

Foreign Capital Investment in Microfinance

Balancing Social and Financial Returns

Microfinance is experiencing an unprecedented investment boom. The past five years have seen remarkable increases in the volume of global microfinance investments. Between 2004 and 2006, the stock of foreign capital investment—covering both debt and equity—more than tripled to US\$4 billion.

The entry of private investors is the most notable change in the microfinance investment marketplace. New players arrive on the scene every month. Forty specialized microfinance investment funds have been established in the past three years alone. Individuals and institutional investors—including international retail banks, investment banks, pension funds, and private equity funds—are all looking for ways to channel capital into microfinance, and investment banking techniques are being introduced to create investment vehicle alternatives that appeal to an increasingly broad range of investors.

This new investment stream is good news for microfinance providers. Microfinance needs a broader capital market to secure the funding required to scale-up outreach and serve a greater number of financially excluded, low-income people.

It is tempting to believe that this investment boom signals the entrance of mainstream commercial investors seeking to maximize, risk-adjusted returns. “Hedge funds, VCs and other big investors are seeing huge profit potential in tiny loans” reads a headline from a recent *Business Week*. However, the reality is that, so far, the bulk of private investment in microfinance has come from investors with a social orientation alongside their financial motivations.

Microfinance is a very attractive proposition for a growing segment of socially responsible investors. The socially responsible investment (SRI) market is huge, with over US\$4 trillion in assets. The emerging markets share accounts for a meager US\$5 billion, but this is growing fast. The SRI world comprises a wide spectrum of investors with differing expectations, from those willing to receive below-market returns to those seeking competitive returns within the context of a social mandate. SRIs are attracted to microfinance institutions (MFIs) because MFIs are “double bottom-line” institutions that seek to have a positive social impact alongside financial returns.

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That said, a few mainstream investors with no particular social focus also are beginning to invest in MFIs, although on a very small scale. This raises an important question: Will purely commercial, return-maximizing investors allow microfinance to uphold the social mission that has been at the heart of its success?

This Focus Note builds on CGAP’s earlier industry research on foreign capital investment presented in Ivatury and Reille (2004) and Ivatury and Abrams (2005).

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- It describes the new landscape of cross-border investments and presents an overview of who is investing and why.
- It presents the first ever published data on the performance of microfinance investment vehicles (MIVs).
- It provides an analysis of the latest developments and issues confronting both the microfinance debt and equity markets.
- Finally, it explores how the influx of private-sector investment might influence the social focus of microfinance development.

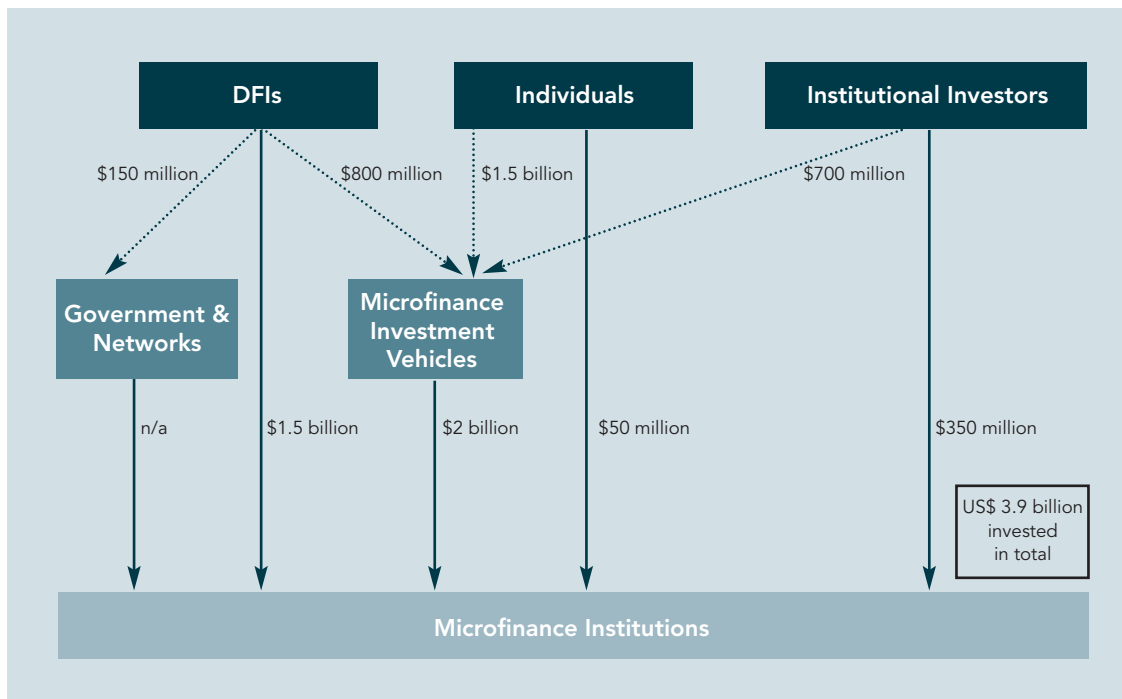
The landscape of foreign investment in microfinance

There are three main categories of microfinance investors: public investors, also known as international or development finance institutions (DFIs); individual investors, whether retail or high net worth; and institutional investors. See Figure 1.

Fixed income: Money market return. The average net return for fixed-income funds is close to money market, 5.8% in U.S. dollars and 3.2% in euros. —CGAP survey, 2006

Equity: Too soon to tell. Equity investment in microfinance is surging, and MFI valuations are up, but it's too soon to value the average net return for microfinance equity funds. —CGAP survey, 2006

Figure 1: Foreign investment microfinance landscape



Source: CGAP survey, 2006.

Public investors

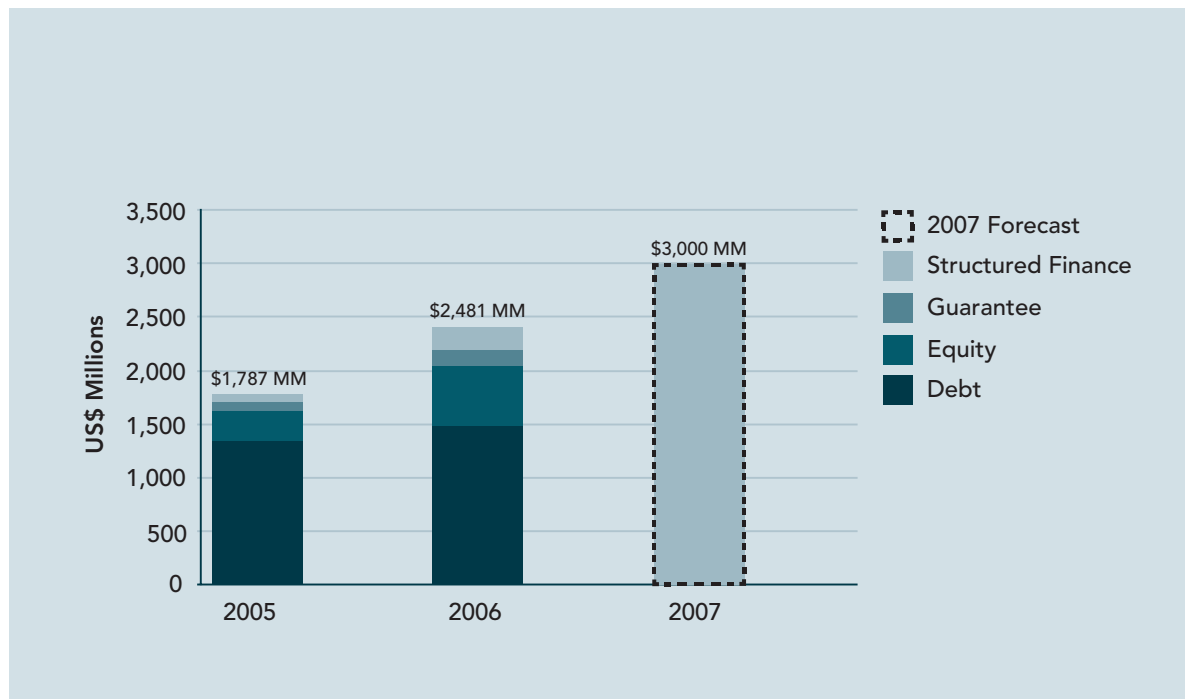
DFIs—the private-sector investment arms of government-owned development institutions—provide just over half of the total foreign investment into microfinance today.¹ There are 19 DFIs, including multilateral organizations, such as EBRD, IADB, and IFC, and bilateral organizations, such as AECI-ICO (Spain), KfW (Germany), and OPIC (United States).

