



Microfinance Investment Vehicles (MIV) Disclosure Guidelines for Reporting on Performance Indicators

Microfinance Consensus Guidelines

A CGAP initiative supported by the Council of Microfinance Equity Funds, MicroRate, Oxford Business Partners, Symbiotics, and an advisory group of 35 microfinance investors and capital market experts

2007

Introduction

This 2007 edition of CGAP's *Microfinance Investment Vehicle Disclosure Guidelines* is the result of 18 months of extensive consultation and a consensus building process among 35 industry and capital market experts, organized by CGAP. More than 20 organizations, representing banks, fund managers, rating agencies, and investors, contributed to this industry document.

Microfinance investment vehicles (MIVs) are private investment funds that play an important role in commercializing microfinance through capital investments in the sector. A CGAP survey shows that MIV portfolios grew more than threefold from US\$600 million in 2004 to US\$2 billion in 2006.¹ In the past two years, MIVs have grown in number, scale, and product offering. Thirty new funds were set up in 2005 and 2006, bringing the total to 74.

These guidelines will help to improve the transparency of the quickly growing MIV sector by generating higher quality, more comparable information on fund performance. Fund managers will find them a useful tool for self-management and assessment, enabling solid fund reporting using accepted criteria and benchmarks. Investors will benefit from improved performance data they can use to make investment decisions with more confidence.

These guidelines are built on good practices for investment fund reporting and incorporate the latest International Financial Reporting Standards (IFRS) and Global Investment Performance Reporting Standards (GIPS). They also include the results of a pilot test involving 10 microfinance funds representative of the industry, to ensure relevance and applicability. The 2008 edition will include a more developed social performance section.

CGAP is also developing high-level performance benchmarks on MIVs, to be published in 2008. These MIV benchmarks will offer, for the first time, solid performance metrics on MIVs in key business areas, such as return, efficiency, outreach, and risk. By improving the transparency of financial performance for MIVs, the guidelines and benchmarks together will help foster commercial investment and facilitate the sustainable growth of the microfinance industry.

Acknowledgments

This CGAP initiative builds on research by MicroRate and other significant contributions from investors and capital market experts. Xavier Reille and Hannah Siedek of CGAP; Patrick Goodman, private consultant; Andrew Delves and Claudio Sissa of Oxford Business Partners (OBP); and Roland Dominice, Yannis Berthouzoz, and Vincent Dufresne of Symbiotics drafted this document.

CGAP welcomes your suggestions and guidance for continuously improving the *Microfinance Investment Vehicle Disclosure Guidelines*.

¹ According to the CGAP-MicroRate Survey, MIV portfolio outstanding in microfinance (including debt, equity, and guarantee) was US\$2 billion as of December 2006. DFI funding accounts for 34 percent of this amount.

Guidelines Overview

Microfinance investments are growing rapidly but reporting practices still lag behind international capital markets standards. The diversity and lack of disclosure and performance standards make it difficult to access and compare the performance of MIVs. CGAP, a leading resource center on microfinance, was asked by the International Finance Corporation (IFC) and other investors to help develop reporting guidelines for the microfinance investment industry.

These industry reporting guidelines help to bridge the information gap by offering a standardized reporting tool that is easy to use and delivers straightforward data to guide the decisions of key industry players. The widespread use of these guidelines will offer prospective investors a way to simply assess investment purpose and performance, for example. Fund managers will be able to compare their performance with their peers, donors can assess the effectiveness of their funding for complementary technical assistance alongside investment funds, and the composite data will serve as a transparent and reliable mechanism to describe the development of the sector to a wider audience. These guidelines are designed to complement existing, but varied, regulatory requirements and accounting standards.

These guidelines aim to (1) respond to private investors' requirements for more regular updates, (2) provide indicators that are useful to private investors in microfinance, (3) start with a small number of core financial indicators, and (4) minimize the effort required from MIVs to collate information for this initial phase. Social and environmental indicators will be incorporated as the guidelines develop.

Intended Users

The guidelines are intended for use by MIVs that produce regular reports for an audience of existing and future investors, particularly commercial investors.

Benefits

Disclosure and standardization of MIV data provide investors with a greater level of confidence in the integrity, comparability, and consistency of fund performance. It also enables fund managers to better compare performance and therefore compete for business using solid, accepted criteria. Ultimately, improving the transparency of financial performance for MIVs will help bring more capital into microfinance and facilitate the sustainable growth of the microfinance industry.

