



BlueOrchard
Impact Investment Managers



BlueOrchard Finance Ltd

**MICROFINANZA FRA PERFORMANCE
& IMPATTO SOCIALE**

Maria Teresa Zappia, CIO

Roma, 3 July 2018

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BlueOrchard

Pioneer in Microfinance and Impact Investing



Founded by initiative of the
United Nations in **2001**,
BlueOrchard has disbursed
in excess of **5bn dollars**,
reaching **35m people**
across more than **80 countries**.



OUR MISSION

Empower people in emerging and frontier markets to grow out of poverty independently and sustainably.

Foster climate-smart and inclusive growth and contribute to the fight against climate change.

Enable investors to make a social and environmental impact while providing them with attractive returns.



BLUEORCHARD AT A GLANCE

Founded in **2001**
by initiative of the
UN

Pioneer in
microfinance and
impact investing

USD 5bn disbursed
since inception
reaching **35mn**
people

Manager of
world's first and
largest
microfinance fund

More than **2'000**
investments across
80 emerging
countries

100+
employees
in **8** offices on **4**
continents

Credit, private
equity &
infrastructure
investments

Market-rate
returns &
measurable
impact

Trusted partner of
leading global
development
finance
institutions

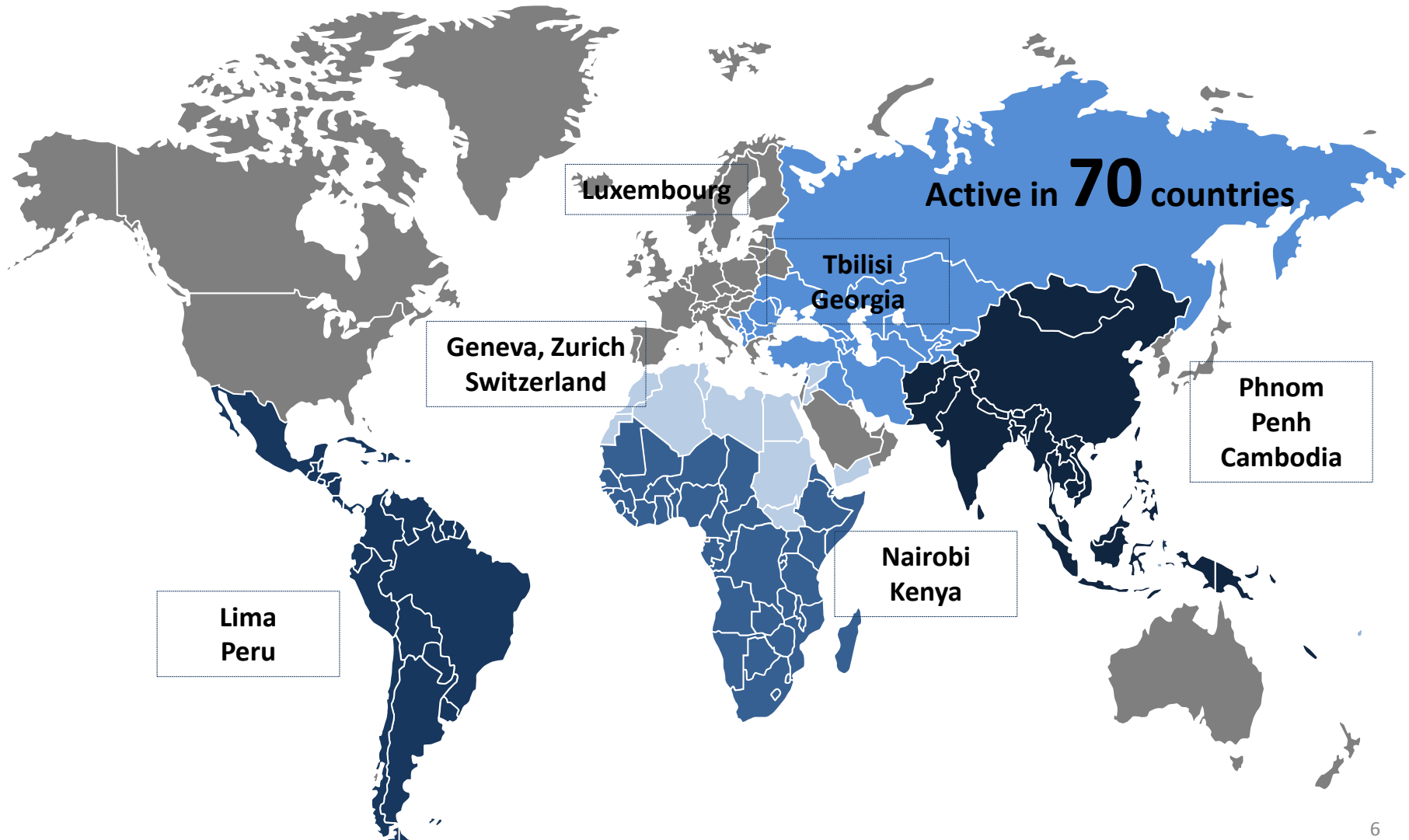
Contributing to
13
UN SDGs
out of 17

Regulated by
Swiss &
Luxembourg
financial market
authorities















Sophisticated
international
private investor
base

Proprietary social
performance
assessment tool

BlueOrchard: local presence for global outreach



Blended-Finance Preferred Fund Manager – Fund Track-record

