ANNUAL REPORT 2011

REGIONAL MSME INVESTMENT FUND FOR SUB-SAHARAN AFRICA S.A., SICAV-SIF

regmifA

CONTENTS

ABOUT REGMIFA

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. REGMIFA's mission is to support micro-entrepreneurs and the micro-, small and medium-sized enterprise (MSME) financial sector in the region through innovative financial products, while observing principles of additionality and sustainability. To this end, the Fund provides medium to long-term debt financing in local currency to Partner Lending Institutions (PLI) which serve MSMEs.

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

REGMIFA was initiated at the G8 Summit in Heiligendamm and was set up as a Public-Private Partnership aimed at establishing a vehicle that combines funds from public and private investors. Among the public investors are the Spanish Agency for International Cooperation for Development (AECID), 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 (MAEC), the Norwegian Microfinance Initiative (NMI), Oesterreichische Entwicklungsbank (OeEB), and the French Investment and Promotions Company for Economic Cooperation (PROPARCO).

Symbiotics Asset Management SA, a specialized asset management company based in Geneva, Switzerland, is in charge of the Fund's management as both Investment Manager and Technical Assistance Facility Manager.

Key figures

Investment Portfolio (nominal at disbursement)
USD 43,411,481

Gross Asset Value of the Fund
USD 60,793,770

Net Asset Value of the Fund
USD 46,379,507

Number of micro-clients financed
102,680

Number of countries
11

Number of Partner Lending Institutions financed
20

Number of investments
32

Remaining committed funding from investors
USD 115,314,370

As of December 31 2011

Port, Ghana

GREETINGS

Letter from the Chairman

Dear Readers,

This year the publication of the Annual Report is taking place right after REGMIFA's second year anniversary as a fund dedicated to fostering growth through the support of micro- up to middle-sized entrepreneurial activity in Sub-Saharan Africa, which the Fund has celebrated with good performance results in 2011 and promising prospects for 2012.

Despite significant social and economic developments mixed with high inflation and volatility in the money markets of the region, the Fund´s performance for the year was strong. In terms of REGMIFA's mission and social outreach, the figures speak for themselves: in 2011 the Fund's financings reached more than 100,000 final borrowers, with an average loan amount of USD 420. 22% of the borrowers were located in rural areas, 69% were women and 92% were running micro-, small and medium businesses.

REGMIFA's investments make a balance between the return requirements of shareholders and the sustainable access to finance for African microfinance institutions in high risk markets. The Fund closed 2011 with a portfolio of over USD 43m distributed among 20 Partner Lending Institutions throughout 11 Sub-Saharan economies. Compared to end 2010, the Fund was able to grant financial access to 11 new partners, adding 5 new countries and 4 currencies.

Furthermore, the Fund's average transaction size went down from USD 1.8m in 2010 to USD 1.4m in 2011, which keeps its market positioning opposite to larger microfinance investment vehicles seeking economies of scale going up the market.

REGMIFA is a very good example of Development Finance Institutions purposefully working to crowd in private sector investments. Despite it being at a young stage, REGMIFA has already created an important track record setting an example for several microfinance investment vehicles and preparing the groundwork for larger private sector flows in the future.

The prospects for 2012 reflect a continued growth dynamic in Sub-Saharan Africa and the gross domestic product expected to expand by around 5.3%. The market potential remains very high for REGMIFA and the current deal flow is strong. Its materialization will depend however mostly on the improvement of macroeconomic conditions and the development of parameters such as weather conditions, domestic challenges particular to each country as well as pressure and competition on pricing and currency volatility in key markets.

In 2012, REGMIFA will continue expanding the outreach of its financial services to micro- and small enterprises in a transparent and socially responsible way. The award to REGMIFA in May 2011 of the LuxFLAG Label insures investors and business partners of the Fund's strong engagement in the microfinance sector.

As a reliable partner to its Partner Lending Institutions, the Fund is committed to consolidating its governance through engaging in constant dialogue with them and concluding specific agreements related to the implementation of meaningful social standards like client protection or environmental principles. The TA Facility has already demonstrated that it plays a strong role throughout its activities in the strengthening and improving of both social and financial performances of partner institutions.

Finally, I would like to thank REGMIFA's investors, stakeholders, governance bodies and service providers for their high level of commitment and support provided while consolidating and developing the Fund. We will count on them to continue in the same manner in the years ahead.

Sincerely,

Wolfgang Kroh
Chairman of the Board of Directors

Street scene, Mozambique

Letter from the Investment Manager

Dear Readers,

The REGMIFA 2011 Annual Report portrays a year of strengthening for the Fund during which it and the Technical Assistance Facility sizably increased their operations and consolidated their visibility and profile as respected market players despite the unfavorable and challenging environment conditions.

As reported on the following pages, while fulfilling its social and development mission, REGMIFA closed the year with a gross asset value of USD 60.8m, a net growth of USD 27m - which brought the portfolio to the level of over USD 43m, and a positive financial performance in line with the sustainability return goals set up by the Fund's stakeholders.

REGMIFA has a healthy and diversified portfolio, in spite of the many different exposure and risk categories it continually has to address. Its solid credit risk profile is proven by an average partner lending institution (PLI) shadow credit rating of BBB- and an average country risk of BB-. As of December 2011, no loss or provisions were to be reported in its portfolio.

In regards to its PLIs, REGMIFA´s partners have balance sheets four times smaller than in other regions of the world, and similarly their average loans to end clients are more than half the size of those elsewhere. Mainly tier 2 and tier 3 institutions were reached, representing 58% of the invested volume and 72% in terms of number.

Last but not least, it is also worth mentioning that REGMIFA belongs to the handful of investors that can provide the large demand for local currency financing to African microfinance institutions. As of December 2011 96% of the outstanding transactions were denominated in local currency.

The operational launch of the Technical Assistance Facility in Q2 2001, about a year after the inception of the Fund, was also satisfactory, with 11 approved projects for an average size of EUR 87,000. In terms of outreach, it served 10 PLIs (50% of the Fund's portfolio) and 71% of the volume went to tier 2 and tier 3 institutions. Technical Assistance (TA) mandates always come downstream from the investments and are not automatic. They depend on the assessment of the investees in the Fund, their potential development needs, their initial interest in receiving TA (in some cases a few PLIs were previously receiving TA from other initiatives) or their acceptance of the TA Facility's strict rules and guidelines.

Regarding its market positioning, REGMIFA has a clear commercial orientation within the framework of its social and developmental mission. The growth of the Fund is among other things dependent on the lending conditions prevailing on the different target markets. Indeed, as a structured vehicle it has fixed return targets to achieve and works off slim margins to cover all its various costs.

According to the Symbiotics 2011 Microfinance Investment Vehicles (MIV) Survey, covering 70 microfinance funds worldwide, the average share of investments pushed to Sub-Saharan Africa reached just 5% of global microfinance investments. Taking this into account, we are proud to see that REGMIFA is contributing to increasing the overall global investments to the continent, as the MIV with the largest exposure to Sub-Saharan Africa microfinance.

2012 will be another challenging year due to the African market's recurrent themes such as macroeconomic and local market conditions, competition among funders and pricing sensitivity and performance issues of the PLIs. Nevertheless, we are confident in the Fund's capability to continue building its positive track record and to expand its place in the market.

Kind regards,

The Symbiotics team

Focus on UGANDA

Population (2012)
35.9 million

Pop. living in poverty (2001)
35%

Human dev. rank (2011)
161/187

GDP per capita (2011)
USD 1,300

Real GDP growth (2011)
6.4%

Inflation rate (2011)
13.7%

Client Story

Betty Namaganda has been a widow for four years and has two 18-year-old daughters. She lives in Kampala, Uganda, and she works in a shop in the city center. Betty is an energetic and motivated woman. She is enterprising and sells colored fabrics to create party dresses and casual clothes. She imports the material from Dubai, India and China. Her customers are only women. She has worked in this area for several years and has shown the ability to grow and maintain her clientele over the years. Her two daughters are currently supporting her by working for the business. Betty received her first 6-month individual loan of USD 1,000 in 2002 from FINCA Uganda. She has been an outstanding client for 10 years by timely repaying her installments and renewing her loans year after year. Today she is repaying a 24-month individual loan of USD 20,000 and she is already expressing the need for a new loan at the maximum ceiling of FINCA Uganda: USD 25,000 to invest in her business. Her dream is to grow her business with her family and give her two daugthers a better life by paying for their university studies.

MFI Story

FINCA Uganda (FU) started operations in 1992 as an affiliate of FINCA International (F/I). The MFI transformed from an NGO into a company limited in 2004 and became the country's first regulated deposit-taking microfinance institution later in the year. Unlike the majority of Ugandan MFIs, FU is regulated by the Bank of Uganda and has to comply with a large range of guidelines and reporting requirements aligned to the banking standards. It is one of the largest Ugandan non-banking financial institutions and mainly competes with regulated MFIs and unregulated MFIs for small group loans. The MFI has 25 branches in 25 of the country's 69 districts and is especially active in the highly populated Central and Western regions.

Country

The republic of Uganda has a population of 36 million people, 35% of which are living below the poverty line. Agriculture is the most important sector of the economy, employing over 80% of the work force. Despite the global economic downturn, Uganda's GDP growth is still relatively strong. The political situation in the country is stable after the presidential re-election of Yoweri Museveni in February 2011. During the same year, there was an inflation increase due to a persistent rise in food and global oil prices. Uganda is shifting to a new oil producer status thanks to new-found oil and is likely to see a multi-year period of healthy growth. However, instability in Southern Sudan is the biggest risk for the economy as most of Uganda's exports go to Sudan and it is a destination for Sudanese refugees.

Uganda is a hub of microfinance activity and sector development in the region. The Ugandan microfinance market shows a high level of competition among MFIs. There are estimated to be around 900 SACCOs and NGOs in Uganda, which are mainly operating in the urban and semi-urban areas, with lower penetration rates within the rural population in the north and east parts of the country.

STRATEGY

REGMIFA's strategy is to foster economic development and prosperity as well as employment creation, income generation and poverty alleviation in Sub-Saharan Africa (SSA) through the provision of innovative financial products and, where applicable, technical assistance support to eligible Partner Lending Institutions (PLI) which serve micro-entrepreneurs and small and medium-sized businesses (MSME).

REGMIFA's development goal is to reach and support MSMEs through active partnerships with PLIs. The Fund was founded on the principles of the Paris Declaration; it seeks to increase donor effectiveness by pooling resources, 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.

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 to benefit MSMEs is a priority for REGMIFA donors and investors.

Fund

REGMIFA is a debt fund which focuses on financing regulated and non-regulated microfinance institutions, local commercial banks and other financial institutions (each of these being a Partner Lending Institution or PLI), which are established in Sub-Saharan African countries and serve micro-, small and medium enterprises (MSME). It provides its PLIs with longer term senior loans, subordinated debt, term deposits and guarantee schemes, the majority of which is delivered in local currency.