Participation of MIVs

CGAP encourages MIV managers to adopt these guidelines as part of regular reporting practices. These indicators will be meaningful only if a large number of MIVs choose to use the guidelines to report on their microfinance portfolio, generating a dependable, updated pool of comparable data. Development Finance Institutions (DFIs) and other key investors are best positioned to improve transparency around MIV transactions by making compliance with the guidelines a condition of their investment. Promotion and broad dissemination of the guidelines to MIVs as well as DFIs and other key investors will make them aware of these guidelines and their benefits. Other incentives, such as a fund "microfinance label", which is currently being developed by LuxFLAG (www.luxflag.org) together with the Luxembourg Investment Funds Association (ALFI), will also play an important role in improving investors' access to complete and reliable information on microfinance investments.

Completeness and Quality of Information

The disclosure format does not include all the information an investor needs to select a fund and/or make an investment decision. For example, at this stage, the framework includes only quantitative indicators and does not integrate other very important information, such as the quality and track record of management. More in-depth developmental indicators are also omitted at this stage but could be incorporated in a later phase. The MIV industry is fairly young, and data quality might be uneven. The absence of historic data is of particular concern. These guidelines are simply a framework for reporting and do not ensure the integrity of information reported, thus it is important to confirm the data due diligence before making investment decisions.

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I. Definitions

Microfinance

Microfinance is the provision of diverse financial services (credit, savings, payments, etc.) to low-income individuals. Microcredit loan portfolios are characterized by their recipients (low-income borrowers who are typically self-employed or owners of tiny informal businesses, rather than salaried workers), small average loan size (often significantly less than 10,000 euro in Europe and Central Asia and less than 5,000 euro elsewhere), and alternative lending techniques that generally do not rely on conventional collateral.

Microfinance Institutions (MFIs)

MFIs are specialized financial institutions whose performing assets are mainly microloans. MFIs aim to reach more low-income households with an increasing variety of financial services, including but not limited to financing for their microenterprises. MFIs include banks, regulated non-bank financial institutions (NBFIs), savings and loan cooperatives, and not-for-profit organizations.

Microfinance Investment Vehicles (MIVs)

An MIV is an investment entity that has microfinance as a core investment objective and mandate. It is either self-managed or managed by an investment management firm or by trustees. It receives money from investors through the issuance of shares, units, bonds, or other financial instruments. It provides debt, equity, or guarantees to MFIs and non-specialized financial intermediaries (see Annex V for a list of MIVs).

Microfinance Portfolio of an MIV

A microfinance portfolio can be invested directly or indirectly:

<i>Direct Microfinance Portfolio:</i>	Direct investments into MFIs or loans to non-specialized financial intermediaries specifically used to fund microloans directly
<i>Indirect Microfinance Portfolio:</i>	Investments in other MIVs or loans to non-specialized financial intermediaries specifically used to fund MFIs

(Refer to the microfinance market diagram in Annex III.)

Non-specialized Financial Intermediaries

Non-specialized financial intermediaries include commercial, savings, and postal banks that provide financial services to poor and low-income clients or extend loans to MFIs, but whose principal business is not microfinance.

II. Summary of 10 Key Indicators

The following indicators and disclosures reflect the key characteristics of an MIV:

A1 Name of Vehicle

A2 Investment Manager Name

A3 Place of Registration

A4 Type of Vehicle

Select one of the following categories of vehicles that invest in microfinance:

1. **Registered mutual funds** targeting primarily retail investors and seeking close to a money market return from primarily **fixed-income** investment
2. **Commercial fixed-income investment funds** targeting public and private institutional investors and seeking 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

A5 Main Financial Instrument

An MIV's main mode of investment in microfinance, select from the following categories: equity, debt, or guarantee

A6 Geographic Focus

The MIV's geographic mandate, select from the following categories:

- Africa and Middle East
- Eastern Europe and Central Asia
- Latin America
- Asia
- Global

A7 Size and Valuation Currency

Size refers to the total assets of the MIV. Valuation currency refers to the currency used to report the value of the MIV.

A8 Assets in Microfinance Portfolio

A9 Annual Return

Annual return calculation varies among the types of MIVs. (Refer to indicators C1.6, C2.4, C3.6.)

A10 Total Expense Ratio (TER)

A measure of total costs associated with managing and operating an investment fund. These costs include mainly management and additional expenses, such as trading fees, legal fees, auditor fees, and other operational expenses. Total costs of the fund are divided by the fund's total assets to arrive at a percent, which represents TER.

III. Recommended Performance Indicators

This section presents the recommended performance indicators and disclosures for MIVs. An example of a fund performance report is presented in Annex VII.

1. Asset Value

Period

Measure and report value quarterly, ideally according to the calendar year.

Currency

The currency used to report the value of an asset should be the same currency used to report audited accounts. The exchange date should be the rate at the end of the reporting period. If an MIV reports in more than one currency for information purposes, it is important to disclose the exchange rates and sources and the exchange dates used and to describe how these have been applied.