<p>2001</p> <p>BlueOrchard Microfinance Fund (BOMF) First ever commercial microfinance fund</p> 	<p>2004</p> <p>BlueOrchard Microfinance Securities 1 (BOMSI)</p> <p>Senior debt, 6 years</p> 	<p>2005</p> <p>Saint-Honoré Microfinance Fund Senior debt, hard currency (merged with BOMF 2011)</p> 	<p>2006</p> <p>BBVA Codespa Microfinanzas</p> <p>Senior debt, Latam, some LCY</p> 
<p>2006</p> <p>BlueOrchard Loans for Development 2006 (BOLD 2006) CDO Senior debt, 5 years</p> 	<p>2007</p> <p>BlueOrchard Loans for Development 2007 (BOLD 2007) CDO Senior debt, 5 years, FT award</p> 	<p>2009</p> <p>Microfinance Enhancement Facility (MEF) Sr. Debt “liquidity fund”</p> 	<p>2010</p> <p>Microfinance Growth Fund (MiGroF) The “Obama” fund for Latam</p> 
<p>2013</p> <p>Microfinance Initiative for Asia (MIFA) – Debt Fund</p> <p>Fund for Asia</p> 	<p>2014</p> <p>Regional Education Finance Fund for Africa (REFFA)</p> <p>Fund for Africa</p> 	<p>2015</p> <p>InsuResilience Investment Fund (IIF)</p> <p>Debt/Equity Climate fund</p> 	<p>2016</p> <p>Japan ASEAN Women Empowerment Fund (JAWEF)</p> <p>Fund for Women in Asia</p> 
<p>2017</p> <p>EMF Microfinance Fund</p> <p>First microfinance fund in Liechtenstein</p> 	<p>2018</p> <p>R20 Subnational Climate Solutions Fund (R20 SnCF)</p> 		



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Impact Investing & Microfinance

Differentiation of Impact Investing

Conventional Investing

Goal:
Financial returns

No deliberate decision for a specific investment to generate a measurable impact

Conventional investing

SRI¹⁾

ESG²⁾

Sustainable investing

Financial returns decisive

Exclusion principle

Positive filter

IMPACT INVESTING

Goal:
Social & environmental impact alongside financial returns

Returns and impact are equivalent parts of investment strategy

Financial inclusion

Education, health, climate, environment, etc.