The Fund aims at building a balanced portfolio, with small and medium-sized PLIs comprising the majority of the Fund's client mix over time. Small PLIs are those with total assets below USD 10 million, medium PLIs have total assets between USD 10 and 30 million, and large PLIs have total assets in excess of USD 30 million.

Legal Name
Regional MSME 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 and TA Facility Manager
Symbiotics Asset Management SA

Structuring Agent
Kreditanstalt für Wiederaufbau (KfW)

General Secretary
Innpact Sàrl

Custodian / Administrator
Credit Suisse (Luxembourg) SA / Credit Suisse Asset Management Fund Services (Luxembourg) SA

Legal Councel
Linklaters LLP

Auditor
Ernst & Young SA

Fund Structure

Established as a Public-Private Partnership aimed at establishing a vehicle that holds funds from public and private investors, REGMIFA is structured as a multi-layer fund which reflects the risk/return requirements of its investors. To meet these requirements there are three Shareholder classes (A, B, C) and two Noteholder classes (senior and subordinated), each share and note class having its own risk profile and target return.

DEBT	EQUITY
SENIOR NOTES	A-SHARES
	B-SHARES
SUBORDINATED NOTES	C-SHARES

The C-Shares form the foundation of the capital structure. They are primarily subscribed by donors 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

aecid

afd Agence Française de Développement

bio Development through Investment

Federal Ministry for Economic Cooperation and Development

FMO Finance for Development

European Investment Bank

IFC International Finance Corporation World Bank Group

ICO Instituto de Crédito Oficial
Paseo del Prado, 4. 28014 Madrid
www.ico.es

kfw Bankengruppe

Ministerio de Asuntos Exteriores y de Cooperación

nmi Norwegian Microfinance Initiative

OeEB Oesterreichische Entwicklungsbank AG

Proparco Groupe Agence Française de Développement

symbiotics Reaching out through investments

TA Facility

Following the REGMIFA fund's inception, the REGMIFA TA Facility was launched in 2011 to complement the financial services delivered to the investees of the Fund. The REGMIFA TA Facility is a key part of the Investment Fund's value proposition, 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.

LEGAL STRUCTURE	Fiduciary Agreement / Fiducie under Luxembourg Law on trusts and fiduciary contracts
START OF OPERATIONS OF THE TA FACILITY	January 2011
TA FACILITY MANAGER	Symbiotics Asset Management SA
SUBCONTRACTOR	Microfinanza Sarl
FIDUCIARY CUSTODIAN	Credit Suisse (Luxembourg) SA

The Facility's activities are specifically targeted, directly supporting the investment portfolio of the Fund, and are complementary to other industry initiatives in the region. The approach taken for 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 an independent entity governed by its own rules and regulations, taking decisions independent from the Fund and with its own overseeing body – the TA Facility Committee. The daily operations and project implementation, including the management of the consultant pool with more than 400 consultants, is coordinated by the TA Facility Manager, namely Symbiotics Asset Management SA.

Donors

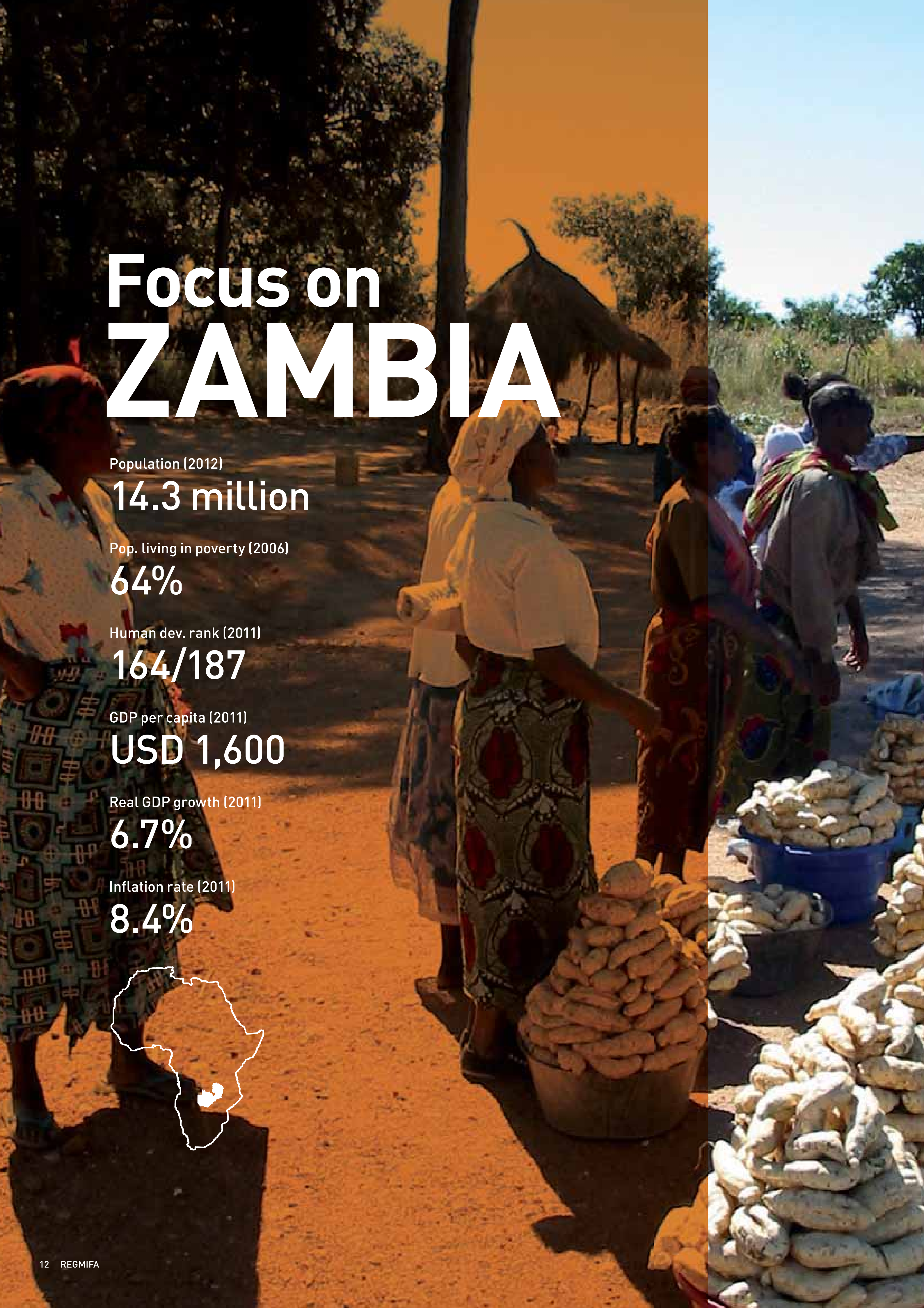
aecid

Federal Ministry for Economic Cooperation and Development

European Investment Bank

kfw Bankengruppe

OeEB Oesterreichische Entwicklungsbank AG



Focus on ZAMBIA

Population (2012)
14.3 million

Pop. living in poverty (2006)
64%

Human dev. rank (2011)
164/187

GDP per capita (2011)
USD 1,600

Real GDP growth (2011)
6.7%

Inflation rate (2011)
8.4%

Client Story

Esnart Mwanza, 41, is a widow and lives in Lusaka where she financially supports her four children. When her husband died in 2003, she had no income and was unable to support her family and pay her children's school fees and thus began to rely on handouts. Following a friend's advice and through some funds obtained from her husband's employer, she set up a stall to sell vegetables and homemade food. Business was steady, but Ms. Mwanza needed more funds to expand. Esnart joined the "Madaliso" women's group (group of seven women) and they requested a group loan at the Northmead branch of FINCA Zambia in Lusaka. The group successfully received a six-month term "Pamodzi" group loan for K8,400,000 (USD 1,706), of which Esnart received K1,200,000 (USD 245). She used this as working capital that enabled her to buy more supplies and her stall and business doubled. She began to make a daily profit and this was not only enough to pay for household expenses and school fees, but also to pay back the loan on a weekly basis. "My children are able to go to school because of the increase in daily profits," explained Esnart, and hopes that she can receive more loans in the future so that she can invest in and expand her business to build a strong future for her children.

MFI Story

FINCA Zambia was founded in 2001 as part of Finca International. As of December 2011 FINCA Zambia provided financial services to over 19,000 clients. Its loan products include Village Banking, the signature group-lending product for which FINCA is known around the world, Pamodzi Loans, another type of group loan that caters to larger clients and an individual loan product called: Chitukuko Loans. FINCA Zambia's clients operate different types of small-scale businesses focusing on cell-phone and accessories, consumer products such as food, second-hand clothes, charcoal, poultry, hardware, spare parts for bicycles and kitchenware.

Country

The Republic of Zambia, located in Central-South Africa, is highly endowed with natural resources. The country has a reputation of being politically stable and of having a relatively efficient, transparent government. Its GDP growth in recent years was boosted by record maize harvests, a continued increase in copper, construction output and a rebound in tourism. In 2011, its GDP growth stayed robust at 6.8%. The current president, Michael Chilufya Sata, elected in September 2011, is both the chief of state and head of government. Even though the country's economic conditions are relatively promising, many underlying issues prevail, especially among young urban Zambians, a number of whom are victims of high urban unemployment which could result in social unrest since the poverty rate remains high.

Zambia has a total of 25 licensed microfinance institutions, with a concentration in the capital, Lusaka, and the Copper Belt region (Central-North), with limited outreach into rural areas. The financial inclusion rate is low, at just 37.3% of adults. Large microfinance networks, among them FINCA, INAFI, Opportunity International, DID and Access Bank, have all established a presence in Zambia. There are two licensed banks in the Zambian microfinance sector, Ecobank and Access Bank – LFS, accompanied by a strong presence of the National Savings and Credit Bank, a government institution established by the Ministry of Finance scale manufacturing, guest houses, schools and drinks depots.

OVERVIEW

2011 Highlights

Diversified build-up of the investment portfolio

The Fund grew by net USD 27 million in 2011, resulting in a nominal portfolio of USD 43.4m at the year-end. A total of 23 investments were made during the year, and relationships with 11 new PLIs were established, resulting in a portfolio of 20 PLIs with 32 outstanding investments. The Fund increased its country and currency outreach by carrying out first-time investments in Uganda, Benin, Mozambique, Zambia and Togo, responding to the demand for local currency financing by offering loans in four additional local currencies compared to the previous year.

Continued strong focus on local currency financing

96% of the loans disbursed by REGMIFA are denominated in local currency in order to match the currency of the borrowers' lending portfolio to micro-, small and medium enterprises and therefore to reduce their exposure to significant volatility. All currency exposure of the Fund is hedged against the USD with reputable hedging counterparties.

Launch of the TA Facility operations

The TA Facility of REGMIFA launched its operations in January 2011. In 2011, the TA Facility approved a total of 11 capacity building projects in the amount of EUR 957,000 in 8 different countries with an outreach of 10 PLIs.