DFIs invest in microfinance as part of their official mission to support sustainable private-sector development in developing countries. Most DFIs started financing microfinance in the late 1990s, following on the grant funding of donor agencies for microfinance since the 1970s. DFIs brought a more commercial approach to the industry, providing quasi-commercial loans, equity, and guarantees to MFIs capable of scale and profitability.

DFIs have more than doubled their investment in microfinance over the past two years, from US\$1 billion in 2004 to US\$2.5 billion as of the end of December 2006 (CGAP DFI Survey 2006). This trend looks set to continue. Between 2005 and 2006 alone, DFI investment grew by 37 percent and is expected to exceed US\$3 billion by the end of 2007. Five DFIs hold 72 percent of all DFI-related investments: German KfW (29 percent), EBRD (13 percent), IFC (12 percent), Spanish AECI-ICO (11 percent), and Dutch FMO (7 percent). See Figure 2.

The official role of DFIs is to foster private investment in developing countries. In the early years of their involvement, DFIs played an important role as funders of today's leading MFIs. They assumed financial risks at a time when microfinance was less proven as a sector and private funders were much less willing to engage. Now that these MFIs have proven their commercial

Figure 2: DFI Microfinance Investment Growth since 2004



Source: CGAP DFI Microfinance Portfolio (2006).

¹ DFI investment in this survey includes only public investments in privately run MFIs. It does not include bilateral or multilateral credit lines or grants to governments in developing countries for microfinance projects.

viability, private investors are often willing to provide capital. Public investors have not always been quick to respond to the growing appetite of private investors by exiting the most commercially viable markets. Rather, there has been competition and, in some cases, crowding out of private investors with DFIs offering lower interest rates and more flexible terms.

Individual investors

Socially motivated individual "retail" investors play an important, though often unrecognized, role in funding microfinance. Oikocredit, a Dutch cooperative society established in 1975 by the World Council of Churches, was one of the first organizations to raise retail investment for microfinance. It has over 27,000 members from its social and faith-based networks. Other microfinance investment funds that raise capital from individuals include the Calvert Foundation in the United States and specialized mutual funds registered in Europe, such as Dexia Microcredit, responsAbility, and the Triodos Fair Share Fund. Over 80 percent of retail investors in these funds are based in Europe, mainly in Holland, Switzerland, and Germany.

In recent years, high net worth individuals have started to engage in microfinance investing as venture philanthropists. These are typically successful entrepreneurs looking to make good use of both their money and business skills to help scale-up microfinance. Examples include Pierre Omidyar, founder of eBay, who gave US\$100 million to Tufts University to create the Omidyar-Tufts Microfinance Fund, and Bob Patillo, the real estate entrepreneur who founded the Gray Ghost Fund. Grameen Foundation has raised guarantee commitments of over US\$30 million from nine high net worth individuals, which has succeeded in directly leveraging US\$112 million in local currency financing for MFIs.

Today it is also possible for more individuals to engage in microfinance investing through online, peer-to-peer lending initiatives, such as Kiva. Kiva enables MFIs to raise interest-free debt capital directly from social investors via the Internet. Kiva investors fund microentrepreneurs of their choice and receive regular updates on their projects. Since launching in October 2005, over 50 MFIs in 30 countries have raised debt from more than 180,000 individual social investors via Kiva.org.

Other online investment organizations are emerging, such as MicroPlace and Globe Funder. MicroPlace is the first broker-dealer registered with the Securities and Exchange Commission that specializes in microfinance securities for retail investors in the United States. Unlike Kiva, this fund provides some returns to investors. Such business models tap into both the growing participation in online social communities and the desire of individuals to make a difference. Procredit Bank in Germany also plans to raise capital online for its microfinance bank affiliates.

Institutional investors

Over the past two years, institutional investors, including international banks, pension funds, and insurance companies, have begun to take a keen interest in microfinance investment. Many are responding to significant retail client demand for investment in this sector.

The first institutional investors in microfinance were international banks, which initially acted through their philanthropic departments. Deutsche Bank was the first commercial bank to establish a fund for MFIs in 1998 through its philanthropic arm, Deutsche Bank Americas Foundation. Today, wholesale services to MFIs, in the form of loans, guarantees, and technical assistance, are the most widespread form of interna-

tional bank engagement in microfinance. Lending to MFIs by international banks reached nearly US\$550 million in 2006—an increase of US\$100 million over 2005 (ING 2006).

International banks have played an important role in introducing mainstream financing techniques to MFIs. In 2005, Citigroup established a microfinance group that spurred financial innovation for local currency financing. For example, it arranged the first wholly privately placed MFI bond for Mibanco in Peru and the first investment-grade local currency bond issues for MFIs with Compartamos in Mexico. It also arranged and invested in the groundbreaking securitization of BRAC in Bangladesh and structured the first local currency loan syndication for ProCredit Bank in Romania. Citigroup is a banker to a number of microfinance funds providing foreign exchange hedging and agency services.

Large global investment banks form the second wave of institutional investors. They offer MFIs investment banking and fund distribution services and act as intermediaries between securities issuers and the investment community. Credit Suisse, for example, distributes the responsAbility Global Microfinance Fund. Morgan Stanley arranged and distributed the BlueOrchard Loans for Development (BOLD) I and II bond offerings and is now building a business unit to offer a full range of investment banking services to the microfinance industry.

Global insurance companies and pension funds are also starting to look at microfinance investment as part of their SRI investment portfolio. Socially responsible funds run by insurance companies, such as Morley in the United Kingdom and AXA in France, have made small investments in microfinance. Some of the larger pension funds, such as TIAA-CREF in the United States, have made more significant allocations (up to US\$100 million) to microfinance.²

The latest investors to be drawn to high-growth MFIs are private equity investors that focus on emerging markets. A few, such as Sequoia, Blackstone Group, Carlyle Group, and Dubai-based Legatum, have each made investments in the US\$20 million to US\$40 million range in highly profitable MFIs in the most developed microfinance markets, such as Mexico and India. These investors are focused on a narrow niche market of high-growth MFIs that are capable of offering competitive market returns.

The interest of global banking groups, such as Citigroup, Morgan Stanley, Deutsche Bank, ABN AMRO, and Société Générale, and private equity investors signals the increasing credibility of microfinance as an attractive investment proposition.³

MIV Performance

Approximately half of all microfinance investment from DFIs, individuals, and institutions is channeled through specialized financial intermediaries. These MIVs comprise a diverse range of organizations in terms of origin, investor base, philosophy, instruments, and targeted return rates.⁴

The number and size of MIVs have grown exponentially. Over 80 MIVs are now in operation, with US\$3 billion under management. MIV investment levels have doubled between 2005 and 2006, reaching US\$2 billion in 2006.

Individual investors and foundations were early backers of MIVs and continue to form the mainstay of their funding at 50 percent. DFIs were early subscribers as well and drove several MIV start ups, such as the equity fund ProFund. However, their share of MIV funding has declined from 36 percent in 2005 to 30 percent in 2006. Institutional investors are rapidly

² TIAA-CREF created a US\$100 million Global Microfinance Investment Program within its SRI allocation; its first investment is a US\$43 million private equity stake in ProCredit Holding AG.

³ Domestic banks are also aggressively moving into microfinance. More than 300 local universal banks provide loans and banking services to existing MFIs or offer microfinance services to low-income clients.

⁴ A majority of MIVs are private companies (69 percent), followed by nonprofit/nongovernmental organizations/foundations (15 percent), and cooperatives (8 percent); a further 8 percent are not a separate legal entity (MIV 2005 Survey).

catching up, having doubled their investment share during the past two years to 20 percent.

