

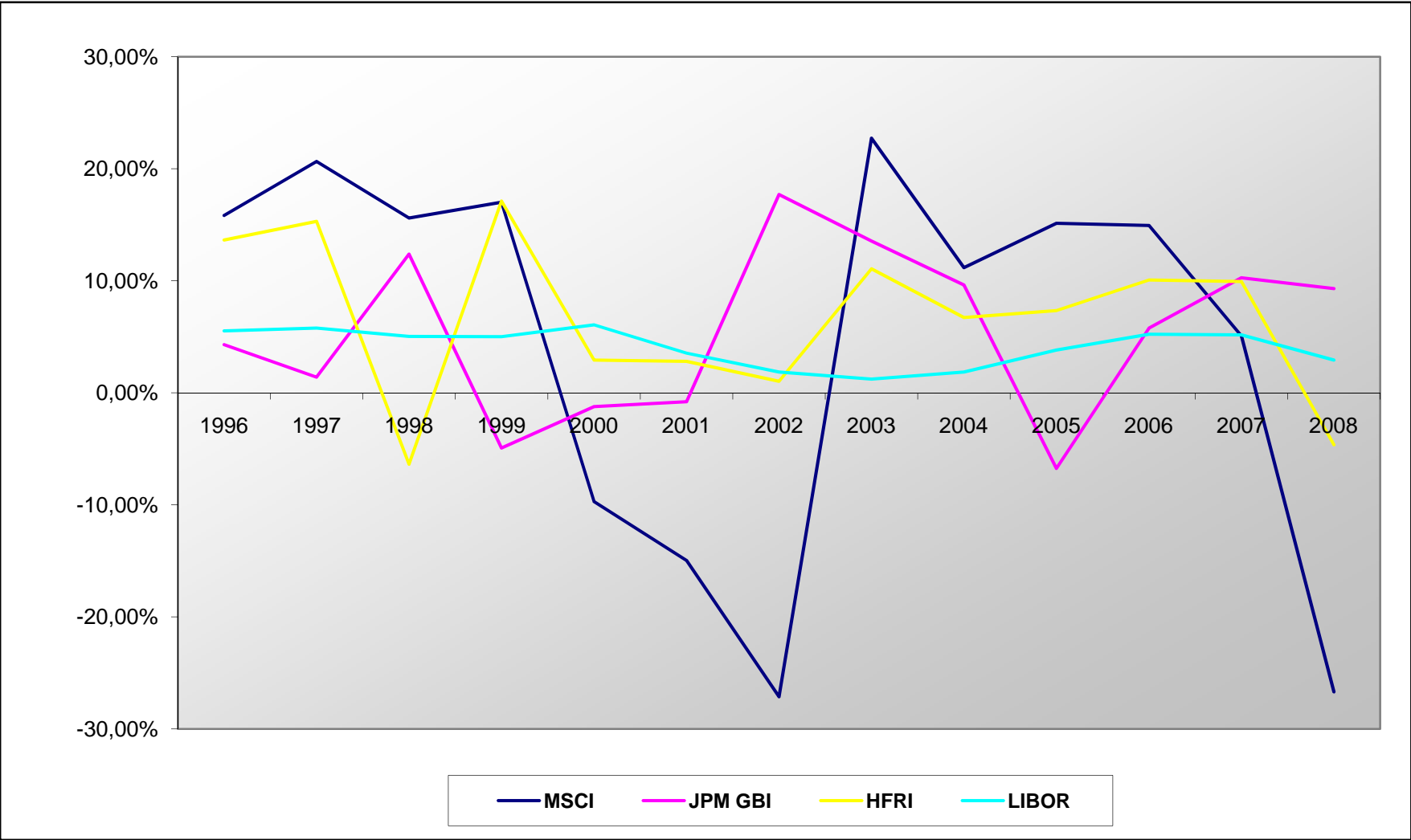
Portfolio Optimization – Empirical Results

The Impact of Microfinance Investments on an Investor's Portfolio

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General market development (01/1996 – 06/2008)



