# 2016 SYMBIOTICS MIV SURVEY

## Market Data & Peer Group Analysis

symbiotics

10th edition

September 2016

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# ABOUT THE MIV SURVEY

# 1.1
# ABOUT THE MIV SURVEY – OVERVIEW

## ABOUT THE SURVEY

The 2016 Symbiotics MIV Survey is an annual study which aims to provide comprehensive market trends and peer group analysis on microfinance off-shore investments. Its primary function is to allow microfinance investors and fund managers to benchmark themselves and improve their knowledge of the industry. It also allows academia researchers and companies to have access to unique information about microfinance funds over a 10-year period.

The Survey, in its 10th edition, is based on December 2015 financial and social performance indicators reported by nearly all microfinance investment vehicles (MIVs). Participating MIVs report their data based on the CGAP MIV Disclosure Guidelines (2010) and the Microfinance Investment Vehicles Disclosure Guidelines: Additional Indicators (2015) developed in 2015 by Symbiotics in collaboration with other microfinance asset managers.

The survey offers two levels of analysis:

1. Key market trends and figures
2. Benchmarks and peer group analysis

It focuses on two dimensions:

1. Financial performance, with a focus on growth, risk, return, efficiency and funding patterns
2. Social performance, with a focus on commitment to Environmental, Social and Governance (ESG) practices and reporting

As an add-on for this 10th edition, Symbiotics has collected and reported aggregated results on selected ESG indicators developed by the Social Performance Task Force (SPTF), a global membership organization that works to advance social performance management.

# 1.2
# ABOUT THE MIV SURVEY – STUDY SCOPE

## SAMPLE CHARACTERISTICS

This year's sample compiles data from the following types of vehicles:

- Independent investment entities with more than 50% of their non-cash assets invested in microfinance and open to multiple investors.
- Microfinance investment funds that are not open to multiple investors. These are classified as "Other Microfinance Investment Intermediaries (MIIs)" as per the CGAP MIV Disclosure guidelines.

The survey sample does not include microfinance funds of funds as to avoid any double counting of investment volumes.

## THE BENCHMARK AND PEER GROUPS

The 2016 Symbiotics MIV Survey offers a benchmark comprised of **93 MIVs**. Initially, 95 funds had submitted their data to Symbiotics but two of them were removed from the final benchmark because they did not match the aforementioned inclusion criteria.

These 93 MIVs are broken down into the following peer groups:

- **Fixed Income Funds:** Investment funds and vehicles of which the core activity, defined as more than 85% of their total non-cash assets, is to invest in debt instruments.
- **Mixed Funds:** Investment funds and vehicles that invest in both debt and equity with more than 15% and less than 65% of their total non-cash assets invested in equity investments.
- **Equity Funds:** Investment funds and vehicles of which the core activity, defined as more than 65% of their total non-cash assets, is to invest in equity instruments.

The above peer-group classification is made in accordance with the CGAP MIV Disclosure Guidelines and could result in a different classification compared to the MIV's mission statement.

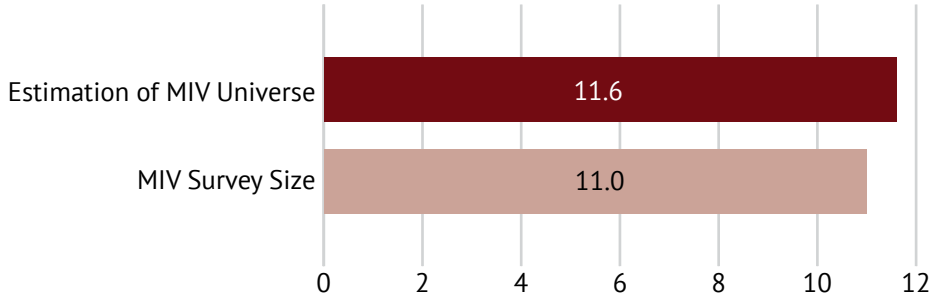
# 2.
# MAIN RESULTS AT A GLANCE

# 2.
# MAIN RESULTS AT A GLANCE

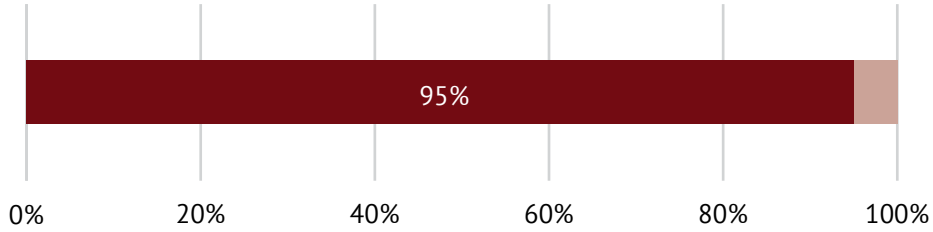
## SURVEY COVERAGE

- The 10th edition of the MIV Survey gathered a record participation rate: out of the 113 MIVs identified, 93 were included in the benchmark.
- These 93 MIVs had USD 11 billion of total assets under management as of December 31st, 2015.
- They represent 95% of the MIV market asset base, currently estimated at USD 11.6 billion.
- Out of the participating MIVs (93): 54 were Fixed Income Funds, 22 were Mixed/Hybrid Funds and 17 were Equity Funds.

## ASSETS UNDER MANAGEMENT (USD billion)




## MARKET SHARE OF MIVs PARTICIPATING IN THE SURVEY



# 2.
# MAIN RESULTS AT A GLANCE (continued)

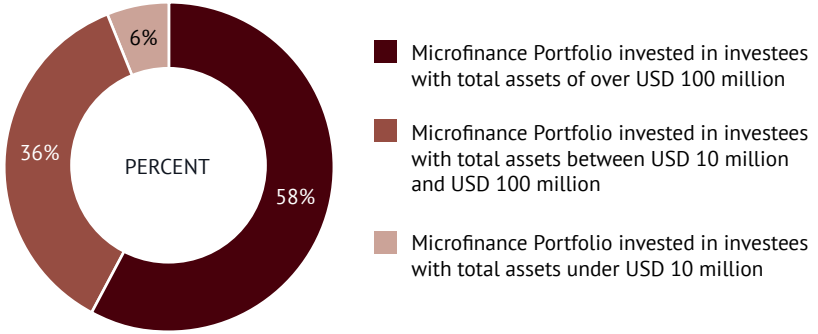
## MIV MARKET

- Participating MIVs are managed by 46 different asset managers located in 16 countries. The top 3 asset managers managed 41% of the sample's total assets.
- Growth in 2015 was slightly lower than in 2014 on a USD constant basis: 12.4% in total assets and 9.3% in microfinance portfolio.
- Nearly 60% of the MIVs' microfinance portfolio is channelled mainly to "large microfinance institutions" (those with USD assets above 100 million).
- Volumes channelled to Eastern Europe & Central Asia region have decreased by 17% in 2015, while in terms of countries, India received the largest share of direct microfinance investments in 2015 (11%).
- The MIVs' outreach continues to improve with more active borrowers being reached, i.e. 307,450, while Microfinance Institutions are providing lower size loans to their end-clients, i.e. USD 1,545.

**99**

Countries covered by Survey Participants

### MIVS' MICROFINANCE PORTFOLIO BREAKDOWN BY INSTITUTION SIZE (n=85)

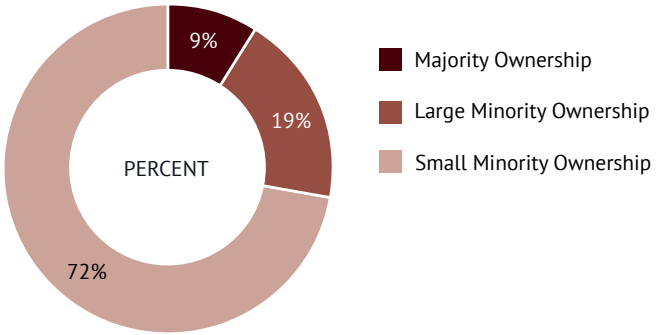


# 2. MAIN RESULTS AT A GLANCE (continued)

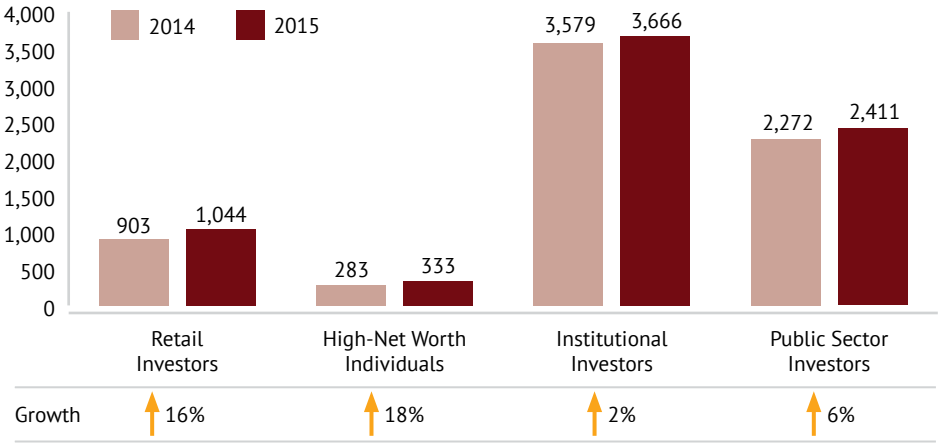
## PEER GROUP ANALYSIS

- Fixed Income Funds still represented close to 75% of the benchmark volume while Equity Funds have reached 10%.
- Equity Funds witnessed the largest growth in terms of total assets (+28%) in 2015.
- The majority of direct microfinance equity investments (72%) enabled Equity Funds to take a "small minority" stake (under 25% ownership) in their portfolio investees.
- While some similarities exists between Fixed Income Funds and Mixed Funds in terms of top 10 countries exposure, Equity Funds mostly target India (59%).
- Institutional investors remained the prime funding resource for MIVs, USD 4.5 billion. For a constant sample of 70 MIVs, capital from the private retail and high-net worth individuals represented the largest increase in 2015, respectively 16% and 18%.
- Based on a constant sample of 55 MIVs, the Total Expense Ratio (TER) slightly increased while management fees slightly decreased, implying an overall increase in other operating expenses.
- Overall, net returns to investors decreased in 2015 across all vehicle types, to below 3% for USD, EUR, and CHF share classes.

## EQUITY FUNDS' PERCENTAGE OWNERSHIP IN MICROFINANCE INVESTEES (n=18)




## GROWTH IN FUNDING SOURCES: ALL MIVs (n=70)



# 3.
# MIV MARKET

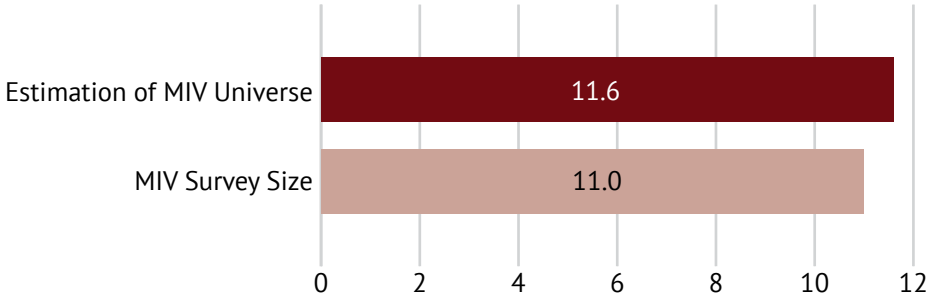
# 3.1
# MIV MARKET – MARKET SIZE

In its tenth year, the 2016 MIV Survey experienced the highest ever participation rate. Out of the 113 MIVs identified, 95 submitted their data and 93 were included in the final benchmark. Together, these 93 MIVs' total assets, i.e. USD 11 billion, represented 95% of the total market size, estimated at USD 11.6 billion.

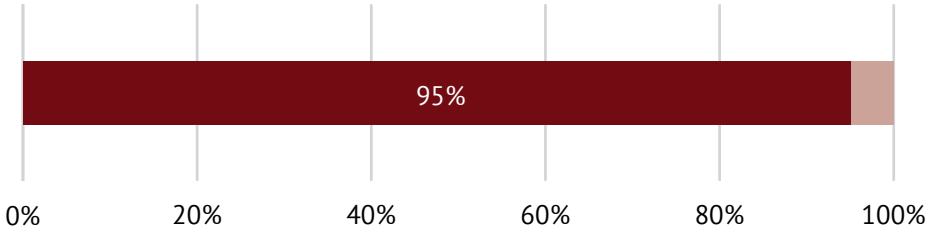
**95**
Study Participants

**113**
Total Number of MIVs

## ASSETS UNDER MANAGEMENT (USD billion)



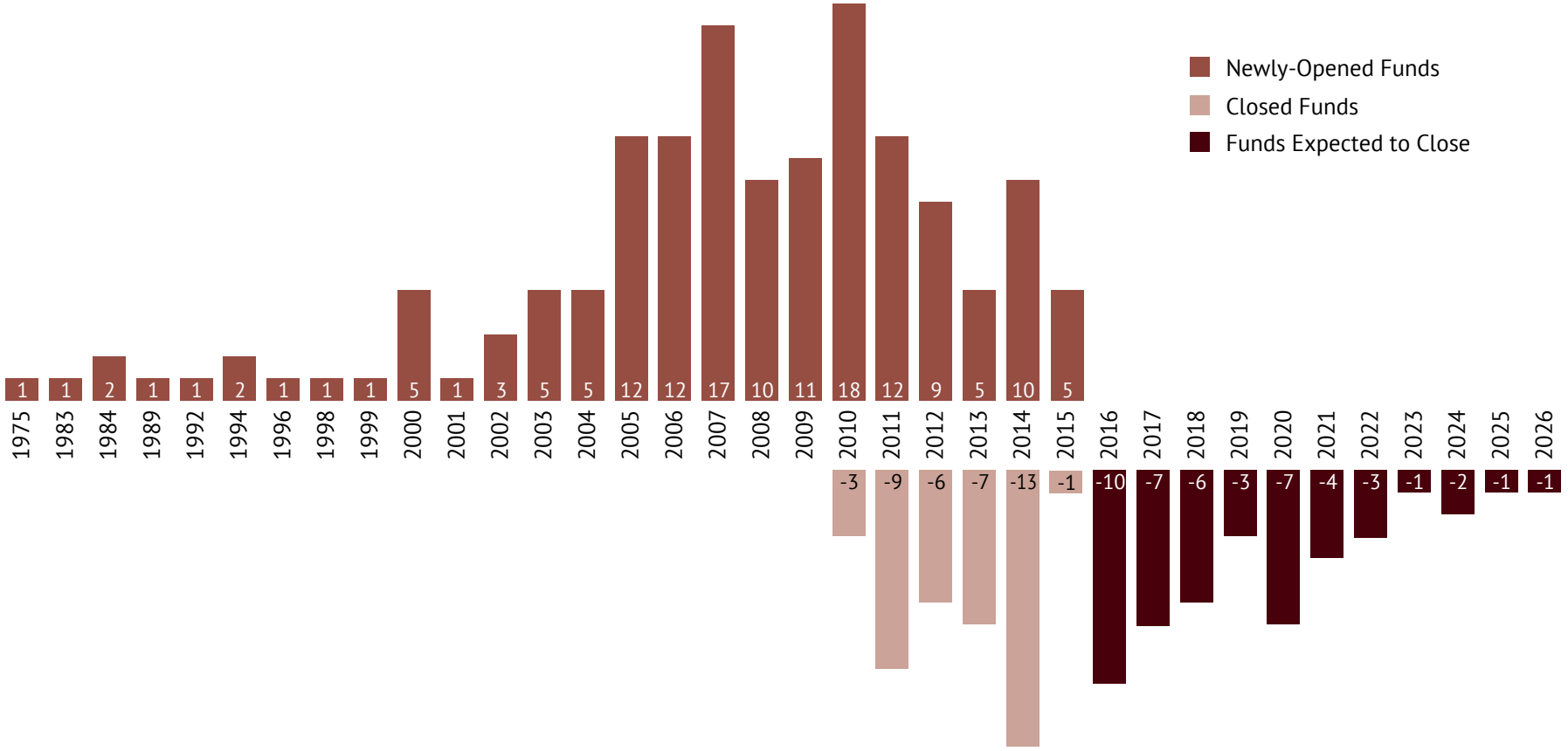

## MARKET SHARE OF MIVs PARTICIPATING IN THE SURVEY



# 3.2
# MIV MARKET – NUMBER OF FUNDS

Compared to 2014, where a significant number of MIVs were launched or terminated, only five new MIVs were launched in 2015 and one ceased its activity. Four out of five newly created funds are Fixed Income Funds.

