

#### **About MicroVest**

MicroVest is an asset manager that specializes in allocating private debt capital to responsible microfinance and small and medium-sized enterprise (SME) finance institutions serving unbanked and underbanked microentrepreneurs and small businesses in emerging markets. As one of the first U.S.-based microfinance investors, MicroVest has built a track record since 2003 of investing in institutions whose interests are aligned with the borrowers and communities they serve. By catalyzing the availability of credit to these financial institutions—many of which serve as the first provider of formal credit to underserved microentrepreneurs and small businesses—MicroVest is helping to facilitate financial inclusion, deepen financial sector development, fuel productivity and local economic growth, promote gender equality, and reduce poverty.

Since its founding, MicroVest has disbursed more than \$1 billion to over 200 microfinance and SME finance institutions in more than 60 countries.

MicroVest is a registered investment adviser, Certified B Corporation, and wholly-owned subsidiary of MicroVest General Partner Holding LLC, a Delaware statutory Public Benefit LLC whose purpose is to create scalable investment opportunities that support enterprising ventures and projects in underserved or underfinanced sectors and communities worldwide.

For more information, visit www.microvestfund.com.



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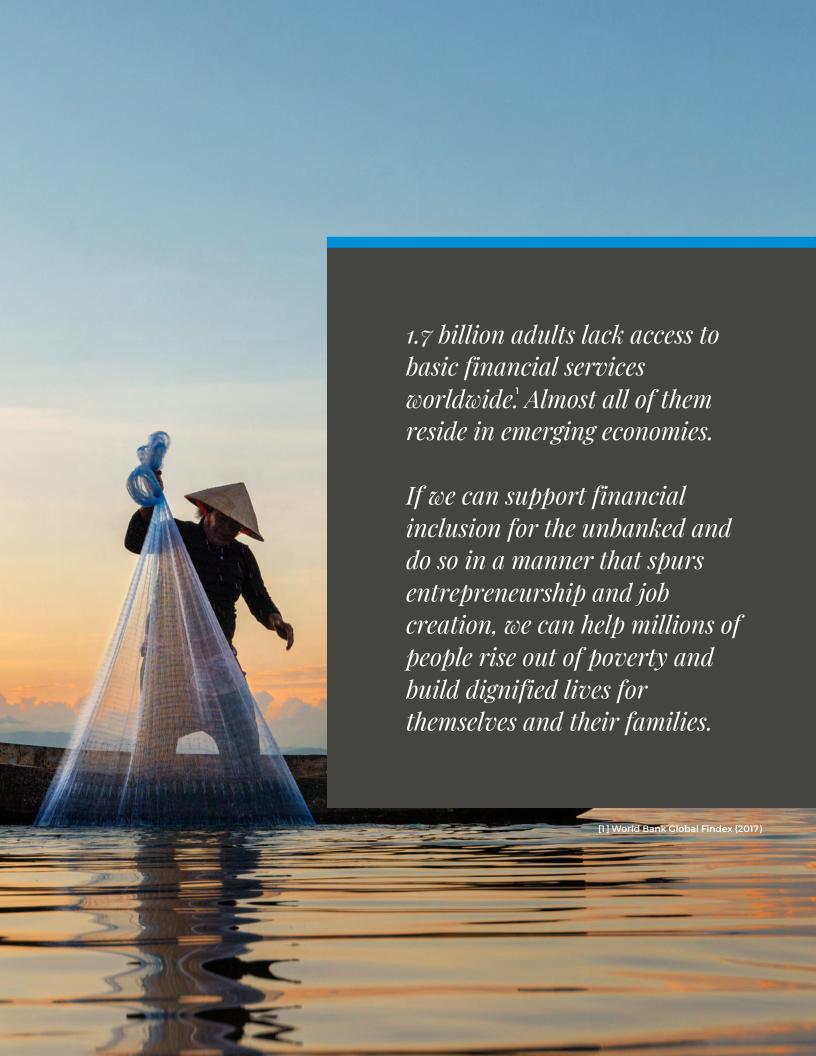




## Giving thanks to our investors

The impact that MicroVest strives to achieve is only possible because of the confidence our investors have placed in our mission and our team. Because of your support, we are able to help even more underserved communities gain access to basic financial services, finance their small business dreams, rise out of poverty, and lead dignified lives.











At MicroVest, we seek to support financial inclusion for un- and underbanked microentrepreneurs and small businesses that seek financing for income-generating initiatives but who are unable access credit through the formal financial system.





To achieve this, we invest in responsible Microfinance Institutions (MFIs) and Small and Medium Enterprise (SME) Financial **Institutions** that ethically and transparently provide productive loans to unbanked groups.





When the un- and underbanked become financially included, they are better equipped to manage day-to-day finances, build financial resilience, and knowledgeably use financial products and services to pursue their goals.







With access to credit on fair and transparent terms, these microentrepreneurs and SMEs are able to securely finance their small business dreams. Our portfolio's end borrowers operate enterprises across a variety of sectors, which include production and manufacturing, crafts, agriculture and livestock, commerce and trade, services, education, and renewable energy.

## **Build Forward**

In normal times, funding from Micro and SME Finance Institutions can help broader segments of the population pull themselves out of poverty and improve the livelihoods of their families. During a pandemic recovery, these institutions play an even more important role by helping communities obtain the resources necessary to rebuild stronger.

As we approach the end of 2021, the outlook for growth in emerging markets is robust due to the resumption of business activity following the end of COVID-19 lockdowns and the release of pent-up demand for credit. Such significant demand for credit also underscores the scale of the unmet need for capital in many of the markets MicroVest finances, a situation that had predated COVID-19 for many years. Overall, the Microfinance and SME Finance Institutions in our portfolio proved resilient, as our portfolio companies reacted quickly to changing local dynamics and found new ways sustain their lending portfolios while serving their communities.

Financial institutions that preserved liquidity and focused on portfolio quality in 2020 also increased lending activities in 2021. Many quickly witnessed a surge in demand as businesses sought funding for new

projects and pursued other growth opportunities. Halfway into 2021, despite the world still feeling the effects of the pandemic, the weighted average gross loan portfolio of **Responsible Financial Institutions** in MicroVest's two flagship funds grew 12%, reaching \$519 million.<sup>1</sup>

In 2020, almost all of our portfolio companies implemented mandatory or voluntary portfolio restructuring and moratorium programs to support end borrowers as widespread lockdowns curtailed economic activity. Policymakers in many of the countries where we invest pursued accommodative monetary and fiscal policies, which enabled our portfolio companies to maintain access to capital. As lockdowns eased and portfolio company collections improved, aided in part by the resumption of payments by end borrowers, we have seen a drop in the level of moratorium loans reported by

our portfolio companies. As second waves emerged in different countries with varying magnitudes, many companies enacted swift and efficient response measures, demonstrating their adaptability through an evolving situation.

Overall, our philosophy of "growing with what we know" continues to guide our response to COVID-19. We cautiously reduced the number of portfolio companies in our flagship funds by 32% 2 since 2019 to focus on supporting institutions that, throughout COVID-19, have exhibited strong growth and the capacity to continue lending to end borrowers. Despite the reduction in the number of portfolio companies, the number of end borrowers served by our portfolio remains robust at 10.1 million (vs. 10.8 million borrowers served in 2019). The operations of our portfolio companies has also proven efficient, with the portfolio's

<sup>[1]</sup> As of June 30, 2021.

<sup>[2]</sup> Please reference page 42 for a comprehensive overview of MicroVest's portfolio metrics across its two flagship funds from 2019-2021.

operating expense ratio declining from over 10% in 2019 to just over 9% in 2021, as many of our portfolio companies responded to COVID-19 by re-evaluating their cost structures and seeking out new operational efficiencies, such as downsizing offices as more employees worked from home or moving to hybrid work structures. The underwriting process has also undergone transformation as digitalization has enabled our portfolio companies to underwrite more end borrowers at lower marginal costs. While the average loan size across our global microfinance portfolio decreased from \$4.2k in 2019 to \$1.9k in 2021, average loan sizes across our SME Finance portfolio doubled from \$109k in 2019 to \$212k in 2021.