LuxFLAG Microfinance Label

In May 2011, REGMIFA was granted the LuxFLAG Microfinance Label. The Luxembourg Fund Labelling Agency (LuxFLAG) is an independent non-profit making, association created in Luxembourg in July 2006. The Agency aims to promote the raising of capital for microfinance by awarding a recognizable label to eligible MIVs. Its objective is to reassure investors that the MIV actually invests, directly or indirectly, in the microfinance sector.

Nairobi conference

REGMIFA co-sponsored the event "Investment & Innovation in Microfinance in Africa" in Nairobi on October 17th to 19th 2011, with an attendance of over 150 microfinance professionals.

The conference provided an excellent frame for fruitful dialogues among microfinance institutions, governmental agencies, development finance institutions and investment/ advisory firms. As part of this dialogue, the Chairman of the Board of REGMIFA, Mr. Wolfgang Kroh, led a panel discussion on the role of Public-Private Partnerships for financial sector growth and innovation in Africa, while other Board and Investment Committee members participated in different panels.

Market Overview and Outlook

Environment and Challenges in 2011

2011 saw many significant social and economic developments in Sub-Saharan Africa. There were successful elections in Nigeria, stability increased in Ivory Coast and Southern Sudan became the world's newest nation. However, civil unrest erupted in Senegal, Uganda, Kenya, and East Africa as a whole experienced very high inflation and volatility in the money markets. As a result, demand in the Fund's key markets slowed during the year, as PLIs adjusted to the new market realities.

Nonetheless, performance for the year was strong, with the Fund closing 2011 with a net portfolio growth of USD 27m and adding a total of 11 new PLI partners and investments in 5 new countries. Three countries shared the top country exposure at year-end: Nigeria, Kenya and Uganda. Given Nigeria's importance in the region and its prioritization within the Fund's pipeline, the IM's continued research and efforts at building partnerships with suitable PLIs in Nigeria resulted in due diligence on 7 PLIs, investment proposals with 5 PLIs, and actual investments in 4 PLIs across 7 transactions. The IM also managed to get a foothold in Uganda, which has been a high priority country for the Fund with expectations of high volumes. Investments with 4 PLIs were proposed in 2011, with actual investments in 3 PLIs concluded across 4 transactions.

During its launching year the TA Facility addressed the challenges of prioritizing projects from the pipeline of the Fund, keeping pace with the business development, starting operations with the proper procedures, setting up relationships to and selecting suitable consultants. A total of 11 capacity building projects were approved in the amount of EUR 957,000 in 8 different countries with an average size of EUR 87,000. In terms of outreach of the TA interventions, it served 10 MFIs (50% portfolio) and 71% of the volume went to tier 2 & tier 3 institutions.

Fund Outlook for 2012

Political and social disturbances are always a potential concern in Sub-Saharan Africa, and already in early 2012 we have seen a military coup in Mali and continued conflict in Southern Sudan. Nigeria also suffered terrorist attacks and a poorly planned end to government fuel subsidies, which increased civil unrest and disturbed financial markets (although stability has since returned). Nevertheless, there have also been successful elections and a transfer of power in Senegal, and there has been genuine improvement in the inflationary environment in East Africa, which gives hope for additional investments there in 2012.

As for our PLIs, performance results are mixed across the region, but common weaknesses continue to be in the areas of governance, transparency, MIS, and reporting, as well as low staff skill levels. Many PLIs continue toward transformation into regulated deposit-taking institutions (in some instances being supported by the TA Facility), and demand for direct funding at these PLIs will be influenced by the success of their savings mobilization efforts.

In the long-term the market potential remains very high for REGMIFA and the current deal flow is strong, the prospects for 2012 though reflect the continued pressure and competition on pricing witnessed across all markets in Sub-Saharan Africa, as more investors enter the space as well as the recent currency volatility in the key markets of East Africa and Nigeria causing hedging costs to increase. For 2012, the Fund's target is set to reach, as per year-end, an outstanding portfolio of USD 70.5m, whose materialization will depend mostly on the development of the parameters mentioned above. Geographically, the Fund considers Nigeria, Kenya, Uganda, Senegal, Ghana, Benin and Cameroon as its key markets and a deeper penetration into more stable markets like Ghana and Senegal is expected, whereas the Fund will remain cautious in regards to its introduction into new markets. Investments in new markets are planned, such as Rwanda, and potential proposals in DR Congo, Angola, and Burkina Faso. Exploratory visits are planned for Sierra Leone and Ivory Coast later in 2012.

TA Facility Outlook 2012

In 2012, the TA Facility continues to build on the existing relationships and to develop need driven projects for the existing pipeline. Additionally, the TA Facility is promoting its training component whereby selected staff members of PLIs are granted scholarships to attend courses at renowned training institutes. The preparations for a first impact study on the REGMIFA financial intermediation are being launched.

> *"...23 investments were made in the year and relationships with 11 new partner lending institutions were established, resulting in a portfolio of 20 PLIs with 32 outstanding investments."*

> *"The TA Facility approved a total of 11 projects in the amount of EUR 957,000 in 8 different countries with an outreach of 10 PLIs."*

Focus on BENIN

Population (2012)
9.6 million

Pop. living in poverty (2007)
37.4%

Human dev. rank (2011)
167/187

GDP per capita (2011)
USD 1,500

Real GDP growth (2011)
3.8%

Inflation rate (2011)
3.3%

Client Story

Mr. Hounsa Firmin lives in Cotonou, the economic capital of Benin, where he owns a company named Kifar Village de la Paix. He started with a small shop in the outskirts of Cotonou. With the help of several loans from Finadev, he expanded his business and now owns four shops in which he sells goods needed for home maintenance and sanitation, tiles, tubes, screws. Cotonou, being one of the main harbors in West Africa, has allowed Mr. Firmin to venture into the import/export business. Among other products, Mr. Firmin buys high quality tiles from Italy and cheaper products from China and sells them in Cotonou. He periodically needs loans to buy stocks of goods shipped in containers to be sold in his shops or abroad. The cumulative loan, since the first loan was made, amounts to FCFA 5 million (about USD 10,000). All the shops are managed by family members, including his wife. In the main shop, he employs 5 Beninese. Loans from Finadev helped him to expand his business, create job opportunities for his family, and significantly improve his financial situation and quality of life.

MFI Story

Finadev Bénin was created in 2001 by Financial Bank Benin that sought to convert the bank's microfinance desk into a separate company. It currently operates six branches in the southern urban areas of the country, as well as one branch in the north where clients are a mix of urban and rural inhabitants. Over the past 3 years, Finadev has been offering group and individual loans to the urban and semi-urban sectors.

Country

The Republic of Benin is one of the most stable democracies in Africa. Its economy remains underdeveloped and dependent on subsistence agriculture, cotton production and regional trade. Over the past decade Benin sustained GDP growth rates of 4% on average annually. In recent years, growth slowed down due to a decrease in cotton production dominating Benin's economy, less re-export trade to Nigeria, and reduced foreign direct investments. Severe floods in 2010 and 2011 affected 680,000 people, and caused over USD 264 million of damages.

Out of 9.6 million Beninese, 37% still live on less than USD 1.25 a day. Microfinance is a key part of the political program, led by President Boni Yayi. Only 15% of the active population is served by microfinance institutions, the 5 biggest ones representing 89% of the market. The rest of the market is shared amongst more than 30 smaller MFIs.

PERFORMANCE

Development Impact

Sector Level

The Fund entered into 5 new countries in 2011 (Benin, Mozambique, Togo, Uganda and Zambia). Countries in the portfolio are on average very poor (Human Development Index rank 155 out of 187, with 95% of countries in the portfolio ranked as Low Human Development countries with a life expectancy of 52 years) and hardly accessible (average country risk of BB-, 65% of PLIs work with 3 international lenders or less).

The Fund has also supported 607 full-time equivalent jobs in 20 PLIs, which together paid more than USD 5 million of taxes in 2011 to national governments.

The Fund endorsed the Smart Campaign for client protection and decided to distribute part of its profit to the TA Facility to strengthen PLIs the Fund works with (USD 140,000) and undertake a social audit in 2012.

PLI Level

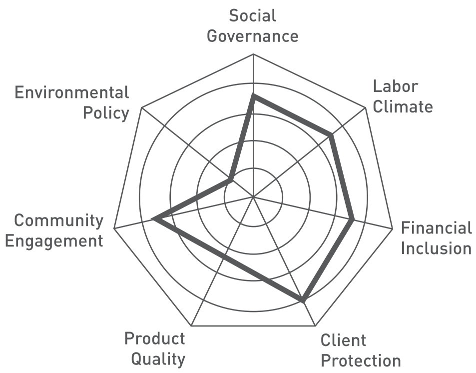
The Fund invested in 11 new PLIs in 2011, bringing the total number to 20 PLIs in the Fund's portfolio. REGMIFA's partners distribute their microfinance services through 840 local branches.

PLIs have a relatively small size (70% are tier 2 or tier 3 institutions at the disbursement date) and a diversified profile in terms of legal status (55% are NBFIs, 30% NGOs, 10% cooperatives and 5% banks), credit risk (from BB- to BBB+) and age (from green field to well established institutions with 20 years of existence).

Such diversity contributes to portfolio diversification and facilitates wide financial inclusion, particularly through the strengthening of and financial support to young and/or riskier institutions.

Average Social Score of the Portfolio ★★★⯪☆

Working with socially-oriented PLIs is a key objective for REGMIFA, which conducts a Social Responsibility Rating before all disbursements. The rating shows to which extent an MFI contributes to sustainable socio-economic development, acts responsibly towards its various stakeholders and is an integral part of decision making.



REGMIFA's social mission also consists of offering high quality financial services to PLIs in the framework of long-term business relationships based on trust and professionalism.

Thanks to its cooperation with several renowned hedge counterparties, the Fund has, in most cases, been able to avoid transferring the interest rate and FX risks to PLIs, while offering flexible conditions and competitive interest rates.

PLIs usually pay fixed interest rates (76%) denominated in local currency (94%) on uncollateralized loans with longer-term maturities than those available from local funding sources. The PLIs granted loans in 2011 for up to 3 years, with an average of 26 months, slightly higher than the Microfinance Investment Vehicle (MIV) sector (23 months), despite the young age of the Fund.

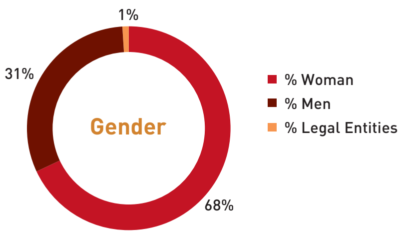
As a debt provider, the Fund is committed to positively influencing the governance of PLIs through a constant dialogue with them and the inclusion of specific social clauses and covenants in loan agreements related to client protection principles or environmental standards, for instance. 60% of PLIs in the portfolio also endorsed the Smart Campaign. Finally, the TA Facility strongly contributes throughout its activities to the strengthening and improvement of the PLIs' social and financial performances.