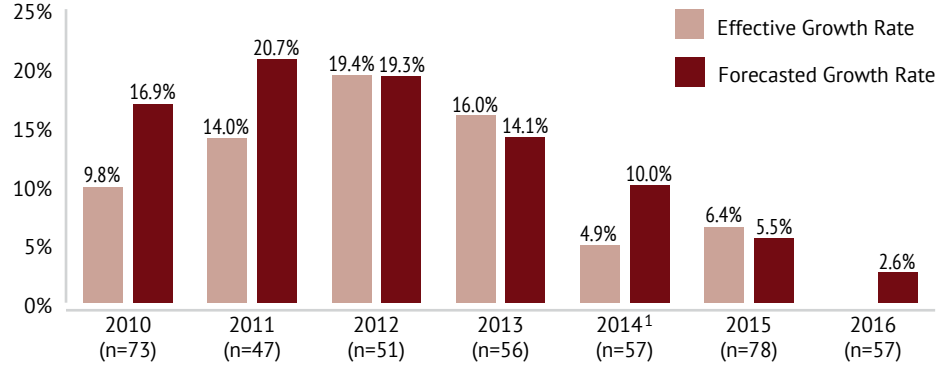
## MIV INCEPTION AND TARGETED CLOSING DATES



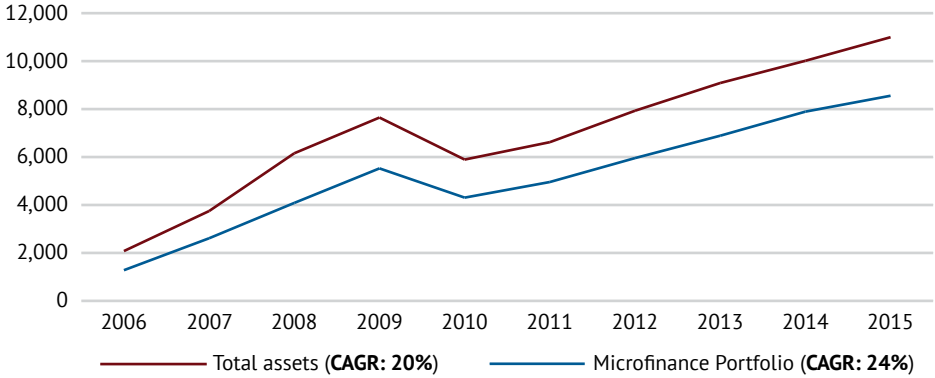
# 3.3 MIV MARKET – GROWTH OF TOTAL ASSETS AND MICROFINANCE PORTFOLIO

The MIVs' total assets grew by 6.4% in 2015, compared to the 2014 forecast of 5.5%. In 2016, MIVs are expected to have the lowest growth in a 10-year period, at 2.6%[2]. Looking at the past 10 years, the market size has more than quintupled since 2006, representing a compounded growth rate of 20% for total assets and 24% for microfinance portfolio. If we only consider the MIVs that have participated in this survey for 10 consecutive editions[3], their respective growth was of 16% for total assets and 21% for microfinance portfolio.

## MIV TOTAL ASSETS GROWTH




## 10-YEAR GROWTH IN TOTAL ASSETS AND MICROFINANCE PORTFOLIO




1. Total Assets Growth is different from the online benchmarking tool due to manual readjustment of the data of two outliers.
2. When considering only the MIVs that are going to remain active at the end of 2016, the forecasted growth rate of total assets would have been **8.2%** on the basis of 42 MIVs that have reported on this indicator.
3. Constant Sample of 14 MIVs.

# 3.4
# MIV MARKET – MARKET CONCENTRATION

While the MIV market remains relatively concentrated with the top 10 MIVs managing 56% of the total assets, it is overall less concentrated than in 2014, especially for the top 5 largest MIVs. They represented 42% of the market size in terms of assets, a decrease of 3 percentage points from 2014.

| | **Total Assets (USDm)** | % | Annual Change in Asset Concentration | **Microfinance Portfolio (USDm)** | % | Annual Change in MFP Concentration |
|---|---|---|---|---|---|---|
| All participating MIVs | 10,998 | 100% | 6.4%[4] | 8,557 | 100% | 3.9%[4] |
| Top Five | 4,624 | 42% | ↓ -3% | 3,524 | 41% | ↓ -4% |
| Top Ten | 6,113 | 56% | ↓ -2% | 4,767 | 56% | ↓ -3% |
| Top Twenty | 8,000 | 73% | ↓ -2% | 6,323 | 74% | ↓ -3% |
| Top Fifty | 10,286 | 94% | ↓ -1% | 8,026 | 94% | ↓ -2% |

4. Annual growth calculation is based on MIV accounting currencies translated into USD using the respective end of year FX rates. Annual Growth is calculated on the basis of a constant sample of 78 MIVs.

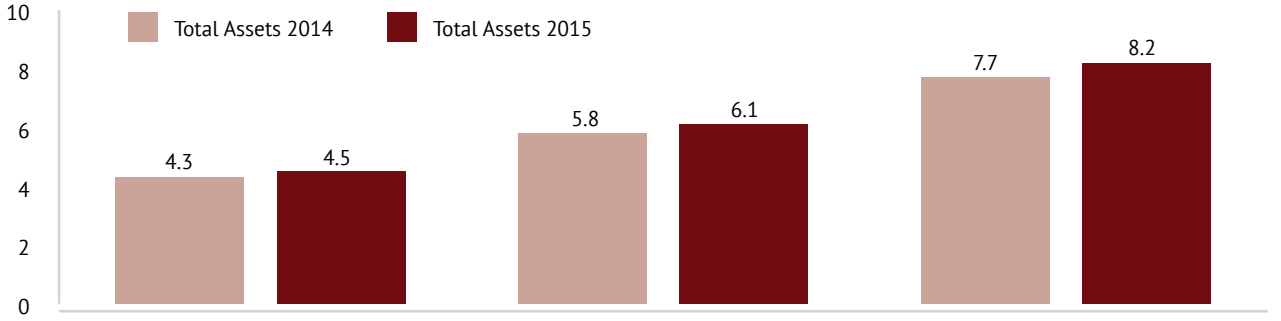
# 3.5
# MIV MARKET – ASSET MANAGERS

The MIVs' total assets are managed by specialized asset management companies located in 16 different countries[5]. Switzerland remains the country where most assets are managed from, at 30%, followed by the Netherlands which manages a fifth of the market. The market shares among the top 5 domiciles of asset managers is relatively stable compared to 2014. However, the market is slightly less concentrated among the top managers with the largest three managing 41% of the market compared to 43% at the end of 2014.

## ASSET MANAGERS' DOMICILE: TOP 5

| | Total Assets (USDm) | | Microfinance Portfolio (USDm) | | No. of MIVs per Asset Manager Location |
|---|---|---|---|---|---|
| | 2014 | 2015 | 2014 | 2015 | 93 |
| Switzerland | 30% | 30% | 32% | 32% | 17 |
| Netherlands | 25% | 23% | 24% | 22% | 12 |
| Germany | 17% | 17% | 17% | 16% | 9 |
| Luxembourg | 7% | 9% | 8% | 9% | 6 |
| USA | 8% | 8% | 7% | 8% | 20 |

## ASSET MANAGERS' CONCENTRATION (USD billion)



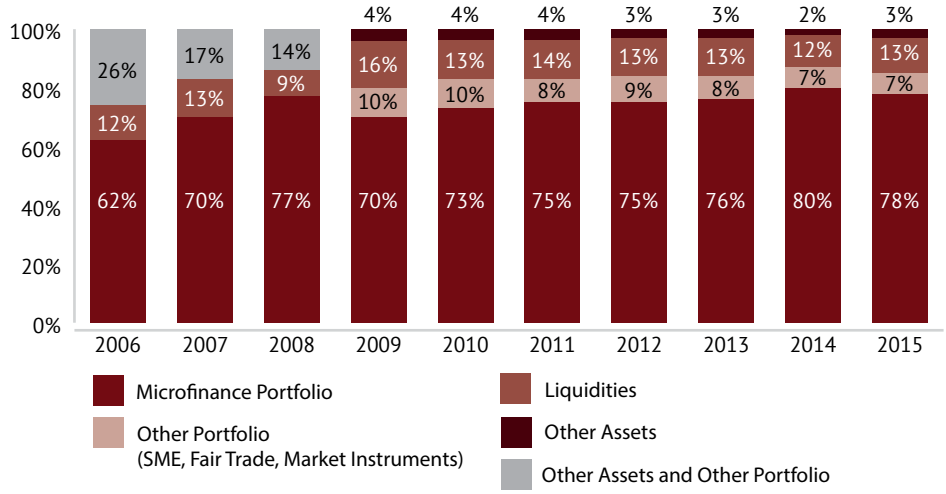

| | Top 3 | Top 5 | Top 10 |
|---|---|---|---|
| 2015 Market Share in % | 41% | 55% | 74% |

5. The country allocation is determined by the asset managers' management mandate and not by their advisory mandate (if any).

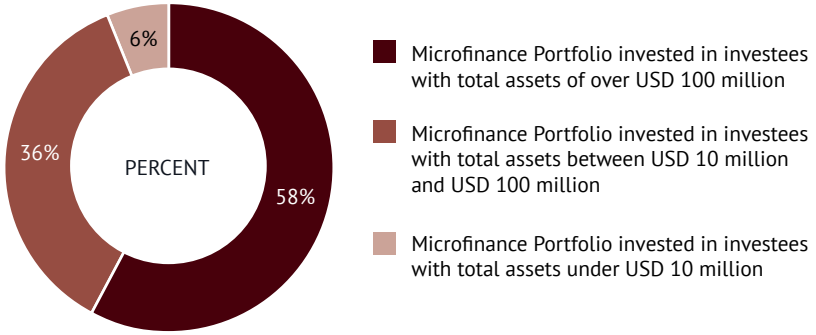
# 3.6
# MIV MARKET – ASSET COMPOSITION & INVESTEE SIZE

The MIVs' asset composition has followed a relatively similar trend over the past few years: the microfinance portfolio forms the bulk of total assets followed by liquidities at 13%, while other assets only account for less than 5%. At the end of 2015, 58% of the total microfinance investment volume was directed towards large institutions, i.e. those having over USD 100 million in total assets. This proportion is similar to what was observed in 2014.

## MIV ASSET COMPOSITION



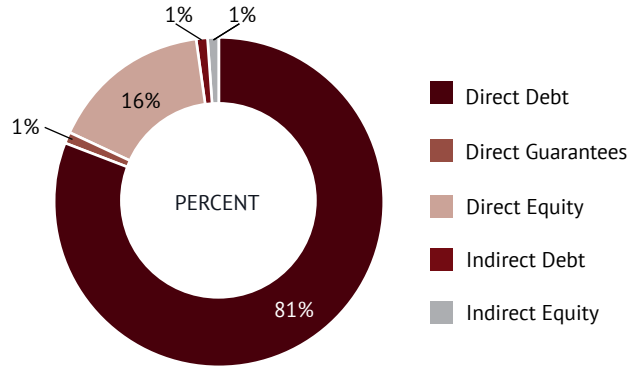

## MIVS' MICROFINANCE PORTFOLIO BREAKDOWN BY INSTITUTION SIZE (n=85)



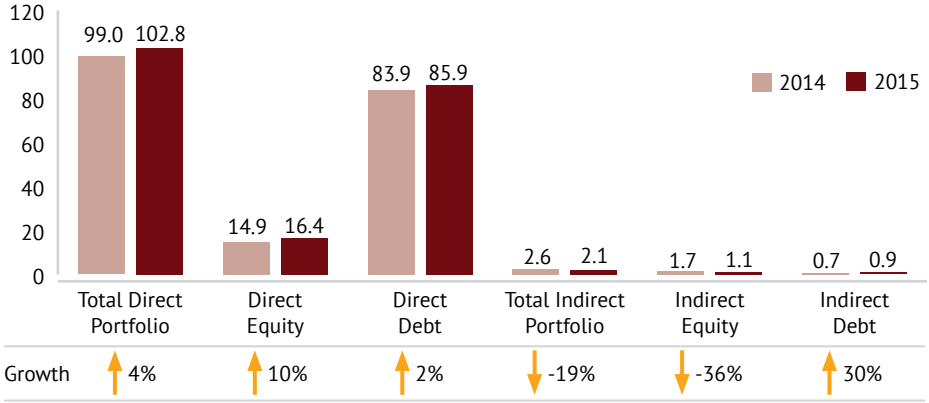
# 3.7
# MIV MARKET – FINANCIAL INSTRUMENTS

Nearly the entire volume of microfinance investments (97%) was channelled to investees using a direct investment strategy, through either debt (81%) or equity (16%). The use of indirect investments remained scarce and this type of financing has decreased by nearly 20% in 2015 using a constant sample of 77 MIVs.

## FINANCIAL INSTRUMENTS AS % OF TOTAL MICROFINANCE PORTFOLIO (n=92)




## GROWTH (IN %) AND AVERAGE VOLUME OF FINANCIAL INSTRUMENTS (in USDm) 2014-2015[6]




6. Growth rate calculated using a constant sample of 77 MIVs.

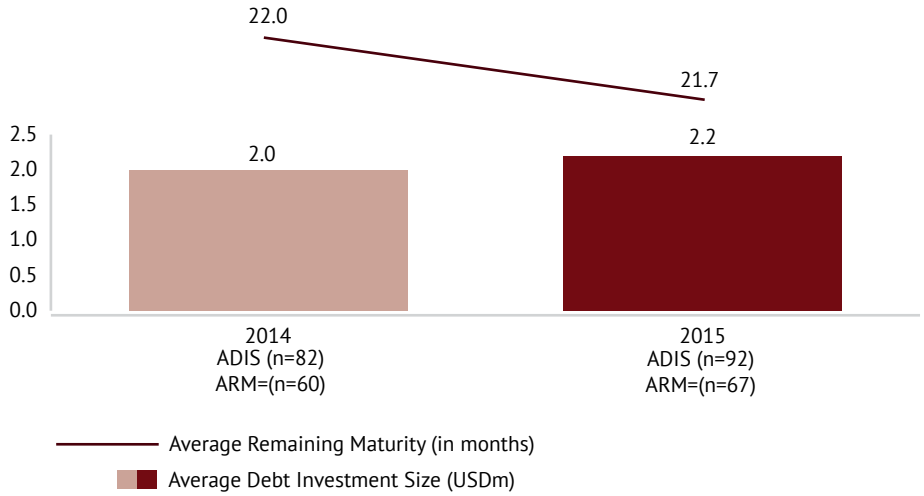
# 3.8
# MIV MARKET – DIRECT DEBT INVESTMENTS

At the end of 2015, debt investment of USD 2.2 million are outstanding per investee, up from USD 2 million in 2014. Remaining maturity is relatively stable at over 21 months while the portion of debt investments in local currency amounts to 30% of the direct debt microfinance portfolio. On average, an MIV finances more institutions in 2015, respectively 40 vs. 35 in 2014.