Disclosure

Information provided should be consistent with information the MIV is required to provide by regulation. Any inconsistencies should be disclosed.

Valuation

Forward-looking valuations are preferred for profitable companies. However, historical valuations using net assets are commonly used within the industry. All equity valuations should therefore use book value, or a multiple of book value, as a minimum. Where different valuation methods are used, a description of each valuation method and the underlining key assumptions should be made available.

Ideally, the valuation method to determine asset value should use the principle of equity inherent in a market value approach for both liquid and illiquid investments. Market value means either "marked-to-market" for liquid investments or "fair value" for illiquid investments. Fair value is the amount for which an asset could be exchanged between willing parties in an arm's length transaction. It assumes that the parties act knowledgeably, prudently, and without compulsion.

B1 Asset Value

Total assets include the microfinance and non-microfinance portfolio, such as capital, loan/debt/notes in other MIVs, and other assets. Total net assets are defined as total assets minus total liabilities, essentially the net asset value (NAV).

B1.1 Total assets

B1.2 Total Net Assets (NAV)

B1.3 Assets in microfinance portfolio

B1.4 Total liquid assets (e.g., cash, time deposits)

B1.5 Total debt

B1.6 Total equity

B2 Off-Balance Sheet Commitments

These commitments arise on transactions that have not yet been realized, such as investment commitments to be disbursed.

B2.1 Off-balance sheet committed investments (inflow)

B2.2 Off-balance sheet committed investments (outflow)

B3 Allocation by Instrument

Investors in microfinance can invest in debt, equity, or guarantees. Debt investments are MIV loans to MFIs or to non-specialized financial intermediaries specifically used to fund microfinance (i.e., senior, junior, convertible, and subordinate debt). Equity refers to stock purchases with or without voting rights. MIV guarantee refers to the amount guaranteed to an MFI as an instrument to enhance its credit worthiness.

B3.1 Microfinance portfolio in equity (number of recipients)

B3.2 Microfinance portfolio in equity (value)

B3.3 Microfinance portfolio in debt (number of recipients)

B3.4 Microfinance portfolio in debt (value)

B3.5 Microfinance portfolio in guarantees (number of recipients)

B3.6 Microfinance portfolio in guarantees (value)

B3.7 Weighted average remaining maturities of direct debt investments (duration)

B4 Allocation by Type

- B4.1 Direct microfinance portfolio (number of recipients)
- B4.2 Direct microfinance portfolio (value)
- B4.3 Indirect microfinance portfolio (number of recipients)
- B4.4 Indirect microfinance portfolio (value)

2. Return Indicators

Currency

Currency in which performance is reported. This should be consistent throughout the report and with audited accounts.

Calculation Method for Composites

Aggregating returns should be calculated by asset weighting the individual fund or investment returns using beginning-of-period values or a method that reflects beginning-of-period values and period external cash inflows and outflows.

Disclosure

Industry practice records capital transactions on trade date, recognizes dividend income on the ex-dividend date, and recognizes interest income or expenses on the accrual basis of accounting. Differences from this practice should be disclosed.

C1 Return Indicators: Regulated Investment Vehicle

Return indicators apply for each asset class of the MIV on a monthly basis for regulated MIVs.

- C1.1 Class currency
- C1.2 Class name
- C1.3 NAV class
- C1.4 Price per share
- C1.5 Period return
- C1.6 12 months' return
- C1.7 Annualized average return since inception

The return is calculated as follows: $((\text{Final Price} \times \text{Last Reinvestment Factor (total distribution dividends plus capital gains)} - \text{Beginning Price}) / \text{Beginning Price})$

C2 Return indicator: Unregulated investment vehicle

Return indicators apply yearly.

- C2.1 Valuation currency
- C2.2 Class name
- C2.3 Total equity
- C2.4 Annual return

The annual return is the annual percentage change in the book value per share (i.e., the annual percentage change of the book value of the company common stock divided by the number of shares outstanding, plus the dividend yield).

C3 Return Indicators: Special Purpose Vehicle

Return indicators apply one time for each class (if several series, add a new sheet).

- C3.1 Valuation currency
- C3.2 Class name
- C3.3 Class value
- C3.4 Percentage of assets with higher level of subordination seniority (value of higher subordination classes / total assets)
- C3.5 Class risk
- C3.6 Coupon
- C3.7 Weighted average life

3. Efficiency and Cost Structure

This section looks at the cost structure of managing and operating an MIV. The Total Expense Ratio (TER) is the preferred indicator. It is measured annually and reported quarterly, with the date of measurement disclosed.

D1. Cost Structure: Regulated Investment Vehicle

- D1.1 Average net asset value (ANAV)
- D1.2 Management fees (% of ANAV)

-
- D1.3 Operating expenses (amount)
 - D1.4 TER (operating expenses as a % of ANAV)

ANAV: The average NAV for the year, ideally based on monthly NAVs.

