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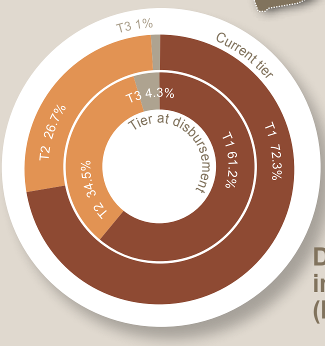
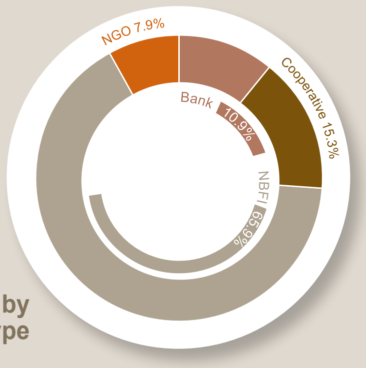
Regional MSME Investment Fund for Sub-Saharan Africa

QUARTERLY FACT SHEET Q2/2013

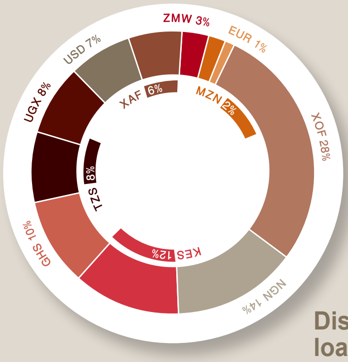
GAV	107.80m
NAV	88.44m
PLI Portfolio	88.24m
Cash	18.46m
Countries	13
PLIs	30
Investments	62
Clients	153'718



Distribution by institutional size (by invested volume)



Distribution by institutional type



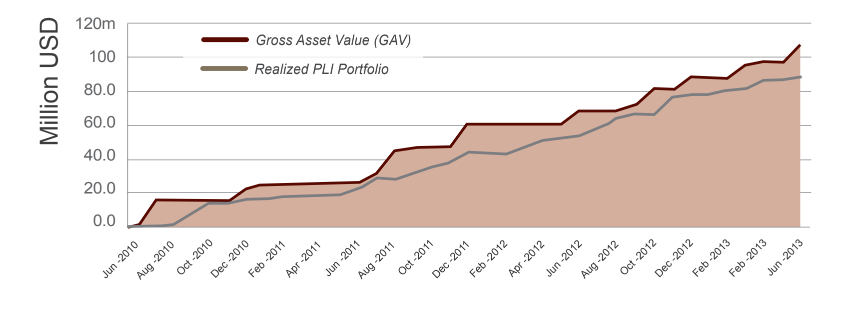
Distribution of loans by currency

Investment Manager Comment

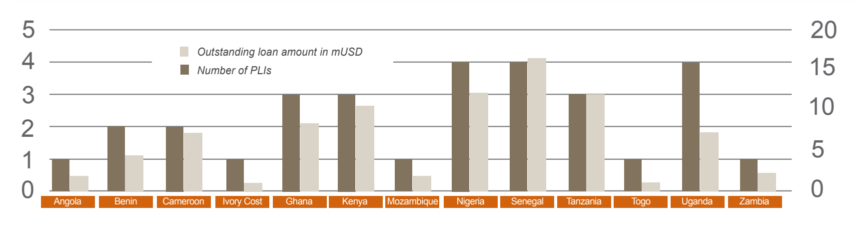
In Q2, inflation remained low in Kenya (4.9%) and Uganda (3.4%) while it continued to fall to a record low in Tanzania (7.6%). Kenya's economy is performing better than expected for an election year, with stock market up by more than 10% since the beginning of the year. The president, Mr. Kenyatta, has been indicted by the ICC for crimes against humanity and is due to stand trial at The Hague in November, although increasing number of witnesses set to testify in trial have withdrawn over personal safety concerns. IMF predicts that growth will improve, reaching 5.5-6% this year, compared with 4.7% last year. In Uganda, allegations of corruption have led to cuts in foreign aid, which in turn translated into government plans for increasing the tax base and curbing corruption. Initiatives to computerize land title certificates and motor vehicle registration commenced, but also had a negative impact on lending activities of MFIs and banks. In Tanzania, the government plans to reduce tax incentives offered to private companies as well as curb illicit money transfer. To crackdown on speculation, the Bank of Tanzania showed increasing reluctance to authorize foreign funding to banks and regulated MFIs, forcing them to hedge locally at higher cost. The first Credit Reference Bureau opened in Dar es Salaam in June 2013 with a business license granted by Bank of Tanzania. In Zambia the current economic growth should continue and impact positively the rural areas. However, the recent amendments of the Bank of Zambia Act related to exports and receipts may create barriers to investments due to high transaction costs and complicated procedures.Inflation in Ghana, the second-biggest economy in West Africa, accelerated for a fourth straight month (11.4% in Jun-13) to a three-year high, due mainly to the elimination of fuel subsidies and the country's large deficit. Local currency depreciation (-15% in 2012; -6% in Jun-13) and its potential impact on micro-entrepreneurs should be monitored as well as the increase in the portfolio at risk noticed during this quarter in many MFIs. The economy in Benin is reported to be in difficulties, with scarce liquidities at household level and, for the first time, a reduction in deposits being observed. Portfolio at risk for MFIs rose due to a portfolio shrinkage and payment delays from SME clients. In Nigeria, terrorist attacks continue to affect the economy in the north of the country, while economic growth continues to boost the microfinance sector in the south. The situation improved in Mali, with the military intervention being viewed as a success by most countries in the region and presidential elections to be held.

