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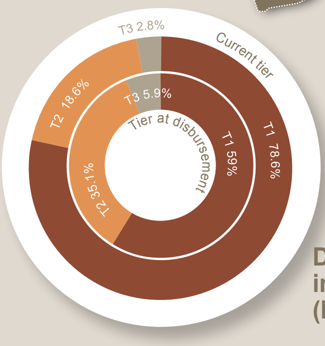
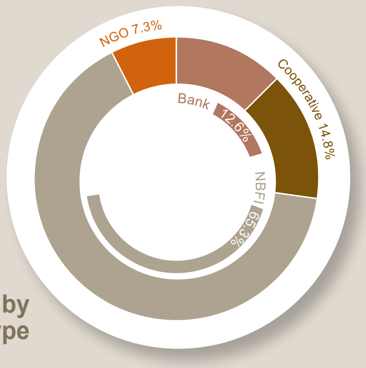
Regional MSME Investment Fund for Sub-Saharan Africa

QUARTERLY FACT SHEET Q3/2013

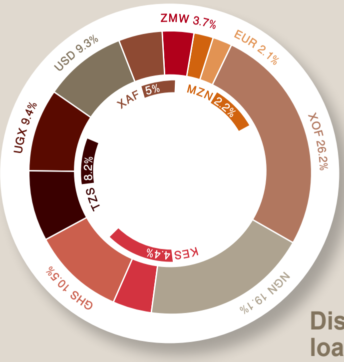
GAV	110.91m
NAV	94.16m
PLI Portfolio	92.24m
Cash	16.07m
Countries	15
PLIs	33
Investments	68
Clients	173'308



Distribution by institutional size (by invested volume)