Management fees: A charge paid to a fund's managers for their services, usually also includes administration costs and investor relations costs - typically a certain percentage of assets under management.

Operating expenses: This includes all operating expenses, such as management fees, accounting fees, custodian fees, legal fees, marketing and distribution costs, and general administration. Operating expenses do not include dividends, capital items (i.e., unrealized losses on investments), brokerage fees, transaction costs, performance fees, bank and interest charges, currency profits/losses, and restructuring fees

D2 Cost Structure: Unregulated Investment Vehicle

- D2.1 Total assets
- D2.2 Management fees (% of total assets)
- D2.3 Operating expenses (amount)
- D2.4 TER (operating expenses as a % of total assets)

D3 Cost Structure: Special Purpose Vehicle

- D3.1 Operating expenses as a % of total notes issued plus equity

4. Concentration Indicators

Period

Measure and report risk quarterly, ideally according to the calendar year.

Concentration

This is an indication of the exposure of the MIV's portfolio. It is measured as a percentage of total microfinance portfolio based on the criteria specified in the following.

-
- E1 Top five country exposures
(optional: list of all country exposures of the MIV)
 - E2 Top five microfinance investments
(optional: list all microfinance investments of the MIV)
 - E3 Top five un-hedged currency exposure and total un-hedged currency exposure (un-hedged against valuation currency)
 - E4 Geographic exposure by sub-region, as described in Annex IV

5. Outreach Indicators

Social Indicators measure the outreach of microfinance investments according to several dimensions described below. The proposed indicators are indicative and not exhaustive. They should provide investors with guidance on MIV outreach. Some of the indicators proposed in the previous sections of these guidelines also can provide information on how much the MIV adapts its investment instrument to local needs (e.g., amount of investments in local currency, average investment size in microfinance portfolio, etc.).

Data are based on the direct microfinance portfolio of the MIV. For each indicator, the underlying MFI data must be less than one year old.

- F1 Number of microfinance borrowers reached by the MIV
- F2 % of female borrowers among total microfinance borrowers
- F3 % of rural borrowers among total microfinance borrowers
- F4 Average MFI recipient outstanding loan size (USD)
- F5 Average MFI recipient outstanding loan size/GNI per capita ²(USD)
- F6 Average MFI recipient loan size disbursed in the period/GNI per capita (USD)
- F7 Number of microfinance savers reached by the MIV

Further research and consultation on social indicators are underway in coordination with the international task force on social performance. A more comprehensive framework will be included in the 2008 edition of these guidelines.

² Atlas method

IV. Appendices

Annex I. MIV Fact Sheet

G1 Structure and Responsibilities (optional)

- G1.1 MIV name
- G1.2 Investment manager
- G1.3 Investment adviser(s)/servicer(s)
- G1.4 Agent bank/custodian bank
- G1.5 Administrative agent
- G1.6 Lead distribution
- G1.7 Auditors
- G1.8 Incorporation
- G1.9 Country of distribution
- G1.10 Benchmark
- G1.11 Valuation methodology
- G1.12 Valuation agent
- G1.13 Sponsor of the MIV
- G1.14 Supervisory authority

G2 Investment Considerations (optional)

- G2.1 Maturity
- G2.2 Accessibility
- G2.3 Valuation periodicity
- G2.4 Subscription periodicity
- G2.5 Minimum subscription amount
- G2.6 Entry fee
- G2.7 Redemption periodicity
- G2.8 Exit fee
- G2.9 Yield distribution
- G2.10 ISIN code

G3 MIV Investor Type (optional)

G3.1 Public institution (number and value)

G3.2 Private institution (number and value)

G3.3 MIV (number and value)

G3.4 Other (NGO, foundation, individual) (value)

Annex II. Underlying Microfinance Risk

H Selected key indicators to analyze recipients' (MFIs') key credit risk indicators (optional)

Data are based on the MIV's direct microfinance portfolio. For each indicator, the underlying MFI data must be less than one year old.