## MIV DIRECT DEBT INVESTMENT CHARACTERISTICS

| | 2014 | **2015** |
|---|---|---|
| Average Debt Investment Size | USD 2 million | **USD 2.2 million** |
| Average Number of Investees (n=93) | 35 | **40** |
| Average Remaining Maturity (n=67) | 22.0 months | **21.7 months** |
| Share of Local Currency (n=70) | 30.8% | **29.5%** |
| Unhedged Portion[7] (n=56) | 16.1% | **15.9%** |
| Outstanding Loan Loss Provisions (n=68) | 2.6% | **2.5%** |
| Loans Written-off (n=60) | 0.1% | **0.4%** |

## AVERAGE DEBT INVESTMENT SIZE (ADIS) vs. AVERAGE REMAINING MATURITY (ARM)

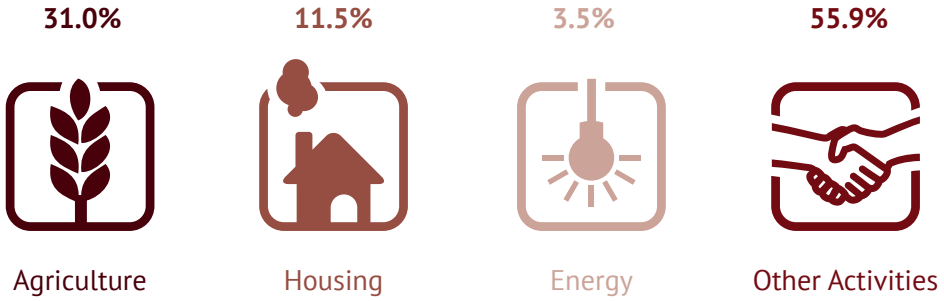



7. The unhedged portion is reported on the Direct Microfinance Portfolio in Debt. However, if we analyse the share of unhedged investments on the proportion of local currency debt investments, the value is equal to 45%.

# 3.9
# MIV MARKET – ZOOM ON "OTHER PORTFOLIO"[8]

On average, 7% of an MIV's total assets is allocated to financing other impact themes than microfinance. Of this other portfolio, a third is invested in agricultural value-chain while 56% in other activities that include, among others, SME financing, education, or health. While energy remains the least financed sector, its share in "other portfolio" has increased from 0.2% in 2014 to 3.5% in 2015.

## OTHER PORTFOLIO CHARACTERISTICS (n=38)

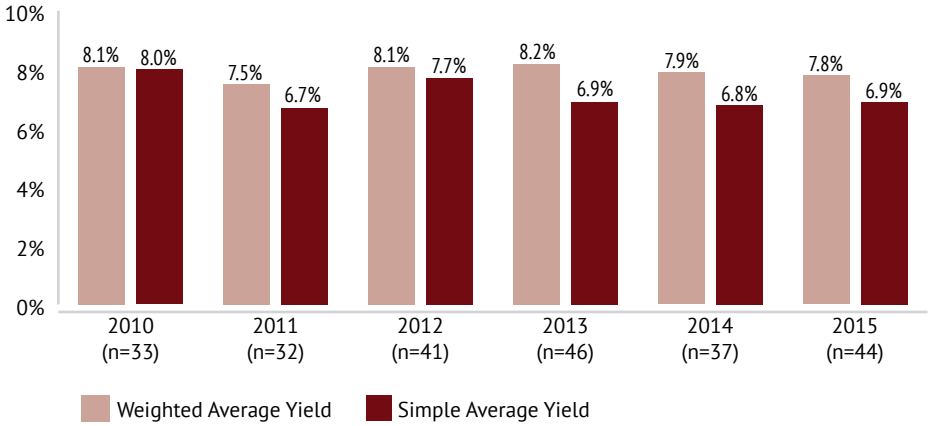



8. Other Portfolio breakdown is computed on a weighted average basis.

# 3.10
# MIV MARKET – YIELD ON DIRECT DEBT INVESTMENTS

Out of the 44 MIVs which reported on the net income of their direct debt microfinance portfolio, the computed yield was 6.9% on a weighted average basis. The trend has been very stable since 2013, especially on a weighted average basis.

## HISTORICAL SIMPLE AND WEIGHTED AVERAGE YIELD ON DIRECT MICROFINANCE DEBT PORTFOLIO[9]

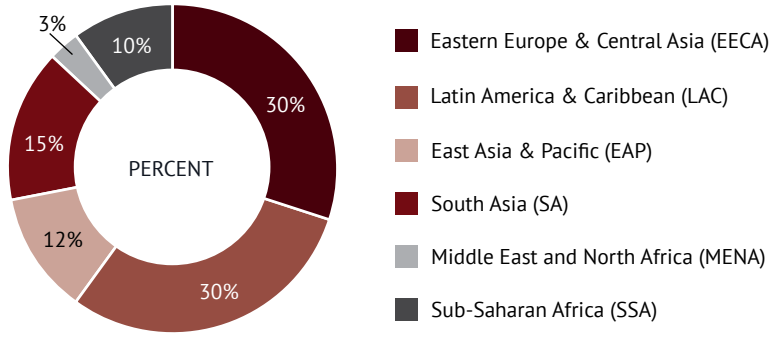



9. All income figures are converted to USD to compute the average yields.

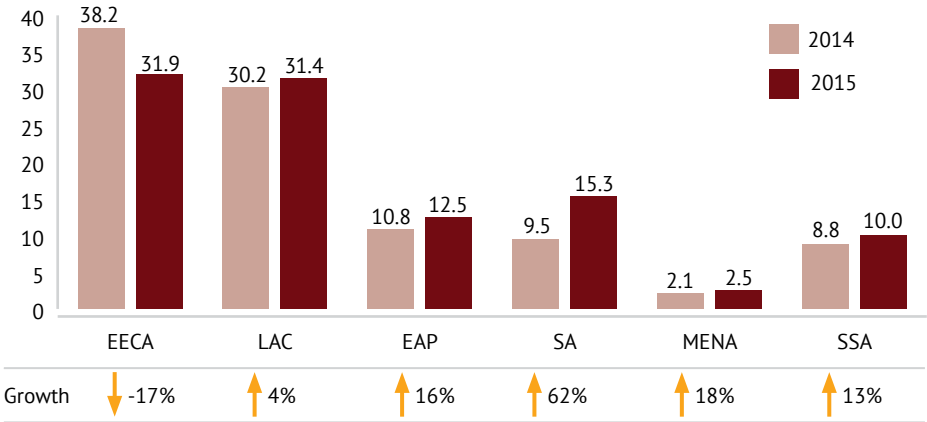
# 3.11
# MIV MARKET – REGIONAL DISTRIBUTION

All participants reported on their regional distribution. Compared to 2014, there has been a significant reduction in MIVs' outstanding exposure in Eastern Europe & Central Asia, which decreased from 38% to 30% at the end of 2015. The portfolio is more balanced across the different regions and South Asia has attracted more capital, increasing its share of direct microfinance portfolio from 9% in 2014 to 15% in 2015. These shifts in regional exposures are especially apparent when looking at the annual growth rates in Eastern Europe & Central Asia with volumes having decreased by 17% whereas investments in South Asia have grown by 62% during 2015.

## MIV PORTFOLIO REGIONAL BREAKDOWN AS % OF DIRECT MICROFINANCE PORTFOLIO (n=93)




## GROWTH (in %) AND AVERAGE VOLUME OF REGIONAL EXPOSURE (in USDm) 2014-2015[10]



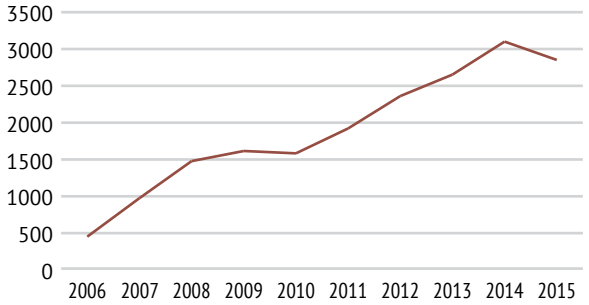

10. Constant sample of 76 MIVs.

# 3.12
# MIV MARKET – REGIONAL DISTRIBUTION – 10 YEARS

When looking at regional trends over the past decade, one can see the exponential growth of microfinance investments witnessed in South Asia from 2012 onwards growing at a rate of nearly 40% annually. Middle East and North Africa exhibited the fastest growth but absolute volumes in this region have remained low. Latin America & the Caribbean as well as Sub-Saharan Africa have witnessed a linear, steady growth since 2010.

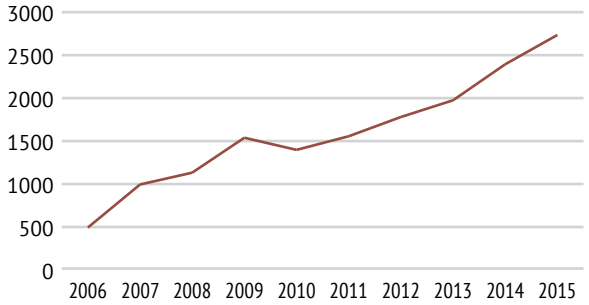
## EASTERN EUROPE & CENTRAL ASIA (EECA)

**Compounded Annual Growth Rate: 23%**



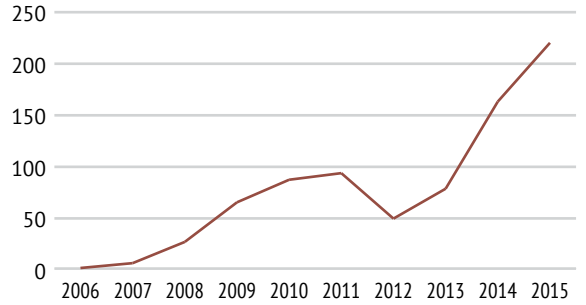

## LATIN AMERICA & CARIBBEAN (LAC)

**Compounded Annual Growth Rate: 21%**



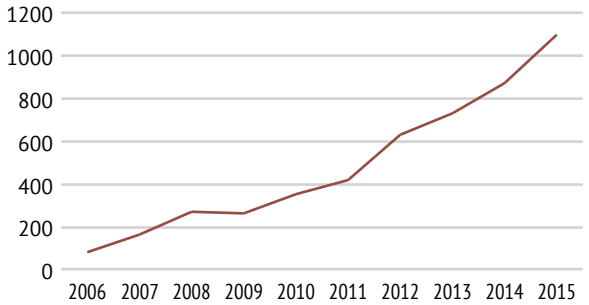

## MIDDLE EAST & NORTH AFRICA (MENA)

**Compounded Annual Growth Rate: 70%**



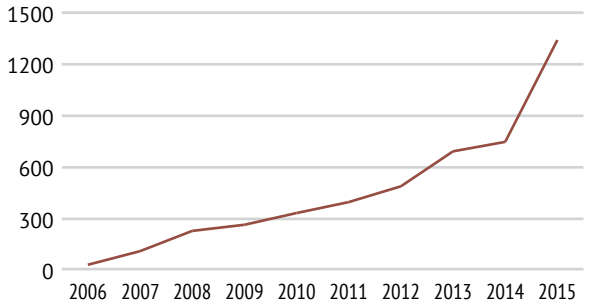

## EAST ASIA & PACIFIC (EAP)

**Compounded Annual Growth Rate: 33%**



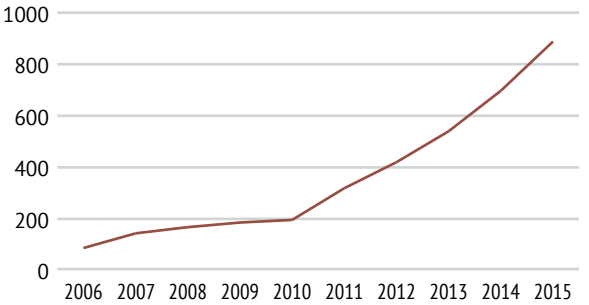

## SOUTH ASIA (SA)

**Compounded Annual Growth Rate: 51%**



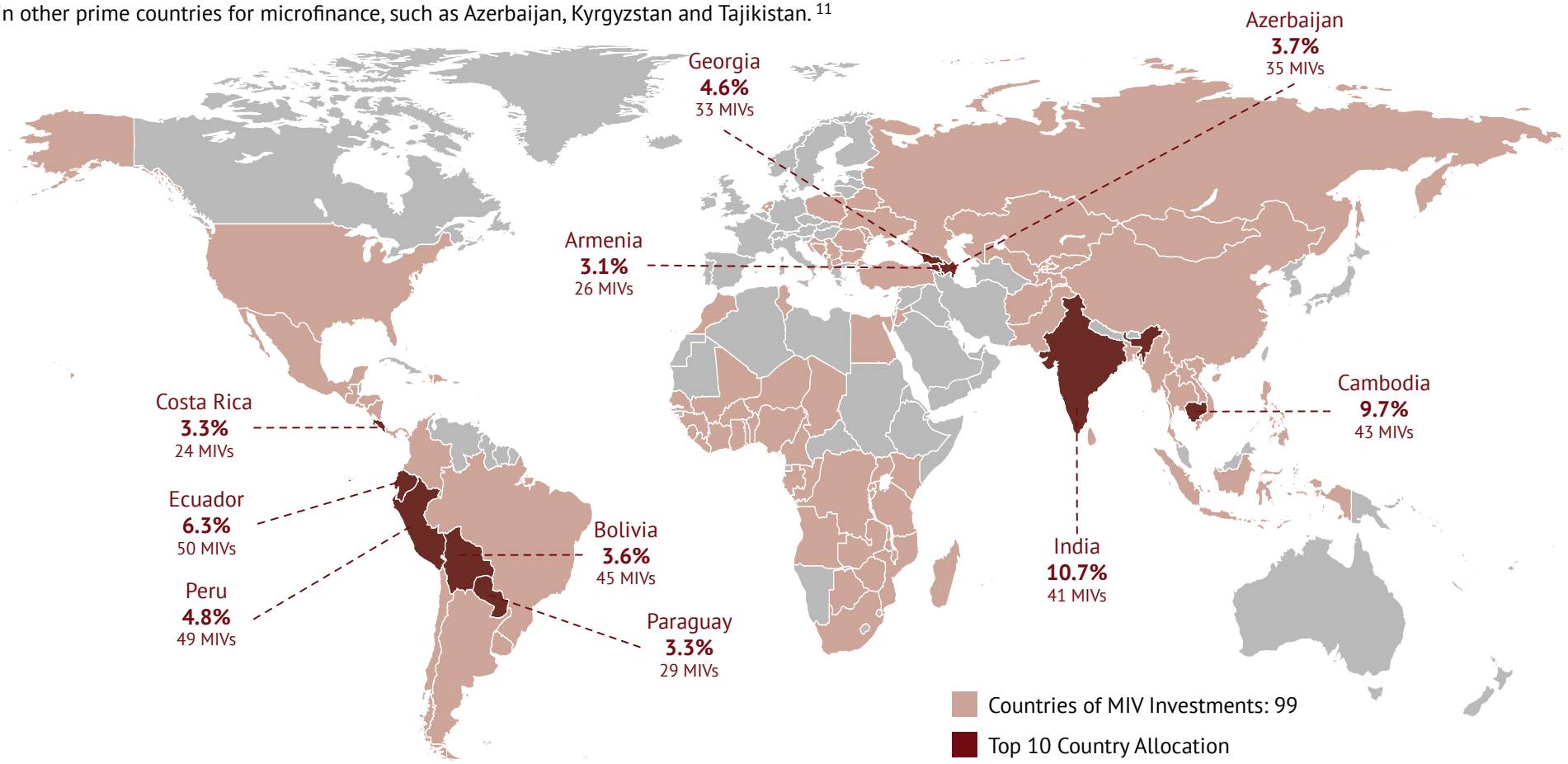

## SUB-SAHARAN AFRICA (SSA)

**Compounded Annual Growth Rate: 29%**



# 3.13
# MIV MARKET – COUNTRY ALLOCATION

In 2015, India moved to first place in terms of MIVs' invested countries, followed by Cambodia, Ecuador, Peru and Georgia that have maintained their rankings in the list of top 10 countries since 2014. However, due to the effects of currency devaluation and low oil prices in Russia, Caucasus and Central Asia, MIVs decreased their investments in other prime countries for microfinance, such as Azerbaijan, Kyrgyzstan and Tajikistan. [11]




11. The country exposures and regional exposures might not always match as certain MIV survey respondents only reported on their regional exposure but not on their country exposure.