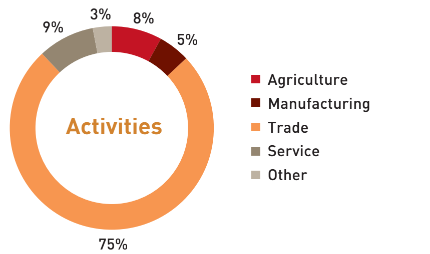
End-borrowers Level

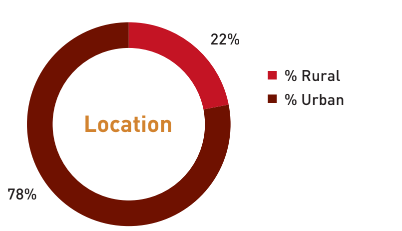
In 2011, REGMIFA directly financed 103,307 end-borrowers, who are essentially women (68%), located in urban areas (78%), in 11 different countries, notably Nigeria (38%), Uganda (17%) and Kenya (14%), and running a micro, small or medium business (91%), involved in trade (75%), but also other types of activities (services, agriculture or manufacturing).

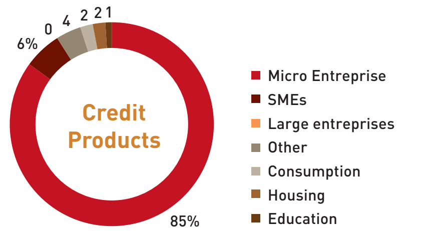
Considering the outreach of REGMIFA's total investments as per year-end, the end-clients received a loan of USD 420 on average, representing 26% of Gross National Income (GNI) per capita through both individual and group loans (59% and 41% respectively) with a repayment rate of 96%.

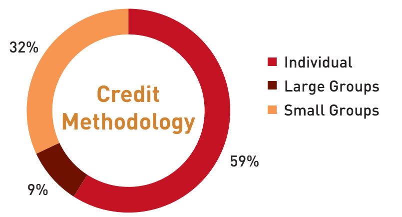
These borrowers also have access to a wide range of services from PLIs. They offer insurance products (50% of PLIs offer them) such as life insurance; savings products (75%), such as time and sight deposits, checking or special purpose accounts; other financial services (75%), such as remittances, checks or electronic payment services, and non-financial services (40%), such as business development, education or health services.

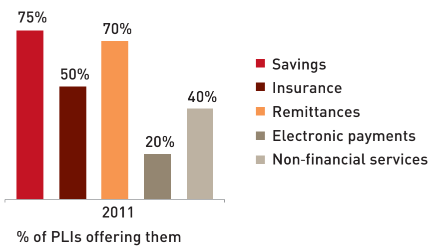












Social Responsibility Policy

REGMIFA pursues a triple bottom line strategy, which aims to actively promote sustainable development in Sub-Saharan Africa. This responsibility is strongly embedded in the governance of the Fund and put into practice at each stage of the Fund's development:

- The Fund's Environmental and Social Responsibility (ESR) Procedures define the Fund's ESR strategy.
- The Fund's ethical chart is based on the Client Protection Principles to which it adheres.
- The ESR Compliance Officer is in charge of ensuring the compliance with ESR procedures.
- REGMIFA staff is involved in regular training on ESR and client protection issues.
- The social rating tool is used to assess and select PLIs as well as identify their needs for TA, and monitor results.
- The Fund systematically incorporates ESR issues in the investment decision-making process.
- The Fund includes ESR clauses in loan agreements and additional social covenants from time to time.
- The Fund issues an annual ESR report allowing investors to be informed on its ESR performance level.
- The Fund has developed an income distribution mechanism, which after dividend payment includes a contribution to the TA Facility and a Bonus to the Investment Manager based upon the achievement of ESR objectives.
- The Fund will undertake a social audit in 2012.

Methodology to assess social outreach

A weighted average system based on the Fund's investment in each PLI has been used to calculate the ESR indicators contained in this report. They are in line with the CGAP MIV Disclosure Guidelines. We believe that such a methodology allows for a better assessment of the social outreach of the Fund. Statistics on the services other than credit exclude compulsory savings as well as credit life insurance products.

Investments/Partner Lending Institutions

Investment Portfolio Growth 2011

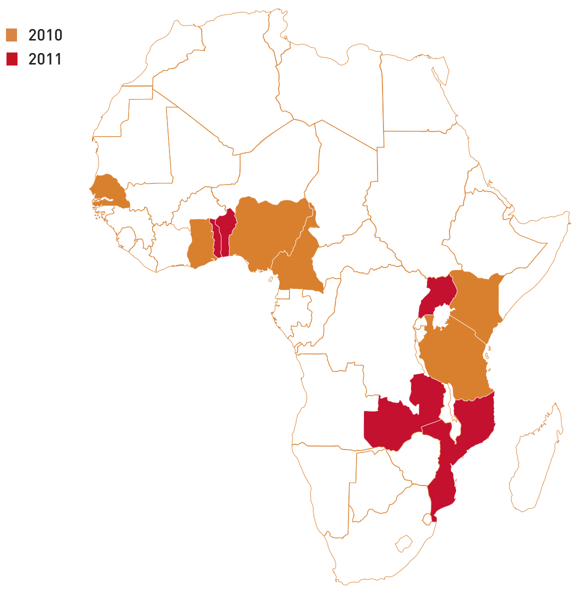
REGMIFA's portfolio grew by USD 27m to USD 43.4m in 2011.

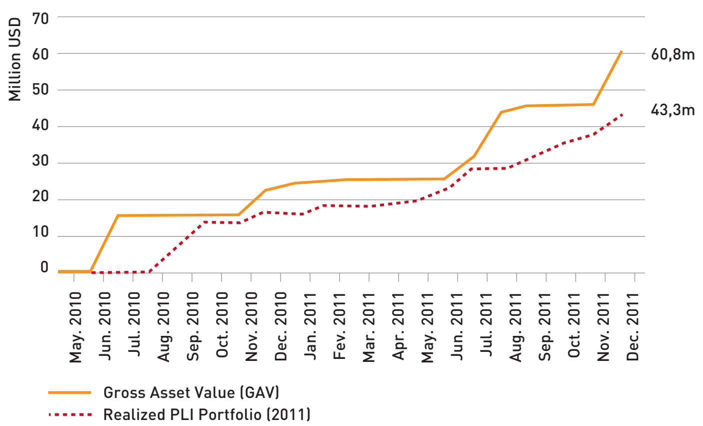
23 investments have been closed, resulting in a total of 32 outstanding investments.

11 new investees have been added to the list of Fund partners, standing at years-end at 20.

First-time investments in 5 additional countries have been made, resulting in a Fund outreach to 11 countries.

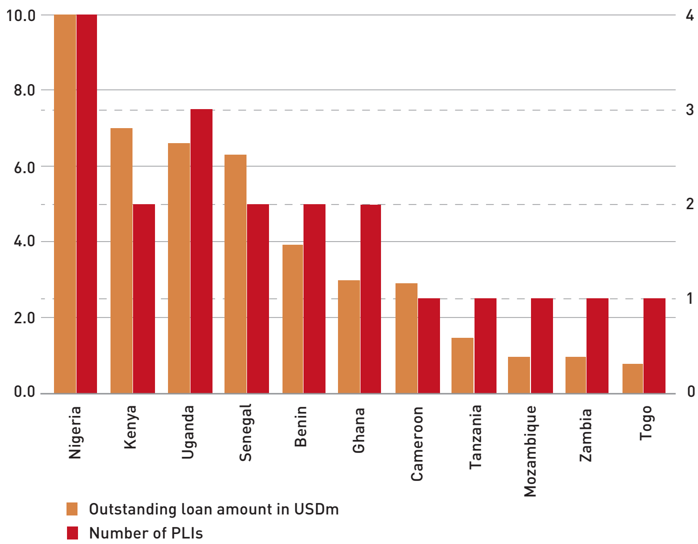
4 additional local currencies have been added to the invested portfolio, all hedged against the USD.





Invested Portfolio per Country

The Fund's strongest investment activity during 2011 was in Nigeria, Uganda and Benin. Nigeria represents the highest exposure per country, where 23% of the portfolio is invested.

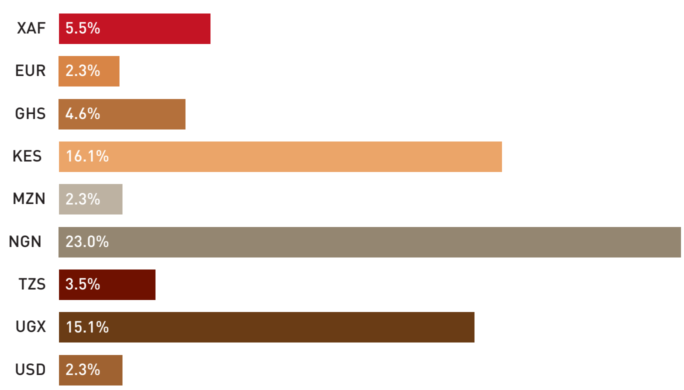


Currency Allocation

REGMIFA has established relationships with several reputable hedging counterparties allowing it to offer local currency loans at competitive rates. Just 4% of loans were disbursed in hard currency (EUR, USD) to PLIs, namely in Ghana and Benin. The Fund currently has no unhedged currency exposure.

As loans and investments from foreign sources rise, microfinance institutions and investors are increasingly faced with the need to adequately manage currency risk. REGMIFA effectively supported PLIs in this task by disbursing 96% of loans in local currency, helping to reduce the PLI's exposure to significant volatility.

Distribution of loans by currency



Profile of Partner Lending Institutions

The Fund aims to target a diversified set of PLIs in terms of institutional characteristics, credit rating, size, country and currencies requested. With an average shadow credit rating of BBB- and country risk of BB-, 54% of the total loan volume was disbursed to institutions not related to a microfinance network (10 out of 20 investees). The average exposure per PLI increased in 2011 to USD 2.2m as the Fund offered repeat funding to several PLIs, already partners of the Fund, illustrating the Fund's approach of building trustful partnerships over time.

Top 5 PLI Exposures

COUNTRY	INVESTEE	CY	USD
Senegal	PAMECAS	XOF	5.0m
Kenya	KWFT	KES	5.0m
Uganda	FINCA Uganda	UGX	4.0m
Nigeria	Access Bank Nigeria	NGN	4.0m
Nigeria	LAPO	NGN	3.0m

Key indicators of the Fund's investees

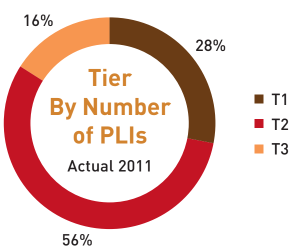
The Fund's investees are displaying healthy profitability figures and solid loan portfolio quality with an average Portfolio at Risk > 30 days of 3.80%, while at the same time reaching out to the lower-income segments of the population as illustrated by an average loan size of USD 937.