Intentional and measurable social and environmental impact with positive, risk-adjusted returns

Philanthropy

Goal:
Social & environmental impact

No intention to generate financial returns

Venture philanthropy

Donations to charity

Non-profit organisations

Financially sustainable

Dependent on donations

1) Socially responsible investments
2) Environmental, social and governance

Impact Investing Solutions

Multiple asset classes and unique blended finance opportunities

Emerging Markets Impact Investing

CREDIT

PRIVATE EQUITY

INFRASTRUCTURE

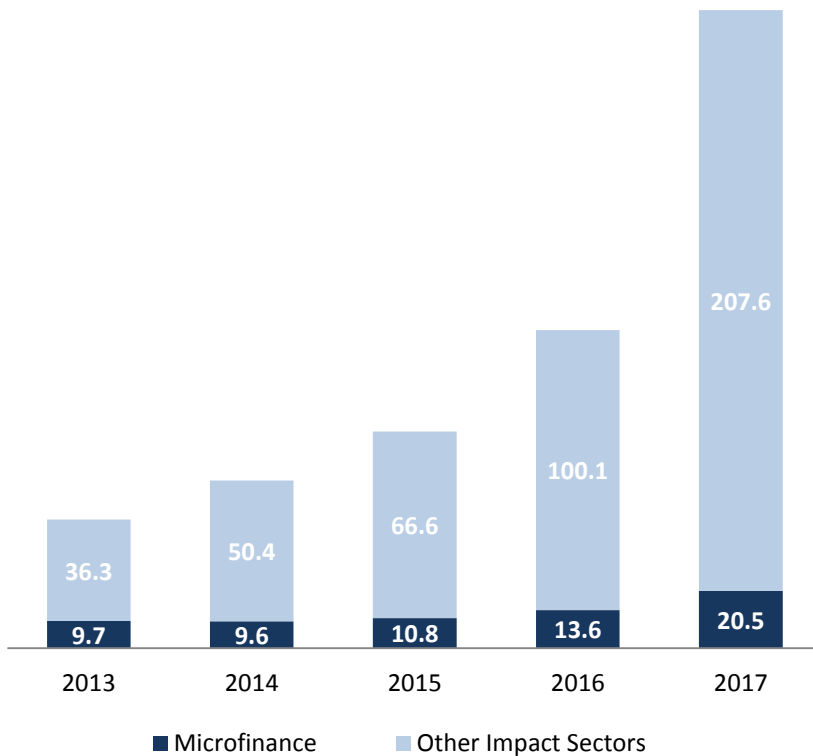
Innovative blended finance structures with our network of global partners



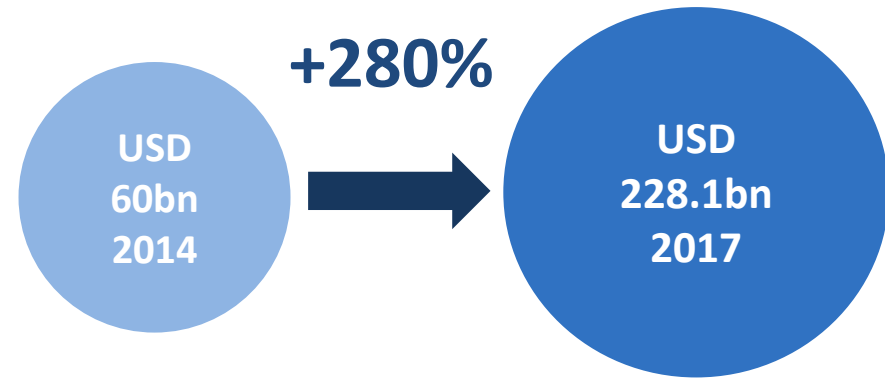
The Impact Investing Industry

Impact Investing AuM

in bn USD



Industry Growth



How does Microfinance work?