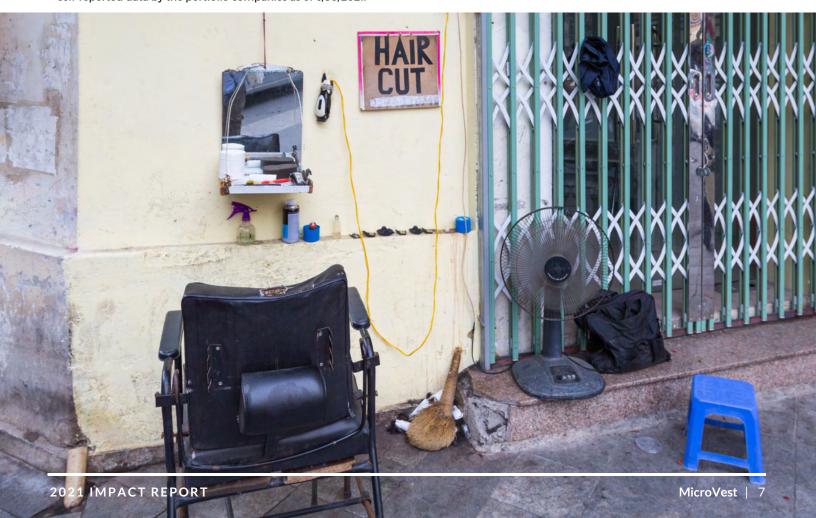
We are seeing many SME institutions in our portfolio maturing and moving upmarket to offer larger loan sizes. In other cases, providers of group microfinance loans have expanded to the individual lending market. Meeting the capital needs of larger SMEs has also translated to lending to more male borrowers, as the majority of established small businesses seeking larger loan sizes are maleowned. Nonetheless, we continue to see steady growth in the percentage of female SME borrowers from 28% in 2019 to 32% in 2021.

Even though COVID-19 is not yet in the rearview mirror and public health challenges caused by new waves of COVID-19 can emerge, our team is equipped to adapt our own approaches to investment and portfolio management to match the evolving environment.

Our portfolio companies' need for capital ebbs and flows with restrictions, but our portfolio is still expected to grow by 10% on average in the coming year. We consider this demand growth to be stable regardless of new COVID-19 outbreaks, as our investee portfolio companies consistently need funding to meet demand for loans in their communities.

Increasing demand for capital among our portfolio in 2021 combined with stable assets across Microfinance Investment Vehicles (MIV) should support continued normalization in 2022.

[1] This figure reflects the weighted average Gross Loan Portfolio of reporting companies across two of MicroVest's flagship funds, based on self-reported data by the portfolio companies as of 6/30/2021.



## 2021 Impact At-a-Glance

#### **Building a Diversified Portfolio of Responsible Financial Institutions**

52 **£** 

Micro & SME Finance Institutions Invested

52% Microfinance Institutions

40%

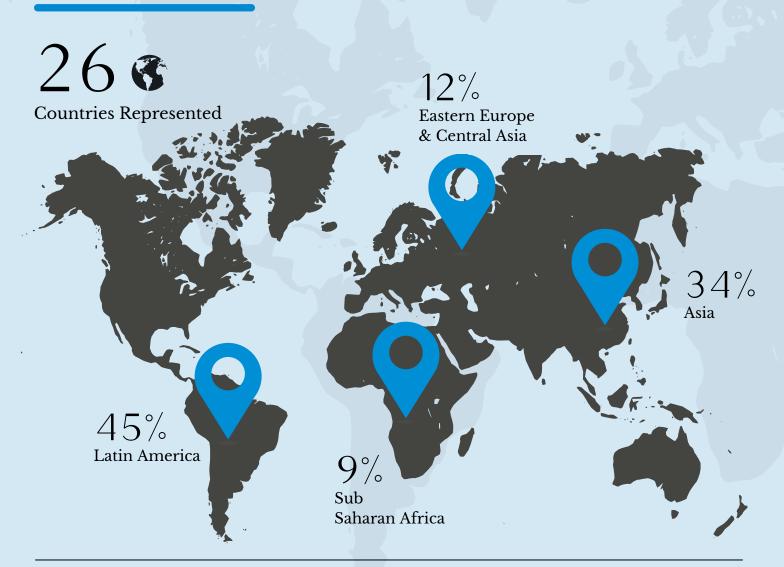
**SME Finance Institutions** 

**Alternative Finance Institutions** 

\$519M Gross Loan Portfolio

12% Annual Portfolio Growth

 $20\% \\ \text{Portfolio Yield (annualized)}$ 



[1] Includes Alternative Financial Institutions that encompass education finance, housing finance, payment & remittance transfer providers and other portfolio companies.

The impact metrics listed here are portfolio level statistics across two of MicroVest's flagship funds and are based on self-reported data by MicroVest's portfolio companies as of 6/30/2021. The data reflects the aggregate weighted averages, total, or percentage of MicroVest's portfolio of reporting companies and does not reflect MicroVest's actual investment in the portfolio companies.

#### Ensuring the Availability of Quality Financial Services for All Who Need It

10.1M

**Active Borrowers** 

50%

Female Borrowers

72%

**Productive Loans** 

#### **Supporting Workforce Inclusivity**

59K a.

Full time jobs generated by portfolio companies

30K

Full time loan officers employed

26%

Representation of female senior management

18%

Representation of female board members



#### **Average Microfinance Loan Sizes**



\$1.4 K Mexico, Central America & the Caribbean





\$3.4K Sub-Saharan Africa





\$1.5 K Central Asia



\$1.4K East Asia & the **Pacific** 



## Microfinance Growth Snapshots

While the overall annual asset growth of MicroVest's portfolio across our two flagship funds remained strong at nearly 12% in 2021, growth across regions and portfolio companies was more nuanced. Growth rates can vary depending on institution type,

size, and age. For example, a financial institution that has only been operational for one or two years would not be expected to double or triple a \$3 million portfolio in two years the same way a 10-year old institution might. Below, we showcase three-

year growth rates of five of our portfolio companies across different regions to highlight some of the varying rates we see across our portfolio. The names of the portfolio companies have been omitted for comparative purposes.



Portfolio Company Example 1 Country: India

Annual Portfolio Growth

2018-2019	2019-2020	2020-2021
58.7%	20.4%	22.7%

While much of India's economic activity has resumed since the emergence of COVID-19's Delta variant in early 2021, further recovery will depend on possible future outbreaks. Our first portfolio company example is an established microfinance institution in India with many borrowers who have undergone multiple cycles of group loans with the company. The company's Gross Loan Portfolio (GLP) growth has leveled-off since the onset of COVID-19 in 2020, but continued lender and shareholder support has allowed the company to continue to grow both geographically, with a healthy pace of new branch openings each quarter; and across customer segments, as it incrementally expands its micro-enterprise loan segment that caters to more established businesses and originates incrementally larger loan sizes.



Portfolio Company Example 2 Country: The Philippines

Annual Portfolio Growth

2018-2019	2019-2020	2020-2021
48.0%	24.2%	39.9%

The pandemic, as well as mandated quarantine measures, have severely impacted economic growth and poverty reduction efforts in the Philippines. Despite this, our second portfolio company, a microfinance institution founded in 2014, remains in a high growth phase. A slowdown in GLP growth during 2020 has quickly rebounded as the company is nearing pre-pandemic growth rates in 2021. The company's management has prioritized continued disbursement to essential sectors while continuing to support existing customers impacted by COVID-19 through a "net-off" rescheduling program.

The growth figures listed here are calculated by MicroVest based on self-reported data by MicroVest's portfolio companies as of 6/30/2021.

#### GLOBAL MICROFINANCE GROWTH SNAPSHOT



Portfolio Company Example 3 Country: Georgia

#### Annual Portfolio Growth

2018-2019	2019-2020	2020-2021
4.5%	14.1%	15.7%

Georgia's economy was expanding rapidly during the pre-COVID-19 period, which led to a halving of the national poverty rate between 2007-2019. However, the country has suffered both direct and indirect challenges as a result of the pandemic. Our third portfolio company example is one of the largest microfinance institutions in Georgia and is regarded as a market leader in digital advancement and institutional management. After a slowdown in 2019 due to an evolving regulatory environment, strong and positive internal developments against a positive macroeconomic backdrop have supported measured portfolio growth even during COVID-19.