Sample portfolios of different investment strategies by comparison



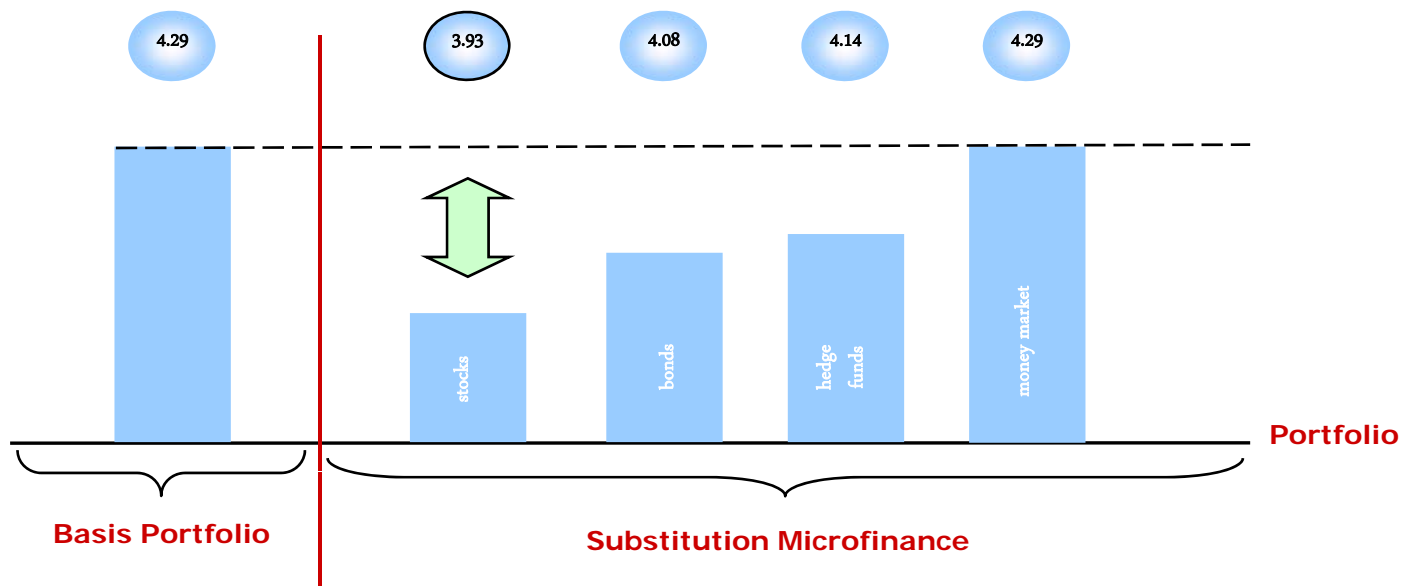
What happens with the portfolio return and the portfolio risk if we substitute 5% or 10% of any chosen asset class with microfinance investment funds?

24 portfolios have been analysed. That means eight portfolios for each investment strategy (defensive, balanced, growth)

Microfinance Debt Funds - a diversification instrument for all portfolios...

Standard deviation of the „Defensive“ Portfolios...
in % (1999.01/2008.06)

„5% Dexia Fund“

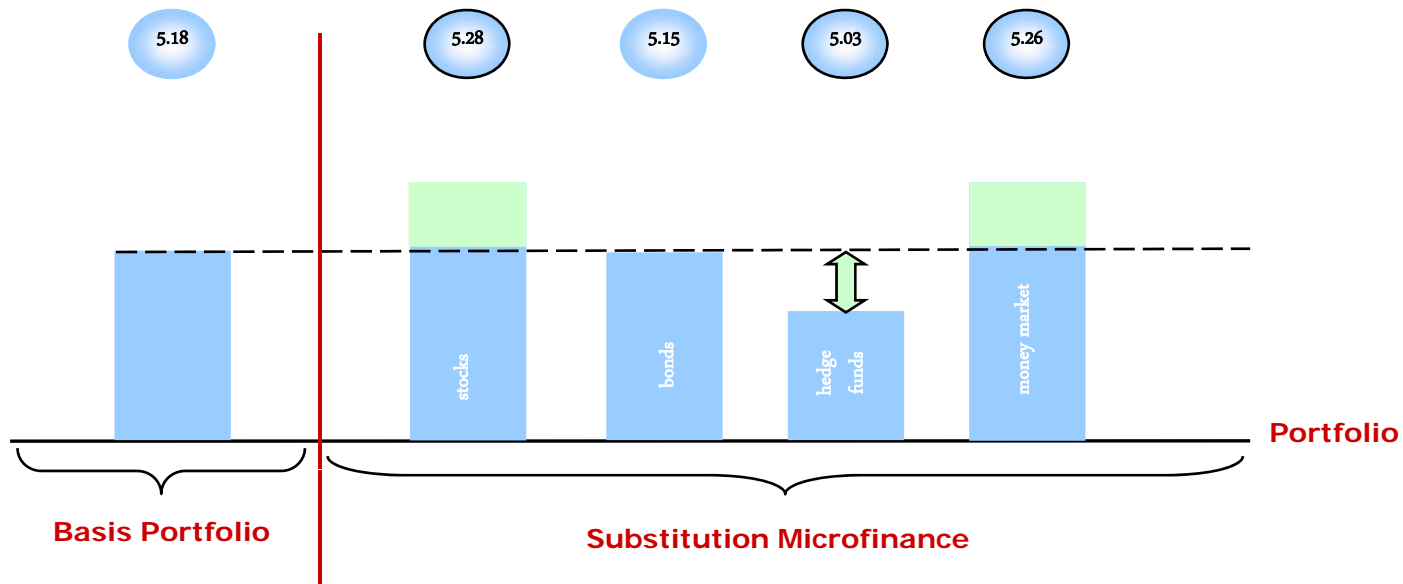


The strongest diversification effect can be achieved by substituting stocks

... but with different return contribution

Expected return of the „Defensive“ Portfolios...
in % (1999.01/2008.06)