Distribution by institutional type

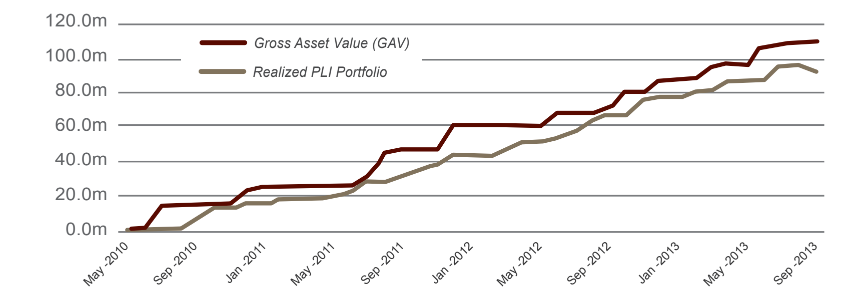


Distribution of loans by currency

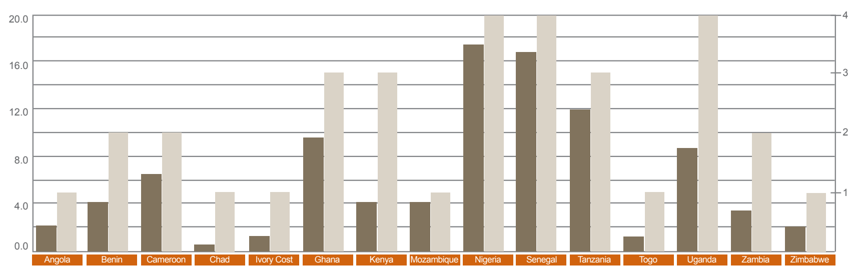
Investment Manager Comment

Kenya and Uganda experienced currency appreciation in Q3, with inflation in both countries reaching a 12-month high of 8%. The Kenyan government indicated that September's terrorist attack had no significant effect on the economy, expected to expand by 5.6% this year (vs. 4.6% last year). The Kenyan credit bureau, established in 2010, was expanded to include deposit-taking microfinance institutions (DTM) and SACCOs, systematic use will only start in 2014. In addition, the Central Bank of Kenya relaxed some DTM ownership structure constraints in order to allow more MFIs to achieve regulated status. An amendment to the Microfinance Act was prepared to pave the way for the introduction of a new "microfinance bank" status to replace the unrecognized DTM status and allow for more banking. In Tanzania, inflation fell to a two and a half year low of 6.1% - a development which indicates that the country's economy is on the right track. In Zambia, MFIs have successfully adapted to the interest rate cap imposed by the central bank. In Nigeria, terrorist attacks continue to affect the economy in the north of the country and neighbouring countries, such as Chad and Niger while economic growth continues to boost the microfinance sector in the south. Although regulation and supervision continue to improve, new equity requirements could hit small MFIs in 2014. The situation improved in Mali, with military intervention being viewed as a success by most countries in the region and presidential elections being successfully held in July. An increase in PAR was noticed in Ghana, the second-biggest economy in West Africa, in the last quarter due to the impact on micro-entrepreneur activities caused by inflation (accelerated for a fourth straight month in June 2013 to 11.4% and reaching a three-year high, mainly due to the elimination of fuel subsidies and a large trade deficit) and local currency depreciation (15% in 2012; -6% in Jun-13). In addition, foreign payments became increasingly difficult due to a lack of hard currency in the country. A delay in the central bank's implementation of a regulation process for new MFIs meant for several institutions to operate publicly without license and small unregulated MFIs being hit by savings withdrawals in June.In UEMOA, the interest cap will be lowered to 24% on 1 January 2014, as announced by BCEAO last June. In Senegal a major tax offensive from the government could impact institutions in 2014; the slowdown of the economy hit micro entrepreneurs, with PAR rising to 9-11% and over-indebtedness risk increasing in Dakar. As a result, most institutions reported very conservative growth in 2013. In addition, there is currently an economic recession in Benin, with entrepreneurs facing sales slumps and repayment difficulties. The PAR has increased in the country, mainly due to payment delays from large microentrepreneurs which specialise in importation.

Portfolio Growth



Invested Portfolio



Top 5 Countries exposures

Country	Volume USD	%
Nigeria	17.6	19.1%
Senegal	16.8	18.3%
Tanzania	12	13.1%
Ghana	9.6	10.5%
Uganda	8.6	9.4%

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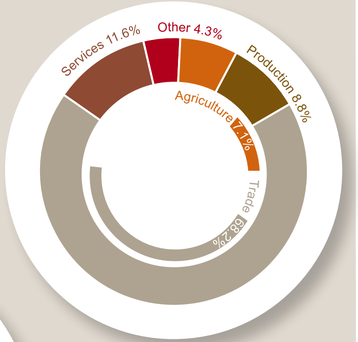
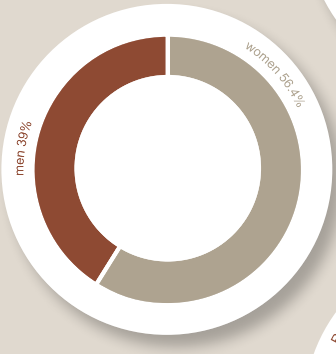
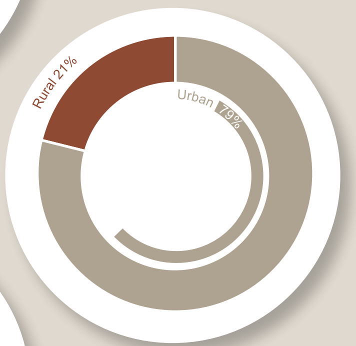
Average Social Rating ★★★☆☆

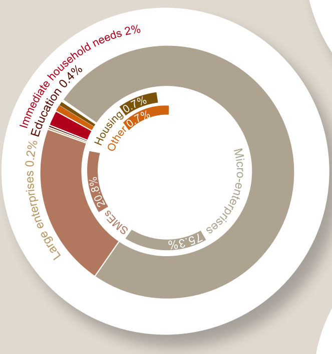
Score	Social Value	PLI social rating
100-90	Extremely strong	★★★★★
89-80	Very strong	★★★★
79-70	Strong	★★★
69-60	Moderate	★★
59-50	Poor	★
50-0	None	-

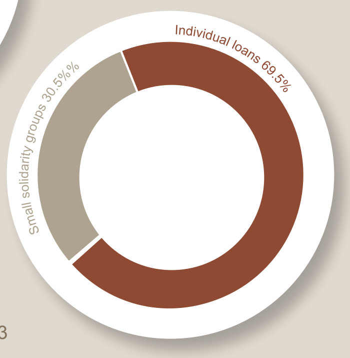
The Investment Manager uses a social rating tool containing 100 qualitative and quantitative indicators which are split into 7 dimensions: social governance, labor climate, financial inclusion, client protection, product quality and diversity, social responsibility to the community, and environmental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