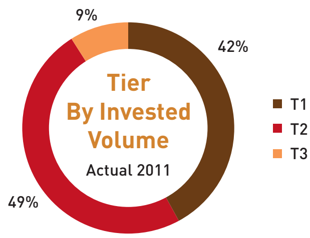
INVESTED PLI PROFILE	SIMPLE AVERAGE	MEDIAN
Total Assets (USD)*	42,909,356	27,375,805
Gross loan portfolio (USD)	30,194,858	22,278,785
Number of active borrowers	75,216	20,630
Average loan size (USD)	937	707
Debt/Equity ratio	3.26	2.51
Portfolio yield	43.52%	44.78%
Operating expense ratio	33.01%	32.49%
Operational self-sufficiency	112.59%	111.21%
Return on Equity	16.69%	12.86%
Return on Assets	3.20%	2.98%
PAR > 30 days	3.80%	2.70%
Write-off ratio	1.11%	0.90%

*At spot exchange rate as of 31.12.2011

Distribution by Institutional Size

Over 70% of the Fund's partners are small and medium-sized institutions with total assets below USD 30m (determined by number of PLIs). Roughly 60% of the invested volume has been disbursed to tier 2 and tier 3 institutions.





Tier 1: Total Assets > = USD 30m
Tier 2: USD 10m < = Total Assets < USD 30m
Tier 3: Total Assets < USD 10m

Distribution by Institutional Type

Over half of all of the Fund's partners are non-bank financial institutions, more than 20% are NGOs and the remaining number is distributed among cooperatives and banks.

TA Facility

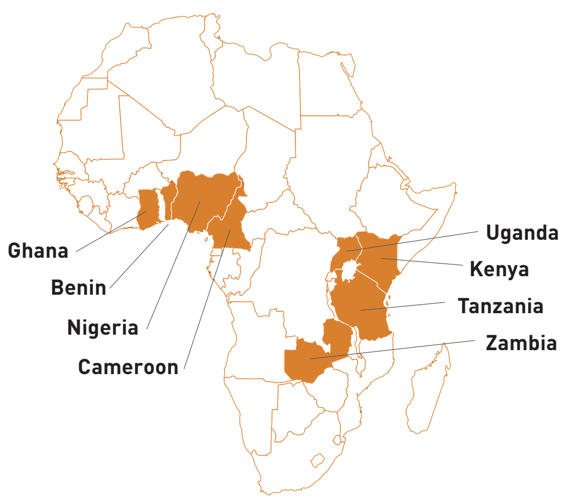
The REGMIFA TA Facility – Building Strong Partnerships

Within its first year of existence, the TA Facility managed to reach out to 50% of the Fund's portfolio clients and develop projects centered on their needs. The TA Facility's approach is to identify projects based on an on-going involvement of the PLIs in the development phase. This leads not only to a comprehensive understanding of the clients' current and future needs, but has also demonstrated that strong relationships built on mutual trust can be created. For the PLIs, REGMIFA is a partner they can rely on and which can respond in a flexible way to a number of needs – financial services in the form of funding as well as to address urgent capacity building needs.

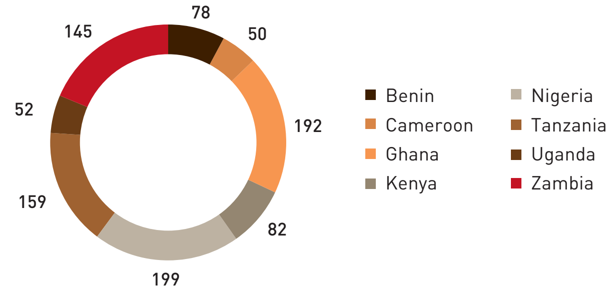
The key driver for the high quality of the TA Facility's services lies in identifying together with the PLIs their real needs.

2011 AT A GLANCE
11 projects approved: 2 completed 3 implemented (consultants on site) 6 in preparation
10 PLIs in 8 countries outreached with projects Total volume of projects approved: EUR 957,000
Average project size EUR 87,060 PLI co-financing 19.4%

Countries where the TA Facility has operated so far:



TA Volume approved by country, EUR in thousands



Approved projects by area of intervention 2011

AREA OF INTERVENTION	VOLUME (EUR)	SHARE
Finance and Accounting	30,000	3%
Institutional Development & Transformation	209,670	22%
Loan Portfolio and Credit Products	344,082	36%
Marketing and Customer Relationship Management	104,250	11%
Management Information Systems	65,385	7%
Product Development	204,275	21%
TOTAL	957,662	100%

7 out of the 11 approved projects were for tier 2, three projects for tier 1 and one project for a tier 3 PLI.

TA assessment - A comprehensive concept

In the course of its first year, two projects have been fully completed, while 3 more have been launched and 6 more were approved. One of the main pillars of the TA Facility is the requirement of delivering high quality services. To ensure meeting the highest standards, the TAF Team worked on a comprehensive concept for assessing the consulting services delivered to the PLIs and financed through TA Facility assets. Initially, the TA Facility monitors the implementation of consulting services from four different angles:

1. Delivery by the consultants of regular progress reports.
2. Consultants brief the TA Facility team on a regular basis.
3. Exchange between the TA Facility Team and the PLIs' management on the progress and success of the TA implementation.
4. Monitoring by REGMIFA Field staff of the TAF's progress during PLI visits.

Lastly, an end evaluation of each completed TA service is carried out by the TA Facility Team using a specific methodology and a scoring system particularly developed for the purpose of assessing TA financed projects. Such evaluation results are also used for the systematic registration of the track record of each consultant in the TA Facility consultant database.

Moreover, a development impact study will be carried out to measure the impact of REGMIFA investments and the TA Facility interventions.

> *"Ensuring the delivery of high quality consultancy services is crucial to the success of the TA Facility."*

An example for TA project assessment: Advans Cameroun's study: "Market studies to improve geographic and product diversification"

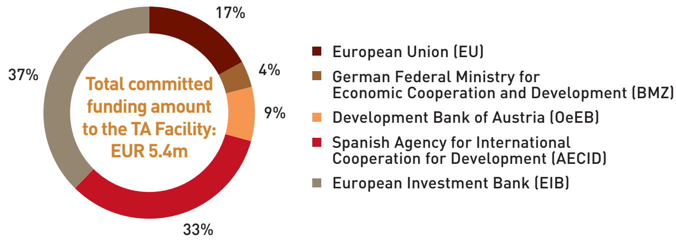
The objective of this particular TA assignment was to help Advans Cameroun to obtain a better understanding of the financial services needs in new regions in Cameroon in order to improve the company's product and geographic diversification by conducting market studies in rural regions of the country.

The TAF Team examined if there were any discrepancies between the assignment implemented by the TAF compared to what was stated in the TAF service contract (achievement of the terms of reference (TOR) objectives, fulfillment of contents, milestones and timetable), and evaluated the quality of the documents and deliverables showing the progress made and results. The feedback from both the REGMIFA Account Manager and the PLI were also taken into account. In addition, the TA Facility carried out an evaluation of the support and openness of the PLI during the identification of the TA needs, the drafting of the Terms of References, the consultant selection and the implementation of the TA. The overall result of the assessment was very satisfactory and the consultant as well as the PLI received a high score. Moreover, the TAF Team identified key items to be followed up on in 2012 with the PLI, to verify the short and medium-term impact of the TA assignment, e.g. the opening of new branches in the cities researched in Northern Cameroon or the launch of the rural lending pilot test.

Karin Derflinger, Chairperson TA Facility Committee comments:

"Strong financial institutions are key to economic growth in Sub-Saharan Africa. Currently only 1 in 5 households has access to financial services in Sub-Saharan Africa. REGMIFA addresses this, on the one hand, by providing financing to PLIs and on the other hand, by strengthening those PLIs with technical assistance projects. By doing so, REGMIFA aims at contributing to increased access to financial services in Sub-Saharan Africa in a socially responsible way. The TA Facilty's approach consists of a thorough identification and analysis of the institutions' needs. I believe that the projects financed by the TA Facility can make a measurable difference and help to improve the quality of the services delivered to the clients."

Support from strong and highly committed internationally leading Donor Agencies



Upon the TA Facility's inception, the Contributors committed funding totalling EUR 5.4m. During 2011, contributions from Donors made to the TA Facility amounted to EUR 3.2m.

Focus on NIGERIA

Population (2012)
170.1 million

Pop. living in poverty (2007)
70%

Human dev. rank (2011)
156/187

GDP per capita (2011)
USD 2,600

Real GDP growth (2011)
6.9%

Inflation rate (2011)
10.8%

Client Story

The Sabon market is situated in the south part of Kaduna, one of the major cities in Northern Nigeria. It is a veritable crossroads of multiple ethnicities, religions, and economic activity. Each day, Rifkatu Anto opens her shop starting the early morning hours joining hundreds of small merchants in the market. She sells rice, sesame seeds and paste, palm oil, "gari" (kasava flour) and "apu" (pounded kasava). Recently, thanks to the MFI Microcred, she has managed to increase her stock and include in her offering: melon seeds, corn flour, okra, plantain leaves and beans. Even though she has already been in this business for three years, it was only last year that she took out her first loan from Microcred of 40,000 Nigerian Naira (approx. 270 US dollars). Before this, she was taking money from moneylenders who swindled her. She is now really satisfied with her loans from Microcred which have allowed her to diversify the products found in her store which have helped to attract more clients. She intends to use those extra proceeds to expand her business even further and to invest in the education of her three children. Ms. Anto is visibly very proud of the business she has managed to build so far and hopes to receive bigger loans in order to continue her activity and pay for her children's education.

MFI Story

Microcred Nigeria was incorporated by MicroCred Group in June 2009, receiving its microfinance bank (MFB) unit license from the Central Bank of Nigeria (CBN) the year after. This year was Microcred Nigeria's first full year of operations. It currently serves more than 8,000 borrowers with savings, insurance and transfer products.

Country

The Federal Republic of Nigeria is Africa's most populous country and one of the world's largest oil producers. The political situation remained stable after President Goodluck Jonathan was elected in April 2011. The country's GDP rose strongly between 2007 and 2011 because of growth in the non-oil sectors and robust global crude oil prices. Even though economic reforms began in 2008, political instability, corruption, inadequate infrastructure, terrorist attacks and poor macroeconomic management are still dominant in the country.

With the largest population in Africa and a high degree of entrepreneurial activity and a strong savings culture, its microfinance sector has a huge potential. It is considered to be over regulated but under supervised. Despite regulation requirements, transparency in the financial services sector is very low: only one MFI is found on the MIX (Microfinance Information Exchange) and underwent an external rating.