SOCIAL & ENVIRONMENTAL IMPACT



ECONOMIC PERFORMANCE

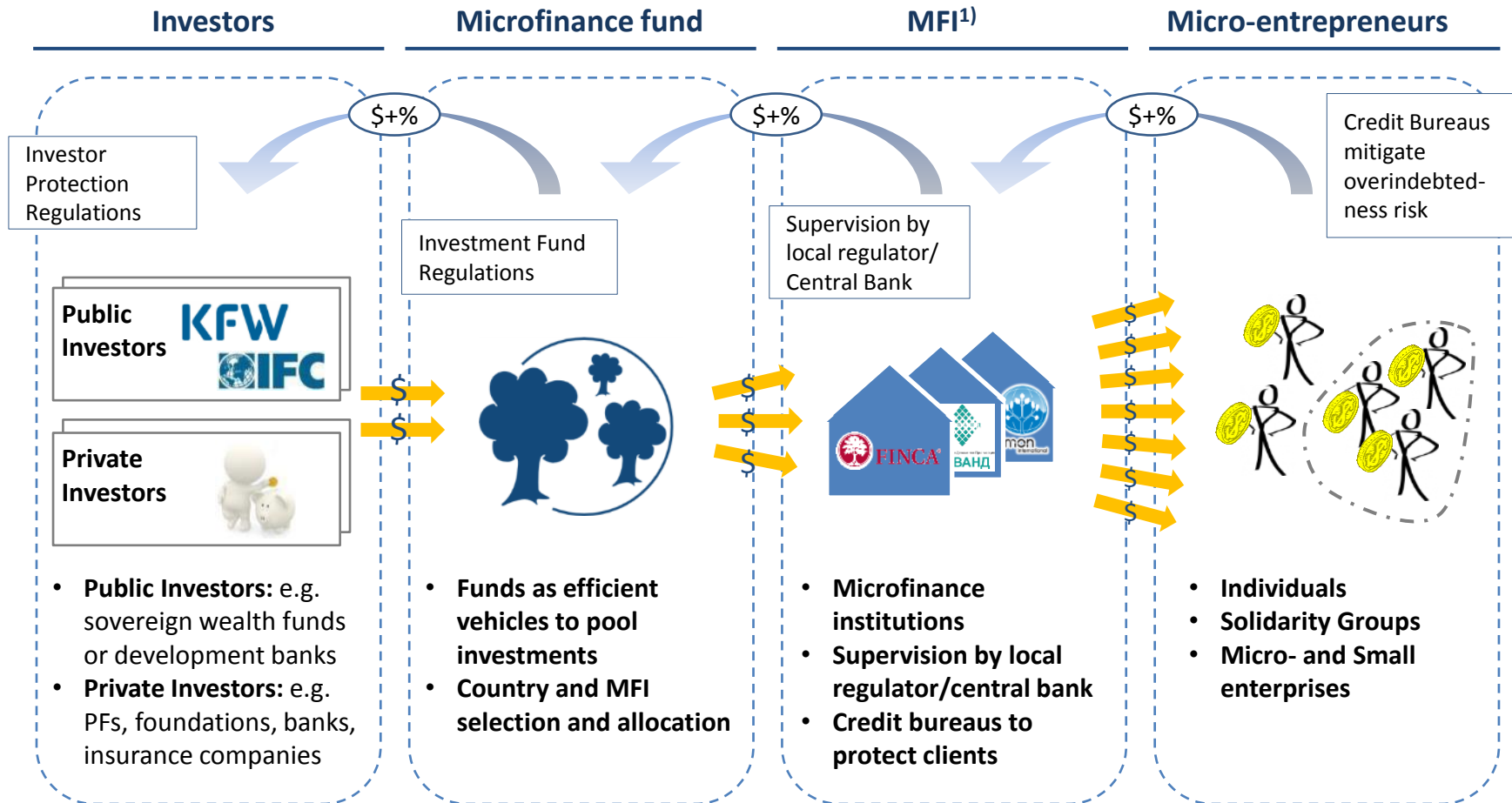


Empowering the poor by supporting their income-generating activities

Ensuring sustainability through loans and paying financial service

Fighting poverty in a lasting manner by improving economic security and quality of life