Portfolio Company Example 4 Country: Panama

#### Annual Portfolio Growth

2018-2019	2019-2020	2020-2021
-1.3%	-1.0%	16.2%

While Panama's pre-COVID-19 growth was one of the strongest in Latin America, the country also suffered from one of the most severe COVID-19 outbreaks in the region. The country is currently on the path to an economic recovery with its reopening plan after the pandemic lockdown and recession. Our fourth portfolio company example is a leading Bank in Panama that serves both microentrepreneurs and SMEs. Prior to COVID-19, the Bank was met with negative portfolio growth as Panama experienced an economic slowdown, resulting in slower, more deliberate disbursements. Despite COVID-19 related challenges in country, the company, with strong footing, has managed to experience moderate growth year-over-year in 2021.

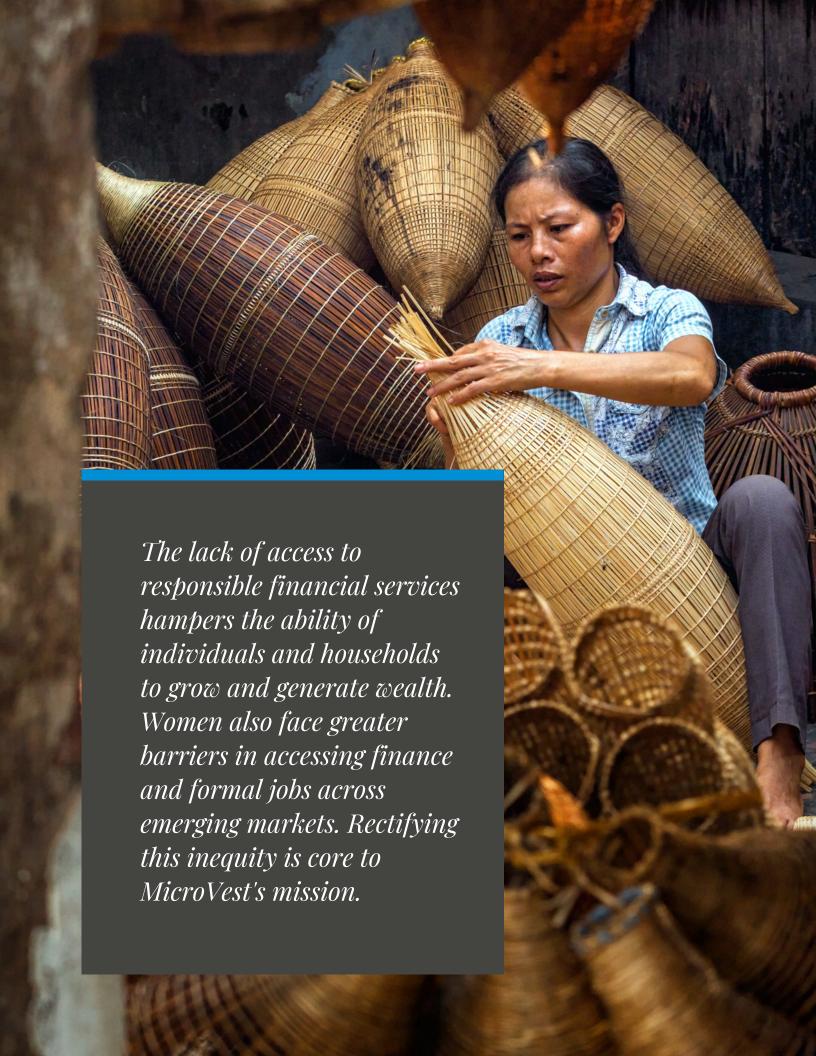


Portfolio Company Example 5 Country: Ecuador

#### Annual Portfolio Growth

2018-2019	2019-2020	2020-2021
6.7%	-0.4%	4.4%

Ecuador fell into a deep recession in 2020, as the pandemic amplified already existing macroeconomic imbalances, which eventually led to a rebound in poverty. Our fifth portfolio example is a microfinance institution that was founded as an NGO in the early 1990s. The institution has experienced moderate growth over the last five years. However, recent growth has been stymied by the impacts of the pandemic. Yet, there are signs of a rebound. The company's modest growth history and projections are driven both by the maturity of the institution and the nature of its capital structure, where growth capital potential is limited as a foundation.



## **Q&A** with MicroVest's

## **Kristy McKain**

As an Investment Officer, Kristy conducts investment analysis, transaction execution, and relationship monitoring, primarily for MicroVest's South and Southeast Asia portfolio. Here, she talks about her experience managing her designated portfolio companies during COVID-19, as well as well as her hopes for the microfinance and impact investing industries going forward.



# How did you first become interested in impact investing?

Out of college, I was working in the capital markets division of an investment bank and felt unfulfilled with the lack of social impact in my work. I began exploring ways to combine social good with the financial skillset I had built and started learning more about impact investing. I ended up taking on an investment fellowship at an impact venture capital company in Bangalore, India for six months. During that time, I became very immersed in a

country and culture where MicroVest actively invests today.

You've worked your way up through several roles at MicroVest, starting as a Portfolio Analyst and now as an Investment Officer. What has the transition process been like and how have you navigated your role during a global pandemic?

As a Portfolio Analyst, I spent a lot of time processing data and working with companies to ensure they maintained compliance with our loan agreements. Very early on, I benefitted from supporting our existing Investment Officers in due diligence and over time, that evolved into managing new opportunities, generating new transactions, and working on renewals of portfolio companies we want to keep supporting. With COVID-19, there are new layers that come with portfolio management. During the first

six months of the pandemic, we were in full-on support mode and had to ensure that our portfolio companies had the financial capabilities to weather an unpredictable storm. This involved more frequent communications with our portfolio companies beyond what we do in the ordinary course of business. Pre-COVID-19, we would have had most of these interactions face-to-face, but we quickly learned how to have those indepth conversations on the phone or online. While this allowed us to continue operating and appropriately manage risk, it was a sensitive time for many people, and we were mindful that many individuals at our portfolio companies were personally impacted by COVID-19.

Have you gleaned any new insights or appreciation for your role while working with these portfolio companies?

You get a lot of first-hand exposure to individuals who are incredibly driven and motivated to see their companies succeed and have impact in the work they do—similar to how we feel about our work here at MicroVest. It's also exciting to meet end borrowers and see how empowered they are to expand their businesses and invest in their families' futures. Many of the women end borrowers I have met have shown that they can advocate for themselves and push financial institutions to provide the products and services that fit their needs, like insurance and project-specific loan products.

Microfinance has done much to catalyze financial inclusion for the underbanked worldwide, but not all of the impact is always positive. How does your team ensure that the institutions you're investing in are operating responsibly and ethically?

Broadly speaking, microfinance institutions always have some level of impact assuming they are meeting an unmet financing need —what counts is whether it's positive or negative impact. At MicroVest, we have stopgaps throughout our deal sourcing and due diligence processes to ensure that we're investing in those companies that are actively working to generate an optimal balance of positive impact and sustainable business practices. For example, we heavily assess whether a portfolio company's management cares about and mitigates against overindebtedness of end borrowers.



In several jurisdictions, there are limits set by the regulator that an individual or small business can't exceed a certain level of indebtedness relative to the money that is coming in every month. In other places, there are loose or no government regulations to that effect, and that gives microfinance institutions and non-banks all the power to over-extend debt to individuals who aren't prepared to take it on and don't know what they're getting themselves into. In that sense, just measuring the loan volume doesn't automatically equate to positive impact. This really hits home the term Responsible Finance Institutions, that we use for our portfolio companies at MicroVest. Sometimes, we can immediately assess impact based on the purpose of the loan. For example, one of our portfolio companies is an institution whose license

requires that all loans be extended for productive purposes. In that case, we have 100% certainty that they are assessing the borrower based on why they need that loan and whether it will help them generate the income necessary to repay the debt while growing or improving their business. There are other places and other licenses where that is not required. Consumer loans are a good example. That can be a tricky situation, because you can argue that, if a microfinance borrower is buying a TV or washing machine, that's a consumer loan. At the same time, that money allows people to have the goods that you and I have in our homes that make it easier for us to focus on our own interests. whether those are business or personal. In these circumstances, we may need to take a deeper dive to assess the true impact of those loans.