Fish Market, Zambia

AUDITED FINANCIAL STATEMENTS

General information

Board of Directors

- Mr. Wolfgang Kroh (Chairman)
- Dr. Marcel Gérard Gounot
- Mr. Hanns Martin Hagen
- Mr. Ulf Linders (since 22.08.2011)
- Mr. Jorge Fabra Portela (since 07.10.2011 until 18.04.2012)
- Ms. Alix Pinel (since 12.10.2011)
- Mr. Ruurd Brouwer (since 23.02.2011)
- Ms. Adeline Lemaire (until 12.10.2011)
- Ms. Isabelle Laurencin (until 15.02.2011)
- Mr. Richard Weingarten (until 01.07.2011)
- Mr. Patrick Goodman (until 22.02.2011)
- Mr. José Monedero Suàrez-Bustamante (until 07.10.2011)

Registered Office

- 5, rue Jean Monnet
  L-2180 Luxembourg
  Grand-Duchy of Luxembourg

Investment Manager and Placing Agent

- Symbiotics Asset Management S.A.
  75, rue de Lyon
  CH-1203 Geneva
  Switzerland

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

Legal Adviser

- 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 period ended 31 December 2011 and the independent auditor's report for the Regional MSME Investment Fund for Sub-Saharan Africa S.A., SICAV-SIF ("REGMIFA" or the "Fund").

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 period is disclosed in the Income Statement on page 6.

Dividends

As at 31 December 2011, a dividend of USD 199,452 will be paid to the Class A Shareholders, USD 207,036 will be paid to Class B Shareholders and an amount of USD 426,344 of distributable income will be capitalized to the Class C Shares. Furthermore, the Board resolved to allocate the remaining amount of profit after paying all target dividends to the Technical Assistance facility for an amount of USD 129,250.

Directors

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

- Mr. Wolfgang Kroh (Chairman)
- Mr. Ruurd Brouwer (replacing Patrick Goodman since 23.02.2011)
- Dr. Marcel Gérard Gounot
- Mr. Jorge Fabra Portela (replacing Mr. Monedero from 07.10.2011 until 18.04.2012)
- Mr. Hanns Martin Hagen
- Mr. Ulf Linders (replacing Mr. Weingarten since 22.08.2011)
- Ms. Alix Pinel (replacing Ms. Lemaire since 12.10.2011)
- Mr. José Monedero Suárez-Bustamante (until 7.10.2011)
- Mr. Richard Weingarten (until 01.07.2011)
- Ms. Adeline Lemaire (replacing Isabelle Laurencin from 16 February 2011 until 12 October 2011)
- Mr. Patrick Goodman (until 22.02.2011)
- Ms. Isabelle Laurencin (from 15.02.2011 until 15.02.2012)

During 2011, the Board of Directors has held four meetings and executed several circular resolutions in exercise of its governance duties.

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 2011 for issue.

16 May 2012
Board of Directors

Independent Auditor's Report

ERNST & YOUNG

Ernst & Young
Société anonyme
7, rue Gabriel Lippmann
Parc d'Activité Syrdall 2
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L-2017 Luxembourg

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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 2011, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in net assets attributable to holders of redeemable shares and equity for the year ended 31 December 2011, and a summary of significant accounting policies and other explanatory information.

Board of Directors' responsibility 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.

A member firm of Ernst & Young Global Limited

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 2011, and of its financial performance and its cash flows for the year ended 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion we draw attention to Note 2 where it is disclosed that the financial statements as of 31 December 2011 include investments whose values have been estimated by the Board of Directors in the absence of readily ascertainable market values. We have reviewed the procedures used by the Board of Directors in valuing such investments and have inspected the underlying documentation, and in the circumstances, we believe that the procedures are reasonable and the documentation appropriate. However, because of the inherent uncertainty of valuation, the Board of Directors' estimate of values may differ significantly from the market values that would have been used had a ready market existed for the investments and these differences could be material.

ERNST & YOUNG
Société Anonyme
Cabinet de révision agréé

Alain KINSCH

Luxembourg, 16 May 2012

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Statement of Financial Position

As of 31 December 2011 (expressed in USD)

ASSETS	31 DECEMBER 2011	31 DECEMBER 2010
Gross Loans to Partner Lending Institutions	41,763,830	16,257,778
Impairment allowances	-	-
Loans to Partner Lending Institutions (Notes 3 & 11)	41,763,830	16,257,778
Interest accruals on loans (Notes 3 & 11)	1,220,227	401,400
Derivative financial instruments (net) (Notes 4 & 11)	2,723,765	216,461
Cash and cash equivalents (Note 11)	14,866,094	4,916,629
Prepaid expenses	24,151	24,837
Other receivables (Note 11)	195,703	691,344
Total Assets	60,793,770	22,508,449

LIABILITIES		
Notes (Note 5)	3,500,000	1,500,000
Accrued expenses (Note 8.5)	374,827	610,911
Other payables	3,700	-
Dividends payable to holders of redeemable shares (Note 10)	406,488	-
Subscription received in advance (Note 6)	9,999,998	2,000,000
Contribution to the technical assistance facility (Note 10)	129,250	-
Total Liabilities (excluding net assets attributable to holders of redeemable shares)	14,414,263	4,110,911
Net assets attributable to holders of redeemable shares		
A Shares	18,250,000	5,250,000
B Shares	6,950,000	5,950,000
Total liabilities	39,614,263	15,310,911

EQUITY		
Share capital	19,050,000	7,050,000
Retained earnings	2,129,507	147,538
Total Equity	21,179,507	7,197,538
Total Liabilities and Equity	60,793,770	22,508,449

The accompanying notes are an integral part of these financial statements

Income Statement

For the year ended 31 December 2011 (expressed in USD)

	FROM 1 JANUARY 2011 TO 31 DECEMBER 2011	FROM 1 DECEMBER 2009 TO 31 DECEMBER 2010
Interest income on loans (Note 7.1)	3,248,660	481,997
Bank interest	6,614	955
Other income	871,325	1,409,648
Change in unrealized gain on derivative financial instruments (Note 4)	3,026,189	258,273
Realized gain on derivative financial instruments	1,144,739	-
Realized gain and change in unrealized gain on foreign exchange	194,142	72,318
Total Income	8,491,669	2,223,191
EXPENSES		
Management fees (Note 8.1)	(1,000,000)	(652,700)
Secretary fees (Note 8.3)	(144,428)	(98,719)
Legal and audit fees	(171,813)	(298,267)
Administration, custodian and domiciliation fees (Note 8.4)	(114,750)	(80,534)
Formation expenses	-	(646,960)
Subscription tax	(609)	(806)
Other administrative expenses	(63,794)	(29,470)
Marketing and promotion expenses	(58,844)	(15,177)
Interest on Notes (Note 7.2)	(21,927)	(11,084)
Debit interest	(976)	-
Realized loss on derivative financial instruments	(2,159,650)	-
Change in unrealized loss on derivative financial instruments (Note 4)	(518,885)	(41,812)
Realized and change in unrealized loss on foreign exchanges	(1,718,286)	(200,124)
Total Operating Expenses	(5,973,962)	(2,075,653)
Operating profit before tax	2,517,707	147,538
Distribution to holders of redeemable ordinary shares (Note 10)	(406,488)	-
Contribution to the technical assistance facility (Note 10)	(129,250)	-
Profit for the year/period	1,981,969	147,538

Statement of Comprehensive Income

For the year ended 31 December 2011 (expressed in USD)

	FROM 1 JANUARY 2011 TO 31 DECEMBER 2011	FROM 1 DECEMBER 2009 TO 31 DECEMBER 2010
Profit for the year/period	1,981,969	147,538
Other comprehensive income for the year/period, net of tax	---	---
Total comprehensive income for the year/period, net of tax	1,981,969	147,538

The accompanying notes are an integral part of these financial statements

Statement of Cash Flows
For the year ended 31 December 2011 (expressed in USD)

	FROM 1 JANUARY 2011 TO 31 DECEMBER 2011	FROM 1 DECEMBER 2009 TO 31 DECEMBER 2010
Cash flows from operating activities		
Operating profit before tax	2,517,707	147,538
Adjustments for:		
Net change in unrealized loss on foreign exchange	1,474,226	128,105
Change in unrealized gain on derivative financial instruments	(2,507,304)	(216,461)
Investment income	(3,248,660)	(481,997)
Interest on Notes	21,927	11,084
Net (increase) in other receivable	(322,500)	(1,117,581)
Net increase/(decrease) in other payable	(232,384)	610,911
Distribution to holders of redeemable ordinary shares	406,488	
Contribution to the technical assistance facility	129,250	
Cash-flows used in operating activities	(1,761,250)	(918,401)
Cash flows from investing activities		
Net increase in investment income	3,216,769	470,913
Net increase in loans to Partner Lending Institutions	(25,506,052)	(16,385,883)
Cash-flows used in investing activities	(22,289,283)	(15,914,970)
Cash flows provided by financing activities		
Cash received on Notes issued	2,000,000	1,500,000
Cash received on Shares issued	24,000,000	18,250,000
Advance of cash on subscriptions	7,999,998	2,000,000
Cash-flows provided by financing activities	33,999,998	21,750,000
Net increase in cash and cash equivalents	9,949,465	4,916,629
Opening cash and cash equivalents	4,916,629	-
Closing cash and cash equivalents	14,866,094	4,916,629

Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares and Equity
For the year ended 31 December 2011 (expressed in USD)

Balance as of 1 January 2010	-
Total comprehensive income	147,538
Proceeds from subscriptions	18,250,000
Proceeds from redemptions	-
Balance as of 31 December 2010	18,397,538
Balance as of 1 January 2011	18,397,538
Total comprehensive income	1,981,969
Proceeds from subscriptions	26,000,000
Proceeds from redemptions	-
Balance as of 31 December 2011	46,379,507

EARNINGS PER SHARE FOR THE 2011 YEAR AND FOR THE 2010 PERIOD	2011	2010
Class of shares		
Class A - Series 1	1,968.90	---
Class A - Series 2	1,968.90	---
Class B - Series 1	869.03	---
Class C - Series 1	6,521.50	1,046.37
Class C - Series 2	6,521.50	1,046.37
Class C - Series 3	6,521.50	1,046.37
Class C - Series 4	6,521.50	1,046.37

The accompanying notes are an integral part of these financial statements

Notes to the Financial Statements

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 9. 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 9. 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 9. 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 9. 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 9. 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 9.

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 for loans and advances to PLIs that are measured at amortized cost using the effective interest method and 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. By exception, the first financial period started on 1 December 2009 and ended on 31 December 2010.

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.

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

As at 31 December 2011 and 2010, 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 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) Changes in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year, except

IAS 24 Related Party Transactions (Amendment)

The IASB issued an amendment to lAS 24 that clarifies the definitions of a related party. The new definitions emphasise a symmetrical view of related party relationships and clarifies the circumstances in which persons and key management personnel affect related party relationships of an entity. In addition, the amendment introduces an exemption from the general related party disclosure requirements for transactions with government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The adoption of the amendment did not have any impact on the financial position or performance of the Fund.