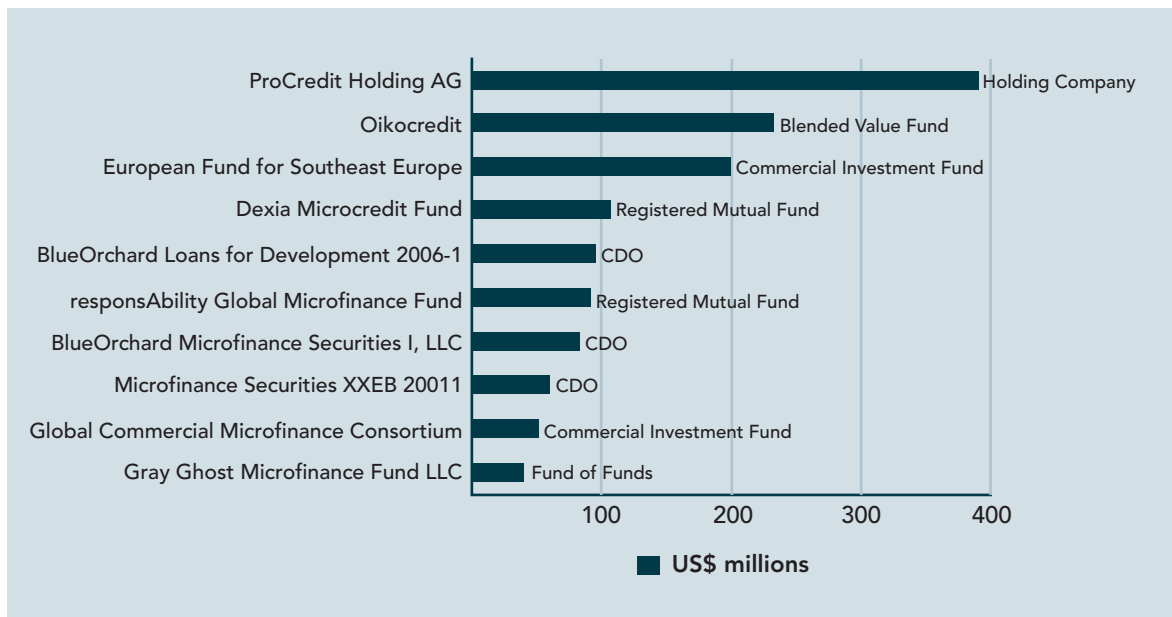
The top 10 MIVs account for 67 percent of total MIV investment. (See Figure 3.) The largest MIVs represent a mix of MIV types. ProCredit, a German holding company that invests in new, "greenfield" microfinance banks is currently the largest MIV, followed by Oikocredit. EFSE, a fund established by public investors to invest in Eastern Europe, has grown extremely rapidly to become the third largest MIV. However, more commercially oriented funds, such as Dexia Microcredit Fund and responsAbility Global Microfinance Fund, and structured finance vehicles (described later) are becoming increasingly important. Until now, little has been known about MIV perform-

ance. However, in 2007, CGAP, with technical support from Symbiotics (a research and consulting company based in Switzerland) carried out a market survey as a first step toward improving the transparency of MIVs.⁵ Forty leading MIVs, representing 86 percent of total industry investment, participated in CGAP's survey by sharing (on a voluntary and confidential basis) performance data and audited financial statements for year-end December 2006.⁶

To allow meaningful comparison of results, CGAP organized MIVs into six categories or "peer groups" based on their business models, commercial orientation, and financial instruments. MIVs all share some measure of social and developmental orientation.

The peer groups are as follows:

Figure 3: Top 10 MIVs



Source: CGAP MIV Survey, 2006.

⁵ This research, which was conducted during summer 2007, was based on the MIV Disclosure Guidelines, an industry disclosure framework built on good practices for investment fund reporting.

⁶ This information was reclassified according to CGAP's MIV Disclosure Guidelines.

1. **Registered mutual funds** targeting primarily retail investors and seeking near a money market returns from primarily fixed-income investment
 2. **Commercial fixed-income investment funds** targeting public and private institutional investors and seeking close to a market return
 3. **Structured finance vehicles** offering a range of asset-backed securities with different risk and return profiles to microfinance investors
 4. **Blended-value funds** offering below-market returns to socially focused investors and providing a mix of debt and equity finance to MFIs
 5. **Holding companies of microfinance banks** providing mainly equity finance and technical assistance to start-up microfinance banks
 6. **Private equity funds** seeking a market return
- (See Table 1 and a list of participating MIVs in Annex 1)

Table 1: MIV Peer Groups*

	FIXED INCOME			MIXED	EQUITY	
	Registered Mutual Funds	Commercial Investment Funds	Structured Finance Vehicles	Blended-Value Funds	Holding Companies	Private Equity Funds
Number of Funds Surveyed	6	5	4	7	4	6
Total Assets (US\$ million)	391	437	279	146	62	84
Total Microfinance Investments (US\$ million)	293	280	268	111	44	70
Equity as Percentage of Microfinance Portfolio	6%	1%	0%	28%	93%	76%
Debt as Percentage of Microfinance Portfolio	93%	93%	100%	67%	7%	24%
Average Fund Size (US\$ million)	65.1	87.2	69.7	21	15.5	14
Return in US\$	5.80%	4.8% (euro)	5.3% (AA)	1.5%	NA	NA
Average Total Expense Ratio**	2.7%	2.0%	1.3%	6.1%	8.4%	4.1%

*The following eight MIVs could not be categorized and included in one of the six peer groups because of lack of data, business model, size, or track record: Oikocredit, Calvert Social Investment Foundation, Finethic Microfinance SCA SICAR, responsAbility SICAV Microfinance Leaders Fund, Gray Ghost Microfinance Fund LLC, Unitus, ProCredit Holding, and BBA Codespa Microfinanzas.

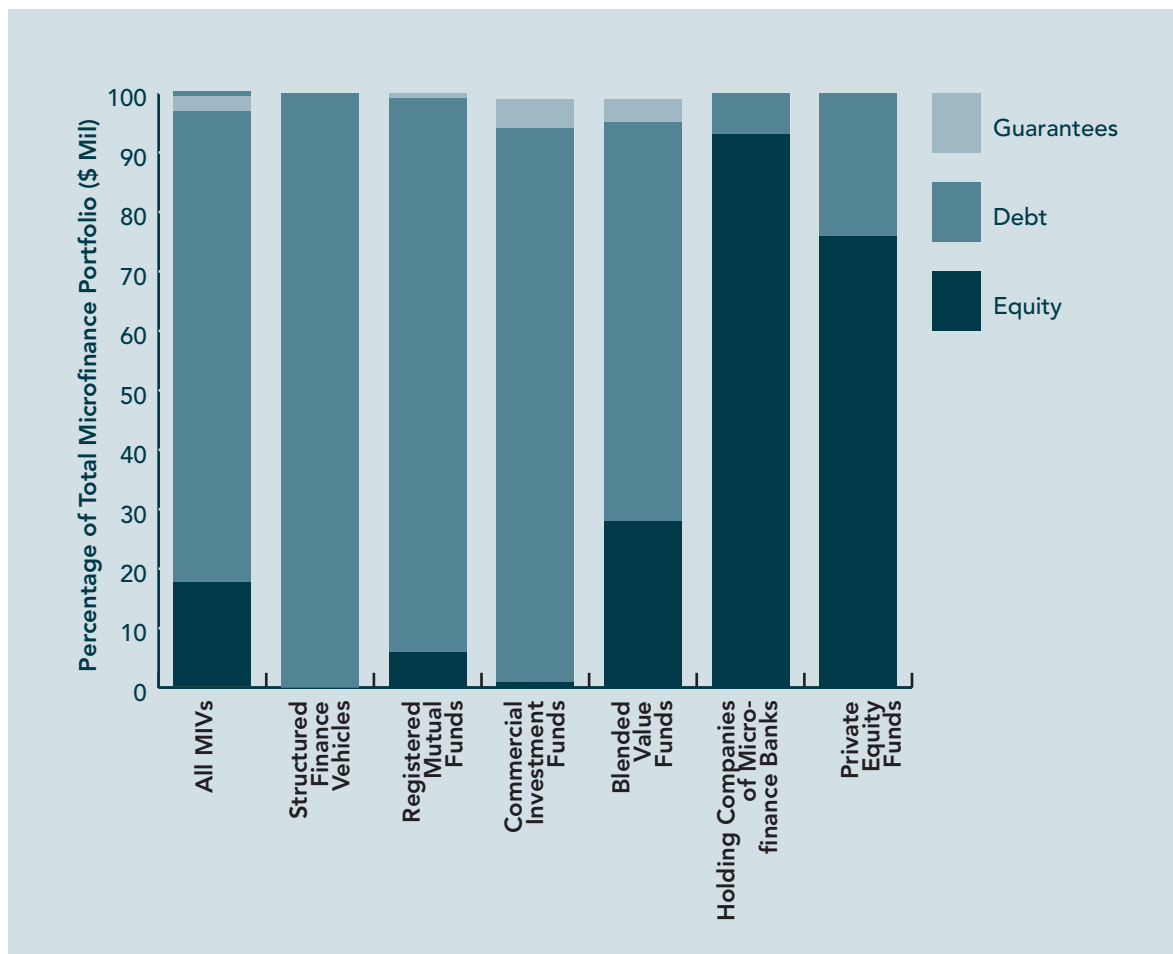
**Average total expense ratio, including management fees, administration, and custody costs