„5% Dexia Fund“

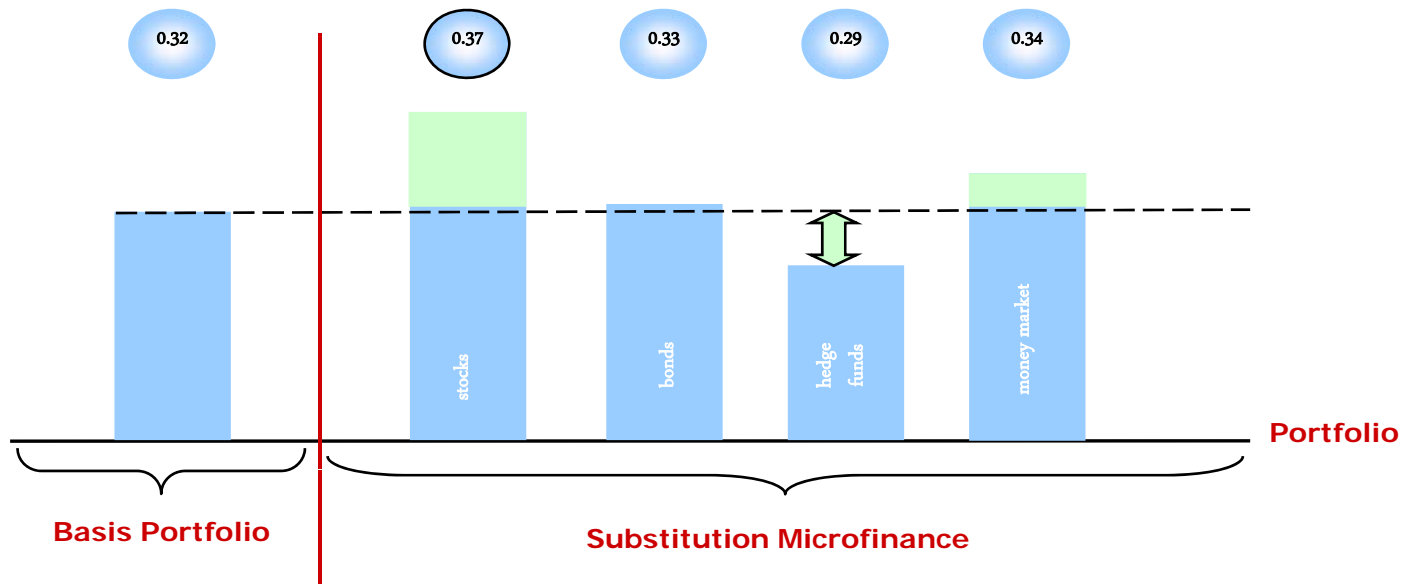


A substitution with 5% Microfinance account of stocks respectively money market achieves the highest return improvement.
Unfavourable was the substitution with hedge funds in terms of portfolio return.

Sharpe Ratio depends on the market cycle...

Sharpe Ratios of the „Defensive“ Portfolios...
in % (1999.01/2008.06)

„5% Dexia Fund“



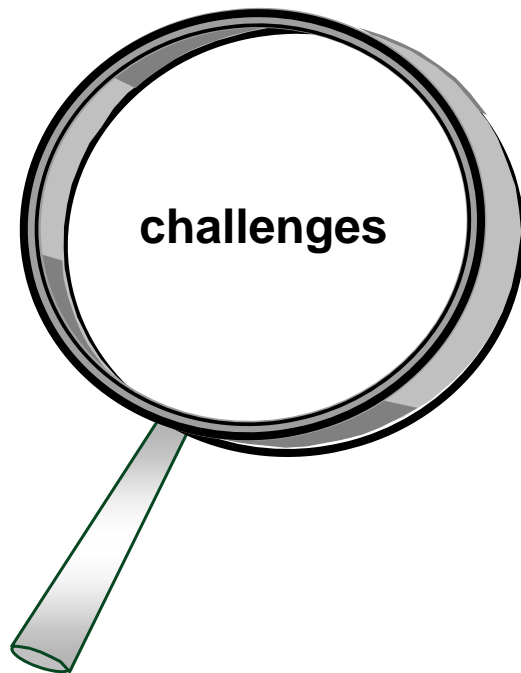
Substituting stocks respectively the money market segment achieves the best risk-return relationship (*market cycle*).
Additional empirical research for other well known MF-Funds did yield similar results.

Microfinance Investment Funds - an interesting investment for portfolio management



- ▶ Microfinance **debt** funds reduce the portfolio risk of the defensive and balanced investment strategy independently of the substituted asset classes.
- ▶ The return contribution depends from the chosen substituted asset class and the market cycle (e.g. hedge funds vs. money market).
- ▶ The riskadjusted return (Sharpe Ratio) increases for all analysed portfolios except hedge funds (depending on the market cycle).
- ▶ Type of „ideal“ investor

Outlook – How will microfinance investments develop in the future? Are there any issues?



- ▶ Risk Profile (Fund Rating)
- ▶ Sustainable MF Investment Opportunity Set
- ▶ Currency (Local)
- ▶ Ownership, Corporate Structure

Thank you for your attention!

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