# 3.14 MIV MARKET – ENVIRONMENTAL, SOCIAL, GOVERNANCE (ESG): SOCIAL OUTREACH

In terms of social outreach, the number of active borrowers financed by MIVs has kept increasing since 2011 and reached on average 307,450 clients in 2015. In parallel, the average loan size of microfinance institutions to their clients decreased slightly in 2015. In terms of environmental measurement, nearly 80% of respondents reported that they now have a procedure to integrate the consideration of environmental issues in their investment decision process.

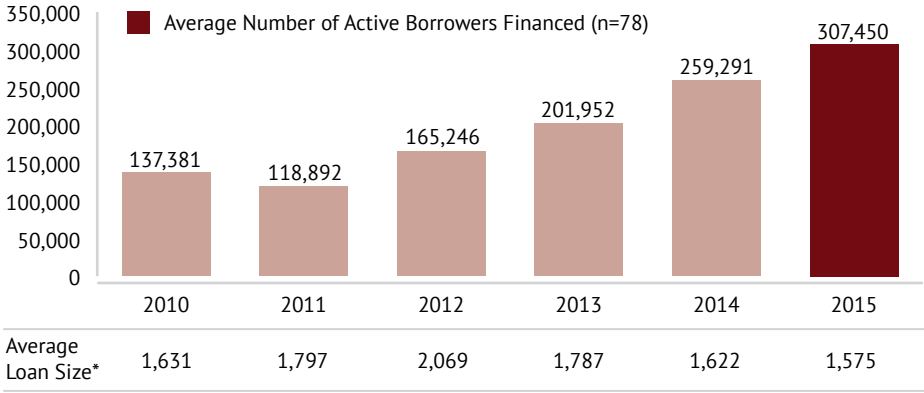
**53%**
Rural

**68%**
Female Borrowers

**2%**
Semi-urban

**45%**
Urban

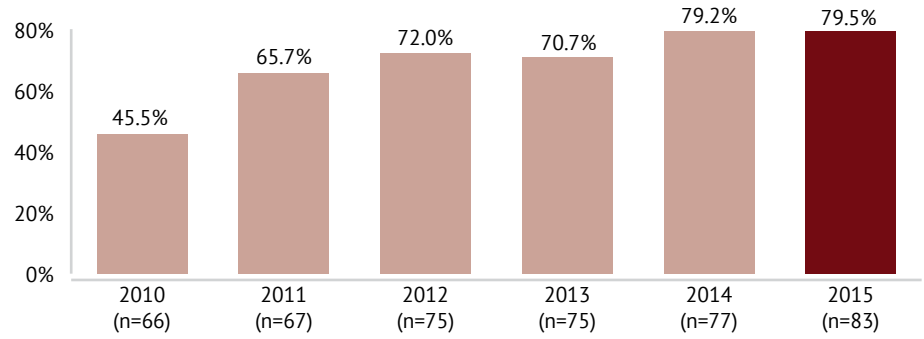
## MIV OUTREACH




| | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---|---|---|---|---|---|---|
| Average Loan Size* | 1,631 | 1,797 | 2,069 | 1,787 | 1,622 | 1,575 |

* Average Loan Size of MFIs to Active Borrowers (in USD) (n=85)

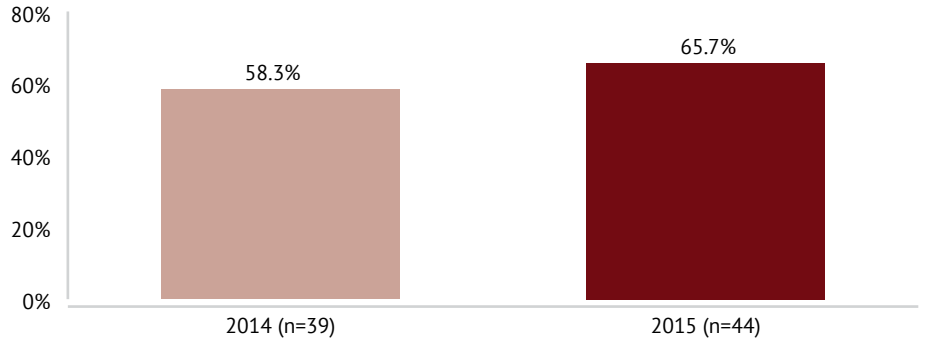
## ENVIRONMENTAL ISSUES INTEGRATED IN INVESTMENT DECISION (in %)



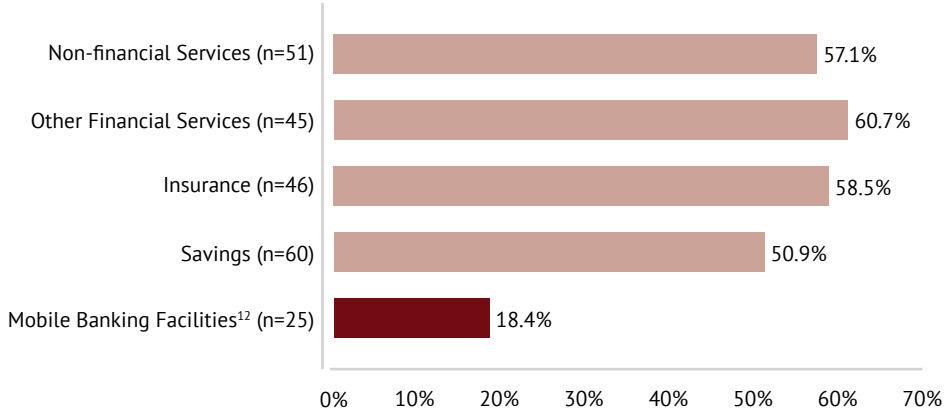
# 3.15
# MIV MARKET – ESG: INVESTEE PRODUCT RANGE

Active borrowers making voluntary savings increased by 7.4 percentage points, a significant jump after three years of stagnation. Other financial services such as debit and credit cards, money transfers, payments by check, etc. took the lead in terms of microfinance investees' "other product offerings" (i.e: excluding loans), followed by insurance products and non-financial services (enterprise services, adult education, health services, agricultural extension and training, and women's empowerment). 2015 also saw a major increase in the proportion of investees that make use of mobile banking (either through its incorporation into their business processes or by acting as agents of mobile money providers) representing 18.4% of these offerings up from 9.3% in 2014.

## VOLUNTARY SAVERS AS A % OF ACTIVE BORROWERS




## OTHER PRODUCT OFFERINGS

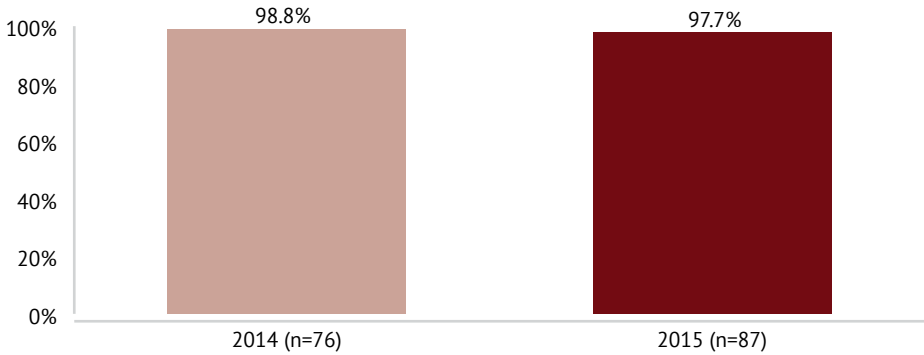



12. Mobile banking % is computed on a weighted average basis while the rest of the product offerings are calculated using a simple average methodology.

# 3.16
# MIV MARKET – ESG: CLIENT PROTECTION

Endorsement of the Smart Campaign's Client Protection Principles (CPPs)[13] slightly decreased by 1% due to the increase of the size of the sample reporting on this indicator (87 out of 93 in 2015 vs. 76 out of 84 in 2014). The percentage of microfinance institutions of the MIVs' Direct Microfinance Portfolio that have undergone a Smart Assessment (an intermediate step in the aim towards becoming "Client Protection Certified") or received CPP certification increased from 25% in 2014 to 32% as of December 2015.

## ENDORSEMENT OF THE CLIENT PROTECTION PRINCIPLES (% MIVs)[14]




**32%**

Smart Assessment Completion

13. Source: The Smart Campaign

14. Percentage computed on a weighted average basis.

# 4.
# MIV PEER GROUP ANALYSIS

# 4.1
# PEER GROUPS – SEGMENTATION

The 2015 market segmentation was stable compared to 2014. Fixed Income remains the lead strategy, both in terms of number of MIVs and in terms of investment volumes. Their combined assets still account for nearly three-fourth of the total benchmark. Equity funds have increased their market share compared to 2014 and represented 18% of the benchmark in terms of number of MIVs (vs. 17% in 2014) and 10% in terms of total assets (vs. 8% in 2014).

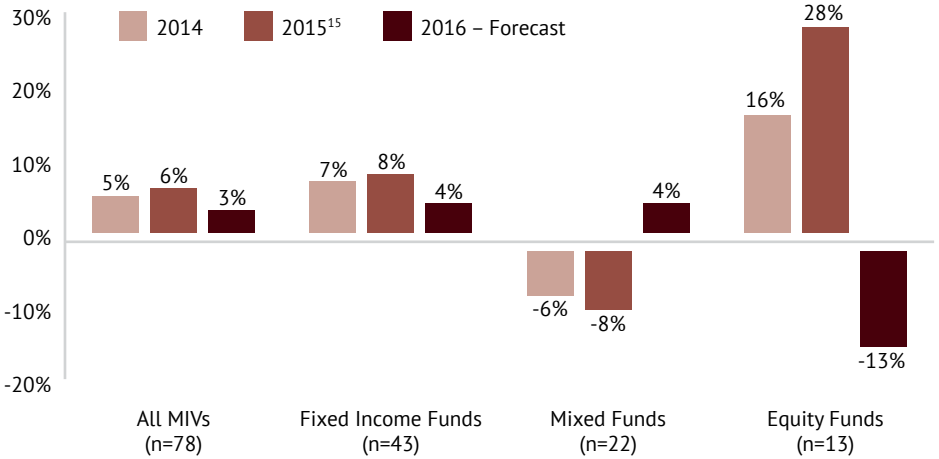
## 2015 MIV MARKET SEGMENTATION

| | **Number of MIVs** | % | **Total Assets (USDm)** | **%** | **Microfinance Portfolio (USDm)** | % |
|---|---|---|---|---|---|---|
| All participating MIVs | 93 | 100% | 10,998 | 100% | 8,557 | 100% |
| **Fixed Income Funds** | 54 | 58% | 8,056 | 73% | 6,190 | 72% |
| **Mixed Funds** | 22 | 24% | 1,814 | 16% | 1,462 | 17% |
| **Equity Funds** | 17 | 18% | 1,128 | 10% | 905 | 11% |

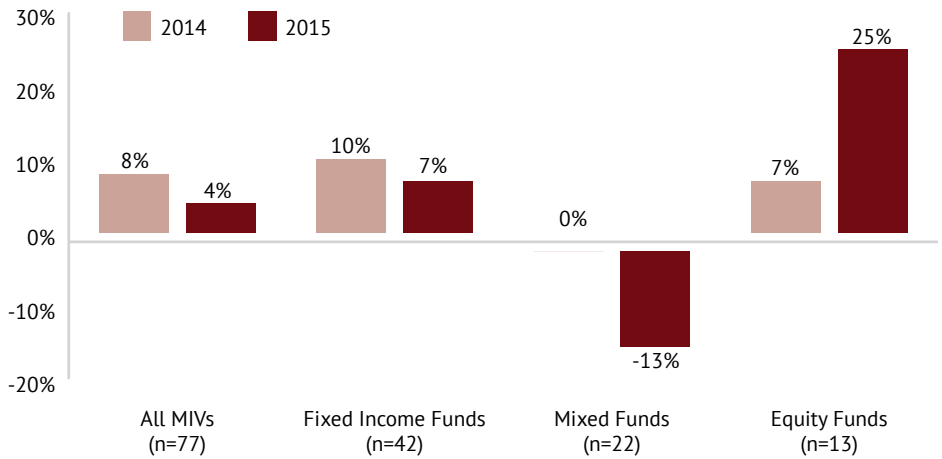
# 4.2 PEER GROUPS – GROWTH OF TOTAL ASSETS AND MICROFINANCE PORTFOLIO

The positive growth witnessed by MIVs in 2015 is well translated for Fixed-Income Funds and Equity Funds especially which have grown by more than 25% in size. Mixed Funds experienced negative growth in 2015, shrinking by 8% and 13% in total assets and in relation to their microfinance portfolio respectively[15]. In terms of the forecast for 2016, Equity Funds are expected to decrease quite significantly in terms of volume (-13%) while Fixed-Income Funds and Mixed Funds should both experience an increase in total assets of 4%.

## ANNUAL GROWTH OF TOTAL ASSETS




## ANNUAL GROWTH OF MICROFINANCE PORTFOLIO

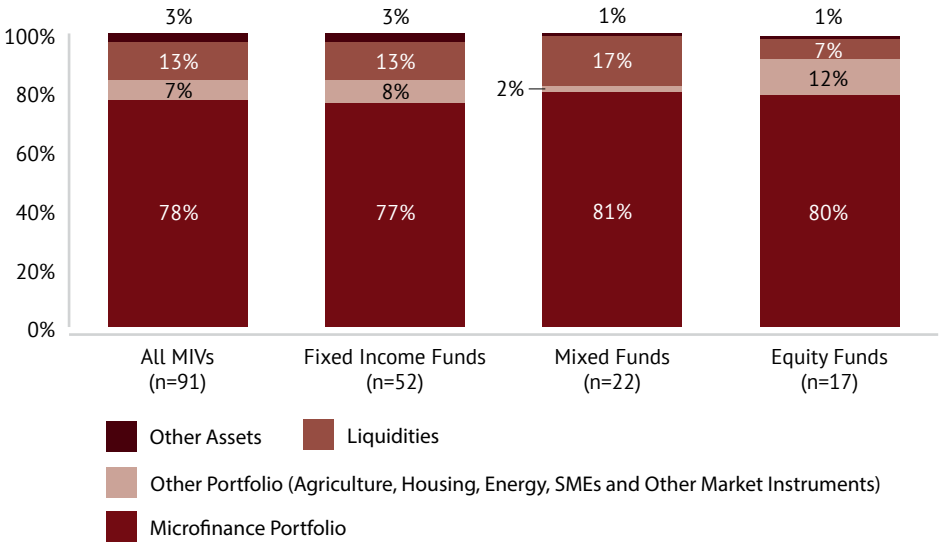



15. If Symbiotics Market Research had applied a constant FX rate, growth in total assets would have amounted to respectively 12.4%/14.1%/-0.2%/27.6% for, All MIVs/Fixed Income/ Mixed/Equity Funds.