Source: CGAP MIV Benchmark Project

Registered fixed-income mutual funds. These funds are registered in two countries (Luxembourg and Holland) that have attractive tax regimes and favorable mutual fund legislation for nonlisted securities.⁷ MIVs in this category are large (US\$65 million in assets on average) and fast growing, with some funds doubling in size each year. They are distributed through bank networks, such as Credit Suisse or Dexia, and are offered to both institutional and retail investors on a private placement basis.⁸ Investors receive close to money market returns—5.8

percent in U.S. dollars or 3.2 percent in euros in 2006—and are generally allowed to redeem their investments on a monthly basis. These funds invest in senior debt⁹ of MFIs, but also may have large investments in other MIVs. This group complies with strict disclosure regulations and has the most reliable and standardized reporting among MIVs. BlueOrchard and responsAbility are the leading fund management companies in this group.

Figure 4: Distribution of Assets by Instrument



⁷ European Undertaking for Collective Investment legislation allows for mutual funds to be invested in unlisted and unrated securities.

⁸ Mutual funds registered in Luxembourg are authorized to sell to the public in Luxembourg only. The Global responsAbility fund is authorized by the Swiss market authority to sell to the public in Switzerland.

⁹ Senior debt is debt that has a priority for repayment over other classes of debt.

Registered mutual funds

Average asset size: US\$65 million
 Average age: 4 years
 Average deal size: US\$1 million
 Main instruments: 93% debt
 Geographic focus: 77% in LAC and ECA
 Main subscribers: 59% individuals,
 32% institutional investors

Commercial fixed-income investment funds. This group is composed of commercially oriented funds that provide senior debt to high-growth MFIs. They are subscribed mainly by high net worth and institutional investors and are not regulated and supervised by capital market authorities.¹⁰ They include both debt funds, such as Microvest in the United States, and structured funds, such as the Global Microfinance Consortium. This group is one of the most highly leveraged, with external debt representing 30 percent of assets. MIVs in this group tend to make large investments (three times the mutual fund average) and have, as a result, relatively low operating cost ratios. The average net return in euros for this group is 4.8 percent, above that for mutual funds, although their track record remains too short (less than two years) to provide meaningful comparisons.

Commercial fixed-income funds

Average asset size: US\$87 million
 Average age: 1.4 years
 Average deal size: US\$2.5 million
 Main instruments: 93% debt
 Geographic focus: 96% LAC and ECA
 Main subscribers: 48% individuals and foundations,
 44% institutional investors

Structured Finance Vehicles. Structured finance vehicles represent one of the newest forms of financing in microfinance. Most structured finance instruments pool and repackage microfinance loan assets as marketable securities. A majority of structured finance vehicles are collateralized debt obligations (CDOs).¹¹ The first formal CDO,¹² BlueOrchard Microfinance Securities I (BOMS), was structured in 2004–2005 by BlueOrchard in partnership with OPIC and Developing World Markets (a private U.S. company set up by emerging market banking professionals). Fourteen MFIs received loans with a seven-year maturity, and investors were offered five risk classes of the same maturity.¹³ Since then, seven CDOs have been structured, and over US\$525 million in microfinance securities have been issued (see Annex 2 for details).

Structured finance vehicles

Average asset size: US\$70 million
 Average age: 0.8 year
 Average deal size: US\$4.1 million
 Main instruments: 100% debt
 Geographic focus: 93% LAC and ECA
 Main subscribers: 61% institutional investors,
 27% DFIs

Four CDOs participated in the CGAP survey. The vehicles are invested in leading MFIs in just two regions—Latin America and the Caribbean (LAC) and Eastern Europe and Central Asia (ECA). This group provides MFIs with larger loans (three times the MIV average) and longer maturities (one-and-a-half times the MIV average).

Total expense ratios are relatively low compared to other funds (half) because deals are large and the portfolio is not actively managed. However, CDOs are costly to set up and involve expensive due

¹⁰ With the exception of EFSE, which is registered as a SICAV and regulated by CSSF, the Luxembourg market authority.

¹¹ Microfinance CDOs (also known as collateralized loan obligations) are funds that pool and repackage loans to MFIs and divide the credit risk among different tranches according to relative risk and return: senior tranches, mezzanine tranches, and equity tranches. Repayments to investors follow a "waterfall" structure: holders of senior tranches are paid first, followed by mezzanine tranches, and then junior tranches. Thus senior note holders receive the lowest returns to reflect a high certainty of payment. Equity investors are paid on maturity only if there is residual cash left after all other investors have been paid. CDOs serve as an important funding vehicle for portfolio investments in credit-risky, fixed-income assets.

¹² The Latin American Challenge Investment Fund, set up in 1999, was the first microfinance structured fund to provide various "risk tranches" to investors with a waterfall structure.

¹³ One senior, three subordinated, and one class of equity.

diligence processes and legal fees that are not always priced in at full cost.

Because of their credit ratings and the well-covered default risk, senior tranches of structured finance vehicles offer the most viable investment opportunities for commercial investors. The BOLD II two senior tranches, for example, were rated AA and BBB by Standard & Poor's and were offered to private investors at a premium of up to 40 basis points and 95 basis points above three months Euribor, respectively.

So far junior and equity tranches have been purchased by public investors and MIVs.¹⁴ Junior tranches are attractive investment opportunities for knowledgeable investors, with an average yield in U.S. dollars close to 8 percent in 2006.

Blended value fixed-income and equity funds.

Blended value fixed-income and equity funds include long-established funds, such as Triodos Doen Foundation, and newer funds, such as Micro-Credit Enterprises. Blended value funds are the most heavily mission driven and offer a mix of social and financial returns, with target financial returns typically below market rates. Their average return is 1.5 percent. Eighty-five percent of investments come from individuals, foundations, or nongovernmental organizations. These MIVs have significant investments in underserved regions, such as Africa and East Asia, and tend to invest in small and medium-size MFIs. Not surprisingly, this category has one of the highest total expense ratios for debt funds explained by the small average deal size (one-third the MIV average) and the high cost of due diligence and legal work for such small deals.