If Microfinance Investment Vehicles (MIVs) like MicroVest were to achieve their social impact purpose, what would we be seeing?

When looking at what we do, I think the ultimate end goal is a world where there is universal access to finance. There's no more missing middle, and it's a world where, if someone needs to get a medical procedure or send their kids to school, the lack of formal (and fair) financing options isn't a barrier. As the companies we invest in continue to reach more people who are excluded from the formal financial system, those borrowers build a payment history and start becoming scorable by more standard credit algorithms. When that happens, a lot of these

microfinance borrowers have credit scores that makes banks more interested in banking those people - so they start to have access to more financial products and larger loan sizes. One trend we have observed is that microfinance institutions who started out offering traditional group or individual micro-loans have begun to evolve into multi-product SME Finance Institutions in order to meet the growing needs of their longstanding clients.

What are some of the biggest challenges facing the impact investing industry today?

A constant challenge within the space is the best way to "If someone needs to get a medical procedure or send their kids to school, the lack of formal (and fair) financing shouldn't be a barrier."

measure impact. It is easy to make assumptions about outcomes based on outputs that aren't necessarily correlated with ultimate impact. For example, SME finance is very broad and means different things in different countries. The "missing middle" financing gap varies country-to-country, which is one reason we see average loan sizes for our portfolio companies in Mexico much higher than similar companies in Panama or Peru. What we can do is

create and incorporate unified metrics, which have come in various forms in the past. That's usually a good starting point and helps us focus on trends or highlight outliers that need more investigation. This also gives our industry more credibility among investors who really want to understand and report the impact of their capital alongside financial returns. MicroVest adopted the Cerise SPI4 Questionnaire in 2019

for our core social impact reporting, which is a compulsory component of our underwriting process today. The questionnaire assesses companies' monitoring and commitment to social goals, client and employee treatment, and green initiatives. Our investment and business development team are regularly considering additional ways we may better assess social impact.





## Financing Underserved 'Taxipreneurs' in South Africa

#### WE INVEST IN: SA TAXI



While South Africa has made significant strides in improving its population's wellbeing since its transition to democracy in the mid-1990s, it remains one of the most economically unequal countries in the world. Approximately 55% of the population lives in poverty,<sup>2</sup> and the country's Gini Index is 63, which is the highest in the world.

Minibus taxis are an integral part of the South Africa's public transport infrastructure. Approximately 70% of local

households in South Africa use minibus taxis, and they account for 84% of daily transport and approximately 15 million commuter trips daily.4

Founded in 1996, SA Taxi is a provider of minibus taxi finance, insurance, and allied products to low-income, exclusively Black<sup>5</sup> individuals, in South Africa.

The company fills a critical funding gap by providing credit to 'taxipreneurs' who would otherwise be excluded from the formal economy given their

credit profiles. With approximately 12 million South Africans classified as unbanked, this segment of the population can only engage with a limited number of channels to access capital.

Since inception, SA Taxi has facilitated the creation of over 95,000 black-owned taxi businesses, as well as more than 172,000 direct and 287,000 indirect jobs, in a country with an unemployment rate of over 34%.



Each minibus taxi financed by SA Taxi has a ripple effect on job creation. Minibus taxi businesses create direct employment for drivers and conductors while providing a livelihood for the taxi owner. Indirectly, even when sitting in traffic, taxis create a central marketplace of goods and services where informal businesses, including retail, food and car washers, thrive. Furthermore, other jobs are directly created due to the need for ancillary services, such as mechanics.

MicroVest | 19

[1] https://www.worldbank.org/en/country/southafrica/overview#1

[2] https://databank.worldbank.org/data/download/poverty/33EF03BB-9722-4AE2-ABC7-AA2972D68AFE/Global\_POVEQ\_ZAF.pdf

[3] https://worldpopulationreview.com/country-rankings/gini-coefficient-by-country

[4] https://www.transactioncapital.co.za/downloads/FY17\_SA%20Taxi%20Funder%20Prospectus.pdf (figures updated by SA Taxi as of November 2021)

[5] A term used to identify Africans, Colored individuals, and Indians in accordance with the South African BBBEE Act

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**2021 IMPACT REPORT** 

### Distributing COVID-19 Vaccines to Drivers &

## Passengers Through an Established Vaccination Center

COVID-19 has had a major impact on South Africa's economy, and the minibus taxi industry—like so many others—continues to feel its effects.

SA Taxi stepped forwarded with a proactive approach to ensure that assistance can be offered to minimize the spread of the virus to stakeholders in the minibus taxi industry, which continues to be the most critical form of transportation infrastructure in South Africa.

SA Taxi successfully set up a COVID-19 Vaccination Center at its premises in Gauteng, home to a quarter of South Africa's population, where the company has been distributing vaccines to minibus taxi participants. The Vaccination Center has been

administering an average of 200 vaccines daily, with all vaccination processes conducted in accordance with the South African Department of Health regulations. In addition, SA Taxi also distributes COVID-19 related PPE items, such as sanitizers and masks, to all recipients of the vaccine at the SA Taxi Vaccination Center.



## From Part-time Driver to Owner of a 15-vehicle Fleet

MR. PHILEMON NZIMA
CLIENT OF: SA TAXI



Mr. Nzima started working in the minibus taxi industry as a part-time driver but had dreams of becoming self-employed. In 1988, he bought his first Toyota and officially launched a minibus taxi business. When Mr. Nzima wanted to purchase additional vehicles to expand his business, he needed financing but was unable to secure it through banks, as he had installments for

other cars at the time. After hearing a presentation by an SA Taxi representative, he went to the company to request financing for three vehicles, and his application was approved.

Today, Mr. Nzima operates a fleet of 15 vehicles and employs 15 drivers, five mechanics, one woman who manages the finances, and his son, who works as the business' manager.

"Besides myself, my business generates 22 jobs," said Mr. Nzima. "It's a very hands-on business, and I must be there all the time to ensure that the business is running well."

Mr. Nzima's taxi business is his family's only source of income. It has given him the

ability to support his family, pay school fees for his five children, and enjoy a middle-class life.

In addition to the impact that his business has had on his family. Mr. Nzima also believes that the minibus taxi industry plays an important role in South Africa. "Even though there is no

government subsidy, the associations have managed to keep taxi fares reasonable for commuters. Our taxis also make it easy and efficient for commuters to move from point A to point B without unnecessary stops or stress."

## Finding Her Voice in a Male-dominated Industry

MS. GRACE KELLY DLAMINI

**CLIENT OF: SA TAXI** 

Ms. Dlamini is a businesswoman and taxipreneur who took over her parents' taxi business in 2007. Of the four vehicles in the taxi fleet she operates, one is currently financed through SA Taxi.

The taxi industry in South Africa continues to be disproportionately male dominated, but Ms. Dlamini has come up with her own ways to succeed in the industry as a woman. "I'm outspoken and say what I think needs to happen," says Ms. Dlamini. "To succeed you need to be hands-on."

She also imparts her wisdom and tips on how to be a successful businesswoman to her 20-year old daughter, who hopes to one day take over the family business. "My daughter is very proud and outspoken about the taxi industry and even boasts to her classmates that it is taxis that get her to school every day. Sometimes, we will call another minibus taxi when visiting granny so she understands what it feels like to be a taxi customer.



I tell my daughter that as a woman in this industry, you must never be submissive, know what's right and wrong and operate as a businesswoman. I tell her to conduct a SWOT analysis, to understand the opportunities and risks, and to always be mindful of them. This industry has so much potential and caters

to the poorest of the poor, as well as the youth. However, this industry could also benefit from new ideas. I can sometimes be critical about the taxi industry and speak my mind about it, but I love it and will do anything to help the industry thrive. Without my minibus taxi business, I wouldn't be who I am today."

