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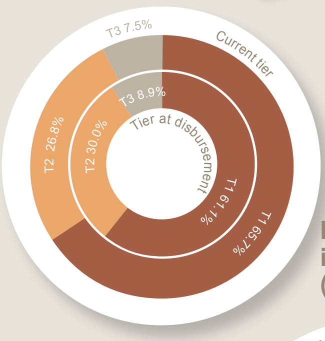
Regional MSME Investment Fund for Sub-Saharan Africa

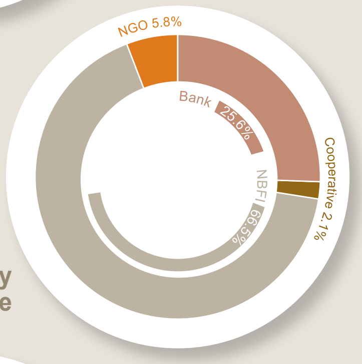
QUARTERLY REPORT Q3/2016

GAV	133.0m
NAV	119.7m
PLI Portfolio*	111.6m
Cash	19.4m
Countries	20
PLIs	50
Investments	98
Clients	197,528

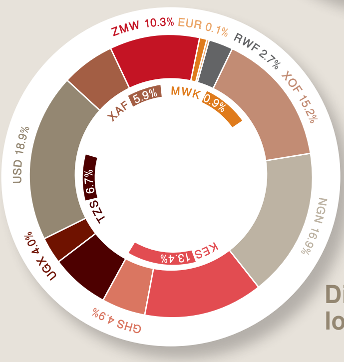
** Nominal at disbursement, hedged against currency fluctuations.*



Distribution by institutional size (by invested volume)



Distribution by institutional type



Distribution of loans by currency

Investment Manager Comment

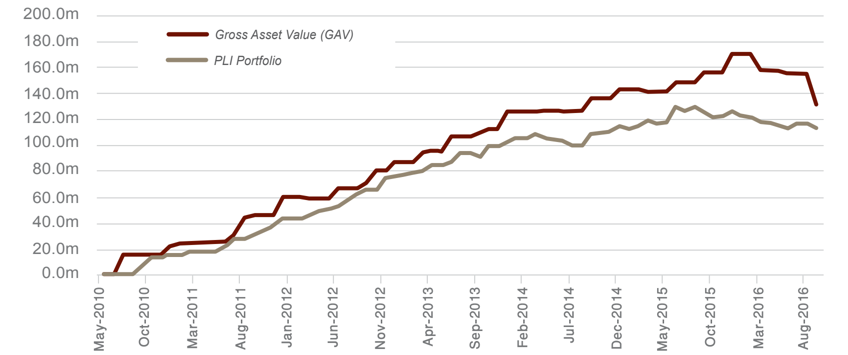
The economic slowdown continued across Sub-Saharan Africa in Q3 2016, with visible effects on the microfinance sector such as increased PAR and reduced credit line renewals. In Nigeria, the CBN allowed a partial liberalization of the FX market in June, but there is still a large spread between official market (312) and parallel market (470) rates. The CBN continues to intervene in the market to try to keep the rate around 310-320 with limited success, while PLIs have continued to struggle to source USD. High inflation, fuel shortages, and currency devaluation are affecting businesses, including the SME market, although the effects are less pronounced in the micro-segment.

In Kenya, interest rates caps for commercial banks and interest floors on deposits have led to a severe liquidity crunch, decreased consumer lending, and more conservative MSME lending. NBFIs were not included in the interest rate cap legislation and for the time being, no such plans have been announced.

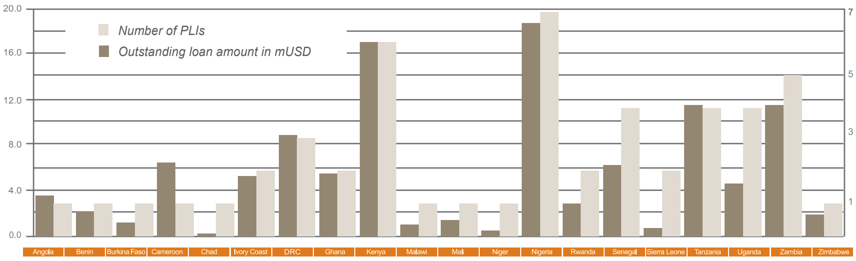
Despite the ongoing liquidity shortage in Zimbabwe, sentiment has been resistant to bond notes, as the stock exchange lost nearly 50% (August 2016). Public protests and late government wages have compounded difficulties.