Holding companies of microfinance banks. This group comprises holding companies of microfinance banks established by leading microfinance consulting companies and DFIs. They provide equity finance to

Blended value investment funds

Average asset size: US\$20.8 million
 Average age: 10.4 years
 Average deal size: US\$0.6 million
 Main instruments: 67% debt
 Geographic focus: 39% LAC and 26% Sub Saharan Africa, and 17% Asia
 Main subscribers: 85% individuals and foundations

start-up, greenfield microfinance banks replicating the successful model developed by ProCredit Holding.¹⁵ With the exception of ProCredit,¹⁶ the track record of holding companies is too short to assess their performance. Holding companies receive the highest share of public investment and benefit from additional public subsidies through DFI-supported technical assistance. This group effectively serves as the investment arm of DFIs set up to create new MFIs in underserved markets. Together, they have a pipeline of more than 25 new microfinance banks in frontier markets, such as Congo, Yemen, and Algeria. This group has the highest share of investment in Sub-Saharan Africa (31 percent).

Holding companies

Average asset size: US\$15.5 million
 Average age: 2.3 years
 Average deal size: US\$1.8 million
 Main instruments: 93% equity
 Geographic focus: 48% ECA and 31% Sub-Saharan Africa
 Main subscribers: 63% DFIs, 30% institutional investors

Equity funds. This group comprises equity firms and venture capital companies offering a blend of equity and convertible debt to high-growth MFIs in emerging markets. MIVs in this category include first-generation venture capital funds (set up by DFIs or networks,

¹⁴ Structured finance vehicles is the group with the largest amount of funding coming from other MIVs.

¹⁵ ProCredit Holding is a holding of microfinance banks; it did not participate in CGAP's survey.

¹⁶ Not included in the peer group results.

such as ACCION) and second-generation equity funds with a more commercial or regional focus, with private backers (e.g., Bellwether in India). This group of MIVs has the highest share of investments in Asia and large commitments in Sub-Saharan Africa. Although DFIs are the major investors in equity funds, their share is decreasing, as foreign and local private institutional investors raise their commitments. This peer group has the smallest asset size but the highest growth rate. Results are challenging to analyze, given different accounting practices, notably portfolio valuation principles. Because of the absence of historic data, there is also insufficient evidence to develop relevant performance benchmarks. Private equity funds are expensive to operate, with total expense ratios ranging from 3 to 6 percent, and have costs ratios similar to that of blended value funds.

Private equity funds

Average asset size: US\$14 million
 Average age: 2.7 years
 Average deal size: US\$1.5 million
 Main instruments: 76% Equity
 Geographic focus: 39% LAC and 27% Sub-Saharan Africa
 Main subscribers: 47% DFI, 32% institutional investors

Latest trends and issues in debt and equity funding

Fixed income: From a sellers to a buyers market¹⁷

For leading MFIs, the supply of credit is abundant and growing. More and more lenders, both foreign and local, are entering the market each month.

Fixed-income investment—the provision of debt-based products—has so far been the mainstay of microfinance investment. Debt accounts for 78 percent of all MIV investment. In 2006 alone, foreign investors lent a total of US\$1 billion. However, the pool of MFIs seeking, and able to service, commercial debt finance is relatively small, and most of the debt is concentrated in the largest 150 MFIs.

The outlook for fixed-income investment is looking less bullish than a few years ago. Gearing—the ratio of long-term debt to total capital—has increased significantly. With the average debt-to-equity ratio now at 7-to-1 for large MFIs,¹⁸ further borrowing will be limited by capital adequacy limits and prudential financial management. Moreover, most foreign debt is denominated in hard currency. As MFI managers become increasingly aware of the risks of borrowing in hard currency and the costs and difficulty of hedging that risk, the appetite for more hard currency debt may decline, with a growing shift in currency risk toward investors.

Competition for good credit is becoming fierce with the entry of new funds and local banks, together with DFIs, aggressively seeking new opportunities to expand their own portfolios. High-performing MFIs now have the upper hand. They are making lenders compete and driving hard bargains on terms. In some markets, such as Bosnia, pricing has been cut by as much as 250 basis points in just three years. As one Bosnian MFI manager put it: “There is a lot of competition among foreign lenders to provide us capital. This means we’re in a position to negotiate hard with investors and ask for lower interest rates. We need to reduce our own interest rate to clients to remain competitive, so we are seeking as low cost funds as possible.”

As loan pricing is coming down, and gearing increases, risk-adjusted returns appear less and less attractive in many markets.

¹⁷ A buyer’s market is a market that has more sellers than buyers. Low prices result from this excess of supply over demand. It is the opposite of a seller’s market.
¹⁸ MIX research conducted by Adrian Gonzalez for CGAP.

What has been the investor's response?

Larger amounts, longer maturities. Investors are responding to MFIs' demand for larger and longer term loans to support their growth plans. The MIV average fixed-income transaction size has increased by 30 percent in just one year. The result is further risk concentration toward large MFIs, known as the "bunching effect." MIVs have, on average, 40 percent of their investment in only five MFIs.¹⁹ DFIs also have a high level of direct credit exposure to leading MFIs, such as Alamana or Banco Solidario. Managing credit exposure limits is becoming an issue.

Loan maturities are increasing. DFIs offer loan maturities of up to 15 years, and some structured finance vehicles are lending up to seven to eight years. Registered mutual funds, which used to lend short term, now have an average maturity of close to two years. MFI managers are attracted by such longer term finance, which is not available on the local market.

Greater appetite for risk: Moving down market.

MIVs and DFIs are trying hard to reach down market and lend to smaller MFIs. DFIs have supported the creation of local funds, such as Jaida in Morocco and Bellwether in India, to provide capital to emerging MFIs. But their absorption capacity is limited. According to the MIX, 300 medium-size MFIs account for only 11 percent of total MFI assets. Their leverage is almost as high as the largest 150 MFIs, even though they are, on average, 12 times smaller. Many medium-size MFIs need equity (and, in some cases, technical assistance) more than debt.

Local currency lending. Eighty-five percent of debt financing to MFIs is in foreign currency.²⁰ However, investors are increasingly developing hedging instruments to enable more local currency lending. Some large funds, particularly registered funds and CDOs,

have already adopted hedging mechanisms to lend in local currency. ResponsAbility now offers loans in 15 currencies with the ambition to reach 40 in the next three to five years. DFIs, too, are developing hedging instruments.²¹ Yet, most MIVs are still small and unable to afford the cost of hedging required for local currency loans.

Thus far, the foreign fixed-income picture has been dominated by a few funds investing in hard currency in a small number of high-growth, large-cap MFIs, mainly regulated institutions, in Latin America and Eastern Europe. But it is a very active and quickly changing market. Competition has triggered product diversification and innovation. The range of debt products available to MFIs today is broad and includes subordinated loans, long-term loans, local currency loans, and guarantees, among others. Debt providers are also moving down market, increasing the flow of capital to medium-size MFIs. However, in many places, the debt market is overheated, and pricing does not reflect credit and country risks.

Equity, from social bear to commercial bull...²²

Equity investment has naturally lagged behind fixed-income investment and was long the domain of socially motivated and public investors.

At first glance, the investment opportunities for equity investors look very attractive. Market-oriented MFIs can combine high growth rates and double-digit returns on equity with plenty of room for upside, given the absence of competition among microfinance providers in most markets and the potential for improved economies of scale, product diversification, and higher leverage.

¹⁹ Simple average top five credit exposure of 40 funds participating in the CGAP MIV 2006 survey.

²⁰ See Featherston, Littlefield, and Mwangi (2006) and CGAP (2006).

²¹ In 2007, FMO, in partnership with private and public investors, launched the TCX Currency Exchange Fund to offer currency products, such as interest swaps, for emerging markets.

²² A bear market is a period during which investment prices fall. It is the opposite of a "bull market" when investment prices rise faster than their historical averages.

However, there are challenges for private equity investing, such as the restricted pool of “investable” MFIs capable of hosting shareholder investment, the lack of standards and benchmarks for valuation,²³ the lack of a secondary market, and limited exit options. These factors depressed equity pricing until 2006.²⁴

ProFund is the first microfinance private equity fund, created by socially oriented investors and DFIs, to complete a cycle of investment and liquidation. It invested US\$20 million in 10 MFIs in Latin America during a 10-year period (1995–2005) with an average annual return of 6 percent. Most transactions were structured as convertible debt rather than common equity, and sales on exit were made to management or sponsors, rather than to third parties.