Social Outreach Aggregate Fund Portfolio

Portfolio Outstanding (USD)	92.24m
Number of Partner Lending Institutions	33
Number of PLI branches (avg)	41
Client retention rate	96.77%
Portfolio Loan Average (USD)	1,137.14
Estimated Total Micro Clients	173'308

Invested PLI Portfolio

Invested PLI profile	Simple Average	Median
Total Assets (USD)	49'453'031	35'281'068
Gross loan portfolio (USD)	35'080'018	24'523'252
Number of active borrowers	58'672	20'337
Average loan size (USD)	1'238	963
Debt/Equity ratio	3.60	3.40
Portfolio yield	45.55%	46.38%
Operating expense ratio	35.26%	32.39%
Operational self-sufficiency	108.58%	109.31%
Return on Equity	7.59%	8.98%
Return on Assets	0.95%	1.69%
PAR > 30 days	5.31%	4.16%
Write off ratio	1.47%	0.88%

Social Outreach

Client and Product Information		%Total	Clients
Distribution by Activity	Agriculture	7.1%	12'222
	Production	8.8%	15'324
	Trade	68.2%	118'141
	Service	11.6%	20'160
	Other	4.3%	7'461
Distribution by Gender	Women	56.4%	97'680
	Men	39.0%	67'556
Distribution by Location	Urban borrowers	79.0%	136'842
	Rural borrowers	21.0%	36'466
Distribution by Lending Methodology	Individual loans	69.5%	120'519
	Small solidarity group loans	30.5%	52'789
Distribution by Product Type	Micro-enterprises	75.3%	130'429
	Small and medium enterprises	20.8%	36'037
	Large enterprises	0.2%	261
	Education	0.4%	711
	Immediate household needs	2.0%	3'450
	Housing	0.7%	1'162
	Other loan portfolio	0.7%	1'257

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Investee Country Profile - Tanzania

10 KEY INDICATORS	2013*
Population	13.2 million
Pop. living in poverty	68%
Human dev. rank	n.a.
GDP per capita	USD 600
Real GDP growth	4.4%
Inflation rate	8.2%
Private credit	44.5 %/GDP
Foreign aid	USD 715 million
Remittances	USD 43.7 million

**or latest available*

REGMIFA Investors

Ms. Fadzai Bhanisi

Country - Zimbabwe

Zimbabwe has been ruled since its independence in 1980 by the current President Robert Mugabe. Zimbabwe is an agricultural-based economy whose sector was hampered by the regime's land reform program in 2000 which led to food shortages. Hyperinflation soon followed and the economy collapsed, recording a decade of negative growth from 1998. Dollarization in April 2009 brought stability and helped reduce inflation to about 10%. Despite a recent surge of 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 sector is 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.

MFI story – MicroKing

MicroKing Finance (MK) is the country's leading MFI. Founded in 2001 as a division of Kingdom Bank, MK was licensed in 2006 as an independent entity wholly owned by AfrAsia Kingdom Zimbabwe. MK stopped disbursement from November 2008 to March 2009 in the aftermath of hyperinflation, but quickly resumed relationships with clients when the dollarization was announced. Continued support from shareholders allowed MK to get through 2009 with moderate losses (USD 152K) while most other MFIs discontinued operations. 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%). MK's main portfolio consists of individual business loans and consumer loans (53% and 29% respectively). Since 2010, MK has enjoyed fast but decreasing growth coupled with strong profitability despite high borrowing costs. MK aims to reach its strategic goal of 66,000 clients, increase its current market share from 28% to 40%, and expects gross loan portfolio to reach USD 40m by 2015.

Client Story – Mrs. Bhanisi

Mrs. Fadzai Bhanisi is married and is a mother of three children. Her husband is based in South Africa and sends money back home to his family. Her sister (pictured on the left) helps her run her business from time to time. Mrs. Bhanisi sells garments, blankets and appliances such as radios in a vibrant market of Harare, the capital and largest city of Zimbabwe. She currently has an outstanding loan of USD 750 from MicroKing. This is the third loan from the institution which has enabled her to buy stocks of blankets in South Africa. She is pleased to see that her business has been growing during these three years of working with MicroKing. She also finds several advantages to this partnership compared to other funding options she foresaw (numerous moneylenders): lower interest rates and flexible repayment terms. Three years from now (in 2016), she projects to own a new piece of property at another location and no longer pay rent. In order to achieve this plan, she hopes that MicroKing will offer housing loans in the near future.

Contacts

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