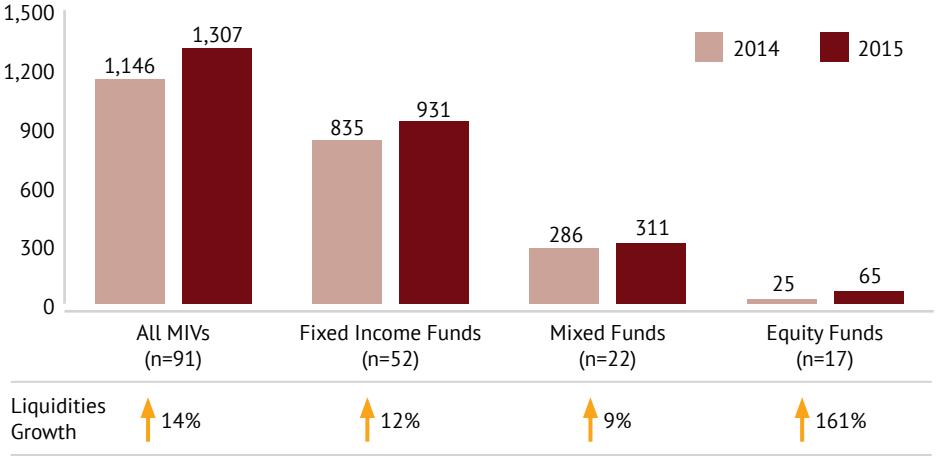
# 4.3 PEER GROUPS – ASSET COMPOSITION AND LIQUIDITIES GROWTH

MIVs' microfinance portfolio proportion of total assets decreased slightly from 80% in 2014 to 78% in 2015 while the share of liquidities has increased across all peer groups, most notably for Equity Funds, from 3% in 2014 to 7% in 2015. This is well reflected in the annual growth figures for liquidities where there was a 161% increase for Equity Funds although the base value is relatively low[16]. The portion of liquidities remains nonetheless the lowest for Equity Funds, justified by this particular business model's strategy.

## TOTAL ASSET COMPOSITION BY PEER GROUP




## LIQUIDITY GROWTH BY PEER GROUP 2014-2015

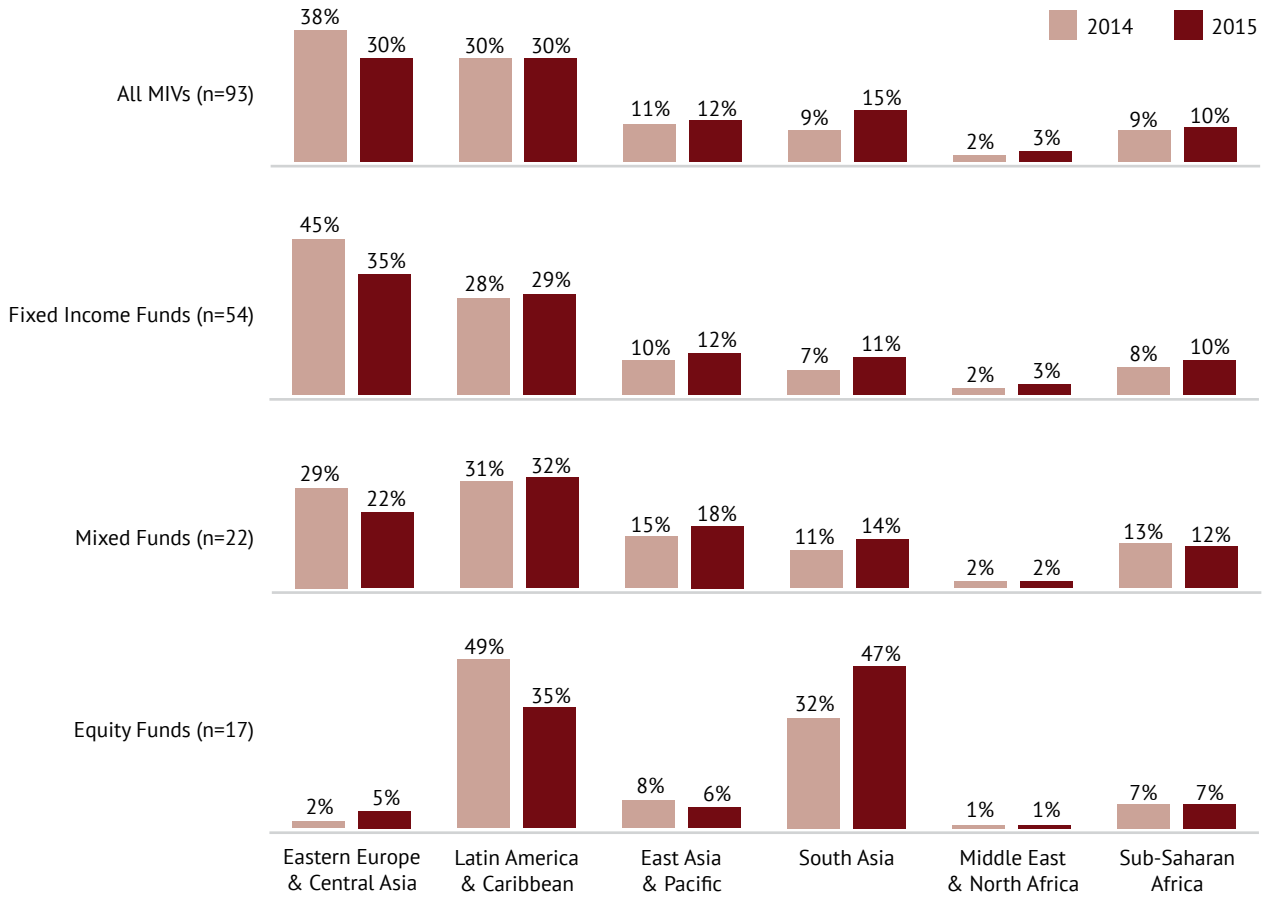



16. Growth figures for liquidities are calculated using a constant sample of 77 MIVs across the period 2014-2015.

# 4.4
# PEER GROUPS – REGIONAL ALLOCATION: VOLUME

Regional exposure in Eastern Europe & Central Asia, historically the prime region for microfinance investments, decreased considerably in 2015 as market difficulties encountered in Russia spread in neighbouring countries. This region accounts for 30% of the direct microfinance portfolio at the end of 2015, equal with Latin America & the Caribbean. South Asia also witnessed a significant shift in exposure, across all strategies. It is now the 3rd largest region for MIV investments, overtaking East Asia and Pacific. Additionally, Mixed Funds exhibit the most diversified regional concentration of all three peer groups.

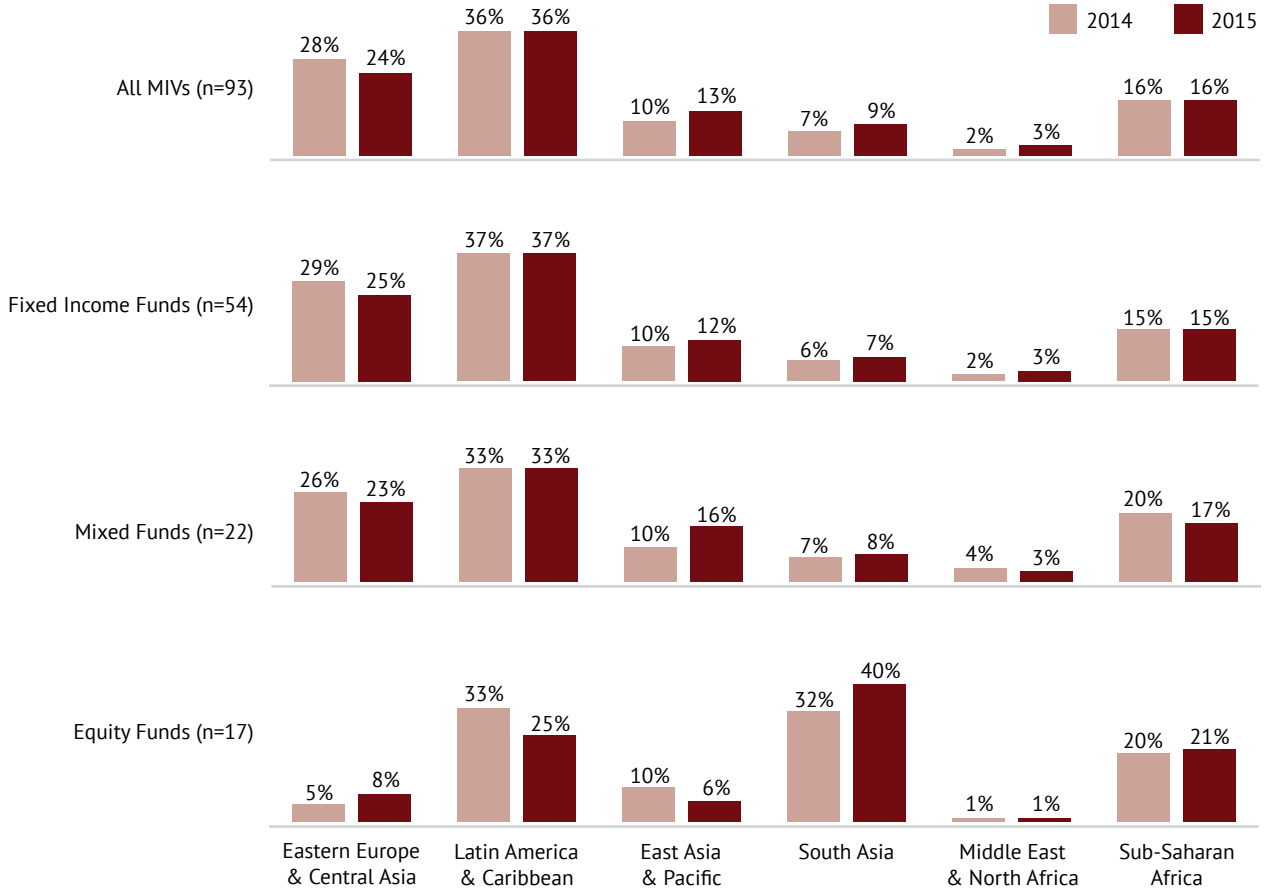
## GEOGRAPHICAL ALLOCATION IN 2014 AND 2015



# 4.5
# PEER GROUPS – REGIONAL ALLOCATION: NUMBER OF INVESTEES

Most investees remain located in Latin America & the Caribbean compared to other regions (36%). As observed with volumes, the number of investees also decreased in Eastern Europe & Central Asia while institutions in South and East Asia represent together 22% of portfolio investees. Presence in the Middle East & North Africa remains scarce across all strategies. Sub-Saharan African institutions remain an important part of the portfolio for all peer groups as they account for 16% of all portfolio institutions.

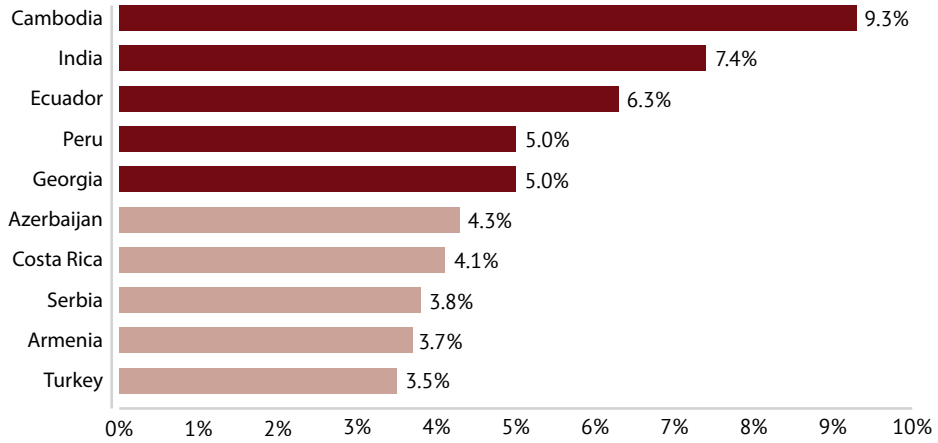
## GEOGRAPHICAL ALLOCATION: % OF DIRECT INVESTEES IN 2014 AND 2015



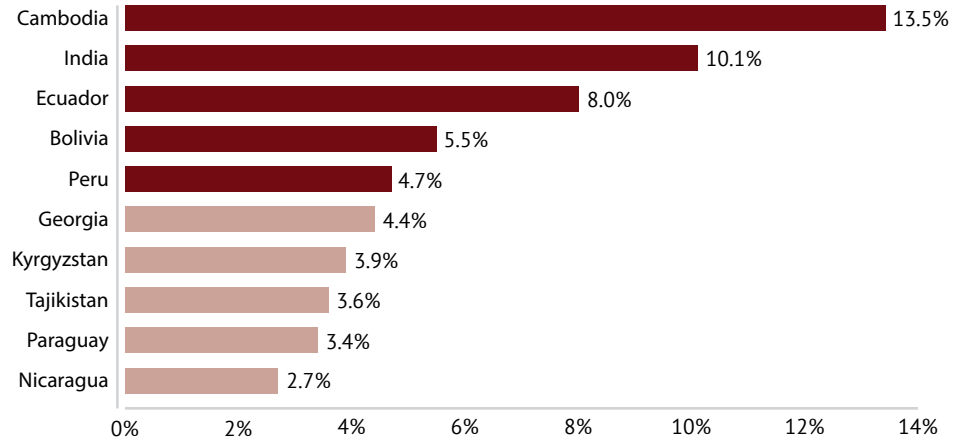
# 4.6
# PEER GROUPS – COUNTRY ALLOCATION TOP 10

Fixed-Income and Mixed Funds both had Cambodia, India and Ecuador in descending order as their top 3 country allocation while Peru was listed in their top 5. Compared to 2014, notable differences include India which was in the 2nd position as of December 2015 (5th in the previous year) while Azerbaijan came out of the top 5 for all strategies. Cambodia remains the top country in terms of microfinance investments for Fixed Income and Mixed funds and has increased its market share  in relation to other countries. Overall, India has taken the 1st position, which is attributable to major equity investments taking place by specialized regional investment vehicles[17].

