Risk concentrations of loan portfolio to credit risk

In the context of the credit risk analysis, the concentration risk analysis of the Fund's gross loans portfolios by PLI as of 31 December 2013 and 2012 is as follows:

31 December 2013	Amounts in USD	%
Top 1	10,059,035	9.66
Top 3	25,049,407	24.05
Top 5	34,599,431	33.22
Top 10	55,236,442	53.04
Top 20	82,998,477	79.69
Top 30	99,336,622	95.38
Top 37	104,147,826	100.00
Total	104,147,826	100.00

31 December 2012	Amounts in USD	%
Top 1	7,764,153	10.08
Top 3	20,470,836	26.59
Top 5	31,477,456	40.88
Top 10	49,023,227	63.67
Top 20	71,249,847	92.53
Top 27	77,000,913	100.00
Total	77,000,913	100.00

The table below shows the credit risk analysis of the Fund's gross loan portfolio per geographical region as of 31 December 2013 and 2012:

Risk concentrations by geographical regions

	2013 Amounts in USD	%	2012 Amounts in USD	%
Angola	2,000,000	1.92	-	-
Benin	4,409,440	4.23	3,724,480	4.84
Cameroun	5,485,804	5.27	4,626,298	6.01
DRC	4,000,000	3.84	-	-
Ghana	8,865,964	8.51	8,051,933	10.46
Ivory Cost	1,377,950	1.32	1,318,400	1.71
Kenya	5,782,224	5.55	9,987,484	12.97
Mozambique	957,017	0.92	1,876,091	2.44
Nigeria	21,961,394	21.09	13,850,398	17.98
Rwanda	495,207	0.48	-	-
Senegal	20,170,373	19.37	16,002,682	20.77
Tanzania	11,936,102	11.46	7,445,484	9.67
Tchad	551,180	0.53	-	-
Togo	1,377,949	1.32	659,200	0.86
Uganda	9,493,065	9.11	7,543,958	9.80
Zambia	3,284,157	3.15	1,914,505	2.49
Zimbabwe	2,000,000	1.92	-	-
Total	104,147,826	100.00	77,000,913	100.00

12.1.3. Credit Quality

12.1.3.1. Credit risk exposure for each internal risk rating

The institutional risk of Partner Lending Institutions is closely monitored by the Investment Manager's professional, independent central and local risk experts using internal credit ratings. The current methodology takes into account quantitative and qualitative factors, the degree of maturity of the PLI, as well as monthly monitoring and annual visits.

The methodology is based both on a credit risk and performance assessment. The performance assessment reviews three years of past audited and operational quantitative information, divided into three analytical dimensions: operational efficiency, financial results, and social impact, and about thirty indicators. The credit risk assessment is focused on future outlook; there are five key dimensions, divided into about twenty five qualitative indicators: strategy and governance, people and organization, products and services, financial management, and control and systems. The outcome of the scoring methodology is a credit risk scoring and rating grade that reflects the specific risk of an institution. It does not include any systematic risk aspects (i.e. industry, currency, political risk among others). The rating scale grades from AAA to D, subdivided into 10 levels, each divided into three subsets of plus (+), neutral and minus (-).

The Fund rating's categories are as follows:

Scaling	Qualifier	Rating Grade
97% - 100%	Extremely strong repayment capacity	AAA
88% - 97%	Very strong repayment capacity	AA
79% - 88%	Strong repayment capacity	A
70% - 79%	Moderate repayment capacity	BBB
61% - 70%	Questionable repayment capacity	BB
52% - 61%	Weakened repayment capacity	B
43% - 52%	Vulnerable to nonpayment	CCC
37% - 43%	High vulnerable to nonpayment	CC
31% - 37%	Very high vulnerable to nonpayment	C
0% - 31%	Payment default	D

The table below is a credit rating analysis of the Fund's loan portfolio as of 31 December 2013 and 2012 based on the Fund's credit rating system:

	2013 Amounts in USD	%	2012 Amounts in USD	%
AAA	-	0.00	-	0.00
AA	-	0.00	-	0.00
A	-	0.00	-	0.00
BBB	79,456,166	76.29	63,580,632	82.57
BB	24,691,660	23.71	13,420,281	17.43
B	-	0.00	-	0.00
CCC	-	0.00	-	0.00
CC	-	0.00	-	0.00
C	-	0.00	-	0.00
D	-	0.00	-	0.00
Total	104,147,826	100.00	77,000,913	100.00

12.1.3.2. Credit risk exposure to counterparties from cash deposits

As at 31 December 2013, the Fund holds cash in current accounts of USD 18,511,841 and is therefore—with regards to these deposits—mainly exposed to the credit risk with Credit Suisse, whose rating is A2 according to Moody's and A- according to Standard & Poor's.

Collateral has been posted with hedge counterparties for a total of USD 2,380,039, of which USD 1,190,039 with Standard Bank, rated Baa1 according to Moody's and BBB according to Fitch, USD 1,060,000 with Standard Chartered Bank, rated A2 according to Moody's and A+ according to Standard & Poor's, and USD 130,000 with TCX, rated A- according to Standard & Poor's.

12.1.3.3. Impairment assessment

The Investment Manager monitors on a monthly basis whether each investee of the Fund is in compliance with all financial and non-financial covenants per the respective loan contract. In case of a breach of financial covenant with no perspective of resolution through improvement of the situation over the next quarter, the Investment Manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation. In case of payment default (as defined in each loan agreement), the Investment Manager will make an impairment recommendation to the Fund Investment Committee for the next quarterly NAV calculation if the carrying amount of the relevant loan exceeds its recoverable amount.

As at 31 December 2013 and 2012, there were no impaired loans.

12.2. Liquidity risk

The Fund may invest in loans or other debt instruments issued by PLIs most of which will neither be listed on a stock exchange nor dealt in on another regulated market. The issuance of such instruments may not be subject to any control, review or oversight by a regulatory authority. In most cases there is no secondary market for the trading of the debt instruments issued by PLIs. Thus, such instruments will generally be illiquid. Such illiquidity may affect the Fund's ability to vary its portfolio or dispose or liquidate part of its portfolio in a timely fashion and at satisfactory prices in response to changes in economic or other conditions and this could have an adverse effect on the Fund's financial condition and results of operations.

In order to manage the liquidity of the Fund and address the above risks, the following rules are applied:

- Excess cash liquidity is temporarily deposited with international investment grade banks or invested in money-market instruments.
- The Investment Manager shall strive to maintain cash on hand that represents the greater of 5% of the Fund Total Assets or a 120% of the Fund's projected 30-day liabilities. As soon as liquidity falls below this percentage, the Investment Manager shall notify the Board and Investment Committee immediately.
- In addition, the Fund may at any time draw down from existing commitments on A and B Shares or Notes and on a quarterly basis on C Shares. The existing undrawn commitments from both Noteholders and Shareholders to the Fund exceed USD 54 million as at 31 December 2013 (2012: USD 91 million).

The following table demonstrates the forecasted cash flows of the Fund per maturity band:

As at 31 December 2013 (USD)	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Undefined Maturity	Total
Loans to Partner Lending Institutions*	6,802,207	43,221,536	79,488,739	-	-	129,512,482
Cash	20,891,879	-	-	-	-	20,891,879
Other receivables	657,131	-	-	-	-	657,131
Total Assets	28,351,218	43,221,536	79,488,739	-	-	151,061,493
Notes *	-	203,547	8,503,933	5,340,045	-	14,047,524
Derivative financial instruments	1,826,132	6,403,844	6,988,818	-	-	15,218,794
Accrued expenses	836,720	-	-	-	-	836,720
Subscription received in advance	3,000,000	-	-	-	-	3,000,000
Classes A and B Shares	-	5,250,000	47,654,908	8,000,000	-	60,904,908
Total Liabilities	5,662,852	11,857,391	63,147,659	13,340,045	-	94,007,947
Class C Shares	-	-	-	-	47,194,696	47,194,696
Total Equity	-	-	-	-	47,194,696	47,194,696