However, the market is evolving quickly. More mature MFIs are making the decision to transform into “for profit” social businesses and shareholder models and exit options are increasing. These trends all point toward improved equity investment opportunities in the future.

More shareholder-owned MFIs. According to a recent survey by Council of Microfinance Equity Funds, there are 222 regulated commercial and shareholder-owned MFIs today as compared with 124 two years ago (Rhyne and Busch, 2006). Returns are also improving for large MFIs.²⁵ Microcredit portfolio quality remains excellent, and MFIs have access to an abundant pool of low-cost debt that they can leverage to boost profits further.

MFI valuations are up. The dramatic initial public offering (IPO) of Compartamos in Mexico with a valuation at 13 times book value caught many market participants by surprise. This has encouraged other MFIs to raise capital through this route: the ProCredit Group in Germany, SKS in India, and Independencia (a consumer lending company) in Mexico are all taking steps to pursue IPOs in their local markets. These landmark transactions are driving up MFI valuations. Recent private placement transactions have been reported at one-and-a-half to three times book value. The MFI multiplier is approaching the level of the emerging market bank multiplier, where banks consistently sell at two to three times book value. This is despite MFIs’ younger age, smaller size, and relative lack of product diversification (DiLeo and Fitzherbert 2007).

Exit options emerging in some markets. The IPOs described above are the first real exits the microfinance market has recorded, beyond sales to existing shareholders or specialized microfinance investors. In large markets like India and Mexico, with sufficient depth to allow for an eventual public offer, some private equity funds are beginning to take notice of MFIs. For example, Sequoia Capital, a venture capital firm that backed Google and YouTube among others, has invested in SKS Microfinance in India with the explicit expectation that an IPO will yield significant capital gains.

Overall, the supply of private equity finance has increased significantly, with eight specialized equity funds established in the past two years and institutional

²³ IFRS or GAAP rules of marking-to-market become illusory in most emerging markets because of the absence of mark-to-market transactions.

²⁴ According to research conducted by the Council of Microfinance Equity Fund and Opportunity International, equity transactions through private placements over 2002–2005 were priced on average at only 1.1 times book value.

²⁵ The top 50 MicroRate MFIs have increased their median return on equity from 14 to 23 percent over the past five years, according to Microrate.

investors also investing directly in MFIs. Established private equity funds, such as Blackstone or Legatum, are also investigating microfinance opportunities and taking equity positions in a few MFIs with high returns and growth potential. Other players, such as banks (both local and foreign) and mobile network operators, are also beginning to assess potential acquisitions in microfinance to gain access to MFIs' large and loyal customer base and attractive delivery infrastructure. Such players could emerge as significant strategic investors in large MFIs.

Is there a microequity bubble? Will microfinance equity valuations outstrip emerging market commercial bank averages? What will happen if microfinance banks don't meet return expectations? The equity market is indeed showing some signs of exuberance. We are in a growth cycle. However, our view is that we are likely to see a period of consolidation in market prices, but not a collapse, because microfinance business fundamentals are still good.

From competition to collaboration: Public and private investors

In the most developed microfinance markets, public and private investors are increasingly competing for the same microfinance investment opportunities. When this happens, DFIs often undercut private investors by offering lower interest rates or more flexible terms. This retards the pace of capital market development.

Not all DFIs and socially oriented MIVs can be put in the same basket however. Some offer low interest rates and are prepared to accept below market returns while others charge higher rates and expect higher returns (with the social return as an added benefit), much like private investors. For this reason, the public-private angle is not the most helpful to understand behavior; a more relevant distinction to make is between purely commercial profit-seeking capital as opposed to blended value funds—both public and private.

Although several DFIs recognize that they should exit the most developed markets by, for example, selling their microfinance assets in large, profitable MFIs to private investors, it is not always clear when and how to exit. Exiting from mature investments can significantly reduce DFIs' overall investment portfolios,

conflicting with management incentives that often favor a high-growth strategy. From the MFIs' perspective, the long-term commitment and brand value of DFI investors can be crucial to protect their social mission and provide comfort given the relatively unstable political and socioeconomic contexts within which they operate. Many fear that private investment will be the first to flee in times of crisis. However, with growing investor appetite for microfinance, DFIs have more exit options and greater opportunities to demonstrate their added value by investing where other investors will not.

DFIs' most important role is investing in less developed and frontier markets, such as Yemen or Sudan, and building new MFIs that will eventually attract private investment. Some are already playing this role. Dutch FMO, for example, has engaged with and developed joint ventures with private investors and has participated in local bond offerings for MFIs to encourage local private investors to follow on purely commercial terms. The Microfinance Initiative for Sub-Saharan Africa program supported by KfW and IFC is also helping to create new MFIs in Africa.

Conclusions

Microfinance investing occupies a very small, but rapidly growing niche in both socially responsible and emerging markets investments. Public investors have been at the forefront of this investment trend. However, today there is an increasingly sophisticated network of international private investors looking for ways to invest in microfinance on an ever larger scale. Public investors need to respond to fast-paced evolutions in market changes by redefining where they have the most added value to avoid crowding out private investment.

How will private-sector investors affect the future development of microfinance? Clearly, private investors are already playing a significant role in certain markets, bringing in not only important capital but, equally important, crucial governance capacity and much-needed skills in growing and managing professional businesses. But, this exciting trend of increasing foreign private-sector investment must be kept in perspective. The reality is that the bulk of foreign investment is going to the top 150 MFIs in about 30 countries and two regions: Latin America and Eastern Europe and Central Asia account for 75 percent of cross-border capital flows. Africa and Asia, where poverty and potential microfinance demand is highest, receive only 6 and 7 percent of foreign investment, respectively.

Moreover, foreign investment is quite appropriately just one source of funding. In Asia, many large and rapidly growing MFIs have the ability to self-finance their operations through savings intermediation, local bank loans, and bond issuance. For example, BRI Unit Desa in Indonesia, the largest MFI in the world, has 10 savers for each borrower. Even Grameen Bank, which used to borrow heavily from foreign sources, now has excess liquidity from client deposits. In many African countries, the predominant microfinance model is savings-led financial cooperatives that do not even

take foreign investment. In other countries, local banks are the main source of external funding. In yet other markets, MFIs are in their early stages and depend on government donor agencies, foundations, NGOs, or apex institutions for funding.

So what impact is foreign investment likely to have on the social focus of microfinance? Whereas local sources of funding—deposits, local bank financing, and bond issues—are generally commercially driven, most foreign investment has come from investors with a double bottom line seeking financial *and* social returns. As would be hoped for, MFIs that have received such foreign investment are remaining focused on their double bottom line.

Socially responsible investors are likely to become more demanding about social and environmental performance than other investors. Triodos is already pushing MFIs to be more transparent about their social impact, lending practices, and environmental policies and promotes Global Reporting Initiative standards. Others are pushing for the development of screening services that can help socially responsible investors identify “best in class” MFIs in key areas, such as poverty outreach, gender, or responsible lending. These services will screen out institutions that do not have a clear social dimension to their operations or those that have predatory lending practices. In this way, socially responsible investors can be a major force in improving transparency and accountability on social performance in microfinance.

However, the market is also beginning to see the entry of foreign investors that are investing in microfinance on purely commercial terms with higher financial return expectations. Some emerging market private equity players are starting to invest in high-growth MFIs with target returns in the 20–30 percent range. Although the share of this type of investment is still extremely low, it raises important questions about

whether a profit-maximizing investor base will allow microfinance to uphold its social mission. Will profits be reinvested for the benefit of the clients through, for example, lower interest rates or more remote service provision, or will the focus be on maximizing shareholders' financial returns at the clients' expense? It is too early to tell whether such market pressures will force MFIs into mission drift. However, these questions are already generating tensions in MFI board rooms.