## FIXED INCOME FUNDS (n=54)




## MIXED/HYBRID FUNDS (n=22)

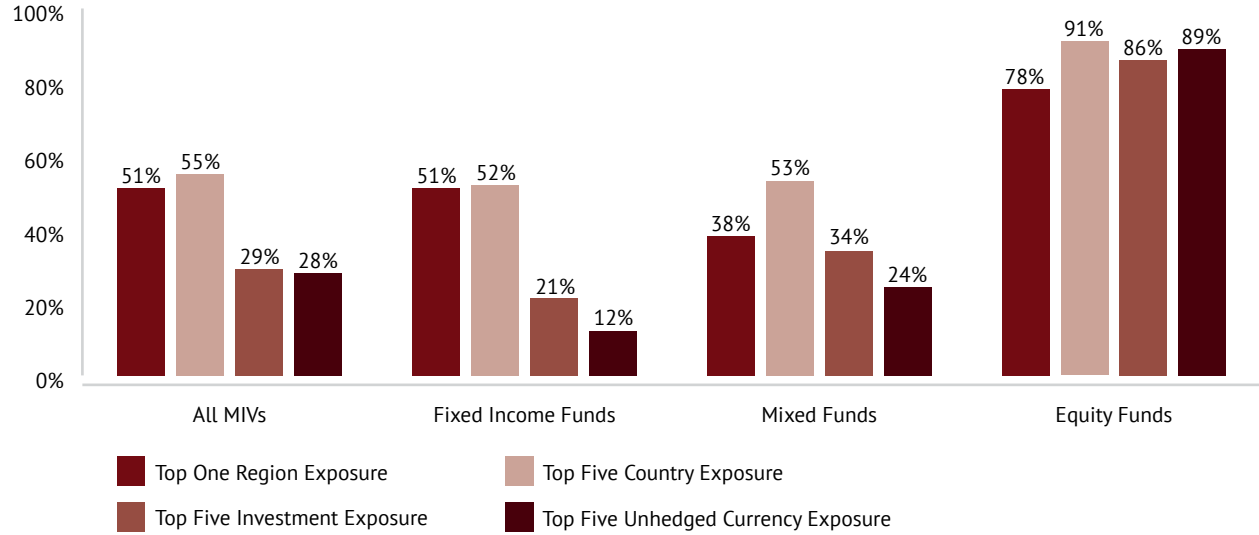



17. Country exposures and regional exposures might not always match as certain MIVs only reported on their regional exposure but not on their country exposure.

# 4.7
# PEER GROUPS – RISK CONCENTRATION

Comparatively to 2014, risk concentration with regards to the top 5 investees remained very stable while MIVs were slightly less diversified based on their the top 5 country exposure, with a concentration level at 55% vs. 54% in 2014. The Top one region exposure is showed to be more segmented compared to 2014 due to a decrease in concentration of Fixed-Income Funds which stood at 51% compared to 57% in 2014. Conversely, the Top 5 unhedged currency exposures account for a larger portion of the direct microfinance portfolio today (28% vs. 23% in 2014).

## CONCENTRATION INDICATORS (% OF DIRECT MICROFINANCE PORTFOLIO)

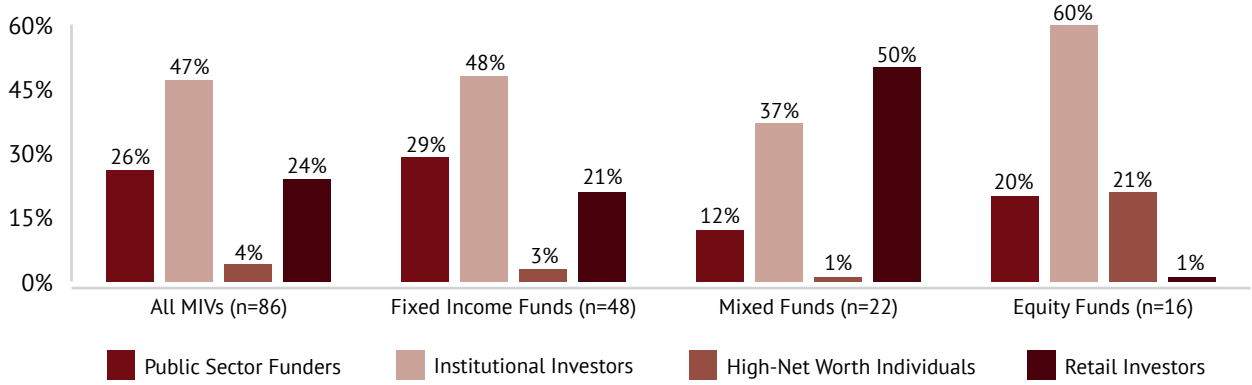



| *Number of Observation* | All MIVs | Fixed Income Funds | Mixed Funds | Equity Funds |
|---|---|---|---|---|
| Top One Region Exposure | 93 | 54 | 22 | 17 |
| Top Five Country Exposure | 93 | 45 | 22 | 17 |
| Top Five Investment Exposure | 89 | 53 | 22 | 14 |
| Top Five Unhedged Currency Exposure | 52 | 20 | 19 | 13 |

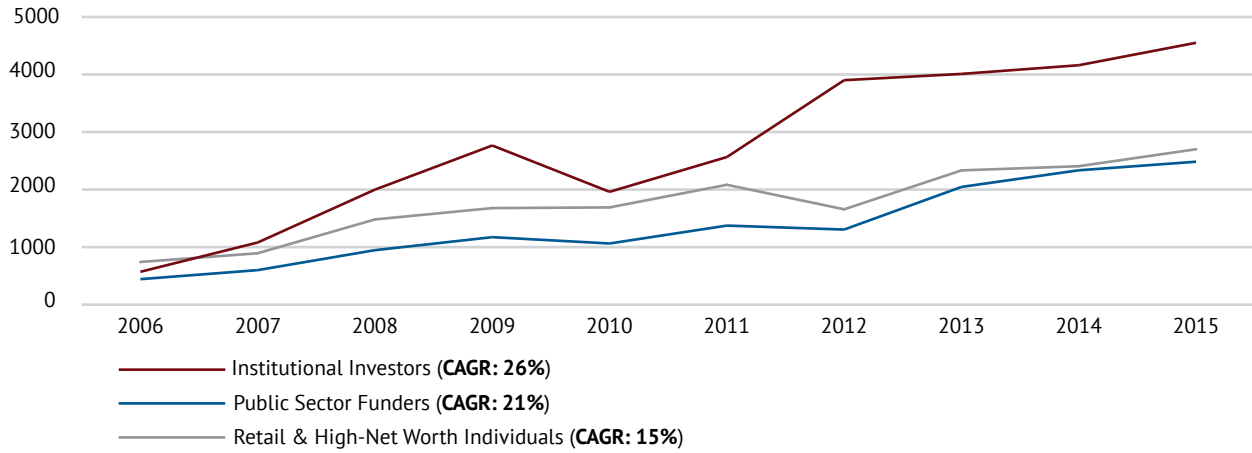
# 4.8
# PEER GROUPS – FUNDING SOURCES

In terms of MIVs' funding sources, institutional investors remained the prime source for MIVs (USD 4.5 billion), financing an average of 47% of their capital. The distribution of other investor-type sources was similar to 2014, with public funding still representing a fourth of MIV capital (USD 2.2 billion) and the remaining portion covered by retail and high-net worth individuals (USD 2.7 billion). Mixed Funds remain largely funded by retail investors at 50%. In terms of 10-year trends, institutional investors' fundings have grown the fastest since 2006 at a rate of 26% annually, followed by Public Sector Funders (21%) and Retail & High Net Worth Individuals (15%)[18].

## SOURCE OF MIV FUNDING




## FUNDING SOURCES

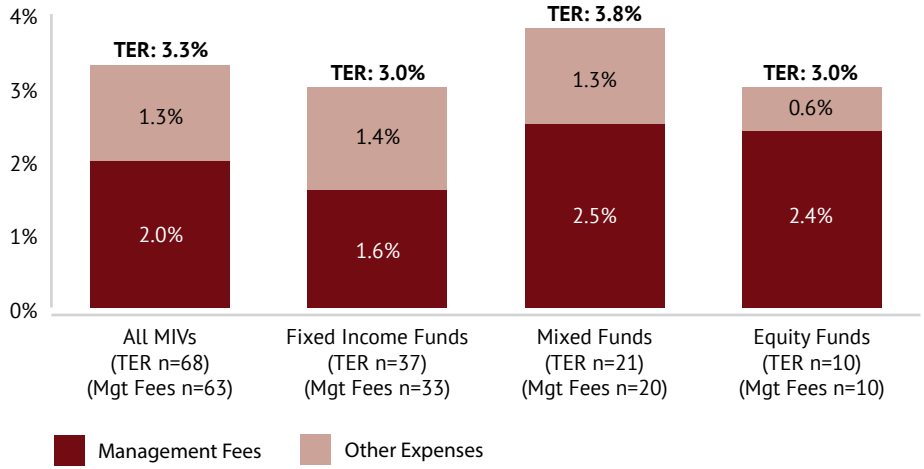



18. Due to a lack of data availability from certain large funds known to have a retail licence, growth trends for retail investors have been estimated.

# 4.9
# PEER GROUPS – COST STRUCTURE

The Total Expense Ratio (TER) for the category "all MIVs" increased from 3.1% in 2014 to 3.3% in 2015. Mixed Funds witnessed the largest increase in TER, attributable to both management fees (from 2.3% to 2.5%) and other expenses (from 1% to 1.3%). When considering a constant sample of over 50 MIVs, management fees have decreased while TER increased by 6 basis points, implying that other expenses have risen, especially for Fixed-Income Funds (+15 basis points). The TER for Equity Funds, of 3% is understated as the computation doesn't include certain fees specifically incurred by such vehicles like carried interest, for example.

## TOTAL EXPENSE RATIOS AND MANAGEMENT FEES




## MANAGEMENT FEES AND TER COMPARISON

| **Management Fees** | Simple Average | Weighted average | Simple Average | Weighted average | Change[19] |
|---|---|---|---|---|---|
| | 2014 | | **2015** | | |
| All MIVs (n=52) | 1.95% | 1.57% | 1.97% | 1.53% | -4 bps |
| Fixed Income (n=26) | 1.63% | 1.30% | 1.68% | 1.28% | -2 bps |
| Mixed (n=16) | 2.25% | 1.92% | 2.15% | 2.04% | +12 bps |
| Equity (n=10) | 2.31% | 2.33% | 2.40% | 2.00% | -33 bps |

| **TER** | Simple Average | Weighted average | Simple Average | Weighted average | Change[19] |
|---|---|---|---|---|---|
| | 2014 | | **2015** | | |
| All MIVs (n=55) | 3.08% | 2.23% | 3.09% | 2.29% | +6 bps |
| Fixed Income (n=29) | 2.63% | 2.14% | 2.80% | 2.27% | +13 bps |
| Mixed (n=16) | 3.21% | 2.29% | 3.11% | 2.14% | -15 bps |
| Equity (n=10) | 2.87% | 2.85% | 3.04% | 2.87% | +2 bps |

19. Change in basis points based on the weighted average figures.

# 4.10
# PEER GROUPS – FINANCIAL PERFORMANCE

Net returns of MIVs (weighted average) exhibited a downward trend across most strategies and vehicle structures. Unleveraged vehicles' returns dropped below 3% in 2015 for USD, EUR and CHF share class currencies. In terms of leveraged vehicles, notes had a return of 2.5% on a weighted average basis, down from last year's observation of 3.6%.

## 2015 FINANCIAL PERFORMANCE – UNLEVERAGED VEHICLES

| | Simple Average | Weighted Average | Simple Average | Weighted Average | Simple Average | Weighted Average |
|---|---|---|---|---|---|---|
| | **USD** | | **EUR** | | **CHF** | |
| Fixed Income Funds | 1.8% (13) | 2.6% (13) | 1.9% (13) | 2.4% (13) | -0.5% (5) | 1.1% (5) |
| Mixed Funds | – | – | 4.7% (7) | 2.9% (7) | – | – |

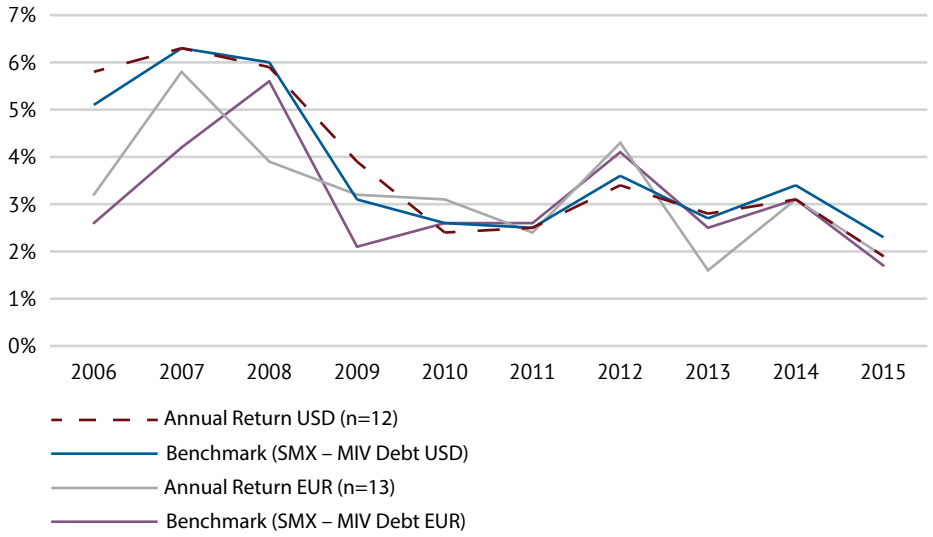
## 2015 FINANCIAL PERFORMANCE – LEVERAGED VEHICLES

| | Simple Average | Weighted Average | Simple Average | Weighted Average |
|---|---|---|---|---|
| | **USD** | | **EUR** | |
| Fixed Income Notes | 4.5% (7) | 2.5% (7) | – | – |
| Equity Tranche (ROE) | -0.2% (4) | 1.4% (4) | 5.2% (4) | 7.1% (4) |

# 4.11
# PEER GROUPS – FIXED INCOME FUNDS' PERFORMANCE

Fixed Income Funds' USD and EUR share classes returned 1.9% in terms of share price performance. This is the lowest net return since 2006 for the USD share class. It's important to note that this percentage is comparable to the SMX-MIV debt index[20], the industry benchmark, which also recorded returns at 1.9% in 2015, its lowest yearly return since the index's inception. MIVs' EUR share class category performed better than the SMX-MIV debt index for the same currency (1.7%).

## FIXED-INCOME MIVs: NAV SHARE PRICE PERFORMANCE




20. The SMX - MIV Debt USD, EUR and CHF indexes are Symbiotics' in-house indexes which track, on a monthly basis, the NAV of a selection of funds with a majority of assets invested in fixed income instruments. The funds are equally weighted. The index has been available on syminvest.com in USD, EUR and CHF since 2004.

# 4.12
# PEER GROUPS – GOVERNANCE IN ESG PRACTICES

As of December 2015, 90% of all MIVs required their investees to have anti-corruption policies and/or whistle-blowing procedures. This portion has increased across all strategies compared to 2014. In contrast, a slightly lesser proportion of MIVs produced a special report on ESG practices for their investors or included ESG performance results in their annual report (83% vs. 84% in 2014), especially Equity Funds. In terms of technical assistance, an MIV incurred on average USD 414,000 of technical assistance costs, up from USD 406,ooo in 2014. Finally, more than one-third of MIVs expressed the annual cost of raising debt financing as a single percentage figure to their investees.