**2021 IMPACT REPORT** 



## **Supporting Entrepreneurship & Community Development** in Cambodia

WE INVEST IN: AMRET





Cambodia's economy was growing at an average of nearly 8% per year, making the country one of the world's fastest-growing post-conflict societies. Since the onset of COVID-19, growth has stagnated. As of November 1, 2021, the country has reopened after having surpassed its COVID-19 vaccination target and achieved one of Asia's highest inoculation rates, but overall, reforms are needed if Cambodia is to sustain pro-poor growth and competitiveness.

Amret, whose name traditionally translates to 'improvement and prosperity' in Khmer, is a microfinance institution (MFI) that provides financial services to underserved populations in Cambodia, a country where only 22% of adults have a bank

ing domestic entrepreneurship and encouraging local economic and community development, Amret has developed a suite of financial services to cater to these needs. Its suite of products include flexible and easily accessible loans for farmers, which includes an agriculture product that addresses crop seasonality, products for micro, small and medium enterprises, as well as deposit, saving, payment, and transfer services for rural and urban households.

Amret's roots date back to 1991 when it was set up by a French international development-focused NGO called GRET (Recherche et d'Echanges Technologiques) to support entrepreneurs through the provision of responsible and

Amret serves as a one-stop shop for clients. At the start of the COVID-19 pandemic, Amret extended a helping hand to its 120,000 group loan clients by offering a loan repayment grace period to anyone whose livelihood was affected by the pandemic. The group loan customers are predominantly rural-based, smallholder farmers, many of whom also rely on family members who work in the garment industry, which saw widespread closures due to the pandemic. For individual clients with larger financial obligations, Amret also offered repayment solutions tailored to a borrower's unique circumstances, which typically included partial or full deferred payments for three to six months.

<sup>[1]</sup> https://www.worldbank.org/en/country/cambodia/overview

<sup>[2]</sup> World Bank Global Findex (2017) https://globalfindex.worldbank.org/sites/globalfindex/files/2018-04/2017%20Findex%20full%20report\_0.pdf

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## **Overcoming Early-Life Challenges to Build a**

### **Successful Longan Trading Business**

MS. OEURN SAMON
CLIENT OF: AMRET



#### Please tell us about yourself

My name is Oeurn Samon, I am 33 years-old and I am the owner of a longan farm and trading business in Pailin province, Cambodia. I own a 13-hectare longan plantation, which distributes up to 10 tons of fresh longan every week.

Growing up, my parents were gemstone miners. Although we struggled financially, my parents were still able to provide adequately for the family during the Cambodian mining boom.

However, circumstances changed drastically when my father unexpectedly passed away in 1999. My mother suddenly became a single parent with responsibility for supporting a family of two young children. With the mining industry in decline, our financial situation worsened to the point where, some days, my mother was unable to generate any income at all. This chain of events led my mother to shift her focus to farming as a sustainable means of supplementing our family's

meager income. I was 15 years old at the time.

What inspired you to start a longan business and what were the challenges you faced when getting started?

About 10 years ago, longan cultivation was becoming popular in the Pailin region. Despite no prior experience growing longan, I saw an opportunity to make money as a local trader in this business. In the beginning, I was

anxious and worried about investing years of my family's hard-earned savings in something I had no experience in. However, with the encouragement and support of my husband, I made a leap of faith and started this business in 2010.

In the beginning, things were very tough for us. I reached out to local farmers to try and negotiate fair prices and came to a purchase agreement for a longan supply in Pailin as soon the trees began to bloom. At the same time, my husband was working hard to establish a distribution network at Phsar Neak Meas in Phnom Penh. Initially, wholesalers that we approached were either reluctant to stock our products or demanded to be supplied on a consignment basis with better profit margins. While we did not make much profit in the beginning, we persevered through these bittersweet challenges which taught us invaluable lessons about the business. Over time, we succeeded in building a loyal base of wholesalers who gave us the breakthrough opportunity we needed to expand our business.

Having established a stable source of income coupled with financial assistance from Amret, I was able to invest in the acquisition of trucks to lower logistical costs and purchase additional land to begin a plantation of our own. This has enabled us to fulfill our wholesale orders on a larger scale with a supply volume of 10 tons or more each week, while meeting additional orders over the festive and wedding seasons. What we have learned over the years in this business is that we have to be

prepared for many unforeseen challenges that lie ahead. Challenges that may come in the form of price fluctuations, unstable market demand, and even rough road conditions that can affect the profitability and bottom line of the business.

## As a businesswoman with a family, how do you

# balance your time while focusing on running a successful business?

Managing an agribusiness is very demanding and often tiring. I set aside time for my family while ensuring I spend sufficient hours attending to the business' operations. I get up at dawn every day to coordinate two to three



"In the beginning, we persevered through bittersweet challenges that taught us invaluable lessons about the business. Over time, we succeeded in building a loyal base of wholesalers that gave us the breakthrough opportunity we needed to expand."

groups of laborers and transport them to various plantations within Pailin province. Once this is done. I travel back and forth to each plantation to check that the fruit picking process is being performed correctly to ensure that the fruits harvested fulfill the quality expectations of our wholesale customers and prevent our products from being rejected. After harvest collection, I coordinate the transportation of laborers back to the warehouse while preparing food in advance for them for the following day. Preparing tasks for the next day ahead of time allows me to create time for my family.

Running an integrated longan plantation and trading company is challenging. However, with the right planning and commitment, achieving the goals I have set for my business becomes both simple and rewarding. At the end of the day, the greatest joy for me is seeing the smile on my children's faces as I return home. It gives me the satisfaction and energy to perform my work and gets me going every day.

#### What impact has the COVID-19 pandemic had on your business?

2020 was the toughest year for my business. In the wake of the COVID-19 pandemic, demand for longan decreased significantly. Social distancing measures practiced throughout the country also restricted festive and wedding celebrations, which contributed to falling sales volumes. Furthermore, declining orders from the international market during this period had also disrupted our business significantly. This is reflected in the ordering trend from our wholesale customers, as orders have become irregular and unpredictable as opposed to consistent and daily as in the past. Our biggest concern at present is the recent slump in prices for longan, which has been felt by producers throughout the year. This has been compounded by our obligation to continue purchasing longan harvested from farmers. To mitigate this, my husband and I have set up a warehouse to process the harvested longans, which enables us to keep them fresh for two to three more days while we seek assistance from our network of



partners to penetrate into new markets in Thailand. However. Thai customers are more demanding, and their requirement for quality is significantly higher than that of the domestic market, meaning that only a few farms can meet their quality expectations. The quality of products is very important consideration for international markets.

#### What is your advice to young women who wish to start a business?

Like any other businesses, to reach success, one must be committed, resilient, and bold enough to make difficult decisions when needed. Looking back 10 years ago when I first started, if it were not for my boldness, decisiveness, and

devotion. I would not have achieved what I have today. My advice to young women out there who dream of venturing into business is to never give up during the tough times. You must be willing to go the extra mile to achieve your goal. You must always love what you do and success will come knocking before you know it. Like the saying goes, if you love what you do, you will succeed in life!

I would like to take this opportunity to thank my husband and mother who has always been very supportive of me every step of the way in assisting and guiding me through this rewarding journey. Finally, I wish all the Cambodian business women great success and Samnang La'or in their business ventures.

**2021 IMPACT REPORT** 

## From Smallholder Farmer to Proud Agripreneur

MS. I SOKNEAT

CLIENT OF: AMRET



#### Tell us about what you do

In addition to working on my own small paddy farm in Cheung Prey District, Cambodia, I manage an agri-business that offers mechanical tillage and soilfilling services for smallholder farmers in and around the region.

## How did you become an Agripreneur?

Being an entrepreneur means being creative and having the drive to take advantage of opportunities when they present themselves. At the start, I only owned a one-hectare rice plantation, which provided little income to support my family. Despite the difficulties, I saved just enough to purchase a medium-size tractor and seized the opportunity to start a mechanical tillage service in 2018. The business got off to a good start, during which I serviced over 50 hectares of farmland each season, but it slowly declined as competitors emerged. Although the mechanical tillage business might not have been sustainable, it certainly laid the groundwork for my future venture and signaled the start of my success as an entrepreneur. In 2019, I took a business loan from Amret to fund my soil filling business with my initial investment of a mediumsized dump truck. Finding customers was not much of a challenge given the good relationship I had formed with

customers from the previous business. It grew faster than I expected, earning me a healthy budget to acquire more equipment.