MFI directors need to understand the nature, consequences, and trade offs of the financing options open to them. Private equity investment is attractive but it comes with high and fast return expectations (within five years) and requires a clear focus on business profitability—sometimes at the expense of clients' concerns. Some MFIs, such as SKS

in India, have taken on private venture capital financing and are confident they can both maximize profits and add social value for poor clients through a high-growth business model. Other MFIs seek to reach financial sustainability while focusing on maximizing their social impact by deepening outreach, expanding into remote areas, or expanding the range and quality of services. These MFIs are looking for more socially driven investors.

Better information on social and financial performance of both MFIs and MIVs is needed to allow for the most effective allocation of financing. A more efficient capital market that integrates social and financial decision-making can help develop a robust microfinance industry that achieves the overall goal of sustainable and responsible financial services for all.

Annexes

- Annex 1. MIVs that participated in the CGAP and Symbiotics survey
- Annex 2. Collateralized Debt Obligation Transactions to Date
- Annex 3. Abbreviations and Acronyms
- Annex 4. Bibliography
- Annex 5. CGAP MIV Benchmarks: MIVs Balance Sheet and MIVs P&L and Performance

Annex 1. MIVs that participated in the CGAP and Symbiotics survey

Registered Mutual Funds

ASN-Novib Fonds
 Dexia Microcredit Fund
 Dual Return Fund SICAV
 responsAbility Global Microfinance Fund
 St. Honoré Microfinance
 Triodos Fair Share Fund

Commercial Investment Funds

Global Microfinance Consortium
 European Fund for South East Europe
 Impulse Microfinance Investment Fund NV
 MicroCredit Enterprises
 MicroVest I, LP
 Triodos-Doen Foundation

Structured Finance Vehicles

BlueOrchard Loans for Development 2006-1 (BOLDI)
 BlueOrchard Microfinance Securities-1 (BOMS1)
 Microfinance Loan Obligations SA,
 Compartment Opportunity Eastern Europe 2005-1
 Microfinance Securities XXEB

Blended Value Funds

The Dignity Fund, L.P.
 Fonds International de Garantie
 Hivos-Triodos Fund Foundation
 Incofin cvso
 Opportunity Loan Guarantee Fund I, LLC
 International Solidarity For
 Development and Investment

Holding Companies of Microfinance Banks

Global Microfinance Group SA
 Advans
 MicroCred
 Opportunity Transformation Investments, Inc.

Private Equity Funds

ACCION Investments in Microfinance SPC
 Africap Microfinance Fund Ltd
 Bellwether Microfinance Fund
 Balkan Financial Sector Equity Fund C.V.
 Investisseur et Partenaire pour le Développement
 ShoreCap International, Ltd.

Funds not categorized

Calvert Social Investment Foundation
 BBA Codespa Microfinanzas
 Finethic Microfinance SCA SICAR
 Gray Ghost Microfinance Fund LLC
 Oikocredit
 Procredit Holding
 responsAbility SICAV Microfinance Leaders Fund
 Unitus

Annex 2. Collateralized Debt Obligation Transactions to Date

2004	2005	2006	2007	2008
BlueOrchard Microfinance Securities LLC	Microfinance Loan Obligations – Opportunity Eastern Europe 2005-1	BlueOrchard Loans for Development I	BlueOrchard Loans for Development II	Global Microfinance Facility
Jul-04	Nov-05	Apr-06	May-07	TBD
\$87 MM	\$60 MM	\$99.21 MM	\$110.2 MM	US\$165 MM
5 risk profiles, 7-year maturity, senior note guarantee by OPIC	3 risk profiles, senior note guaranteed by EIF	2 risk profiles	3 risk profiles, 7-year maturity	Portfolio to be actively managed until 2014
—	Senior note rated AAA/Aaa/AAA (with EIF wrap)	—	Class A rated AA (S&P), Class B rated BBB (S&P) Class C unrated	Senior notes rated AA (Fitch)
14 MFIs, 9 countries	MFIs, 7 countries	21 MFIs, 13 countries	20 MFIs, 12 countries	30 MFIs, 13 countries
Sponsored by BlueOrchard Finance S.A. & Developing World Markets	Sponsored by Opportunity International. Co-arranged by Symbiotics & European Investment Fund	Structured by Morgan Stanley. Sponsored by BlueOrchard	Structured by Morgan Stanley. Sponsored by BlueOrchard	Structured by Citigroup
		Microfinance Securities XXEB 2011	MicroAccess Trust	
		Jun-06	Jul-07	
		\$60 MM	US\$39 MM	
		4 risk profiles, 5-year maturity	1 risk profile	
		Senior notes rated A1 by MicroRate (Moody's scale)	—	
		26 MFIs, 17 countries	10 MFIs, 8 countries	
		Sponsored by Developing World Markets. Serviced by Symbiotics & Global Partnerships.	Structured by Lehman Brothers for MicroVest Capital Management	
			Microfinance-Invest Nr. 1	
			Sep-07	
			€60 MM	
			3 risk profiles, c.7-year maturity	
			Senior notes rated AAA (Fitch)	
			21 MFIs, 15 countries	
			Structured by DeutscheBank	

Annex 3. Abbreviations and Acronyms

AECI	Agencia Española De Cooperación Internacional
AUM	assets under management
BOLD	Blue Orchard Loans for Development I and II
BOMS	Blue Orchard Microfinance Securities LLC
CDO	collateralized debt obligation
CLO	collateralized loan obligation
CMEF	Council for Microfinance Equity Funds
CGAP	Consultative Group to Assist the Poor
DFI	development finance institutions
EBRD	European Bank for Reconstruction and Development
EFSE	European Fund for Southeast Europe
FMO	The Netherlands Finance Development Company
IADB	Inter-American Development Bank
IFC	International Finance Corporation
IPO	Initial Public Offering
KfW	Kreditanstalt für Wiederaufbau
OPIC	Overseas Private Investment Corporation
MFI	microfinance institution
MIV	microfinance investment vehicle
MIX	Microfinance Information Exchange Inc.
NGO	nongovernmental organization
SRI	socially responsible investment
S&P	Standard and Poor's (rating service)
VC	venture capitalist

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MIVs Balance Sheet

CGAP MIV benchmarks

Peer group table

powered by Symbiotics

All currency figures are population's average in million US Dollars as of 2006-12-31. The number in brackets indicates the sample size.

Survey Universe (active MIVs 2006, CGAP)	Nbre of MIVs	Total Assets	Total Assets	Assets Microfinance
64	64	3,049	3,049	1,987
Sample	40	62.5% 2,651	86.9% 2,651	86.9% 1,758
Holding Companies, N=4	Commercial Investment Funds, N=5	Blended Value Funds, N=7	Structured Finance Vehicles, N=4	

MIV average Balance sheet (\$ million)	%TA	%TA	%TA	%TA	%TA	%TA	%TA	%TA						
Total Assets (TA)	66.3 (40)	100.0%	65.1 (6)	100.0%	14.0 (6)	100.0%	15.5 (4)	100.0%	87.3 (5)	100.0%	20.8 (7)	100.0%	69.7 (4)	100.0%
Net Asset Value (NAV)	51.8 (40)	78.1%	63.3 (6)	97.3%	13.4 (6)	95.9%	11.9 (4)	77.0%	67.0 (5)	76.7%	11.7 (7)	55.9%	68.9 (4)	98.8%
Microfinance Portfolio (MP)	43.9 (40)	66.3%	48.9 (6)	75.1%	11.7 (6)	83.5%	11.0 (4)	70.8%	56.0 (5)	64.1%	15.8 (7)	75.9%	67.0 (4)	96.1%
Total Liquid Assets	8.9 (40)	13.4%	8.0 (6)	12.3%	1.7 (6)	11.8%	4.3 (4)	27.7%	5.9 (5)	6.8%	3.8 (7)	18.5%	2.0 (4)	2.9%