H1 MFI rated during the last 18 months, expressed as % of direct investment portfolio

H2 Forex mismatch exposure

H3 Total assets

H4 Gross loan portfolio

H5 Portfolio yield

H6 Operational self-sufficiency

H7 Operational expense ratio

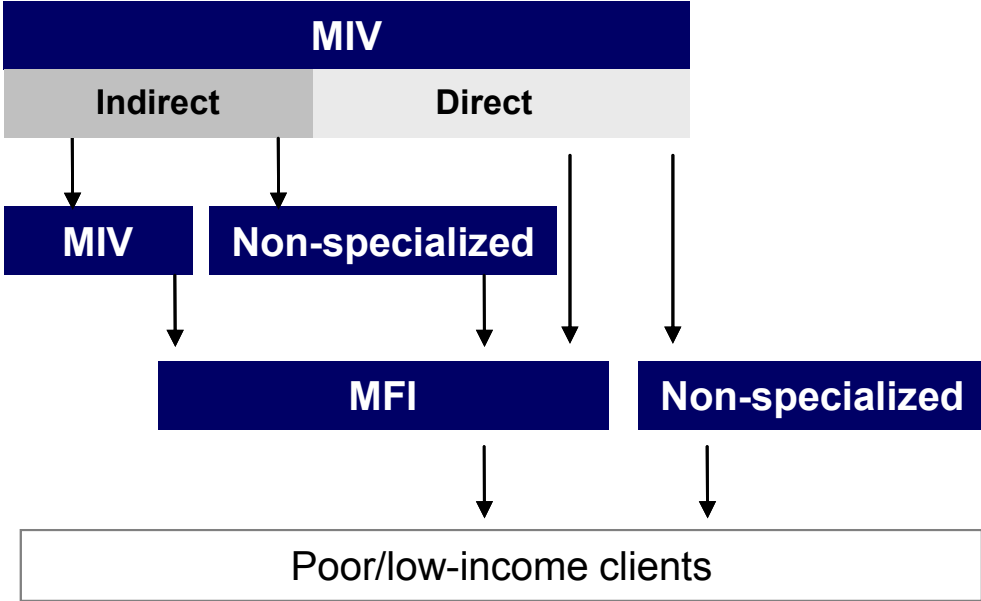
H8 Portfolio at risk > 30 days

H9 Return on asset

H10 Capital adequacy ratio (capital/assets at risk)

H11 Write-off ratio

MIV investment landscape



Annex IV. Definition of Regions

Africa and Middle East		Latin America	
Sub-Saharan Africa	Middle East and North Africa	Central America, Mexico & Caribbean	South America
Angola	Mauritius	American Samoa	Argentina
Benin	Mayotte	Antigua And Barbuda	Bolivia
Botswana	Mozambique	Aruba	Brazil
Burkina Faso	Namibia	Bahamas, The	Chile
Burundi	Niger	Barbados	Colombia
Cameroon	Nigeria	Belize	Ecuador
Cape Verde	Reunion	Bermuda	Falkland Islands (Islas Malvinas)
Central African Republic	Rwanda	Cayman Islands	Guyana
Chad	Senegal	Costa Rica	Paraguay
Comoros	Seychelles	Cuba	Peru
Congo	Sierra Leone	Dominica	Uruguay
Congo, Democratic Republic of the	Somalia	Dominican Republic	Venezuela
Cote D'Ivoire (Ivory Coast)	South Africa	El Salvador	
Equatorial Guinea	Sudan	Guadeloupe	
Eritrea	Swaziland	Guatemala	
Ethiopia	Tanzania	Haiti	
Gabon	Togo	Honduras	
Gambia, The	Uganda	Jamaica	
Ghana	Zambia	Martinique	
Guinea	Zimbabwe	Mexico	
Guinea-Bissau		Netherlands Antilles	
Kenya		Nicaragua	
Lesotho		Panama	
Liberia		Puerto Rico	
Madagascar		Suriname	
Malawi		Trinidad And Tobago	
Mali		Turks And Caicos Islands	

Asia		Eastern Europe and Central Asia		
South Asia	East Asia & Pacific	Central & Eastern Europe		Russia, Caucasus & Central Asia
Bangladesh Bhutan India Maldives Nepal Pakistan Sri Lanka	Brunei Cambodia China East Timor Hong Kong S.A.R. Indonesia Japan Korea Korea, North Laos Macau S.A.R. Malaysia Myanmar New Caledonia Philippines Singapore Taiwan Thailand Vietnam	Albania Belarus Bosnia and Herzegovina Bulgaria Croatia (Hrvatska) Czech Republic Estonia Hungary Kosovo Latvia Lithuania Macedonia Moldova Montenegro Poland Romania Serbia Slovakia Slovenia	Ukraine	Afghanistan Armenia Azerbaijan Georgia Kazakhstan Kyrgyzstan Mongolia Russia Tajikistan Turkmenistan Uzbekistan
North America and Western Europe				
North America	Western Europe			
Canada United States	Andorra Austria Belgium Cyprus Denmark Finland France Germany	Gibraltar Greece Iceland Ireland Italy Liechtenstein Luxembourg Malta	Monaco Netherlands, The Norway Portugal San Marino Spain Sweden Switzerland	United Kingdom Vatican City State (Holy See)

