

An overview of equity investments in microfinance

World Microfinance Forum, Geneva

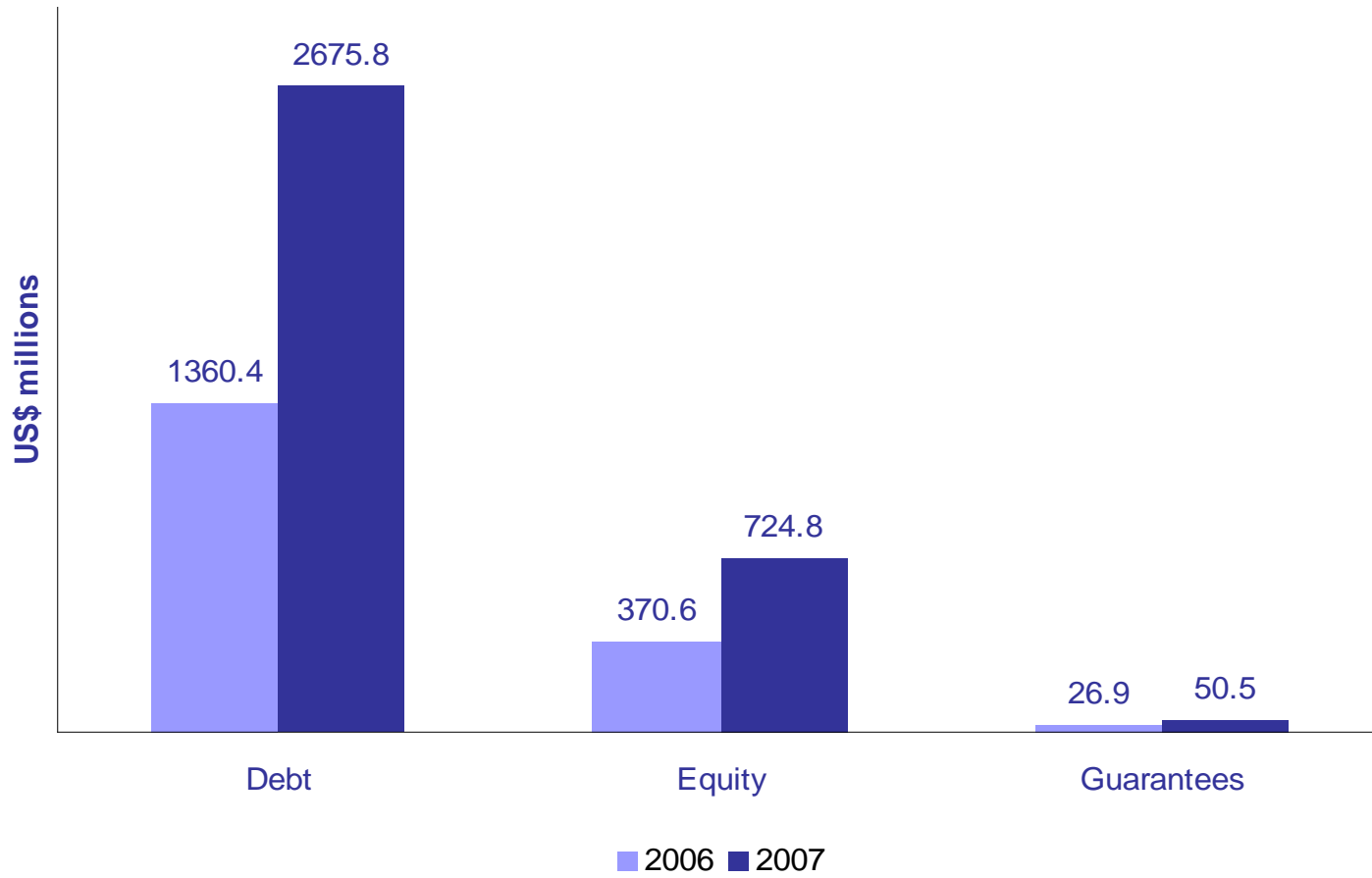
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Equity investment is growing rapidly

- 91 funds with US\$5.4 billion in assets under management as of Dec 31 2007
- Preferred financing structure is still fixed income - 77% of total investments compared to 21% equity
- But equity investments are growing rapidly – 95% growth in 2007; total US\$725 m
- Average deal size US\$3.5 million