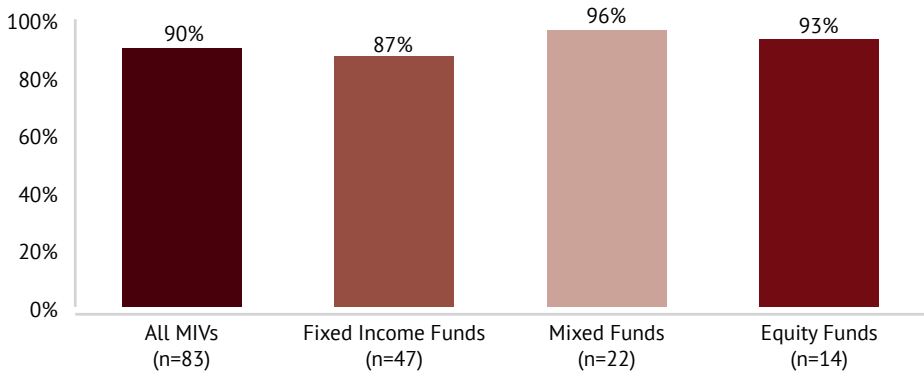
**USD 414k**

Average Annual Technical Assistance Cost (n=22)

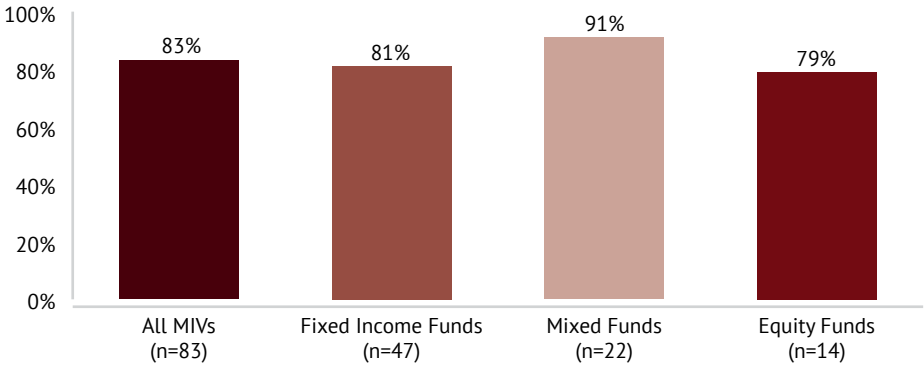
**35.2%**

Annual Percentage Rate Disclosure (n=63)

## REQUIREMENTS OF ANTI-CORRUPTION POLICIES (% OF MIVs)




## REPORTING OF ESG INFORMATION TO INVESTORS (% OF MIVs)



# 4.13
# FOCUS ON EQUITY FUNDS' CHARACTERISTICS

On average, an Equity Fund in this year's survey had USD 66 million in total assets, 80% of which were invested in microfinance. More than 15% of this category's portfolio was invested in institutions that are relatively small in size with assets of under USD 10 million. Comparatively, in 2014, 11% was invested in these particular institutions. Also, close to three-fourths of this category's portfolio is invested in small minority stakes, i.e: under 25%, while less than 10% is channelled towards a majority ownership. In terms of institution pricing, the average price-to-book value remains at 1.86x overall. Regional differences exist however with South Asian institutions being priced at over twice their book value.

## Equity Fund Term sheet

- Vintage Year (Median): **2008**
- Investment Period: **6 years**
- Carried Interest: **20%**
- Hurdle Rate: **7.3%**

## Equity Fund: Asset Base

- Committed Capital: **USD 67.3m**
- Paid-in: **73%**
- Total Assets: **USD 66.3m**
- **80.2% in Microfinance**

## Funding Sources

- Private Institutional: **60%**
- High Net Worth Individual: **21%**
- Public: **20%**
- Retail: **1%**

## Ownership

- Majority Ownership (>50%): **9%**
- Large Minority Ownership (25.5%): **20%**
- Small Minority Ownership (<25%): **72%**
- Board representation of the MIV: **52.2%**

## ESG Practices

- Number of investees for which the MIV was the First International Institutional Investors: **3.6**
- Investees of the portfolio with Minority Shareholder Protection Provisions: **6**
- Number of Social Performance Management Committees in which the board appointee of the MIV is part of: **2**

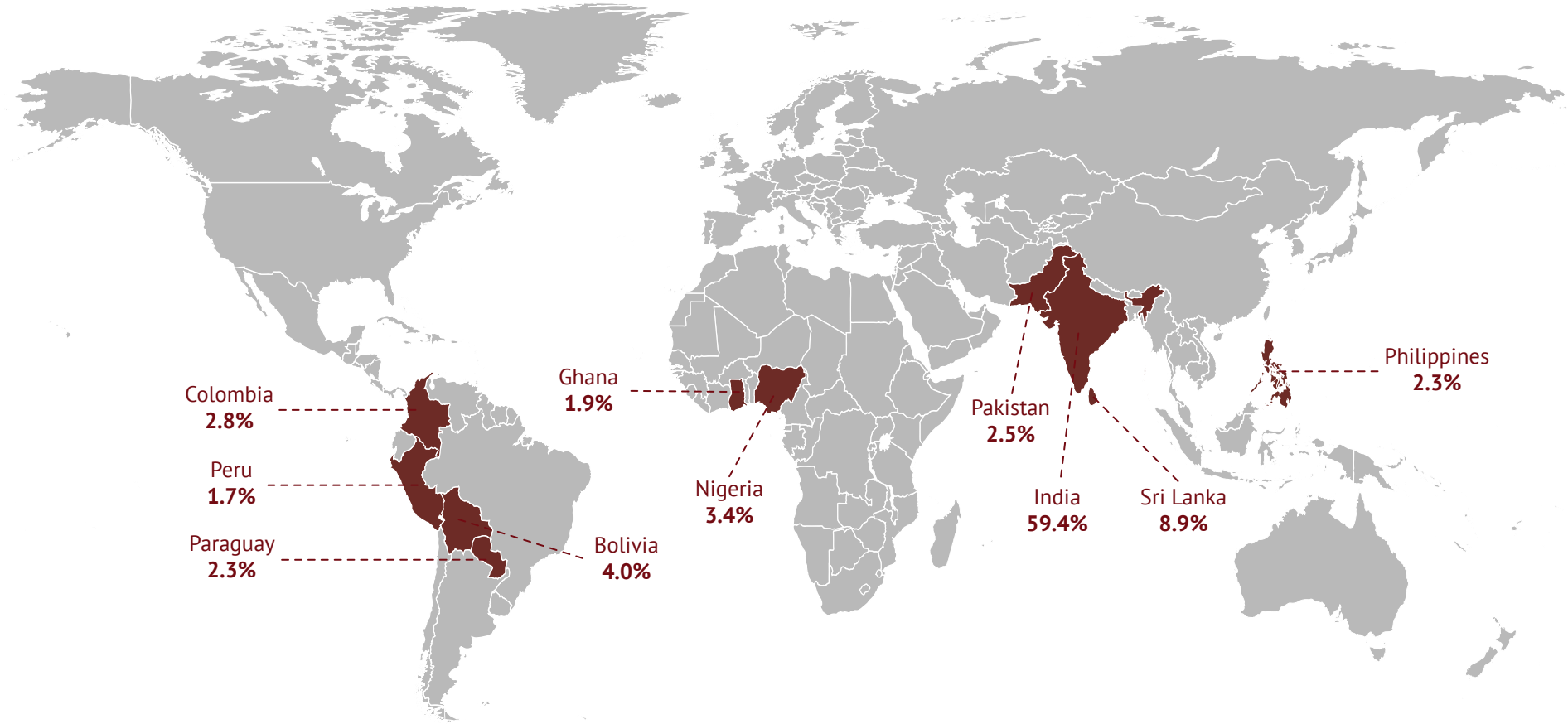
## Microfinance Institutions Size

- Microfinance Portfolio invested in investees with total assets of over USD 100 million: **46%**
- Microfinance Portfolio invested in investees with total assets between USD 10 million and 100 million: **38%**
- Microfinance Portfolio invested in investees with total assets under USD 10 million: **16%**

## Investee Valuation

- Average Price to Book Value: **1.86x**
- Latin America: **1.86x**
- South Asia: **2.06x**

# 4.14
# EQUITY FUNDS: GEOGRAPHICAL CONCENTRATION PER COUNTRY – TOP 10[21]




21. The Equity Funds' Country concentration differs from the Regional concentration as some MIVs reported only on the latter.

# 5.
# IN COOPERATION WITH THE SOCIAL PERFORMANCE TASK FORCE

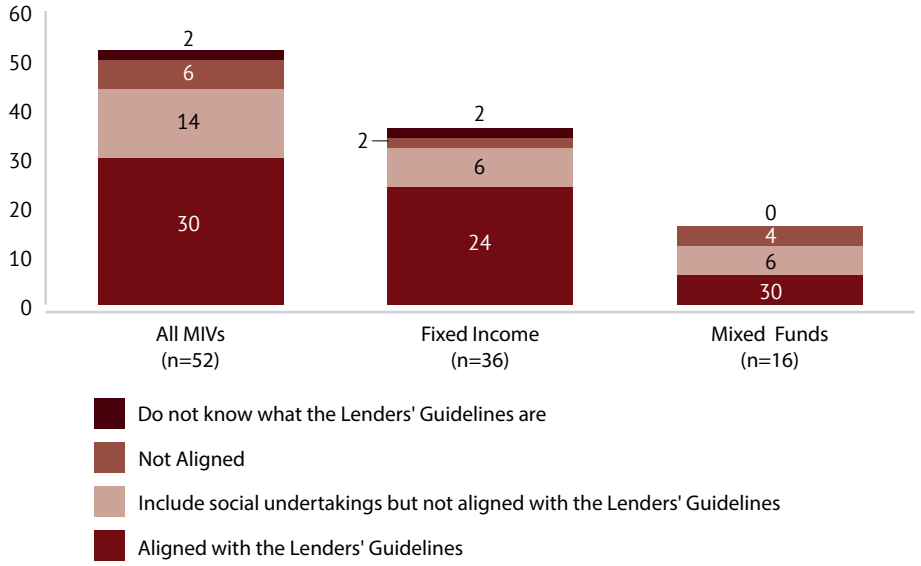
The Social Performance Task Force (SPTF) is a non-profit membership organization with more than 2,700 members from all over the world. SPTF engages to develop and promote standards and good practices for social performance management (SPM), in an effort to make financial services safer and more beneficial for clients. For more information, please visit www.sptf.info.

In 2015, the SPTF partnered with Symbiotics to add questions to the MIV survey that look at how MIVs incorporate various aspects of social performance into their activities. The questions cover policies, tools and initiatives related to the work of the SPTF and its Social Investor Working Group in the pursuit of ensuring responsible investment in inclusive finance.

# 5.1 SPTF COOPERATION – INVESTMENT TERMS FOR LENDERS

The SPTF's lenders' guidelines for setting reasonable covenants in support of responsible microfinance ("reasonable covenants[22]") is a common set of covenants and social undertakings developed by a group of public and private investors. Out of 52 respondents, 30 MIVs, in majority Fixed-Income Funds, reported that they are currently aligned with the guidelines while 14 of them included some social undertakings but are not aligned with the guidelines.

## LOAN AGREEMENTS

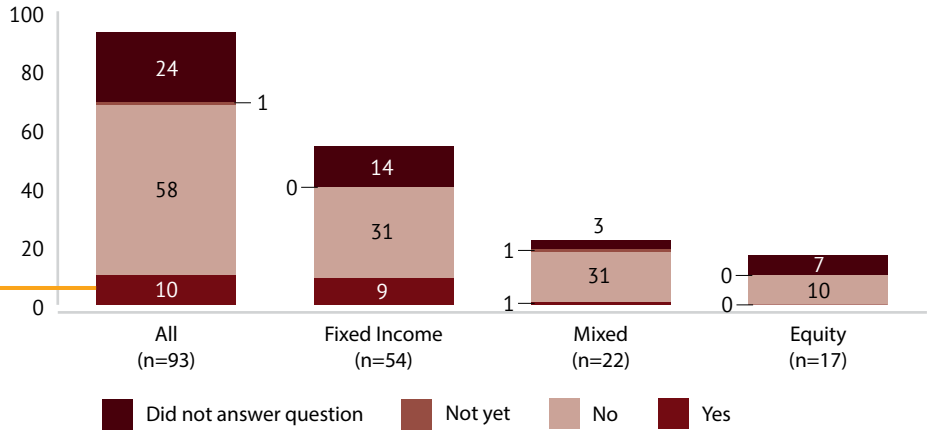



22. For more information on Financial and Social covenants' initiative, click here.

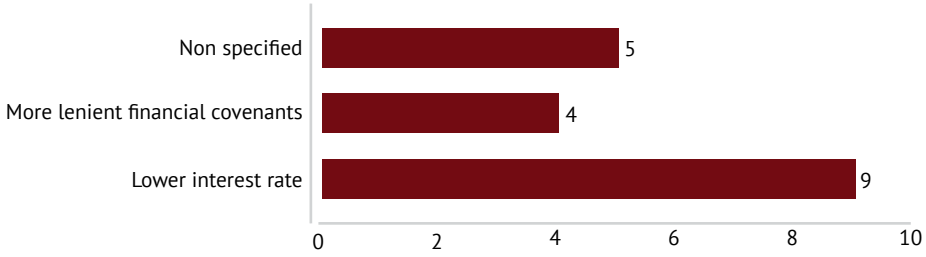
# 5.2
# SPTF COOPERATION – PREFERENTIAL TERMS

A total of 10 MIVs out of 68 respondents offer preferential terms (i.e. interest rate reduction or lenient financial covenants) to financial institutions demonstrating a strong social performance commitment.

## FUNDS OFFERING PREFERENTIAL TERMS




## KIND OF PREFERENTIAL TERMS – ALL MIVs (n=10)



# 5.3
# SPTF COOPERATION – MIVs' PRINCIPAL SOCIAL GOALS

When ranking all MIVs based on their principal social goals, «increased access to financial services» appeared to be their main social goal, followed by «employment generation» and «improving livelihoods of clients» (except for Mixed Funds, whose third preferred choice was «growth of existing businesses»). «Growth of existing businesses» and «gender equality & women's empowerment» came in 4th and the 5th places respectively.

## RANKING OF THE PRINCIPAL SOCIAL GOALS

**Borda Count Method[23] for All MIVs (n=80)**

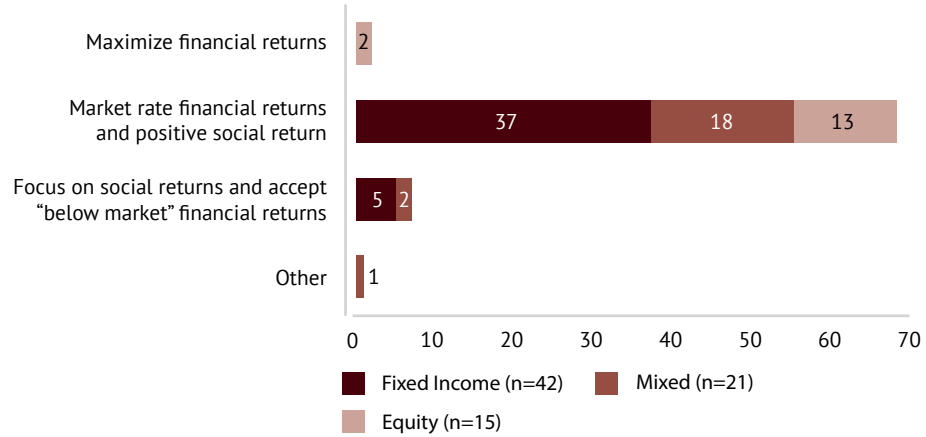
**1st** Increased Access to Financial Services → **2nd** Employment Generation → **3rd** Improving Livelihoods of Clients → **4th** Growth of Existing Businesses → **5th** Gender Equality and Women's Empowerment

23. For the Borda Count Method, each alternative gets 1 point for each last place received, 2 points for each next-to-last point, etc., all the way up to N points for each first place alternative (where N is the number of alternatives). The alternative with the largest point total is ranked as first.