Today, I own two dump trucks and two tractors along with 10 other dump trucks from private contractors that I use at my disposal. On average, I deliver over 200 cubic meters of soil daily for farmers both in and around my region.

After just three years, I went from being a traditional farmer to one of the leading agripreneurs in my community. My success would not have been possible without proactiveness, discipline, and decisiveness to take on the opportunity when it presented itself.



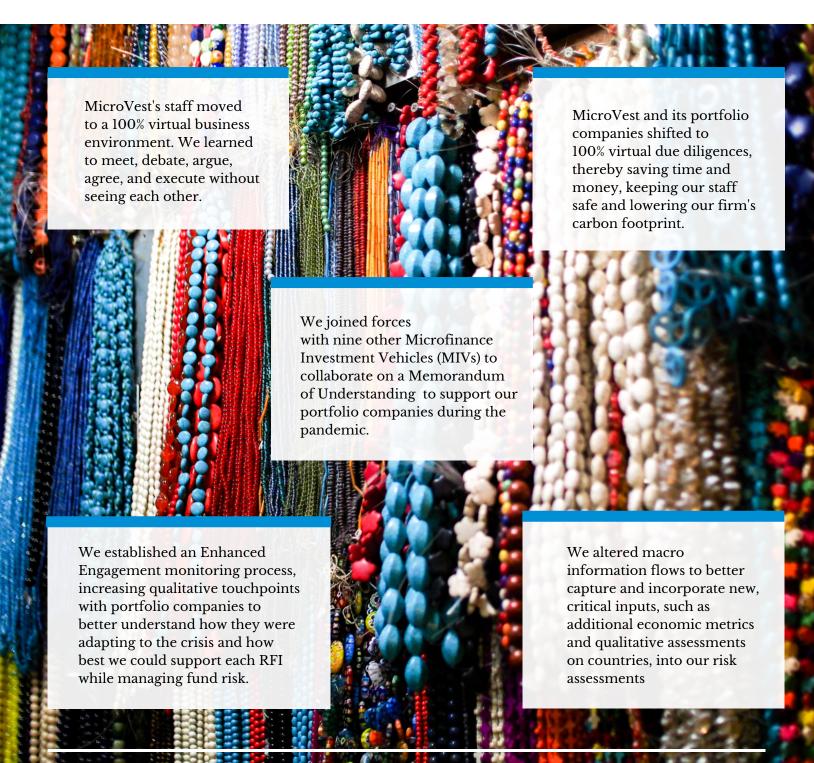
## **Navigating Changes, Together**

Many countries around the world are moving into the recovery phase of the pandemic or at least learning to cope with COVID-19 until vaccines are more widely available. Like many others, the MicroVest team has been taking

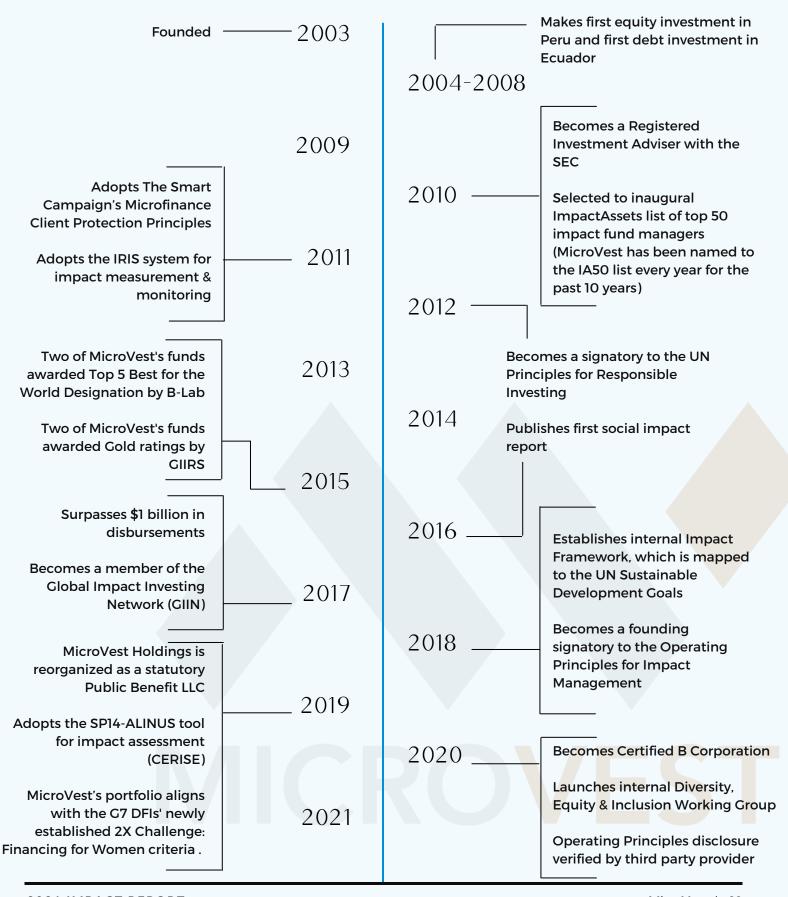
stock and reflecting how we have responded to the unprecedented events of 2020 and the delta spike in 2021. Over the past two years, MicroVest has met the needs of the moment through adaptation, continuous learning and finding

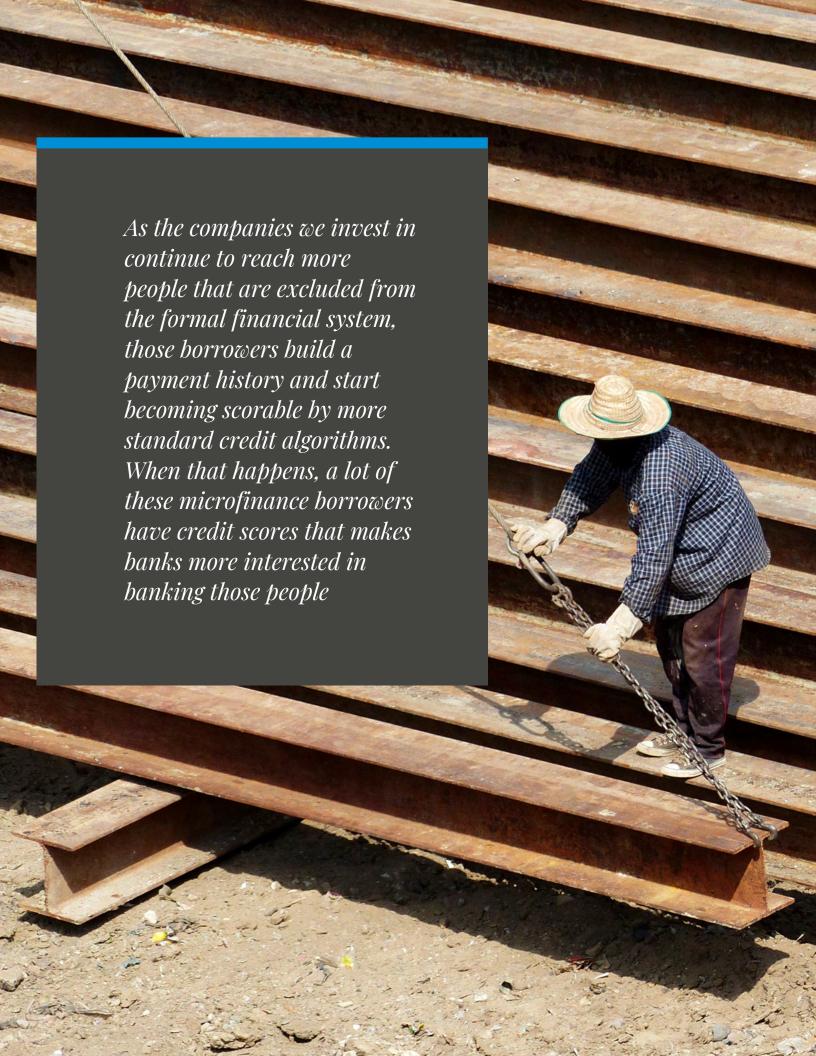
new ways to complete our investment process and continually monitor risk levels in our portfolio.