*Including interest payment

As at 31 December 2012 (USD)	Less than 3 months	3 months to 1 year	1 year to 5 years	More than 5 years	Undefined Maturity	Total
Loans to Partner Lending Institutions*	3,906,440	32,164,976	58,522,499	-	-	94,593,915
Cash	6,979,273	-	-	-	-	6,979,273
Other receivables	1,378,244	-	-	-	-	1,378,244
Total Assets	12,263,957	32,164,976	58,522,499	-	-	102,951,432
Notes *	-	203,547	5,981,579	8,065,945	-	14,251,071
Derivative financial instruments	1,314,776	4,895,183	4,785,667	-	-	10,995,626
Accrued expenses	550,867	-	-	-	-	550,867
Subscription received in advance	-	-	-	-	-	-
Classes A and B Shares	-	-	35,415,122	-	-	35,415,122
Total Liabilities	1,865,643	5,098,730	46,182,368	8,065,945	-	25,797,564
Class C Shares	-	-	-	-	38,045,615	38,045,615
Total Equity	-	-	-	-	38,045,615	38,045,615

12.3. Market risk

12.3.1. Interest rate risk

The Fund may be exposed to interest rate risks to the extent the rate basis for its assets and liabilities do not fully match. The Fund seeks to reduce this risk and to match the rate basis on its assets and liabilities. As of 31 December 2013, 83% (2012: 95%) of the portfolio yields floating interest rates with USD 6-month Libor as the rate basis (local currency denominated loans hedged for both currency and interest rate risk). 12% of the portfolio are denominated in USD, the functional currency of the Fund, yielding a fixed USD rate. 5% of the portfolio are denominated in local currency and not hedged for currency and interest rate risk.

Investor returns for Notes and redeemable shares are based on floating interest rates with USD 6-month Libor as the rate basis, with the exception of the Class C Shares. Due to the structure of the Fund and the unlimited maturity of Class C Shares, perfect matches are not achievable by the Fund.

Investors must also be aware that changes in interest rates will affect the relative value of the Fund's Investments. In general, if interest rates increase, it is expected that the relative value of the Fund's existing Investments will decrease, and conversely, if interest rates decrease, it is expected that such relative value will increase.

The level of prevailing interest rates also may affect the economy of the target countries and any applicable markets outside of the target countries, and, in turn, the value of the Fund's Investments.

Interest rate risk finally arises from the possibility that changes in interest rates will affect future cash flows of financial instruments as well as the Fund's profitability.

The following table illustrates the sensitivity of the Fund's Net Income before tax (as per the income waterfall) to various upward parallel shifts in the US yield curve for a time period of 180 days (base-case scenario = risk free rates do not fluctuate). It is also worth noting that downward shifts in the US yield curve would produce the same results, but in the opposite direction (negative impacts).

*Including interest payment

2013			2012	
Increase (in basis points)	Effect on profit before tax (in USD)	Effect on profit before tax (in %)	Increase in basis points	Effect on profit before tax (in USD)
10	17,978	1.20%	15,156	1.5%
50	89,891	6.20%	75,778	7.4%
100	179,783	12.40%	151,556	14.9%

12.3.2. Currency risk

Currency risk is the risk that the value of financial instruments fluctuates due to changes in foreign exchange rates. As at 31 December 2013 and 2012, all the Fund's financing instruments (notes and redeemable shares) are denominated in the functional currency of the Fund (2012: 100%). 12% of the Fund's PLI investments are denominated in USD (2012: 0%), 83% are denominated in local currency and hedged for both currency and interest rate risk (2012: 95%), and 5% are denominated in local currency and unhedged (2012: 5%).

As at 31 December 2013, the Fund's total unhedged open currency exposure amounts to USD 4,750,940 (exchange rate as of disbursement) representing 5% of the PLI loan portfolio. It is composed of three currencies: the Ghanaian Cedi (USD 1,750,000 equivalent), the Ugandan Shilling (USD 500,000 equivalent), and the CFA Franc/ XOF (USD 2,500,940 equivalent). Currency risk exposure in CFA Franc is only from XOF to EUR as loans remain fully hedged between EUR to USD (i.e., de-pegging risk only).

