

Social Impact Report

FY 2014



MICRO VEST®
INVESTING IN ONE WORLD

Message from the Chief Executive Officer

Fostering the financial inclusion of the world's rising middle-class remains at the heart of MicroVest's work. We select partners who understand that the best way to provide access to financial services to this community is in a sustainable, scalable and ethical manner.

While financial performance is an important reflection of success, we also believe social impact is a leading indicator of long-term sustainability and outperformance. We continue to strengthen our analysis and monitoring of this business behavior. Our due diligence program includes a review and scoring of Social Impact. Created as a rating model similar to a credit score, our Social Impact Score applies a quantitative assessment to an institution's social mission, governance and staff social commitment, client protection policies and procedures, and outreach practices. It includes adherence to the Client Protection Principles (Smart Campaign) and 22 other metrics. Using a scale of 1 (lowest) to 5 (highest), MicroVest generally targets companies with an overall score of at least 3.0, indicating average or better performance. While investment decisions are not solely based on this model, it is factored into the final assessment. As of December 31, 2013, the average Social Impact Score for the MicroVest portfolio was 3.8, with scores ranging from 2.4 to 4.7

Like so many other leaders in our industry, we value improvement in the credibility of social performance metrics and the ongoing development of appropriate benchmarks. "Mainstream" investors entering this market are increasingly holding social measurements to the same high standards as any other investment criteria; a practice that we fully support. Last year, two funds managed by MicroVest underwent a GIIRS (Global Impact Investing Rating System) rating for the first time. This rating assessed the fund and MicroVest as a manager with regard to its social and environmental impact. We are pursuing an updated rating this year for the same two funds, and we continue to work with market leaders in building out the impact reporting standards.

Gil Crawford

Social Performance

We follow the Impact Reporting & Investment Standards (IRIS) to ensure a consistent description of social performance. Some of the most commonly reported social performance metrics include:

- **the number of clients reached** - as a measure of sustainable scale and financial inclusion outreach,
- **the percentage of those clients that are women** - as numerous studies have shown that economic empowerment of women is correlated with family well-being, community development and progress in overcoming poverty, and
- **the percentage of loans that are allocated towards manufacturing, agriculture, trade services, and other business related activities**, indicating a direct link to productive economic activity.

The companies in our portfolio at the end of 2013 provided financing to 6.7 million clients. Our outreach has increased almost five-fold over the span of three years as our portfolio companies have grown in number and in size. On a weighted basis, each portfolio company reaches approximately 189,000 clients, as of the end of December 2013.

Over the last three years, the percentage of total borrowers that are women ranged from 40% to 60% while the percentage of loans used for productive purposes hovered around 80%. The remaining 20% of 'non-productive' loans often include housing and education-related loans; activities that we believe are important contributions to a family's quality of life.

MicroVest's growth in assets under management enabled us to disburse \$134.5 million in funding to LIFIs, our highest ever amount of capital deployed in a calendar year. At the end of 2013, our outreach included 71 companies across 58 countries¹. The percentage of MFIs and SME financiers has remained in the range of 78% MFIs and 19% SMEs, with the remainder of the portfolio falling under "Other", such as community development banks.

1. The number of countries includes both direct portfolio exposure and indirect exposure through investments made in holding companies or other funds.

MicroVest Portfolio: Aggregate¹

The MicroVest aggregate portfolio includes direct investments across all funds under management and from advisory activities. 2013 closed with 71 institutions across 58 countries. We were pleased to see an improvement in operating metrics, which we believe reflects the health of the portfolio institutions, and an increase in outreach to active borrowers, including women borrowers.

	Dec. 2011	Dec. 2012	Dec. 2013	Y/Y Change
Number of Institutions Financed (at year end)	42	64	71	11%
Number of Countries (at year end)	26	44	58	32%

The tables below show key statistics for an average portfolio company in the MicroVest portfolio as of December 31.

LIFI Portfolio Metrics - Weighted Avg				
Assets ²	276,152,571	274,514,722	440,580,038	60%
Gross Portfolio ²	194,723,305	201,777,146	297,217,662	47%
Annual Port. Growth	30.3%	28.0%	32.3%	15%
PAR>30 /Gross Loan Portfolio	3.9%	4.7%	4.0%	-15%
Portfolio Yield (YTD annualized)	31.0%	31.9%	28.0%	-12%
Op. Exp./ Avg. Port.	20.7%	20.6%	18.0%	-13%
Write-offs/Average Gross Loan Portfolio (TTM)	1.7%	1.5%	1.6%	4%
Deposit taking	51.6%	63.7%	62.1%	-2%

Outreach Indicators- Weighted Avg				
# Active Borrowers	122,058	160,721	188,901	18%
Avg. Loan Size (US\$)	3,262	10,017	9,720	-3%
Avg. Loan Size as % of Per Cap GDP	60.6%	211.8%	220.9%	4%
% Women Clients	57.2%	43.5%	52.3%	20%
% Productive Loans	81.0%	77.4%	79.1%	2%

The charts below break out social outreach indicators between MFIs and SMEs in the portfolio.

MFIs - Weighted Avg	Dec. 2011	Dec. 2012	Dec. 2013	Y/Y Change
# of institutions	32	43	56	30%
# Active Borrowers	66,081	133,489	192,954	45%
Avg. Loan Size (US\$)	1,920	1,926	2,019	5%
Avg. Loan Size as % of Per Cap GDP	36%	62%	57%	-8%
% Women Clients	53%	51%	58%	14%
% Productive Loans	85%	86%	84%	-2%

SMEs - Weighted Avg				
# of institutions	7	11	12	9%
# Active Borrowers	14,755	209,792	186,351	-11%
Avg. Loan Size (US\$)	21,396	24,727	27,590	12%
Avg. Loan Size as % of Per Cap GDP	235%	718%	466%	-35%
% Women Clients	52%	30%	12%	-61%
% Productive Loans	72%	64%	47%	-28%

1 The statistics reported above are based on reporting by portfolio companies to MicroVest or to the MIX. the statistics are calculated in local currency terms before converted to USD. Statistics are weighted by portfolio exposure and exclude any company that did not report that metric.

2. 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.

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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.