The pandemic introduced many 'firsts' for our team. Below are some of them.



## **MicroVest: A Timeline of Impact**





## Bridging the Financing Gap for Small Businesses in

### Romania

#### WE INVEST IN: ROCREDIT



Small businesses play a significant role in Romania's employment landscape, accounting for every two out of three persons employed in the country. Yet, these businesses face constraints in access to funding. The SME Finance Gap in Romania is estimated at US\$32.7 billion.1 While SMEs account for half of the country's GDP, Romania still has the lowest ratio of SMEs per 1,000 inhabitants in all of the European Union! There is much potential for this segment to grow, but capital must be available to fund it.

RoCredit is a Romanian Microfinance Institution that was originally founded in 2007 as a regulated Non-Bank Financial Institution. The company fills an important gap in the Romanian financial services system by providing financing to SMEs and micro entrepreneurs that are unable to access credit from traditional banks. RoCredit provides a wide range of financial products to its borrowers, such as working capital credit lines, loans secured by promissory notes, investment loans, and factoring services, among others.

The company's core invoice discount product, called the "scont" loan, fills a much needed liquidity gap for individuals and businesses. How it works is that



each time a small business borrower fulfills an order for its customer, it generally will not receive payment until between 60 and 120 days following delivery. Without liquidity during this period, businesses may be required to forgo additional work and delay salary payments to employees, thus missing out on further revenue generating opportunities. Through a comprehensive legal, financial and fraud risk assessment of both the borrower and the payer,

RoCredit is able to turn around funds to its customers within approximately 3 days of the invoice date (or as little as 24 hours in the case of a new disbursement to an existing borrower), which allows small businesses to continue to pay salaries, purchase raw materials and maintain uninterrupted operations. RoCredit is more suited to meet MSMEs' invoice financing needs than banks, which cater mostly to larger suppliers of corporations.

MicroVest | 32

[1] https://www.ifc.org/wps/wcm/connect/08dd8fd3-bb25-4e72-97lc-cfe8fd643a40/GarantiBank-Romania.pdf?MOD=AJPERES
The portfolio company profiled here is for educational purposes only and may not represent all of the portfolio holdings. It should not be assumed that investments in the company identified and discussed were or will be profitable. The companies profiled were selected based on their financial inclusion and impact with no reference to amount of profits or losses, realized or unrealized.

2021 IMPACT REPORT

## Taking the Supply of Raw Goods to the Next Level

**CARNEX FRIGO** 

**CLIENT OF: ROCREDIT** 

Carnex Frigo is a supplier of raw goods to the food industry in Romania. A few years ago, an opportunity arose for the company to supply raw materials, namely spices, to one of the country's largest sausage producers, Aldis SRL.

Because Carnex Frigo was a small company, it needed financing to expand its business to keep up with the demands of an industrial, large-scale sausage producer like Aldis.

In 2018, Carnex Frigo sought financing from RoCredit on a product that would help get faster turnover on payments. This financing has allowed Carnex Frigo to diversify the range of products delivered, with superior bargaining power in the purchase of goods and raw materials. This has helped the company provide the necessary products needed to keep up with the industrial demands of large-scale food producers.

Because of this, Carnex has been able to grow its business more than tenfold from a revenue of 1.2 million lei at the end of 2018 to 13 million lei by the end of 2020. The resulting growth has also resulted in the launch of several other small ventures that would have otherwise not been possible.



### **Expanding Electrical Services Domestically with the**

## **Help of Small Business Financing**

HANTIG ELECTRISERVICES

**CLIENT OF: ROCREDIT** 

Hantig Electriservices is a Romanian electrical systems contractor that provides consultation and construction services for plumbing, electrical, and HVAC systems. Although the majority of Hantig's contracts originate internationally, the founders were seeking financing to build a domestic presence in addition to other activities. After having been refused credit by several Romanian Banking Institutions, Hantig sought financing from RoCredit in 2019, utilizing RoCredit's monthly repayment loan as well as a credit line for discounts.

With RoCredit's help, Hantig was able to establish a new business line, generate predictable cash flows, meet payroll, finish contracted works on schedule and obtain materials with advance payment, for which Hantig receives a 10% discount.





## **Supporting Vulnerable Panamanian Microentrepreneurs through Productive Financing**

WE INVEST IN: MICROSERFIN



Prior to COVID-19, Panama had one of the strongest growth rates in Latin America and the Caribbean, growing at 4.7% on average from 2014 to 2019, compared to 0.9% for the rest of the region.1 The country did, however, experience one of the most severe COVID-19 outbreak cases on the continent, and its challenge now is to reignite growth, particularly across underserved, rural groups.

Microserfin is a market leading MFI in Panama with a 19year track record. Backed by the BBVA Microfinance Foundation, an internationally recognized philanthropic initiative to support social impact in Latin America, Microserfin supports low-income microentrepreneurs using a Productive Finance methodology that provides not only financial services but also education and support so that microentrepeneurs can generate profits and reinvest them back into their businesses. Operating with a client centric mindset, Microserfin's vision is to generate opportunities for microentrepreneurs by providing safe, ethical microfinance services. Microserfin's business model was founded on five strategic pillars that include



Gender, Digitization, Sustainability, Financial Education and Human Capital.

A December 2020 survey carried out by Microserfin revealed that microentrepreneurs viewed applying for a new loan as being critical to helping their businesses recover from the effects of the pandemic. Because credit can provide liquidity for working capital and fund business improvements, it is one of the first tools required by microentrepreneurs to recover

from any crisis. In the first seven months of 2021, Microserfin disbursed aggregate volume of US\$11 million, which represents productive loans to 6,321 people. 41.8% went towards womenowned enterprises while 53% of the disbursed volume funded new clients, many of whom never had access to banking. These statistics reflect the commitment and support that Microserfin provides to the microenterprise sector for the revitalization of the Panamanian economy.

[1] https://www.worldbank.org/en/country/panama/overview#1

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### Financing Dreams of Owning & Operating a

## Sustainable Agritourism Farm

MR. ROBERTO GÓMEZ MORÁN
CLIENT OF: MICROSERFIN

Mr. Gómez's dreams of owning and operating a sustainable farm date back to childhood. He grew up in Capira, Panama, and was raised by parents who were subsistence farmers. At the time, agrotourism was being touted as a farming practice of the future, and over time, Mr. Gómez was dedicated to learning more about the bourgeoning industry. In 2015, with a mini-farm in operation, Mr. Gómez applied for a US\$500 loan from Microserfin to improve his sustainable farming practices and expand his operation into what is known today as the Agroturistica La Prometida farm. Today, Mr. Gómez's farm maintains a wide variety of specialties, such as orchid nurseries, poultry, livestock, and even bee-keeping. The farm also grows a wide variety of crops, such as cassava, corn, ñampí, guandú, bananas, achiote, and coffee – all of which are organically grown.

Since 2015, Mr. Gómez has completed five loan cycles with Microserfin with all payments made on-time. The funds have helped him improve the quality of his products, which include processed coffee, processed achiote, and honey.

Not only has Mr. Gómez's farm provided employment for his six brothers, the farm also hires seasonal workers during



tourist season. Due to the farm's growth and contributions to the local community, Mr. Gómez has received recognition from his community and participates in local initiatives to promote tourism and the development of agriculture in the area. He also receives invitations to speak at national universities on agritourism, environmental protection, and organic farming.



## Starting a Small Jewelry Business with the help of

## a Refugee Financing Program

MR. JUAN CAMILO ECHEVERRY

**CLIENT OF: MICROSERFIN** 

Originally from Norte del Valle, Colombia, Mr. Echeverry was forced to leave his home country due to regional violence and settled as a refugee with his family in Panama. Prior to resettlement, Mr. Echeverry had dreams of owning and operating a business selling personalized, handmade jewelry.