While growth is expected to increase slightly in 2017, a major turnaround in the region is not expected in the very near future. Current growth estimates for Tanzania and Rwanda are close to 7% and 6%, respectively, while the Ivory Coast's medium term projections are at 8%. Uganda's economy picked up post-election. Volatility has decreased in recent months, though hedging costs remain prohibitively high in some markets.

Portfolio Growth



Invested Portfolio



Top 5 Country Exposures

Country	Volume USD	% of Portfolio
Nigeria	18.9	16.9%
Kenya	17.0	15.2%
Zambia	11.5	10.3%
Tanzania	11.5	10.3%
DRC	8.8	7.9%

Top 5 PLI Exposures

PLI	Volume USD	Country	% of Portfolio
KWFT	11.5	Kenya	10.3%
ACEP Cameroun	6.6	Cameroon	5.9%
FINCA DRC	5.3	DRC	4.8%
Advans CI	4.7	Ivory Coast	4.3%
PRIDE Tanzania	4.0	Tanzania	3.6%

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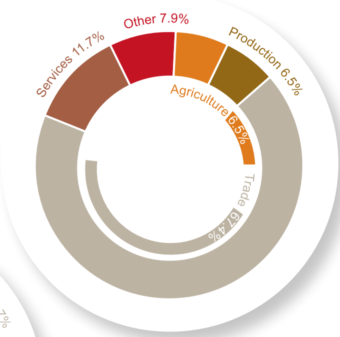
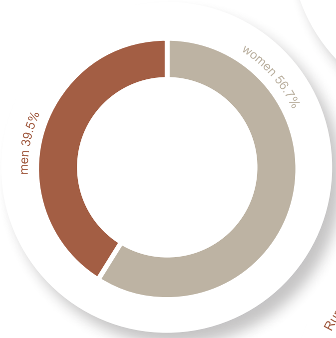
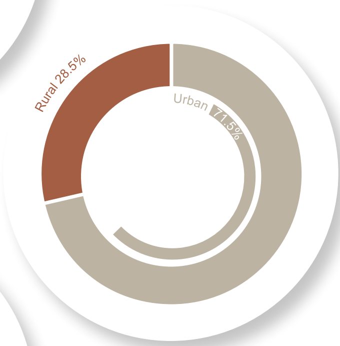
Average Social Rating ★★★½☆

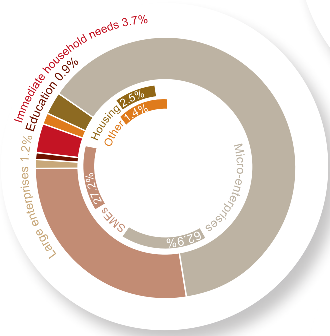
Score	Social Value	PLI social rating
100-90	Extremely strong	★★★★★
89-80	Very strong	★★★★
79-70	Strong	★★★
69-60	Moderate	★★
59-50	Poor	★
50-0	None	-

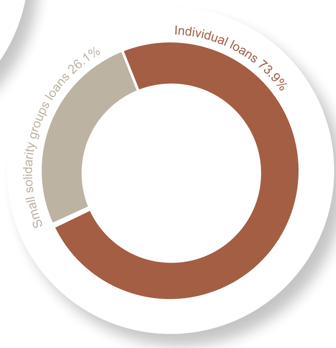
The Investment Manager uses a social rating tool containing 100 qualitative and quantitative indicators which are split into 7 dimensions: social governance, labor climate, financial inclusion, client protection, product quality and diversity, social responsibility to the community, and environmental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











Social Outreach Aggregate Fund Portfolio

Portfolio Outstanding (USD)	111.6m
Number of Partner Lending Institutions	50
Number of PLI branches (avg.)	42
Client retention rate	92.43%
Portfolio Loan Average (USD)	1,592
Estimated Total Micro Clients	197,528

