

Social Impact Report

FY 2013



MICRO VEST®
INVESTING IN ONE WORLD

Message from the Chief Executive Officer

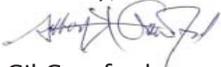
I am pleased to present our second annual Social Impact Report. In this report, we discuss our various initiatives within the impact investing industry. We also provide a detailed annual comparison of key performance metrics for the portfolio of institutions across our family of funds.

MicroVest's Board of Directors and team are committed to supporting sustainable institutions that serve the financial needs of the world's poor. We believe the analysis of key social performance metrics is one indicator of an institution's potential for success, both economically and socially. In addition to reviewing standard financial metrics, our due diligence processes and procedures include a proprietary Social Impact Scoring Model. Ongoing reporting incorporates the IRIS (Impact Reporting and Investment Standards) taxonomy, which serves as a guide for capturing appropriate and consistent reports. This year, we expect that two of the MicroVest funds will obtain a social rating by GIIRS (Global Impact Investing Rating System).

In addition, we also believe that intangible attributes, such as character and institutional governance, can be just as important as tangible elements in the identification of strong institutions. All MicroVest team members display three key attributes: world-class financial skills, emerging markets experience, and a demonstrated commitment to social justice.

I welcome any comments or question you may have on impact investing and MicroVest's work.

Sincerely,



Gil Crawford
Chief Executive Officer

Industry Initiatives

MicroVest endorses key industry initiatives that align with our objectives and practices concerning the responsible and appropriate growth of financial inclusion of under-banked populations. This includes the following initiatives.



The Principles for Investors in Inclusive Finance (PIIF) provide a framework for responsible investment. The PIIF are housed within the Principles for Responsible Investment, a United Nations-supported initiative that provides investors with guidelines for incorporating environmental, social, and governance issues into their investment decisions.

MicroVest is a signatory to the PIIF.



The Smart Campaign advocates transparent, respectful, and prudent financial services to all clients. The Smart Campaign encompasses core Client Protection Principles to help microfinance institutions practice good ethics and smart business.

MicroVest endorses the Client Protection Principles and applies the Principles in the due diligence process.



MFTransparency is an international non-governmental organization that promotes transparency by facilitating pricing disclosure in a clear and consistent manner.

MicroVest is an endorser of MFTransparency.



The Social Performance Task Force develops, disseminates, and promotes standards and good practices for social performance management and reporting in microfinance.

MicroVest is an endorser of the SPTF.

Investment Universe

MicroVest seeks to work with low-income financial institutions (LIFIs) that provide ethical and sustainable financial services to the under-banked populations. Some of the different types of LIFIs MicroVest works with are described below.



Microfinance Institutions

The term 'microfinance' is increasingly used to refer to an array of financial products, including credits, savings, and insurance, tailored to meet the needs of low-income individuals, particularly women. Microfinance institutions (MFIs) provide these services and include a variety of organizational types: non-government organizations (NGOs), cooperatives, credit unions, and commercial banks. (CGAP) As of the end of 2011, there were nearly 1,000 MFIs world-wide. (MIX)

62% of MicroVest's aggregate portfolio was invested in 43 microfinance institutions at the end of 2012.

SME Finance - Banks

Small and medium enterprises (SMEs), often described as too large for microfinance but too small for corporate banking, represent an important economic sector in any country. SMEs are the engine of development and an indicator of a thriving economy. However, SMEs have traditionally lacked access to capital, which restrains their ability to grow. In recent years, this has begun to change, as emerging markets banks are increasingly servicing the particular needs of SMEs. (IFC)

MicroVest has increased its involvement in this segment of financial services. At the end of 2012, 34% of MV's aggregate portfolio was invested in 11 SME-financing institutions

SME Finance - Factoring

Over the last few years, MicroVest has honed its expertise in factor financing, specifically at the SME level. Factoring, the transaction of a business selling its receivables at a discount, is an important tool for small businesses that are subject to funding limitations. For example, a small company that provides employee uniforms needs to manage a 75 day difference between funding payroll and collecting on a sale. Local banks will not provide a line of credit or revolving loan, leaving the company without sufficient cash for the next payroll. Factoring the sales receivable allows the company to secure the needed funding before the receivable is due. Typically, the receivable is to a large company that may be considered a better credit than the seller.

MicroVest has a working relationship with approximately eight companies that specialize in factoring.

Full Service Banks

Full service banks, recognizing the growth potential of the underserved population, are assuming an increasing role in the microfinance and SME markets. These banks can offer financial stability, widespread network branches, and the ability to raise international funds. MicroVest invests with a small number of full service banks that have a clear focus and a demonstrated track record in successfully servicing low income populations and small businesses.