Once in Panama, Mr. Echeverry came to learn about Microserfin's credit program for refugees that was organized in partnership with the Red Cross and UNHCR. The program provides opportunities for refugees to build credit and invest in their businesses.

Thanks to the program, Mr. Echeverry's dreams of entrepreneurship are possible, and his business has grown and gained recognition through various social media networks.

His small business has also improved the quality of life for himself and his family. Prior to starting his business, he lived in a small room under poor conditions. Now, he and his family live in a better home with more space and have a better setting in which to make their products. His dream is to grow and give employment to others who need it.



## Securing a Loan to Help Weather Through Drought

MS. GABRIELA MORÁN
CLIENT OF: MICROSERFIN

Ms. Morán lives in Peñas Blancas. Capira and owns three hectares of land, where she grows and cultivate crops like Cilantro, Mustard, Chives, Parsley, and Coffee. While her business is productive and generates enough resources to support herself and her family, every summer, her crops wither due to drought, resulting in productivity losses. A family member recommended that Ms. Morán apply for a loan to invest in an irrigation system that would allow her to maintain her crops



during adverse weather events. Being extremely wary of lenders and unsure about her ability to obtain a loan, Ms. Morán cautiously approached Microserfin to request a loan of USD\$2,000, and was approved. According to Ms. Morán, she never thought that she would qualify for a loan. However, the process of taking out a loan was simple and fast and ended up being just what she needed to help her business grow and expand.



## Mapping Our Impact Framework to the SDGs

Global policymakers agreed to the United Nations Sustainable Development Goals (SDGs) in 2015 to mobilize public and private actors toward the elimination of poverty and the achievement of sustainable growth. The challenge and

resulting opportunity is immense, with the UN estimating annual investment requirements between \$5 trillion and \$7 trillion. MicroVest and the portfolio npanies in which we invest play an important role in advancing the SDG agenda. Our

Social Impact Framework consists of four core pillars (Impact Investing Leadership, Institution Building, Financial Inclusion, and Financial Health) that drive our activities and guide our progress toward the achievement of the SDGs.





#### IMPACT INVESTING LEADERSHIP

Advancing a responsible investing agenda through our investments and global impact.







#### INSTITUTION BUILDING

Supporting the growth of institutions that offer safe, innovative financial products to underserved populations.







#### FINANCIAL HEALTH

Unlocking productivity that enables underserved population to earn a living wage, save for the future, and pull themselves out of poverty.









#### FINANCIAL INCLUSION

Ensuring widespread access to responsible financial services for all who need it.





### 2019-2021 Impact Metrics

The impact metrics that MicroVest collects from its portfolio companies span a broad range of indicators and provide insight into an institution's financial and social performance over the life of the investment. Many of these data points offer directional evidence in support of MicroVest's financial inclusion thesis. When this data is aggregated at the portfolio level, it helps inform the development impact that our portfolio is creating and can be compared against aggregate estimates of the financial inclusion gap and the size of the unbanked and under-banked population for a given country and sub-region.

The following metrics are based on self-reported data from MicroVest portfolio companies across its two flagship funds as of 6/30/2021. The average portfolio company is weighted by portfolio exposure at cost as of 6/30/2021 and exclude any company that did not report the metric.

Portfolio Composition	19-Jun	20-Jun	21-Jun	
# of Institutions Financed	76	56	52	
Microfinance	51.3%	50.0%	51.9%	
SME Finance	39.5%	42.9%	40.4%	
Alternative <sup>1</sup>	9.2%	7.1%	7.7%	Not including \$48
Number of Countries <sup>2</sup>	33	28	26	million committed
Assets Under Management (m)	343	340	314	capital by US DFC
Portfolio Metrics	19-Jun	20-Jun	21-Jun	
Gross Loan Portfolio (GLP)	670,466,181	395,902,049	519,457,020	
Annual Portfolio Growth	22.8%	10.7%	11.6%	
Portfolio Yield (YTD annualized)	22.4%	23.5%	19.7%	
Operating Expense Ratio	10.0%	9.5%	9.3%	
Write-offs/Average GLP (TTM)	1.1%	2.0%	3.1%	
PAR>30 & Restructured Loans/GLP <sup>3</sup>	7.8%	9.0%	21.1%	
Portfolio Workforce	19-Jun	20-Jun	21-Jun	
Full-time Employees	80,262	64,430	59,326	
Loan Officers Employed	36,968	31,952	30,464	
% Female Senior Management	28.7%	25.1%	26.1%	
% Female Board Representation	19.3%	15.9%	17.8%	

<sup>[1]</sup> Alternative includes education finance, housing finance, payment & remittance transfer providers and other portfolio companies.

<sup>[2]</sup> Prior to 2020, this number Included "global" and "regional SSA" as individual countries. As of 2020, this number excludes "global" and "regional SSA" as individual countries.

<sup>[3]</sup> PAR>30 & Restructured Loans: (2020) Excludes loans that were restructured or under payment holiday related to COVID. (2021) Includes restructured loans that are overdue or have made full and on-time payments for less than six months. If bifurcation was not available, this number includes all restructured loans.

Portfolio End Borrowers	19-Jun	20-Jun	21-Jun
Total # of Active Borrowers	10,798,681	10,205,808	10,125,068
% Rural Borrowers	37.0%	40.0%	36.9%
Average # of End Borrowers	226,732	376,321	421,823
Microfinance	370,137	628,541	696,288
SME Finance	49,392	56,263	77,852
Alternative	5,721	6,922	8,232
% Female <mark>Borr</mark> owers	48.4%	56.0%	50.4%
Microfin <mark>anc</mark> e	62.2%	69.0%	61.5%
SME Finance	28.1%	33.0%	31.8%
Alternative	N/A <sup>4</sup>	57.0%	46.9%
Number of Savers or Depositors	7,854,435	4,870,190	3,251,414
Portfolio End Borrowers	19-Jun	20-Jun	21-Jun
Average Loan Size (US\$)	49,614	70,088	75,088
Average Loan Size (03\$)	49,014	70,000	75,000
Microfinance	4,235	3,251	1,997
Microfinance	4,235	3,251	1,997
Microfinance SME Finance	4,235 109,223	3,251 184,372	1,997 211,557
Microfinance SME Finance Alternative	4,235 109,223 16,263	3,251 184,372 43,122	1,997 211,557 48,132
Microfinance  SME Finance  Alternative  # of Loans Outstanding	4,235 109,223 16,263 16,363,231	3,251 184,372 43,122 13,127,500	1,997 211,557 48,132 11,935,522
Microfinance SME Finance Alternative # of Loans Outstanding Microfinance	4,235 109,223 16,263 16,363,231 11,951,988	3,251 184,372 43,122 13,127,500 12,233,670	1,997 211,557 48,132 11,935,522 11,002,794
Microfinance SME Finance Alternative # of Loans Outstanding Microfinance SME Finance	4,235 109,223 16,263 16,363,231 11,951,988 4,400,311	3,251 184,372 43,122 13,127,500 12,233,670 859,635	1,997 211,557 48,132 11,935,522 11,002,794 894,847
Microfinance SME Finance Alternative # of Loans Outstanding Microfinance SME Finance Alternative	4,235 109,223 16,263 16,363,231 11,951,988 4,400,311 10,932	3,251 184,372 43,122 13,127,500 12,233,670 859,635 34,195	1,997 211,557 48,132 11,935,522 11,002,794 894,847 37,881
Microfinance SME Finance Alternative # of Loans Outstanding Microfinance SME Finance Alternative % Productive Loans 5	4,235 109,223 16,263 16,363,231 11,951,988 4,400,311 10,932 79.8%	3,251 184,372 43,122 13,127,500 12,233,670 859,635 34,195 76.0%	1,997 211,557 48,132 11,935,522 11,002,794 894,847 37,881 72.7%

<sup>[4]</sup> N/A indicates not enough companies reporting to provide a representative statistic.

<sup>[5]</sup> Productive loans are those that go toward enterprises such as manufacturing and production, agriculture and livestock, commerce ade, services, education, and renewable energy. Sectors that are excluded from MicroVest's classification of a productive loan nclude housing, consumer, and other sector loans.



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