12.3.3. Operational risk

Operational risk is the risk of loss arising from systems failures, human errors, fraud or external events. When controls fail to perform, operational risk can cause damage to reputation, have legal or regulatory implications, or lead to financial loss. The Fund cannot expect to eliminate all operational risks, but through a control framework and by monitoring and responding to potential risks, the Fund is able to manage the risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit.

Note 13 – Capital Management

The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase and resale of ordinary shares.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus.
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other advanced capital markets and by using various investment strategies and hedging techniques.
- To maintain sufficient liquidity to meet the expenses of the Fund and fulfill all financial obligations.
- To maintain sufficient size to make the operation of the Fund cost efficient.

Note 14 – Related Party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions or is part of key management of the Fund.

Board of Directors

Directors' fees amounts to USD 13,990 (December 31, 2012: USD 12,107). The listing of the members of the Board of Directors is shown on page 59 of the annual report.

Investment Manager

Management fee

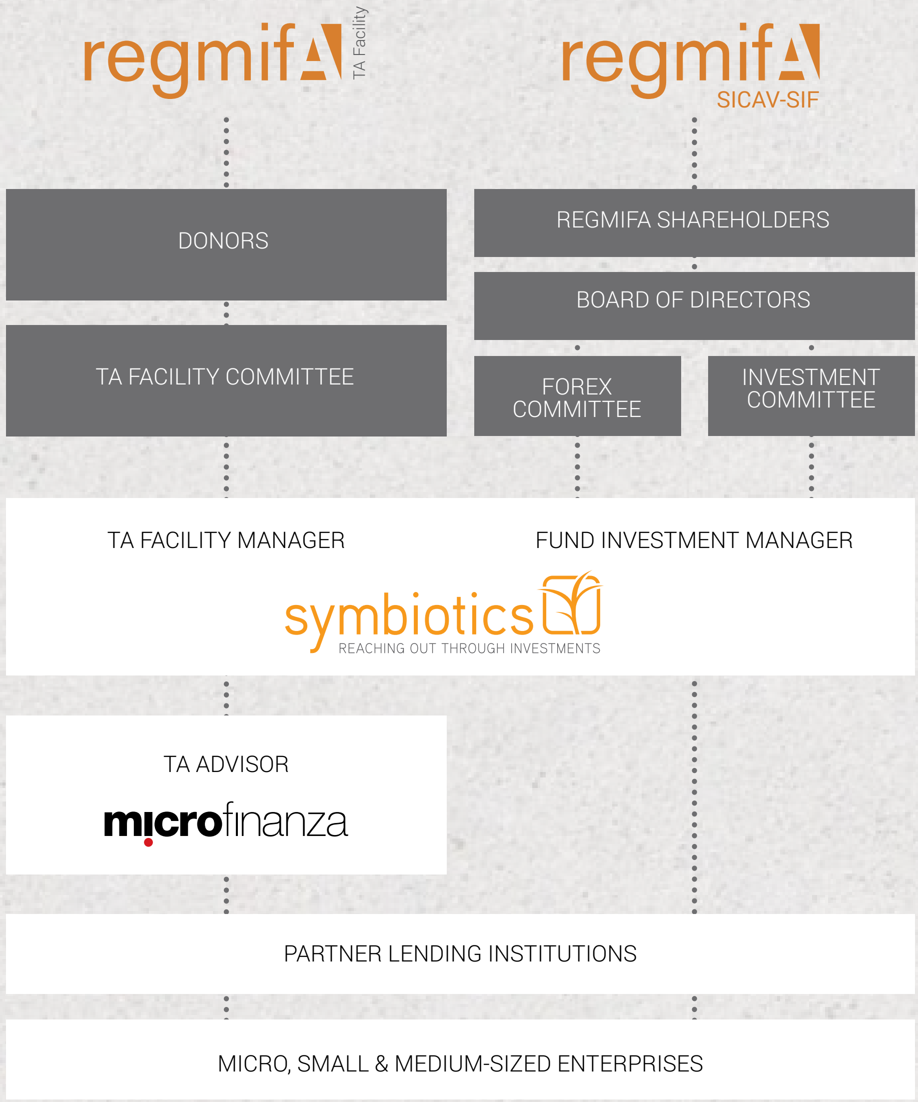
Symbiotics Asset Management S.A. serves as the Investment Manager of the Fund. For details of ratings see note 9. Depending on the performance of the Fund, the Investment Manager might be entitled to additional performance based remuneration.