Annex V. List of MIVs

Registered Mutual Funds	Private Equity Funds	Holding Companies
<p>ASN-Novib Fund BBVA Codespa Microfinanzas Dexia Microcredit Fund Dual Return Fund - Vision Microfinance Sub-Fund Finethic Microfinance SCA SICAR USD responsAbility Global Microfinance Fund responsAbility SICAV (Lux) Microfinance Leaders Fund Saint Honoré Microfinance Triodos Fair Share Fund Axa World Funds - Development Debt Fund Dexia Orchid Fund HSBC Microfinance - Global Fund Oikocredit Nederland Fonds responsAbility Microfinanz-Fonds Rural Impulse Fund SNS Institutional Microfinance Fund</p>	<p>ACCION Investments in Microfinance (AIM) Africap Microfinance Fund Balkan Financial Sector Equity Fund Bellwether Microfinance Fund (The) Investisseur et Partenaire pour le Développement ShoreCap International Unitus Equity Fund <i>ACCION Gateway Fund</i> <i>Aavishkaar Goodwell India Microfinance Development Company</i> <i>Antares Equity Participation Fund</i> <i>La Fayette Participations</i> <i>LOK Capital Group</i> <i>Solidus Investment Fund</i></p>	<p>Advans Access Holding Global Microfinance Group SA MicroCred Opportunity Transformation Investments Inc. (OTI) ProCredit Holding AG <i>Catalyst Microfinance Investors</i> <i>Swiss Microfinance Holding SA (FIDES)</i></p>
		<p>Commercial Investment Funds</p> <p>European Fund for Southeast Europe Global Commercial Microfinance Consortium Impulse Microfinance Investment Fund NV MicroVest I The Dignity Fund <i>"Co-operative Bank" Fund</i> <i>Latin American Challenge Investment Fund</i> <i>LocFund</i> <i>Minlam Microfinance Fund</i> Global Microfinance Facility <i>VDK MFI Loan Portfolio</i></p>
<p>Blended Value Funds</p> <p>Calvert Social Investment Foundation Fonds International de Garantie (FIG) Hivos-Triodos Foundation Incofin MicroCredit Enterprises Oikocredit Opportunity Loan Guarantee Fund I, LLC SIDI (Solidarité Internationale pour le Développement et l'Investissement) Triodos-Doen Foundation <i>ACCION Global Bridge Fund</i> <i>ACCION Latin American Bridge Fund</i> <i>ADA - Luxmint</i> <i>Alterfin cvba</i> <i>Deutsche Bank Microcredit Development Fund</i> <i>Deutsche Bank Start-up Fund</i> <i>DID - FONIDI Fund</i> <i>DID - Guarantee Fund</i> <i>DID - Partnership Fund</i> <i>Étimos</i></p>	<p>Blended Value Funds</p> <p><i>Global Partnerships Microfinance Fund</i> <i>Kolibri Kapital ASA</i> <i>Omidyar/Tufts Fund</i> <i>Partners for the Common Good</i> <i>Planet MicroFund</i> <i>Sarona Risk Capital Fund</i> <i>Women's International Loan Fund (World Vision)</i></p> <p>Structured Finance Vehicles</p> <p>BlueOrchard Loans for Development 2006-1 BlueOrchard Microfinance Securities I, LLC Microfinance Loan Obligations (MFLO) 2: Opportunity Eastern Europe Microfinance Securities XXEB <i>BlueOrchard Loans for Development 2 (BOLD 2)</i> <i>db Microfinance-Invest Nr. 1</i> <i>Micro Finance Bank of Azerbaijan (MFBA) Bond I</i> <i>MicroAccess Trust 2007</i> <i>Microfinance Loan Obligations (MFLO) : Compartment LC (CDO)</i> <i>Microfinance Loan Obligations (MFLO) : Compartment Sub Debt</i></p>	<p>Other</p> <p>Gray Ghost Microfinance Fund LLC <i>Emergency Liquidity Fund (ELF)</i> JAIDA <i>MLC Frontiers</i> <i>Nicaraguan Credit Alternative (NICA)</i> <i>OXUS Development Network</i> <i>Tajikistan Micro and Small Enterprise Finance Facility</i></p>

NOTE: MIVs classification in standard text was validated in the CGAP MIV Benchmarking 2006 report; MIVs classification in *italic* text is suggested.