During Q2 2013, REGMIFA invested USD 11m, which considering loan repayments resulted in a net portfolio growth of USD 6.4m over the quarter (USD 10.3m since year beginning), in line with expectations. The investment pipeline is strong, with several deals having been delayed to the second semester of the year, and given that funding demand typically accelerates in the third and fourth quarters.

Portfolio Growth



Invested Portfolio



Top 5 Countries exposures

Country	Volume USD	%
Senegal	16.7	18.9%
Nigeria	12.7	14.3%
Tanzania	12	13.6%
Kenya	10.4	11.7%
Ghana	8.5	9.6%

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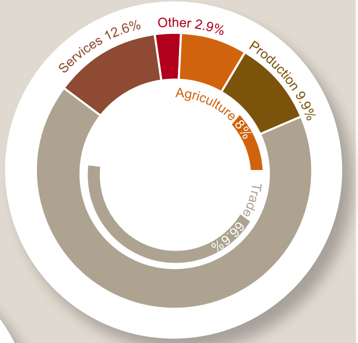
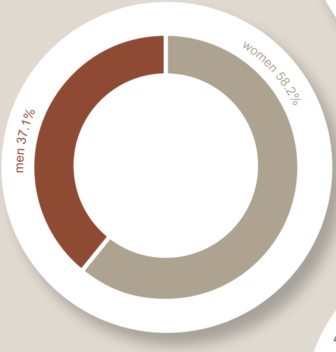
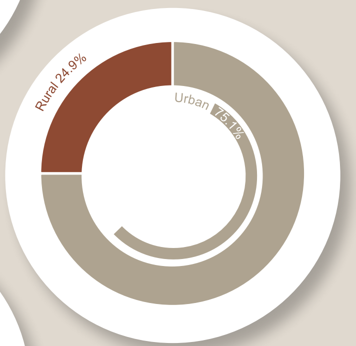
Average Social Rating ★★★½☆

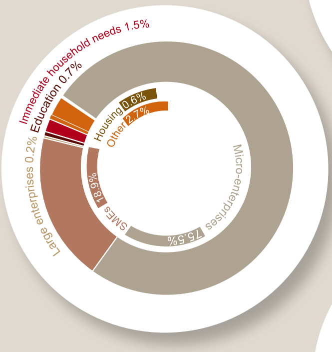
Score	Social Value	PLI social rating
100-90	Extremely strong	★★★★★
89-80	Very strong	★★★★
79-70	Strong	★★★
69-60	Moderate	★★
59-50	Poor	★
50-0	None	-

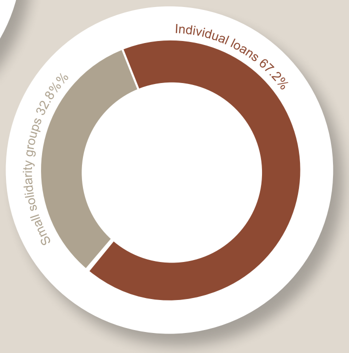
The Investment Manager uses a social rating tool containing 100 qualitative and quantitative indicators which are split into 7 dimensions: social governance, labor climate, financial inclusion, client protection, product quality and diversity, social responsibility to the community, and environmental policy.