Microfinance Portfolio (MP) (\$ Million)	%MP	%MP	%MP	%MP	%MP	%MP	%MP	%MP					
Microfinance Investments	43.9 (40)	21.1%	48.9 (6)	6.4%	11.7 (6)	4.8%	11.0 (4)	92.8%	56.0 (5)	15.8 (7)	67.0 (4)	100.0%	
Microfinance Portfolio in Equity	9.3 (40)	21.1%	3.1 (6)	6.4%	8.8 (6)	75.6%	10.2 (4)	92.8%	0.6 (5)	4.4 (7)	28.1%	(4)	
Microfinance Portfolio in Fixed Income	34.0 (40)	77.4%	45.5 (6)	93.1%	2.9 (6)	24.4%	0.8 (4)	7.2%	52.0 (5)	10.6 (7)	66.8%	67.0 (4)	100.0%
Microfinance Portfolio in Guarantees	0.7 (40)	1.5%	0.3 (6)	0.5%	- (6)	-	- (4)	-	3.4 (5)	0.8 (7)	5.0%	- (4)	-
Maturities of fixed income investments (Months)	38 (17)		19 (4)		44 (3)		- (4)		44 (4)	21 (1)		50 (2)	
Direct Investments in MIFs	41.5 (40)	94.4%	43.6 (6)	89.2%	11.6 (6)	99.3%	11.0 (4)	99.8%	54.9 (5)	14.8 (7)	93.4%	67.0 (4)	100.0%
Investments in other MIVs	2.5 (40)	5.6%	5.3 (6)	10.8%	0.1 (6)	0.7%	0.02 (4)	0.2%	1.1 (5)	1.9%	1.0 (7)	6.6%	- (4)

Geographic Distribution	%MP	%MP	%MP	%MP	%MP	%MP	%MP	%MP						
Eastern Europe and Central Asia	20.0 (40)	45.4%	16.1 (6)	32.9%	0.6 (6)	4.8%	5.2 (4)	47.8%	44.8 (5)	79.9%	2.4 (7)	15.3%	25.6 (4)	38.2%
Latin America	15.5 (40)	35.3%	21.6 (6)	44.1%	4.5 (6)	38.8%	1.3 (4)	11.4%	9.0 (5)	16.1%	6.1 (7)	38.5%	36.8 (4)	54.9%
East Asia & Pacific	2.3 (40)	5.3%	1.6 (6)	3.3%	1.7 (6)	14.3%	0.3 (4)	2.5%	1.0 (5)	1.7%	2.0 (7)	12.7%	2.5 (4)	3.7%
South Asia	1.2 (40)	2.7%	1.9 (6)	3.8%	1.8 (6)	15.7%	0.1 (4)	0.6%	0.2 (5)	0.3%	0.8 (7)	5.1%	1.0 (4)	1.5%
Middle East and North Africa	0.1 (40)	0.2%	0.1 (6)	0.2%	- (6)	-	- (4)	-	- (5)	-	0.2 (7)	1.1%	0.3 (4)	0.4%
Sub-Saharan Africa	3.1 (40)	6.9%	1.9 (6)	3.8%	3.1 (6)	26.5%	3.4 (4)	31.1%	0.8 (5)	1.5%	4.1 (7)	25.9%	- (4)	-
Other	1.8 (40)	4.2%	5.9 (6)	12.0%	- (6)	-	0.7 (4)	6.5%	0.2 (5)	0.4%	0.2 (7)	1.5%	0.9 (4)	1.3%

Risk Indicators, concentration and currency	%MP	%MP	%MP	%MP	%MP	%MP	%MP	%MP						
Top One Country Exposure	8.3 (40)	18.8%	8.0 (6)	16.3%	4.2 (6)	36.0%	3.6 (4)	33.2%	15.4 (5)	27.6%	2.5 (7)	16.0%	12.0 (4)	17.8%
Total Top Five Country Exposure	26.9 (40)	61.3%	25.6 (6)	52.4%	9.0 (6)	76.6%	7.9 (4)	72.1%	46.6 (5)	83.1%	9.1 (7)	57.4%	48.5 (4)	72.4%
Top One Microfinance Investment Exposure	7.1 (40)	16.2%	5.6 (6)	11.4%	3.5 (6)	30.3%	3.6 (4)	33.2%	13.6 (5)	24.3%	2.0 (7)	12.4%	9.5 (4)	14.1%
Total Top Five Microfinance Investment Exposure	20.8 (40)	47.4%	16.8 (6)	34.4%	8.7 (6)	74.3%	7.9 (4)	72.1%	30.2 (5)	54.0%	6.1 (7)	38.6%	35.8 (4)	53.4%
Top One Unhedged Currency Exposure	3.9 (39)	11.2%	0.3 (6)	0.5%	3.1 (6)	26.7%	3.4 (4)	30.6%	0.1 (5)	0.1%	1.7 (7)	10.5%	2.6 (4)	3.8%
Total Top Five Unhedged Currency Exposure	6.8 (39)	19.6%	0.7 (6)	1.5%	6.8 (6)	57.8%	7.6 (4)	69.5%	0.1 (5)	0.1%	4.6 (7)	29.2%	3.2 (4)	4.8%

Investor Type (IT)	%IT	%IT	%IT	%IT	%IT	%IT	%IT	%IT						
Public Institutions	20.2 (33)	30.1%	0.5 (6)	0.8%	10.6 (4)	46.5%	5.8 (3)	63.2%	1.4 (4)*	4.4%	0.02 (6)	0.1%	12.8 (2)	27.2%
Private Institutions	19.0 (33)	28.4%	20.7 (6)	32.4%	7.5 (4)	32.8%	2.8 (3)	30.4%	13.5 (4)*	43.5%	1.8 (6)	12.5%	28.6 (2)	60.7%
MIVs	2.3 (33)	3.4%	5.0 (6)	7.8%	1.5 (4)	6.6%	- (3)	-	1.3 (4)*	4.3%	0.4 (6)	2.9%	4.3 (2)	9.1%
Other (NGOs, Foundations, Individuals)	25.5 (33)	38.1%	37.7 (6)	59.0%	3.2 (4)	14.1%	0.6 (3)	6.4%	14.8 (4)*	47.8%	12.4 (6)	84.5%	1.4 (2)	3.0%

*EFSE not included

Name of MIVs	%MP	%MP	%MP	%MP	%MP	%MP	%MP	%MP						
All peer groups' MIVs and BBVA, Calvert Social Investment Foundation, Finethic Microfinance SCA SICAR, Gray Ghost Microfinance Fund LLC, Oikocredit, Procredit Holding, responsAbility SICAV Microfinance Leaders Fund, Unitus Equity Fund.	20.2 (33)	30.1%	0.5 (6)	0.8%	10.6 (4)	46.5%	5.8 (3)	63.2%	1.4 (4)*	4.4%	0.02 (6)	0.1%	12.8 (2)	27.2%
ASN-Novib Fonds, Dexia Microcredit Fund, Dual Return Fund SICAV, responsAbility Global Microfinance Fund, St. Honoré Microfinance, Triodos Fair Share Fund.	20.7 (6)	32.4%	7.5 (4)	32.8%	2.8 (3)	30.4%	13.5 (4)*	43.5%	1.8 (6)	12.5%	28.6 (2)	60.7%	9.1%	3.0%
ASN-Novib Fonds, Dexia Microcredit Fund, Dual Return Fund SICAV, responsAbility Global Microfinance Fund, St. Honoré Microfinance, Triodos Fair Share Fund.	37.7 (6)	59.0%	3.2 (4)	14.1%	0.6 (3)	6.4%	14.8 (4)*	47.8%	12.4 (6)	84.5%	1.4 (2)	3.0%		
ASN-Novib Fonds, Dexia Microcredit Fund, Dual Return Fund SICAV, responsAbility Global Microfinance Fund, St. Honoré Microfinance, Triodos Fair Share Fund.	37.7 (6)	59.0%	3.2 (4)	14.1%	0.6 (3)	6.4%	14.8 (4)*	47.8%	12.4 (6)	84.5%	1.4 (2)	3.0%		
ASN-Novib Fonds, Dexia Microcredit Fund, Dual Return Fund SICAV, responsAbility Global Microfinance Fund, St. Honoré Microfinance, Triodos Fair Share Fund.	37.7 (6)	59.0%	3.2 (4)	14.1%	0.6 (3)	6.4%	14.8 (4)*	47.8%	12.4 (6)	84.5%	1.4 (2)	3.0%		
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