Financing instrument trends 2006-07

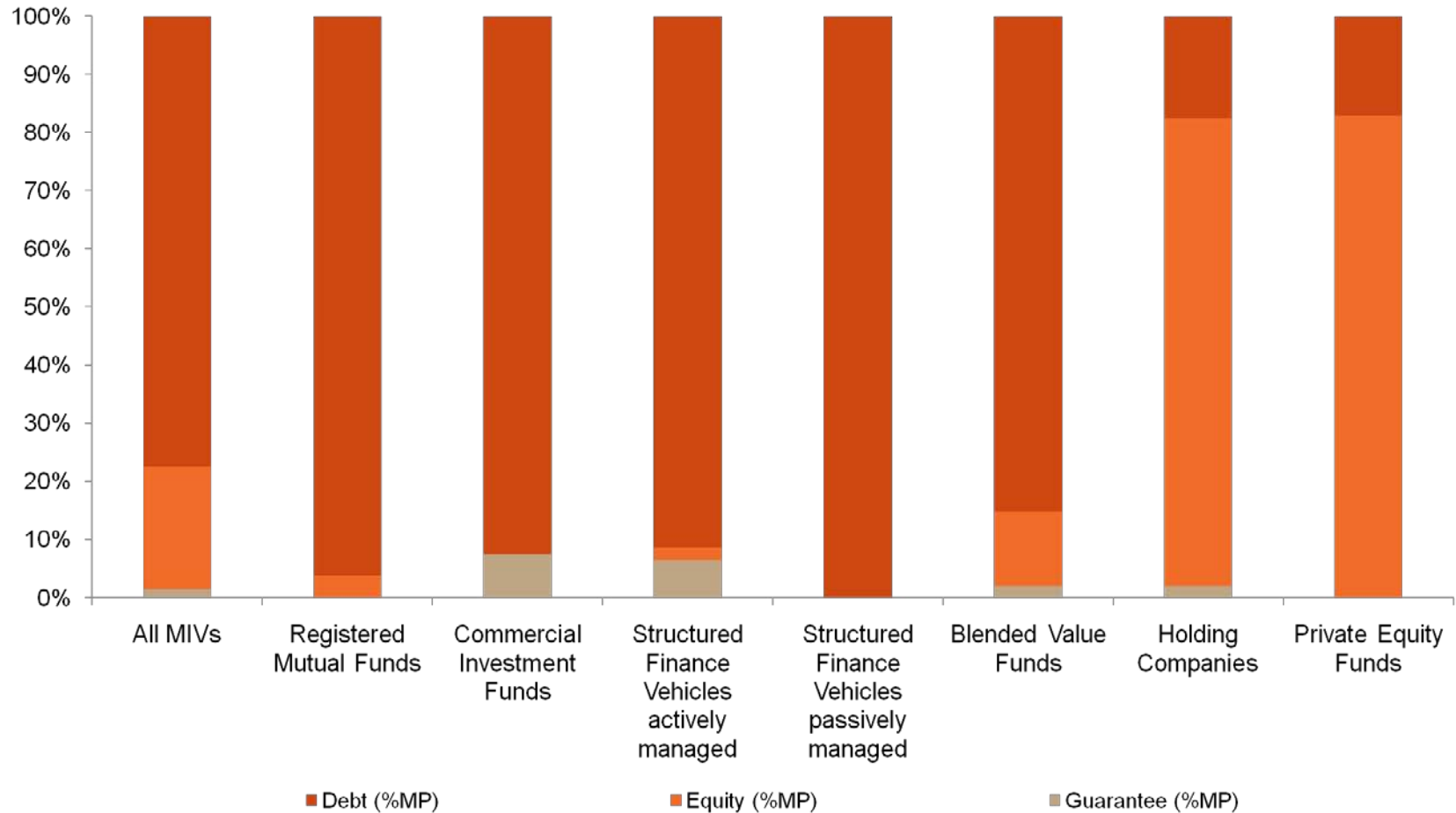


Source: CGAP/Symbiotics MIV Benchmarks 2008; data as of 31 Dec 2007

Heavily concentrated in ECA and LAC, but greenfield investment in Africa increasing