Agricultural Value Chain Finance

The world is comprised of an estimated 450 million smallholder farmers who own less than two hectares of land. We believe the sustainability of smallholder farming is important in terms of poverty reduction, food security, and monitoring unchecked or unplanned urbanization. As global demand for food supply rises, there will be a greater need to incorporate smallholder farmers into formal supply chains. Supporting these smallholder farmers through agricultural value chain finance is critical to strengthening the farming practices, processing, and commercialization of their products.

MicroVest will consider financing large cooperatives to purchase harvested product from smallholder farmers or financing other participants in the value chain such as processors, exporters, and/or buyers. The smallholder farmers involved in agriculture value chains that we finance are strongly encouraged to use sustainable farming methods which can be achieved through the process of getting certified by groups such as CAFÉ Practices, Fair Trade, or Rainforest Alliance.

MicroVest Portfolio: Aggregate

The MicroVest aggregate portfolio includes direct exposure investments across all funds under management and under affiliated groups. 2012 was a particularly strong growth year for MicroVest. The total number of institutions financed increased 52% while the number of countries in the portfolio grew 69% over the year.

	December 2011	December 2012	Change
Number of Institutions Financed (at year end)	42	64	52%
Number of Countries (at year end)	26	44	69%

LIFI Portfolio Metrics - Weighted			
Assets	276,152,571	272,432,748 ¹	-1%
Gross Portfolio	194,723,305	200,047,092 ¹	3%
Annual Port. Growth	30.3%	25.0%	-18%
PAR>30 /Gross Loan Portfolio	3.9%	4.7%	21%
Portfolio Yield (YTD annualized)	31.0%	35.0%	13%
Op. Exp./ Avg. Port.	20.7%	22.0%	7%
Write-offs/Average Gross Loan Portfolio (TTM)	1.7%	1.5%	-13%
Deposit taking	51.6%	63.1%	22%

Outreach Metrics - Weighted			
# Active Borrowers	122,058	160,676	32%
Avg. Loan Size (US\$)	3,262	10,094	209%
Avg. Loan Size as % of Per Cap GDP	60.6%	213.5%	252%
% Women Clients	57.2%	43.5%	-24%
% Productive Loans	81.0%	77.4%	-4%
% Deposit-taking Institutions	51.6%	63.1%	22%

The large growth in average loan size provided by the low-income finance institutions in the MicroVest portfolio can be attributed to the addition of larger institutions, such as banks that service small and medium enterprises (SME banks) and fully-operational corporate banks that serve the bottom of the economic pyramid. These larger institutions typically accept deposits, which is reflected in the increase in deposit-taking institutions over the year.



Social Impact Scoring Model

MicroVest utilizes a proprietary Social Impact Scoring Model to capture performance of key social indicators.

Each LIFI is scored on a weighted aggregate rating of 22 different factors across the four main categories. The resulting Social Impact Score (1 being low, 5 being high) is recorded and tracked. The Social Impact Score is also taken into consideration during the due diligence process and ongoing portfolio monitoring.

As of December 31, 2012, the average Social Impact Score for the MicroVest portfolio was 2.97, with scores ranging from 2.38 to 4.73.

SOCIAL INDICATORS
Social Mission
Governance & Staff Social Commitment
Client Protection
Outreach

¹ Excludes investments made in holding companies.

Disclosure Information

The portfolio company figures presented within this document have been provided by the respective companies and are not independently verified. This information includes estimates that are unaudited and subject to change.

This document is for informational purposes only and is neither an offer to sell nor a solicitation of an offer to purchase an interest in any of the funds described herein (the "Funds"). Any such offer or solicitation will be made only by means of the relevant Fund's Confidential Private Offering Memorandum, which contains a description of the significant risks involved in such investment. Prospective investors should request a copy of the relevant Memorandum and review all offering materials carefully prior to making an investment in any of the Funds. There can be no guarantee that investment objectives will be obtained. Any investment in MicroVest is speculative, involves a high degree of risk and is illiquid. An investor in MicroVest could lose all, a significant portion or some amount of its investment. MicroVest's performance is subject to volatility. In addition, the fees and expenses may offset profits. There is no secondary market for investors' interests and none is expected to develop. There are restrictions on withdrawing and transferring interests from MicroVest. In making an investment decision, you must rely on your own examination of MicroVest and the terms of the offering. You should not construe the contents of the enclosed materials as legal, tax, investment or other advice.

To avoid skewing calculations, ProCredit Holding, a group of 22 institutions that provides financing for small and very small businesses around the world, is excluded from the weighted average calculations of certain performance metrics.