Annex VI. Bibliography

Financial Regulation

The following were useful mainly for in the overview and definitions section:

- FSA in the UK (open-ended collective investment schemes)
- SEC in the USA (open-ended and closed funds)
- European Union (UCITS is open-ended for the retail market)

Accounting Standards

The following provide the measurement and reporting required by current regulation:

- International Financial Reporting Standards (IFRS) from the International Accounting Standards Body (IASB)
- Generally Accepted Reporting Standards from the Federal Accounting Standards Board (FASB). Discussion paper on common conceptual framework for convergence between standards (July 2006)
- Standard of Recommended Practice (SORP) for financial statements of authorized funds in the UK. These were written by the Investment Management Association (IMA) and endorsed by the Accounting Standards Body (ASB) as a regulatory requirement

Performance Guidelines

The following provide the measurement and reporting currently recommended by industry:

- Global Investment Performance Standards (GIPS) by CFA in the USA
- GIPS by UKIPC in the UK. IPC is sponsored by NAPF (National Association of Pension Funds), IMA (Investment Management Association), and ABI (Association of British Insurers)
- AIMR is being replaced by GIPS in the UK and USA; NAPF is being replaced by GIPS in the UK
- Reporting and Performance Measurement Guidelines. Written by the Private Equity Industry Guidelines Group (March 2005)
- International Private Equity and Venture Capital Valuation Guidelines. Prepared by the Association Française des Investisseurs en Capital, the British Venture Capital Association, and the European Private Equity and Venture Capital Association (June 2006)

Industry Practice

The following are reports produced by MIVs and research groups for investors:

Annex VII.

CGAP MIV benchmarks Peer group table powered by Symbiotics	MIVs Balance Sheet								Survey	Nbre of MIVs		Total Assets		Assets Microfinance	
									Universe (active MIVs 2006, CGAP)	64		3'049		1'987	
									Sample	40	62.5%	2'651	86.9%	1'758	88.5%
	All MIVs, N=40		Registered Mutual Funds, N=6		Private Equity Funds, N=6		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		
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	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 Investments	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 Investments (MP) (\$ Million)	%MP		%MP		%MP		%MP		%MP		%MP		%MP		
Microfinance Investments	43.9	(40)	48.9	(6)	11.7	(6)	11.0	(4)	56.0	(5)	15.8	(7)	67.0	(4)	
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) 1.0%	4.4	(7) 28.1%	-	(4)	
Microfinance Portfolio in Debt	34.0	(40) 77.4%	45.5	(6) 93.1%	2.9	(6) 24.4%	0.8	(4) 7.2%	52.0	(5) 92.8%	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) 6.1%	0.8	(7) 5.0%	-	(4)	
Maturities of Direct Debt Investments (Months)	38	(17)	19	(4)	44	(3)	-		44	(4)	21	(1)	50	(2)	
Direct Investments in MFIs	41.5	(40) 94.4%	43.6	(6) 89.2%	11.6	(6) 99.3%	11.0	(4) 99.8%	54.9	(5) 98.1%	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		
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		
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		
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%	
Name of MIVs	*EFSE not included														
	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.	ASN-Novib Fonds, Dexia Microcredit Fund, Dual Return Fund SICAV, responsAbility Global Microfinance Fund, St. Honoré Microfinance, Triodos Fair Share Fund.	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 (I&P), ShoreCap International, Ltd.	Global Microfinance Group SA, Advans, MicroCred, Opportunity Transformation Investments, Inc.	Global Microfinance Consortium, The Dignity Fund, L.P., European Fund for South East Europe, Impulse Microfinance Investment Fund NV, MicroVest I, LP.	Fonds International de Garantie, Hivos-Triodos Fund Foundation, Incofin cvso, MicroCredit Enterprises, Opportunity Loan Guarantee Fund I, LLC, International Solidarity For Development and Investment, Triodos-Doen Foundation.	BlueOrchard Loans for Development 2006-1, BlueOrchard Microfinance Securities-1 (BOMS1), Microfinance Loan Obligations SA - Compartment Opportunity Eastern Europe 2005-1, Microfinance Securities XXEB.								
Average Peer Group Data Rating	1.9		1.5		2.0		2.0		1.6		1.0		2.8		
	1= data provided by MIV and validated with audited financial statements, 2= data provided by MIV and validated with unaudited financial statements, 3= data provided by MIV without financial statements														