IAS 32 Financial Instruments: Presentation (Amendment)

The IASB issued an amendment that alters the definition of a financial liability in lAS 32 to enable entities to classify rights issues and certain options or warrants as equity instruments. The amendment is applicable if the rights are given prorata to all of the existing owners of the same class of an entity's non-derivative equity instruments, to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency. The amendment has had no effect on the financial position or performance of the Fund because it does not have this type of instruments.

Improvements to IFRSs

In May 2010, the IASB issued its third omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes to accounting policies, but has no impact on the financial position or performance of the Fund.

- IFRS 7 Financial Instruments – Disclosures: the amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context.
- lAS 1 Presentation of Financial Statements: the amendment clarifies that an entity may present an analysis of each component of other comprehensive income maybe either in the statement of changes in equity or in the notes to the annual accounts.

(c) Standards issued but not yet effective

The following IFRS interpretations were issued with an effective date for financial period beginning on or after 1 January 2012.The Fund has chosen not to early adopt these standards and interpretations before their effective dates.

Only accounting policies and disclosures applicable or potentially applicable to the Fund are mentioned below.

IAS 1 Financial Statements Presentation – Presentation of Items of Other Comprehensive Income (OCI)

The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has there no impact on the Fund's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012.

IFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not derecognised to enable the user of the Fund's annual accounts to understand the relationship with those assets that have not been derecognised and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in derecognised assets to enable the user to evaluate the nature of and risks associated with, the entity's continuing involvement in those derecognised assets. The amendment becomes effective for annual periods beginning on or after 1 July 2011.

IFRS 9 Financial Instruments (Not endorsed by the European Union at that stage)

This standard, which is being developed to ultimately replace IAS 39 in its entirety, has been divided into three main phases. The first phase, which relates to the recognition and measurement of financial assets and financial liabilities, has already been completed. It introduces significant changes in the accounting requirements of financial assets, such as: a reduction in the number of available categories, business model-oriented classification rules and the prohibition to recycle (into income statement) any gains and losses on financial assets measured at fair value through other comprehensive income.

The last two phases which concern impairment and hedge accounting are still to be finalized.

The standard (including its first phase on a stand-alone basis) is applicable for annual periods beginning on or after 1 January 2015. Earlier application is permitted.

IFRS 13 Fair Value Measurement

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 fair value is required or permitted. This standard becomes effective for annual periods beginning on or after 1 January 2013.

2.3. Summary of significant accounting policies

2.3.1. Foreign currency translation

I. Functional currency translation

Items included in the Financial Statements are measured and presented using the 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.

II. 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

I. Classification

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

II. 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.

III. 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-off 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.

IV. 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 equivalents

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.

Note 3 – Loans portfolio

As at 31 December 2011, the Loans to Partner Lending Institutions have a carrying value amounting to USD 41,763,830 (2010: USD 16,257,778) and a fair value amounting to USD 40,905,647 (2010: USD 16,588,289).

The fair value of loans is calculated by using valuation techniques based on non observable data in the microfinance market and corresponds to level 3 of IFRS 7 fair value hierarchy. The estimated fair value of loans is based on a discounted cash flow model taking into account the evolution of 1) microfinance market spreads, 2) foreign exchange rates, and 3) local yield curves (i.e. T-bills and T-bonds) since the disbursement date of loans, as well as 4) any impairment allowances accounted for by the Fund as of 31 December 2011.

The following describes the methodologies and assumptions used to determine the fair value of loans:

- Cash flows: expected principal and interest payments are initially set assuming that every payment would occur in the time and form stipulated by the individual loan agreement. In case of impairment allowances, the timing and amount of cash flows are adjusted in accordance with the impairment assessment performed by the Investment Manager;
- Discount rates: discount rates used for discounting expected cash flows reflect the yield curve (risk free rates) prevalent in each country as of 31 December 2011. Spreads above risk free rates, which are originally defined at the onset of each loan, are adjusted according to the change in microfinance market spread from the onset of that loan until 31 December 2011. The microfinance market spread change is derived from a database of loans granted to microfinance institutions differentiating them by loan inception date.

During the year ended 31 December 2011, there were no transfers into and out of level 3 fair value measurement.

As at 31 December 2011, the accrued interest to be received on loans to Partner Lending Institutions amounts to USD 1,220,227 (2010: USD 401,400).

Note 4 – Derivative financial instruments

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.

During the year ended 31 December 2011, the Fund entered into 37 cross-currency swaps (2010: 8) with notional amount of USD 42,371,488 (2010: USD 15,382,327), which have a positive fair value of USD 2,723,765 as at 31 December 2011 (2010: USD 216,461).

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.

During the year ended 31 December 2011, 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 2011, the outstanding Notes issued by the Fund amount to USD 3,500,000 (2010: USD 1,500,000).

The floating rate Notes are valued at their nominal amounts as of 31 December 2011 and 2010, the risk profile of the Fund having not significantly changed since the issuance of the Notes.

Note 6 – Subscription received in advance

Two subscriptions for the Class C Shares for an aggregate amount of USD 9,999,998 (2010: USD 2,000,000) have been received in advance.

Note 7 – Interest income and expense

7.1. Interest income on loans

For the year ended 31 December 2011, the interest income is composed by interest on loans and advances and upfront fees amounting to respectively USD 3,016,410 (2010: USD 401,400) and USD 232,250 (2010: USD 80,597).

7.2. Interest expenses on Notes

For the year ended 31 December 2011, the interest on Notes expensed by the Fund amounts to USD 21,927 (2010: USD 11,084).

Note 8 – Expenses

8.1. 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 first two years following the initial closing of the Fund, a minimal amount of USD 1,000,000 of management is applied. For the first exercise upon Fund's inception, the floor amount has been apportioned from the date of the initial closing to 31 December 2010.

For the year ended 31 December 2011, the Fund management fee amounts to USD 1,000,000 (2010: USD 652,700).

8.2. 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 9.

For the year ended 31 December 2011 and for the period ended 31 December 2010, no Investment Manager Incentive Bonus has been paid.

8.3. Secretary fees

The secretary fees are paid on a monthly basis upon receipt of the invoice.

For the year ended 31 December 2011, the secretary fees amount to USD 144,428 (2010: USD 98,719).

8.4. 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 first exercise, the floor amount was apportioned from the date of the initial closing to 31 December 2010.

For the year ended 31 December 2011, the administration fee amounts to USD 60,000 (2010: USD 39,288).

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 first exercise,

the floor amount was apportioned from the date of the initial closing to 31 December 2010.

For the year ended 31 December 2011, the custodian fee amount to USD 22,500 (2010: USD 13,996).

The Fund pays an annual lump sum domiciliation fee to Credit Suisse Asset Management Fund (Luxembourg) S.A. For the year ended 31 December 2011, the domiciliation fee amounts to USD 17,250 (2010: USD 17,250).

As at 31 December 2011, the registrar and the compliance monitoring fees amount to USD 15,000 (2010: USD 10,000).

8.5. Accrued expenses

As at 31 December 2011, the accrued expenses relate to management fees and direct operating expenses and amount to USD 374,827 (2010: USD 610,911).

Note 9 – 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 8.2, 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.

A dividend of USD 406,488 (2010: nil) will be paid to Classes A and B Shareholders in 2011.

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
- 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 10 – Calculation of distributable income and capital gains and losses

At each NAV Calculation Date, the Fund calculates the year-to-date cumulative Net Income for the relevant calendar year. Then the year-to-date Investment Income of the fund is allocated via the Income Waterfall and the Capital Waterfall to each Class of Shares in the order of priority described in the Note 9.

INCOME WATERFALL	FROM 1/01/2011 TO 31/12/2011 IN USD	FROM 1/12/2009 TO 31/12/2010 IN USD
Interest income on loans	3,248,660	481,997
Bank interest	6,614	955
Other income	871,325	1,409,648
Realized and unrealized gain on foreign exchange (excluding loans to PLIs)	-	21,181
Realized losses on derivative financial instruments	(1,014,911)	-
Management fees	(1,000,000)	(652,700)
Secretary fees	(144,428)	(98,719)
Legal and audit fees	(171,813)	(298,267)
Administration, custodian and domiciliation fees	(114,750)	(80,534)
Formation expenses	-	(646,960)
Subscription tax	(609)	(806)
Other administrative expenses	(63,794)	(29,470)
Marketing and promotion expenses	(58,844)	(15,177)
Interest on Notes	(21,927)	(11,084)
Debit interest	(976)	-
Realized and unrealized loss on foreign exchange (excluding loans to PLIs)	-	(179,242)
Change in unrealized loss on derivative financial instruments (interest portion)	(521,717)	(180,210)
Total	1,012,830	(279,387)

For the year ended 31 December 2011:

The distributable income amounting to USD 1,012,830 includes an amount of USD 406,488 distributed to the Classes A and B Shareholders and an amount of USD 477,092 of distributable income capitalized to the Class C Shareholders. The remaining amounting to USD 129,250 is allocated to the technical assistance facility.

For the period ended 31 December 2010:

In compliance with the Fund's Issue Document, the net loss amounting to USD 279,387 is allocated to the Class C Shares up to their total NAV, pro rata to the NAV of each Series of Class C Shares.

CAPITAL WATERFALL	FROM 1/01/2011 TO 31/12/2011 IN USD	FROM 1/12/2009 TO 31/12/2010 IN USD
Realized and change in unrealized gain/(loss) on foreign exchange (only portion related to PLIs)	(1,474,227)	30,254
Realized and change in unrealized loss on foreign exchange (other than portion related to PLIs)	(49,917)	-
Change in unrealized gain on derivative financial instruments (notional portion)	3,029,021	396,671
	1,504,877	426,925

For the year ended 31 December 2011:

In compliance with the Fund's Issue Document and because the Classes A and B Shares do not suffer from NAV Deficiencies at year end, the amount of USD 1,504,877 is allocated to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

Consequently, the net amount of USD 1,981,969 has been capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

For the period ended 31 December 2010:

In compliance with the Fund's Issue Document and because the Classes A and B Shares do not suffer from NAV Deficiencies at year end, the amount of USD 426,925 is allocated to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

Consequently, the net amount of USD 147,538 has been capitalized to the Class C Shares, pro rata to the NAV of each Series of Class C Shares.

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.

Note 11 – 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.

11.1. 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 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 on-site 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.

11.1.1. Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk of the Company as of 31 December 2011. The maximum exposure is shown gross, before the effect of mitigation through the use of collaterals.