Social Outreach Aggregate Fund Portfolio

Portfolio Outstanding (USD)	88.24m
Number of Partner Lending Institutions	30
Number of PLI branches (avg)	43
Client retention rate	95.85%
Portfolio Loan Average (USD)	1,118.92
Estimated Total Micro Clients	153'718

Invested PLI Portfolio

Invested PLI profile	Simple Average	Median
Total Assets (USD)	48'741'109	31'793'430
Gross loan portfolio (USD)	33'840'599	24'475'795
Number of active borrowers	63'689	21'163
Average loan size (USD)	1'175	837
Debt/Equity ratio	3.43	3.12
Portfolio yield	44.82%	46.31%
Operating expense ratio	33.70%	31.82%
Operational self-sufficiency	113.66%	110.87%
Return on Equity	10.47%	11.67%
Return on Assets	1.81%	2.21%
PAR > 30 days	5.24%	3.77%
Write off ratio	0.63%	0.30%

Social Outreach

Client and Product Information		%Total	Clients
Distribution by Activity	Agriculture	8.0%	12'280
	Production	9.9%	15'191
	Trade	66.6%	102'384
	Service	12.6%	19'440
	Other	2.9%	4'424
Distribution by Gender	Women	58.2%	89'523
	Men	37.1%	57'015
Distribution by Location	Urban borrowers	75.1%	115'454
	Rural borrowers	24.9%	38'264
Distribution by Lending Methodology	Individual loans	67.2%	103'341
	Small solidarity group loans	32.8%	50'377
Distribution by Product Type	Micro-enterprises	75.5%	116'030
	Small and medium enterprises	18.9%	29'098
	Large enterprises	0.2%	365
	Education	0.7%	1'032
	Immediate household needs	1.5%	2'233
	Housing	0.6%	869
	Other loan portfolio	2.7%	4'092

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Investee Country Profile - Tanzania

10 KEY INDICATORS	2013*
Population	48.2 million
Pop. living in poverty	33.4%
Human dev. rank	152/187
GDP per capita	USD 1,600
Real GDP growth	6.9%
Inflation rate	16.1%
Forex hedging costs (36m)	12.5%
Private credit	17.9%/GDP
Foreign aid	USD 2.44 billion
Remittances	USD 75.7 million

*or latest available

REGMIFA Investors

aecid, afd Agence Française de Développement, bio Development through Investment, Federal Ministry for Economic Cooperation and Development, European Investment Bank, ICO Instituto de Crédito Oficial, FMO Finance for Development, IFC International Finance Corporation World Bank Group, KfW Bankengruppe, Ministerio de Asuntos Exteriores y de Cooperación, nmi Norwegian Microfinance Initiative, OeEB, Proparco Groupe Agence Française de Développement, symbiotics Reaching out through investments


Mr. Mtini

Country - Tanzania

Situated in Eastern Africa, Tanzania is one of the poorest economies in terms of per capita income. It has attracted donor funding and investments in the past 10 years. Tanzania is currently experiencing double-digit inflation rates due to rising fuel prices. Gold production and agriculture play a major part in the economy with the latter accounting for more than 25% of GDP and 85% of exports. The microfinance industry, currently led in size by the National Microfinance Bank (NMB), was pioneered by NGOs and Savings and Credit Cooperative Organizations (SACCOs) in the 1990s. The sector has been expanding since 2000 when other practitioners like commercial banks 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. The newly-opened private credit reference bureau in Dar es Salaam (CreditInfo Tanzania) further complements the Government's efforts in improving financial inclusiveness in the country.

MFI story – EFC Tanzania

The Entrepreneur Financial Center Tanzania (EFC) is a deposit-taking institution that was 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 Account). Clients, who are living in urban areas in Dar es Salaam, are eligible to become shareholders of EFC through the Client Share Ownership Program (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 projects to earn profits from October 2013 and reach an annual breakeven point in December 2014. High growth is expected to continue until 2015 with the current product base and the development of mobile banking services.

Client Story – Mr. Mtini

Mr. Geoffrey Mtini lives in the outskirts of Dar es Salaam. His wife is a teacher and they have four children, the eldest being 14 years old. Mr. Mtini opened a timber product business in 2005 in which he produces cleaning brushes made with local wood sources. Their production is executed in three phases: the wood is first shaped and smoothed, the holes are then drilled and finally a filling machine then inserts the bristle in the holes. As a complement to this activity, Mr. Mtini also develops cleaning products (soap, tile cleaner). He received a first loan from EFC in 2012 amounting to USD 3,000 (TZS 5M) 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 foreseeable future, he would like to get a second loan of USD 6,000 in order to buy new materials and an additional machine.

Contacts

Registered Office
5, rue Jean Monnet
L-2013 Luxembourg
Grand-Duchy of Luxembourg

Investment and TA Facility Manager
Symbiotics S.A.
75, rue de Lyon
CH-1203 Geneva - Switzerland