CGAP MIV benchmarks Peer group table powered by Symbiotics	MIV P&L and Performance							Survey		Nbre of MIVs		Total Assets		Assets Microfinance	
								Universe (active MIVs 2006, CGAP)		64		3'049		1'987	
								Sample		40 62.5%		2'651 86.9%		1'758 88.5%	
	All MIVs, N=40	Registered Mutual Funds	Private Equity Funds	Holding Companies	Commercial Investment Funds	Blended Value Funds	Structured Finance Vehicles								
Size															
Total Assets (TA) (\$ million)	66.3 (40)	65.1 (6)	14.0 (6)	15.5 (4)	87.3 (5)	20.8 (7)	69.7 (4)								
Annual TA growth (for MIVs existing in 2005)	68.4% (28)	60.7% (5)	76.0% (5)	45.0% (3)	139.8% (3)	25.0% (6)	130.4% (2)								
Age															
Nbre of years since registration	4.6 (40)	4.0 (6)	2.7 (6)	2.3 (4)	1.4 (5)	10.4 (7)	0.8 (4)								
Average Deal size (\$ million)															
Average Equity Investment Size	2.2 (40)	3.1 (6)	1.5 (6)	1.9 (4)	0.7 (5)	0.6 (7)	- (4)								
Average Fixed Income Investment Size	1.3 (40)	0.9 (6)	0.6 (6)	0.5 (4)	2.6 (5)	0.5 (7)	4.1 (4)								
Average Size of Direct Investments in MFIs	1.5 (40)	1.0 (6)	1.5 (6)	1.8 (4)	2.5 (5)	0.6 (7)	4.1 (4)								
Average Size of Investments in other MIVs	1.0 (40)	1.7 (6)	0.5 (6)	0.1 (4)	1.4 (5)	0.3 (7)	- (4)								
Return															
Class Valuation Currency	-	EUR USD	-	-	EUR	EUR	-								
Net Asset value	-	38.0 (4) 48.7 (2)	-	-	-	7.4 (3)	-								
Annual Total Return	-	3.2% (5) 5.8% (2)	-	-	4.8% (2)	1.5% (2)	-								
Spread above Euribor/Libor 3 Months	-	10 BPS (5) 60 BPS (2)	-	-	-	-	-								
Annualized Average Return since Inception	-	2.3% (5) 4.1% (2)	-	-	-	-	-								
Class Risk (senior, mezzanine, junior, ...)	-	-	-	-	-	-	Senior Junior								
% of interest subordinated	-	-	-	-	-	-	0.0% (4) 81.4% (4)								
% of interest to which senior	-	-	-	-	-	-	40.1% (4) 3.3% (3)								
Spread above reference rate	-	-	-	-	-	-	20 BPS (4) 400 BPS (4)								
Average Life, Years	-	-	-	-	-	-	5.4 (4) 5.4 (4)								
Efficiency and Cost Structure		% ANAV	%TA	%TA	%TA	%TA	% Notes								
Total Expense Ratio	-	2.7% (5)	4.1% (4)	8.4% (3)	2.0% (5)	6.1% (7)	1.3% (3)								
Equity Leverage															
Debt/Equity	45.0% (38)	2.8% (6)	4.3% (6)	29.9% (4)	30.4% (5)	18.3% (5)	- (4)								
MIV Jurisdiction (by TA)		%TA	%TA	%TA	%TA	%TA	%TA								
Western Europe	86.4 (25) 81.5%	65.1 (6) 100.0%	0.2 (1) 0.2%	4.5 (3) 21.8%	175.1 (2) 80.2%	25.8 (5) 88.5%	65.0 (3) 69.9%								
North America	41.9 (9) 14.2%	-	27.1 (1) 32.2%	48.5 (1) 78.2%	15.4 (2) 7.0%	8.4 (2) 11.5%	84.0 (1) 30.1%								
Central America, Mexico & Caribbean	25.9 (3) 2.9%	-	19.9 (1) 23.7%	-	55.8 (1) 12.8%	-	-								
Africa	15.4 (2) 1.2%	-	15.4 (2) 36.8%	-	-	-	-								
South Asia	6.0 (1) 0.2%	-	6.0 (1) 7.2%	-	-	-	-								
Name of MIVs	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.	ASN-Novib Fonds, Dexia Microcredit Fund, Dual Return Fund SICAV, responsAbility Global Microfinance Fund, St. Honoré Microfinance, Triodos Fair Share Fund.	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 (I&P), ShoreCap International, Ltd.	Global Microfinance Group SA, Advans, MicroCred, Opportunity Transformation Investments, Inc.	Global Microfinance Consortium, The Dignity Fund, L.P., European Fund for South East Europe, Impulse Microfinance Investment Fund NV, MicroVest I, LP.	Fonds International de Garantie, Hivos-Triodos Fund Foundation, Incofin cyso, MicroCredit Enterprises, Opportunity Loan Guarantee Fund I, LLC, International Solidarity For Development and Investment, Triodos-Doen Foundation.	BlueOrchard Loans for Development 2006-1, BlueOrchard Microfinance Securities-1 (BOMS1), Microfinance Loan Obligations SA - Compartiment Opportunity Eastern Europe 2005-1, Microfinance Securities XXEB.								
Average Peer Group Data Rating															
1= data provided by MIV and validated with audited financial statements, 2= data provided by MIV and validated with unaudited financial statements, 3= data provided by MIV without financial statements	1.9	1.5	2.0	2.0	1.6	1.0	2.8								