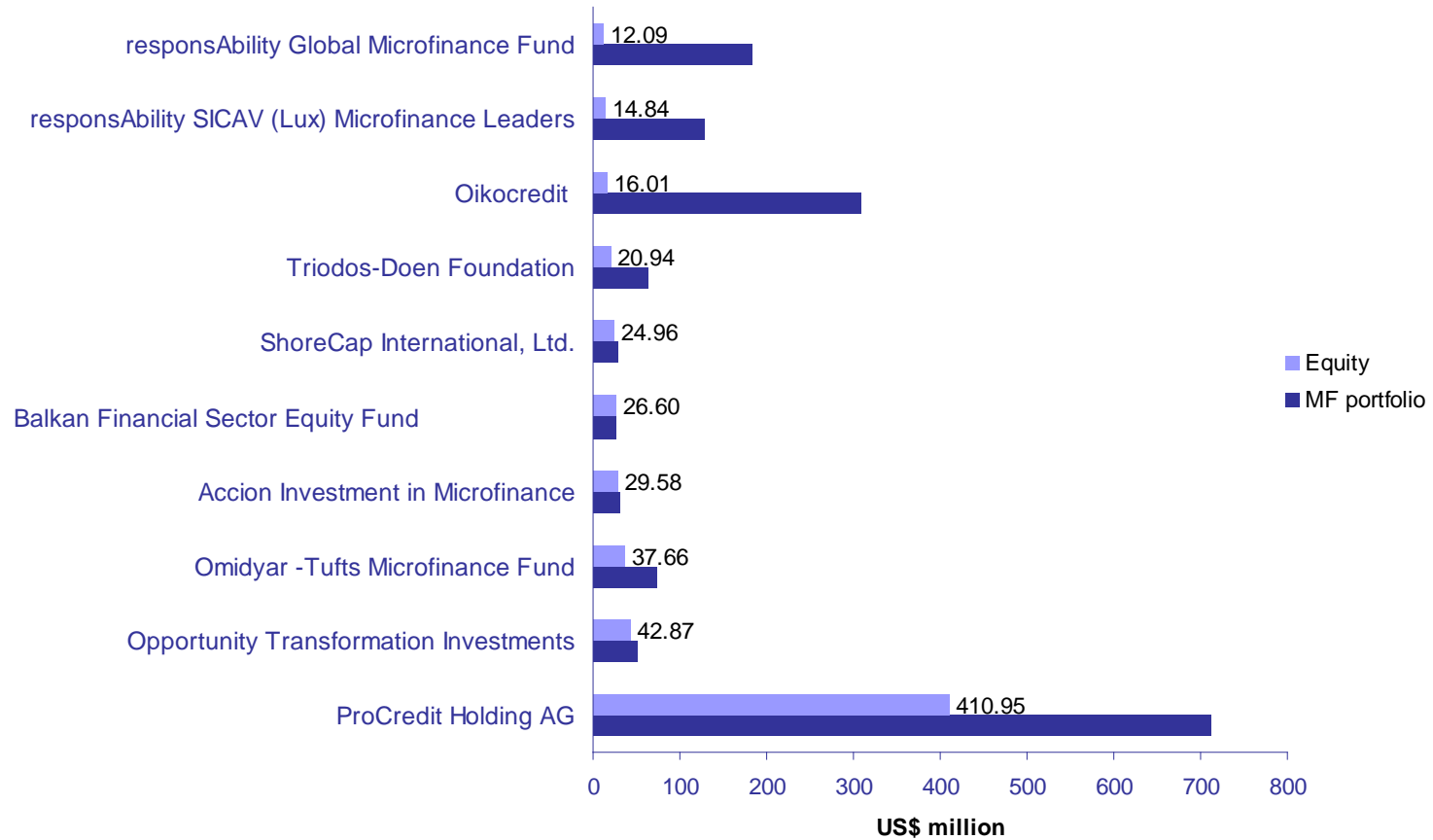
Geographic Distribution	Holding Companies and Private Equity + Procredit Holding N=15	Holding Companies and Private Equity Funds without ProCredit N=14
Central & Eastern Europe	48.1%	26.4%
South America	12.8%	14.5%
Sub-Saharan Africa	11.9%	25.4%
Central America, Mexico & Caribbean	10.4%	8.3%
Russia, Caucasus & Central Asia	9.1%	2.0%
South Asia	5.0%	15.5%
East Asia & Pacific	2.6%	7.9%
Middle East and North Africa	0.0%	0.0%
Total	100.0%	100.0%

Equity distribution by MIV type



Source: CGAP MIV Benchmarks Survey presentation 2008

Top 10 equity providers



Source: CGAP/Symbiotics MIV Benchmarks 2008; data as of 31 Dec 2007

New equity players arriving on the scene

- Seven specialized equity funds created between 2005 – 2007

Balkan Financial Sector Equity Fund	2005
Bellweather Microfinance Fund	2005
Aavishkaar Goodwell India MF Dev Fund	2006
Goodwell Microfinance Devel't Company	2006
Unitus Equity Fund	2006
Blue Orchard Private Equity	2007
responsAbility BOP Investments S.C.A.	2007

Why the growth?

- More shareholder-owned MFIs
- Capital adequacy limits being reached
- MFI valuations are up
- Exit options emerging
- Credit crunch?

Financial and social returns

- Financial returns are improving
 - 12.5% gross IRR for private equity funds cf. 6.3% for fixed income funds (CGAP survey)
- No standard industry reporting on social returns
- Reports on core social performance indicators demonstrate growth in scale and depth of outreach (e.g. Africa)
- Efforts to harmonize and increase transparency of social performance reporting as part of responsible finance agenda

Questions for discussion

- Exit – what about safeguards on exit to maintain social mission?
- Market values – do levels of financial return and nature of profit distribution matter?
- Building inclusive local financial sectors – does foreign private equity support the development of local capital markets?
- Capacity-building/investment readiness – as institutional investors move in, who's willing and able to provide this support? Equity providers?



Thank you for listening

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