Invested PLI Portfolio

Invested PLI profile	Simple Average	Median
Total Assets (USD)	42,074,419	23,453,086
Gross loan portfolio (USD)	32,509,824	14,981,727
Number of active borrowers	60,085	21,641
Average loan size (USD)	1,592	930
Debt/Equity ratio	4.10	4.07
Portfolio yield	39.95%	40.42%
Portfolio operating expense ratio	30.71%	30.05%
Operational self-sufficiency	101.61%	104.05%
Return on Equity	-7.26%	6.23%
Return on Assets	-0.88%	1.40%
PAR > 30 days	6.92%	6.66%
Write off ratio	3.99%	1.17%

Social Outreach

Client and Product Information		%Total	Clients
Distribution by Activity	Agriculture	6.5%	12,760
	Production	6.5%	12,902
	Trade	67.4%	133,050
	Service	11.7%	23,196
	Other	7.9%	15,620
Distribution by Gender	Women	56.7%	112,071
	Men	39.5%	77,958
Distribution by Location	Urban borrowers	71.5%	141,145
	Rural borrowers	28.5%	56,383
Distribution by Lending Methodology	Individual loans	73.9%	146,046
	Small solidarity group loans	26.1%	51,482
Distribution by Product Type	Micro-enterprises	62.9%	124,332
	Small and medium enterprises	27.2%	53,671
	Large enterprises	1.2%	2,465
	Education	0.9%	1,860
	Immediate household needs	3.7%	7,389
	Housing	2.5%	4,976
	Other loan portfolio	1.4%	2,834

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10 KEY INDICATORS (2016*)

Population	6.1 million
Pop. living in poverty	52.9%
Human dev. rank	181/187
GDP per capita	USD 1,600
Real GDP growth	-21.5%
Inflation rate	8%
Forex hedging costs (36m)	16.5%
Private credit (% of GDP)	4.9%
Foreign aid	USD 910 million
Remittances	USD 66.198

*or latest available

REGMIFA Investors


Mr Foara Conteh

Country: Sierra Leone

Located in West Africa, Sierra Leone is a poor country, with more than half of its inhabitants estimated to live below the national poverty line. The primary sector is the country's growth driver and employs much of Sierra Leone's labor force. After a decade-long civil war that ended in 2002, the economy grew substantially before experiencing a downturn due to the Ebola epidemic and the collapse of iron ore prices, one of the country's main export products. However, recovery is underway and is expected to remain sustainable, according to the International Monetary Fund. Job creation is one of the current government's major priorities. Microfinance is still a nascent sector in a largely informal economy with high financial exclusion. Initial economic recovery efforts were made after the civil war through government-led policies, which were conducive for microfinance development. Today, the sector is composed of not only traditional microfinance institutions, but also development and cooperative banks, all providing generally low-volume loans to micro-entrepreneurs.

PLI: Salone Microfinance Trust Limited

Salone Microfinance Trust Limited (SMT) is a small, tier 3 microfinance institution targeting economically active poor and their families. SMT was created as a post-war project in 2002 by ChildFund, an international NGO. In 2010, the PLI was granted a microfinance license to operate as a credit-only institution and is regulated by the Bank of Sierra Leone. SMT operates through a network of 8 branches with nationwide coverage. The PLI's gross loan portfolio is channeled to both urban and rural areas and to a largely female clientele. Credit products include group, individual, agricultural, SME, and salary loans. SMT also offers its employees housing, education, and personal loans. While the Ebola crisis in 2014 affected the PLI in terms of both growth and portfolio quality, sound management decisions enabled the institution to resume growth in 2015.

Client Story: Mr. Foara Conteh

Mr. Foara Conteh lives in Magburaka, the largest city of Tonkolili District located in the Northern Province of Sierra Leone. Mr. Conteh is a micro-entrepreneur who owns a small shop where he sells cosmetic products as well as cleaning products. He has been a client of SMT since 2011 and is part of the PLI's client advisory committee. His role is to provide feedback to SMT on its service quality. Mr. Conteh is currently servicing a loan that he contracted to purchase cosmetic supplies from the capital Freetown, which is more than 200 kilometers from Magburaka. Mr. Conteh is pleased to partner with SMT because of the institution's customer-centric approach and its results-driven loan officers, who are helping him grow his business. 2015 was a challenging year for Mr. Conteh because of the Ebola outbreak, which limited the movement of goods and people in the region. Mr. Conteh's business nonetheless weathered the crisis and he predicts much better fortunes for the coming years.

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