	AS OF 31 DECEMBER 2011 IN USD	AS OF 31 DECEMBER 2010 IN USD
Statement of financial position		
Loans to Partner Lending Institutions	41,763,830	16,257,778
Interest accruals on loans	1,220,227	401,400
Derivative financial instruments	2,723,765	216,461
Cash at bank	14,866,094	4,916,629
Other receivables	195,703	691,344
Total	60,769,619	25,483,612
Off balance sheet		
Committed undisbursed amounts on loans to Partner Lending Institutions	-	-
Total	-	-
Total gross maximum exposure	60,769,619	25,483,612

11.1.2. Risk concentrations of loan portfolio to credit risk

Risk concentrations by Partner Lending Institutions

In the context of the credit risk analysis, the tables below show the concentration risk analysis of the Fund's gross loans portfolios by PLI is as follows:

31 DECEMBER 2011	AMOUNTS IN USD	%
Top 1	4,752,836	11.38
Top 3	9,873,911	23.64
Top 5	13,798,055	33.04
Top 10	21,983,014	52.64
Top 20	33,543,439	80.32
Top 32	41,763,830	100.00
Total	41,763,830	100.00

31 DECEMBER 2010	AMOUNTS IN USD	%
Top 1	5,011,976	30.83
Top 3	10,149,220	62.43
Top 5	12,969,690	79.78
Top 9	16,257,778	100.00
Total	16,257,778	100.00

Risk concentrations by geographical regions

The table below shows the credit risk analysis of the Fund's gross loans portfolio per geographical regions as of 31 December 2011 and 2010:

	2011 AMOUNTS IN USD	%	2010 AMOUNTS IN USD	%
Benin	3,667,274	8.78	-	-
Cameroun	2,249,426	5.39	982,736	6.04
Ghana	2,789,859	6.68	1,963,388	12.08
Kenya	6,650,147	15.92	7,012,734	43.14
Mozambique	1,008,780	2.42	-	-
Nigeria	9,757,535	23.36	341,964	2.10
Senegal	6,020,764	14.42	4,478,036	27.54
Tanzania	1,406,937	3.37	1,478,920	9.10
Togo	649,075	1.55	-	-
Uganda	6,635,285	15.89	-	-
Zambia	928,748	2.22	-	-
Total	41,763,830	100.00	16,257,778	100.00

11.1.3. Credit Quality

11.1.3.1. 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 2011 and 2010 based on the Fund's credit rating system:

	2011 AMOUNT IN USD	%	2010 AMOUNT IN USD	%
AAA	-	0,00%	-	0,00%
AA	-	0,00%	-	0,00%
A	-	0,00%	-	0,00%
BBB	31,730,871	75,98%	11,590,770	71,29%
BB	10,032,959	24,02%	4,667,008	28,71%
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	41,763,830	100,00%	16,257,778	100,00%

11.1.3.2. 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 2011 and 31 December 2010, there were no impaired loans.

11.2. 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 affect 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 122 million as at 31 December 2011 (2010: USD 140 million).

The following tables demonstrate the forecasted cash flows of the Fund per maturity band as follows:

AS AT 31 DECEMBER 2011 IN 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 *	546,189	17,121,455	30,554,308	-	-	48,221,952
Cash	14,866,094	-	-	-	-	14,866,094
Other receivables	195,703	-	-	-	-	195,703
Total Assets	15,607,986	17,121,455	30,554,308	-	-	63,283,749
Notes *	-	64,454	1,705,712	2,149,893	-	3,920,059
Derivative financial instruments	298,327	598,462	303,725	-	-	1,200,514
Accrued expenses	374,827	-	-	-	-	374,827
Subscription received in advance	9,999,998	-	-	-	-	9,999,998
Total Liabilities	10,673,152	662,916	2,009,437	2,149,893	-	15,495,398
Classes A and B Shares	-	-	25,200,000	-	-	25,200,000
Class C Shares	-	-	-	-	21,179,507	21,179,507

AS AT 31 DECEMBER 2010 IN 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 *	419,992	1,343,934	18,585,511	-	-	20,349,437
Cash	4,917,529	-	-	-	-	4,917,529
Other receivables	691,344	-	-	-	-	691,344
Total Assets	6,028,865	1,343,934	18,585,511	-	-	25,958,310
Notes *	-	25,768	103,141	1,565,697	-	1,694,606
Derivative financial instruments	188,144	602,288	890,423	-	-	1,680,855
Accrued expenses	610,911	-	-	-	-	610,911
Subscription received in advance	2,000,000	-	-	-	-	2,000,000
Total Liabilities	2,799,055	628,056	993,564	1,565,697	-	5,986,372
Classes A and B Shares	-	-	11,200,000	-	-	11,200,000
Class C Shares	-	-	-	-	7,197,538	7,197,538

*Including interest payment

11.3. Market risk

11.3.1. 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 2011 and 2010, all PLI loans in currencies not denominated in USD are hedged for both currency and interest rate risk, effectively yielding floating interest rates with USD 6-month Libor as the rate basis.

Similarly, 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).

2011			2010	
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	8,701	1.8%	10	3,375
50	43,507	8.9%	50	16,876
100	87,015	17.7%	100	33,752

11.3.2. 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 2011 and 2010, the Fund is not exposed to currency risk as its financial instruments (mainly loans and notes and redeemable shares) are either denominated in USD or fully hedged into the functional currency of the Fund.

Partner Lending Institutions investments are predominantly denominated in currencies other than the Fund currency. According to the Fund's policy on foreign exchange exposures, all such PLI investments were fully hedged into the functional currency of the Fund by cross-currency swaps as at 31 December 2011 and 2010. Furthermore, the Notes and redeemable shares are denominated in the functional currency of the Fund.

11.3.3. 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 12 – Capital Management

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

The Fund's objectives for managing capital are:

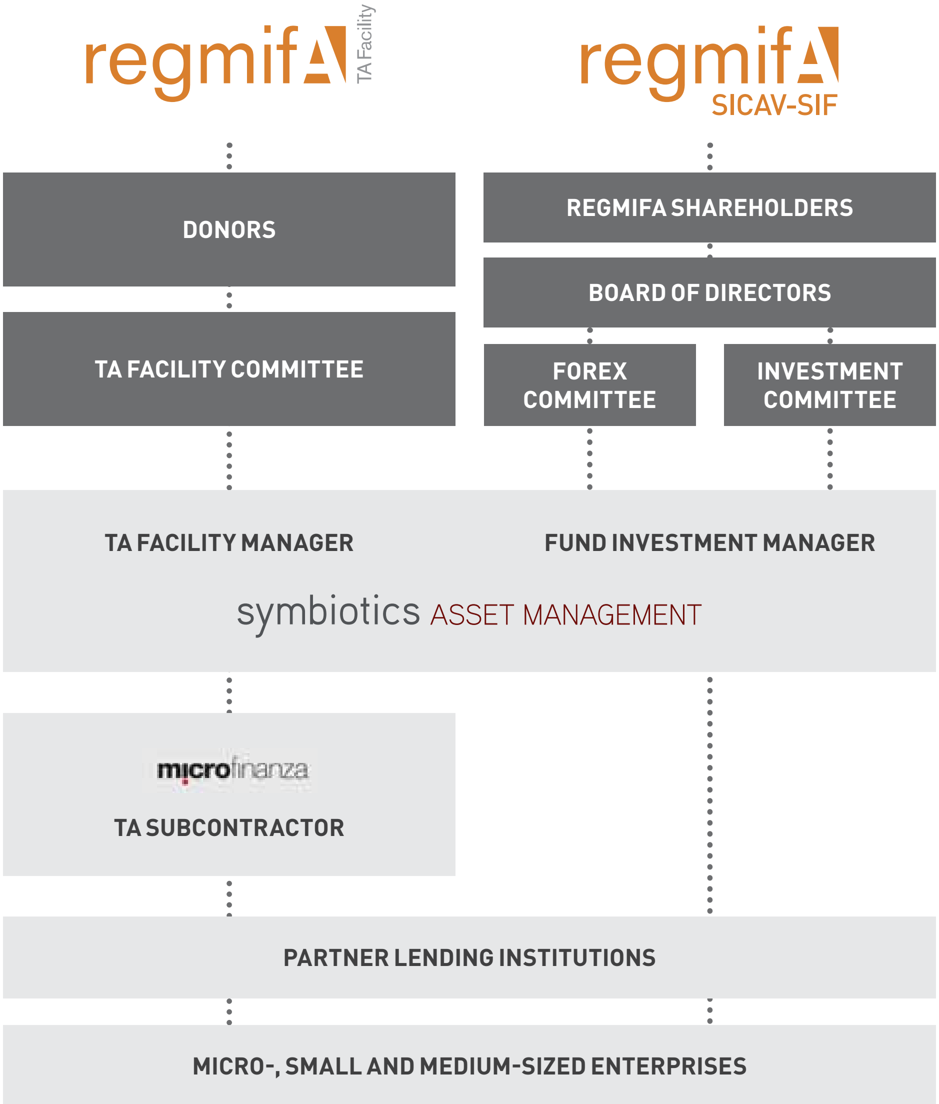
- To invest the capital in investments meeting the description, risk exposure and expected return indicated in its prospectus;
- To achieve consistent returns while safeguarding capital by investing in diversified portfolio, by participating in derivative and other advanced capital markets and by using 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 13 – Approval of the Financial Statements

The Board of Directors reviewed the Financial Statements as of 16 May 2012 and decided to submit them to the Annual General Meeting of Shareholders for approval to be held on 31 May 2012.

ADDITIONAL INFORMATION

Organizational Structure



Governance and Contacts

as of 31.12.2011

Board of Directors

- Mr. Wolfgang Kroh (chairman)
- Mr. Ruurd Brouwer
- Mr. Jorge Fabra Portela
- Mr. Marcel Gérard Gounot
- Mr. Hanns Martin Hagen
- Mr. Ulf Linders
- Ms. Alix Pinel

Investment Committee

- Mr. Karl-Heinz Fleischhacker (chairman)
- Mr. Edvardas Bumsteinas
- Mr. Jorge Fabra Portela
- Mr. Philippe Serres
- Mr. Mariano Larena

FX Committee

- Mr. Guiseppe Balocchi
- Mr. Helie d'Hautefort
- Dr. Michael Schulze

TA Facility Committee

- Dr. Karin Derflinger (chairperson)
- Mr. Juan Ignacio Izuzquiza Rueda
- Mr. Stefan Kerpen

Investment Manager and TA Facility Manager

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- Ms. Katia Raguzzoni, TA Support

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Abbreviations

AECID	*Agencia Española de Cooperación Internacional para el Desarrollo*; Spanish Agency for International Cooperation for Development
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
EU	European Union
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
MFI	Microfinance Institution
MIV	Microfinance Investment Vehicle
MSME	Micro, Small and Medium Enterprise
NAV	Net Asset Value
NBFI	Non-Bank Financial Institution
NGO	Non-Governmental Agency
NMI	Norwegian Microfinance Initiative
OeEB	*Oesterreichische Entwicklungsbank*; Austrian Development Bank
PLI	Partner Lending Institution
Proparco	*Promotion et Participation pour la Coopération économique*; Investment and Promotions Company for Economic Cooperation
TA	Technical Assistance
TOR	Terms of Reference