Note 15 – Approval of the Financial Statements

The Board of Directors reviewed the Financial Statements as of 20 May 2014 and decided to submit them to the Annual General Meeting of Shareholders for approval to be held on 20 May 2014.

Additional Information

Organizational Structure



Contacts

Symbiotics S.A.

31, rue de la Synagogue

CH-1204 Geneva

Switzerland

Symbiotics Information, Consulting and Services

South Africa (PTY) Limited

4 Loop street – Studio 502

Cape Town

South Africa 8001

Corso Sempione 65

20149 Milan

Italy

Governance and Investment Manager

Board of Directors

Mr. Wolfgang Kroh (Chairman)

Dr. Marcel Gérard Gounot

Mr. Hanns Martin Hagen

Mr. Ulf Linders

Mr. Ruurd Brouwer

Mr. Juan Ignacio Izuzquiza Rueda

Ms. Alix Pinel (until 5.11.2013)

Mr. Philippe Serres (since 6.11.2013)

Investment Committee

Mr. Karl-Heinz Fleischhacker (Chairman)

Mr. Edvardas Bumsteinas

Mr. Juan Ignacio Izuzquiza Rueda

Mr. Njord Andrewes

Mr. Mariano Larena

FX Committee

Dr. Giuseppe Ballocchi, CFA

Mr. Helie d'Hautefort

Dr. Michael Schulze

TA Facility Committee

Dr. Karin Derflinger (chairperson) (until 10.12.2013)

Ms. Karin Hoensch-Walter (chairperson) (from 11.12.2013)

Mr. Juan Ignacio Izuzquiza Rueda

Mr. Stefan Kerpen

Investment Manager and TA Facility Manager

Mr. Mariano Larena, Senior Investment Manager

Ms. Nadja Zgraggen, TA Facility Manager

Mr. Jérôme Audran, Investment Manager

Ms. Petra Zeier, Investment Manager

Mr. Vincent Lehner, Regional Manager

M. Patrick d'Huart, Senior Investment Analyst

Ms. Lucile Dhuy, Investment Analyst

Mrs. Anne Rosales, Investment Analyst

Ms. Sophie Vincent, Investment Analyst

Ms. Lisa Putter, Associate Analyst

TA Advisor

Mr. Massimo Vita, TA Field Expert

Mr. Alessandro Baroni, TA Analyst

Ms. Katia Raguzzoni, TA Support

Abbreviations

AECID	Agencia Española de Cooperación Internacional para el Desarrollo; Spanish Agency for International Development Cooperation
AfD	Agence Française de Développement; French Development Agency
BIO	Belgische Investeringsmaatschappij voor Ontwikkelingslanden; Belgian Investment Company for Developing Countries
BMZ	Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung; German Ministry for Economic Cooperation and Development
EIB	European Investment Bank
ESR	environmental and social responsibility
FMO	Nederlandse Financierings- Maatschappij voor Ontwikkelingslanden; Development Bank of the Netherlands
FX	foreign exchange
GAV	gross asset value (total assets of the Fund)
GNI	gross national income
HDI	human development index
ICO	Instituto de Crédito Oficial; Spanish Development Bank

IFC	International Finance Corporation
KfW	Kreditanstalt für Wiederaufbau; German Development Bank
MFI	microfinance institution
MIV	microfinance investment vehicle
MSME	micro, small and medium-sized enterprise
NAV	net asset value
NBFI	non-bank financial institution
NMI	Norwegian Microfinance Initiative
OeEB	Oesterreichische Entwicklungsbank; Austrian Development Bank
PLI	partner lending institution
Proparco	Société de Promotion et de Participation pour la Coopération Economique; French Investment and Promotions Company for Economic Cooperation
TA	technical assistance

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