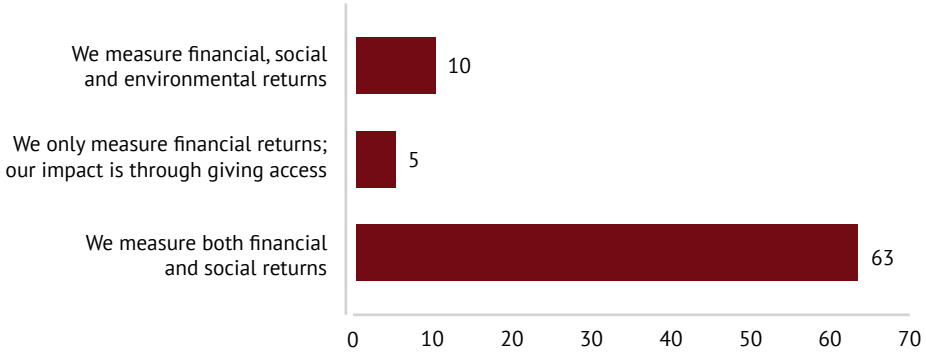
# 5.4 SPTF COOPERATION – FINANCIAL AND SOCIAL RETURNS

The majority of Fixed-Income, Mixed and Equity Funds seek market rate financial returns and postitive social returns, while only a few accept «below market» financial returns (7). The majority of MIVs measure both financial and social returns (63), while only a few (5) focus on financial returns measurement exclusively.

## FUNDS' INVESTMENT STRATEGY WITH RESPECT TO RETURNS



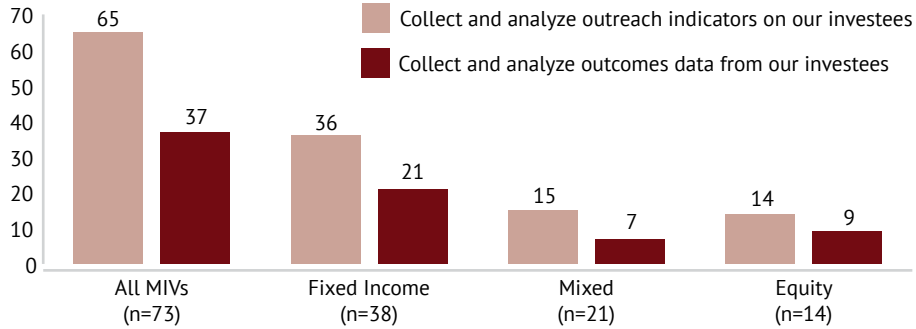

## MEASUREMENT OF SOCIAL RETURNS (n=63)



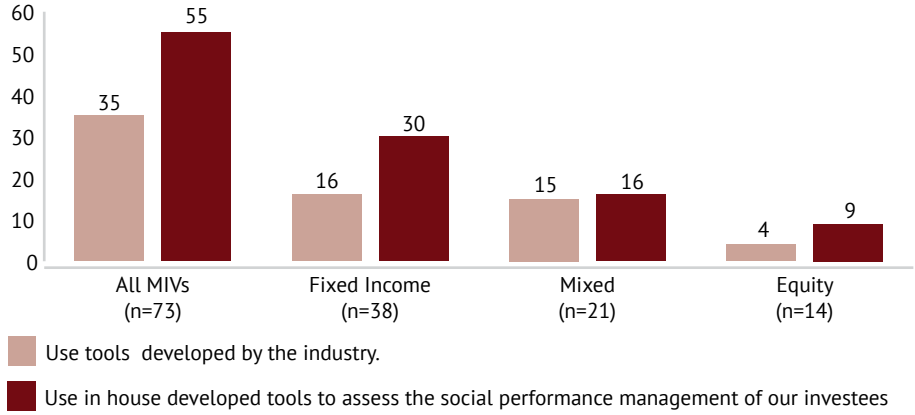
# 5.5
# SPTF COOPERATION – MEASUREMENT NON-FINANCIAL RETURNS

In terms of measuring non-financial returns such as social outreach and outcomes, the majority of Fixed Income and Equity Funds seem to use mainly in-house tools (65 out of 73) while half of them use both in house and externally developed social performance tools. Collecting and analyzing data to evaluate social outreach and outcomes seemed to be the common practice for half of the reporting MIVs.

## OUTREACH & OUTCOMES: DATA COLLECTION




## ASSESSMENT TOOLS USED TO MEASURE INVESTEES' SOCIAL PERFORMANCE



# 5.6
# SPTF COOPERATION – SOCIAL RATING & SOCIAL AUDIT

When looking into the number of MIVs using internal or external social rating or auditing, 45 MIVs perform internal social ratings on 93% of their investees (on a weighted average basis). Among these, only 11 MIVs make use of both, internal and external ratings.

## NUMBER OF MFIs WITH INTERNAL/ EXTERNAL SOCIAL RATING/ OR SOCIAL AUDIT

**Simple Average**

**25.4%**
Internal (n=45)

**9.8%**
External (n=29)

**Weighted Average**

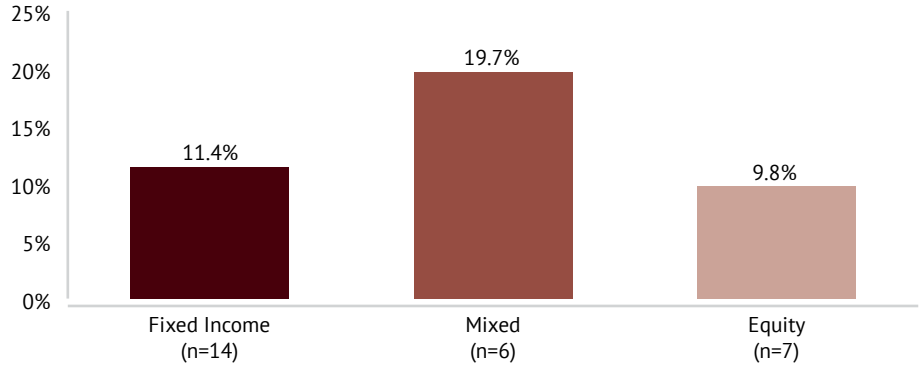
**93%**
Internal (n=45)

**22%**
External (n=29)

# 5.7
# SPTF COOPERATION – GREEN LOANS

On average, Mixed Funds had the highest percentage of investees offering green loans (20%), followed by Fixed-Income Funds (11%) and Equity Funds (10%). However, on a weighted average basis, the category "All MIVs" only reached 4%, based on a total of 27 observations.

## % OF MICROFINANCE INVESTEES IN THE MIVs' DIRECT PORTFOLIO THAT OFFER "GREEN LOANS" (SIMPLE AVERAGE)




**4%**

Weighted Average (All MIVs)

# 5.8 SPTF COOPERATION – RESPONSIBLE GOVERNANCE: EQUITY & MIXED FUNDS

The majority of the Equity and Mixed Funds (6) systematically included clauses pertaining to the "Client Protection Principles' Implementation" in their shareholder agreements. Only two of these Funds included a clause ensuring that there would be no mission drift caused by new shareholders. Some other clauses included the creation of a Social Performance Measurement Committee at the board level and the appointment of a responsible person for Environmental & Social (E&S) risk management.

## SHAREHOLDER AGREEMENT CLAUSES (n=6)

# ANNEX 1
# PARTICIPATING MIVs

| | Fixed Income Funds | Mixed/Hybrid Funds | Equity Funds |
|---|---|---|---|
| **Public Placement Fund** | BlueOrchard Microfinance Fund (ex. Dexia Microcredit Fund)<br>Dual Return Fund SICAV<br>IIV-Mikrofinanzfonds<br>responsAbility Global Microfinance Fund<br>responsAbility Microfinanz-Fonds | ASN-Novib Microcredit Fund<br>Triodos Fair Share Fund<br>Triodos SICAV II - Triodos Microfinance Fund | |
| **Private Placement Funds** | AccionBridge Guarantee Program Fund<br>Actiam Institutional Microfinance Fund III<br>agRIF Coöpertiaf U.A.<br>Capital Gestion - Impact Investing<br>Capital Gestion - Microfinance<br>CreSud SpA<br>Deutsche Bank Microcredit Development Fund<br>Dual Return Fund – Vision Microfinance Local Currency<br>DWM Microfinance Fund-J<br>EMF Microfinance Fund AGmvK<br>Envest Microfinance Fund LLC<br>European Fund for South East Europe<br>FEFISOL<br>FINCA Microfinance Fund B.V.<br>Finethic Microfinance SICAV-SIF<br>FPM S.A.<br>Global Commercial Microfinance Consortium II BV<br>Global Partnerhips Social Investment Fund 2010<br>Global Partnerships Social Investment Fund 5.0<br>KCD Mikrofinanzfonds (FIS) I "Global"<br>KCD Mikrofinanzfonds II "Lateinamerika"<br>KCD Mikrofinanzfonds III<br>Kolibri Kapital ASA<br>Locfund II L.P.<br>Luxembourg Microfinance and Development Fund<br>Microfinance Enhancement Facility SA<br>Microfinance Growth Fund<br>MicroVest Short Duration Fund<br>MicroVest+Plus<br>MIFA - Microfinance Initiative for Asia Debt Fund<br>ProPulse Fund<br>Regional MSME Investment Fund for Sub-Saharan Africa (REGMIFA)<br>Symbiotics SICAV - SEB Microfinance Fund<br>Symbiotics SICAV - SEB Microfinance Fund II<br>Symbiotics SICAV - SEB Microfinance Fund III<br>Symbiotics SICAV (Lux.) - Emerging Impact Bond Fund<br>Symbiotics SICAV (Lux.) - High Yield Frontier Impact<br>The SANAD Fund for MSME<br>The Small Enterprise Impact Investing Fund<br>Wallberg Global Microfinance Fund | Access Africa Fund LLC<br>Actiam Institutional Microfinance Fund<br>Actiam Institutional Microfinance Fund II<br>Actiam Institutional Microfinance Fund III<br>DWM Microfinance Fund<br>Fonds Desjardins pour la Finance Inclusive<br>Gawa Microfinance Fund<br>Global Financial Inclusion Fund<br>Impulse Microfinance Investment Fund NV<br>NMI Frontier Fund<br>NMI Fund III<br>Prospero Microfinanzas Fund, LP<br>responsAbility SICAV (Lux) Microfinance Leaders Fund<br>Rural Impulse Fund II<br>Rural Impulse Microfinance Fund | Aavishkaar Goodwell India Microfinance Development Company<br>Aavishkaar Goodwell India Microfinance Development Company II<br>Bamboo Financial Inclusion Fund<br>Catalyst Microfinance Investors<br>Creation Investment Social Venture Fund I<br>Creation Investments Social Ventures Fund II<br>DWM Microfinance Equity Fund I<br>DWM Inclusive Finance Equity Fund II<br>Elevar Equity II, LP<br>Goodwell West Africa Microfinance Development Company Ltd<br>India Financial Inclusion Fund<br>MicroVest II, LP<br>Shore Cap II<br>Unitus Equity Fund, LP<br>Women's World Banking Capital Partners |

# ANNEX 1
# PARTICIPATING MIVs (continued)

| | Fixed Income Funds | Mixed/Hybrid Funds | Equity Funds |
|---|---|---|---|
| **Cooperative Companies/NGOs** | Alterfin cvba<br>Capital for Communities Fund<br>Fonds International de Garantie<br>Grameen-Jameel Pan-Arab Microfinance Ltd<br>MCE Social Capital<br>Oikocredit | Incofin CVSO<br>SIDI "Solidarité Internationale pour le Développement et l'Investissement" | |
| **Other MIIs**[24] | Global Microfinance Fund<br>Grameen Credit Agricole Microfinance Foundation<br>responsAbility SICAV (Lux) Financial Inclusion Fund<br>Symbiotics Emerging Sustainable Funds[25] | DID - Partnership Fund<br>Hivos-Triodos Fund Foundation<br>NMI Global Fund[25]<br>Triodos Sustainable Finance Foundation | Accion Gateway Fund |

24. Other MIIs from this list include: Microfinance investment funds that are not open to multiple investors, Fund of funds, and Vehicles with less than 50% of their non-cash assets invested in microfinance.

25. Microfinance Fund of Funds, not included in the benchmark

# ANNEX 2
# SYMINVEST BENCHMARKING

## Annual Benchmarking 2016

This online tool is based on data collected during 2016 survey of the Microfinance Investment Vehicle sector ("MIV", Microfinance Funds) conducted by CGAP and Symbiotics.
It complements the CGAP MIV Benchmarks 2016 Report and allows interactive comparisons between MIVs on several indicators.

Benchmark | Participating MIVs | Methodology

Peer Groups: 1 peer group(s) checked — Show

- [x] All MIVs
- [ ] Equity MIVs
- [ ] Fixed Income MIVs
- [ ] Mixed/Hybrid MIVs

Structure Table | Table

All MIVs ?

| 1. Assets Value ($ million) | | | %TA |
|---|---|---|---|
| Total Capital Commited | 79.3 | (19) | - |
| "Paid in" Capital | 44.4 | (18) | - |
| Total Assets (TA) | 118.3 | (93) | 100.0% |
| Microfinance Portfolio (MP) | 92.0 | (93) | 77.8% |
| % of MP in Investees with assets > 100 mUSD | 43.8% | (85) | - |
| % of MP in Investees with assets >10 and < 100 mUSD | 44.8% | (85) | - |
| % of MP in Investees with assets <10 mUSD | 11.4% | (85) | - |
| Other Portfolio | 8.6 | (91) | 7.1% |
| % invested in Agriculture | 29.3% | (38) | - |
| % invested in Housing | 4.2% | (38) | - |
| % invested in Energy | 7.7% | (38) | - |
| % invested in Other Activities | 48.7% | (38) | - |
| Total Liquid Assets | 15.2 | (91) | 12.6% |
| Other Assets | 3.0 | (91) | 2.5% |
| Annual TA growth | 6.4% | (78) | - |
| Annual MP growth | 3.9% | (77) | - |
| Assets Currently under Commitments (undisbursed inflows) | 8.4 | (60) | 8.3% |

| 2. Microfinance Portfolio (MP) ($ million) | | | |
|---|---|---|---|
| **Portfolio Structure** | | | %MP |
| Direct Microfinance Portfolio (DMP) | 89.7 | (93) | 97.5% |
| Direct Microfinance Portfolio in Equity | 14.5 | (93) | 15.8% |
| With Majority Ownership | 3.2 | (18) | - |
| With Large Minority Ownership | 7.2 | (18) | - |
| With Small Minority Ownership | 26.4 | (18) | - |
| Board Representation in % | 46.0% | (17) | - |
| Direct Microfinance Portfolio in Debt (DDMP) | 74.7 | (93) | 81.2% |
| Direct Microfinance Portfolio in Guarantees | 0.4 | (93) | 0.5% |
| Number of Direct Microfinance Providers (NDMP) | 40.3 | (93) | - |
| Number of Direct Microfinance Providers In Equity | 3.4 | (92) | - |
| Number of Direct Microfinance Providers In Debt | 34.7 | (92) | - |
| Number of Direct Microfinance Providers In Guarantee | 0.2 | (92) | - |

**GENEVA (HQ)**
Rue de la Synagogue 31
1204 Geneva
Switzerland
t +41 22 338 15 40

**ZURICH**
Forchstrasse 280
8008 Zurich
Switzerland
t +41 43 499 87 89

**MEXICO CITY**
Diagonal Patriotismo 12 - 602
Colonia Hipódromo
Código Postal 06100
México D. F.
t +52 55 55 84 78 72

**SINGAPORE**
Singapore Land Tower
50 Raffles place, 30-28
Singapore 048623
t +65 66 31 27 58

**CAPE TOWN**
4 Loop Street, Studio 502
Cape Town 8001
South Africa
t +27 21 425 51 19

**LONDON**
6 Bevis Marks
London EC3A 7BA
United Kingdom
t +44 203 786 1186

**symbioticsgroup.com**