The Microfinance Value Chain: connecting capital markets to micro-entrepreneurs

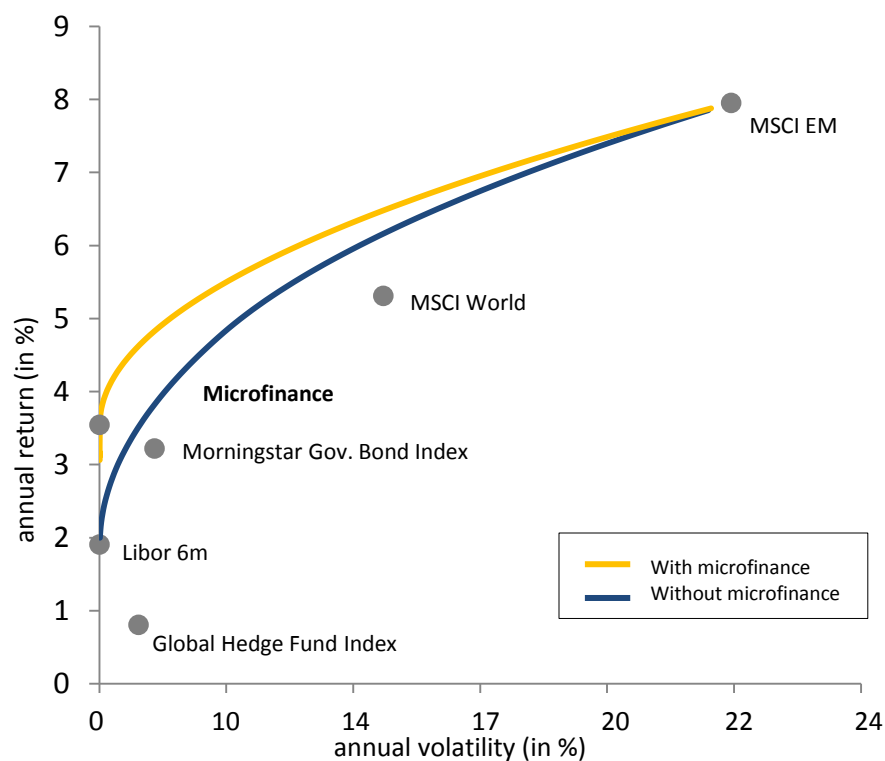


1) Microfinance institution

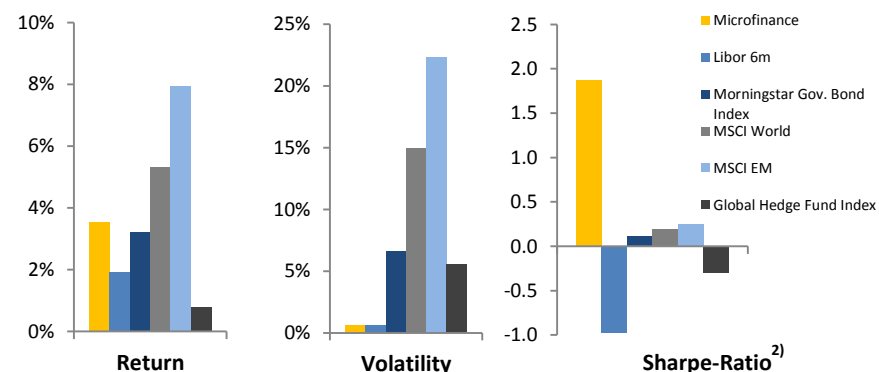
Focus Microfinance

Diversification with microfinance contributes to overall portfolio performance

Efficient Frontier¹⁾



Key performance indicators (annualized)¹⁾



Correlation among assets¹⁾

	Micro-finance	Libor 6m	Morningstar Gov. Bond Index	MSCI World	MSCI EM	Global Hedge Fund Index
Microfinance	1	0.58	0.11	-0.11	-0.05	-0.15
Libor 6m		1	0.17	-0.08	0.04	-0.03
Morningstar Gov. Bond Index			1	0.25	0.32	0.08
MSCI World				1	0.86	0.80
MSCI EM					1	0.78
Global Hedge Fund Index						1

1) 01.01.2004 – 31.12.2016 based on monthly USD returns

2) Risk-free rate: 10 year US government bond: 2.45%

The BlueOrchard Microfinance Fund (BOMF)

Manager of world's first and largest commercial microfinance fund

FACTS & FIGURES

20 years
track record

USD 1.6 billion
fund size

Financing
143 MFIs in
46 countries

Contributing to
11
UN SDGs
out of 17



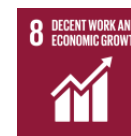
4.25%
annualized
return
since inception

USD 2.9bn
deployed to
MFIs since
inception

926'378
micro
entrepreneurs
reached

47%
end clients in
rural
areas

54%
of total funding
reached female
clients

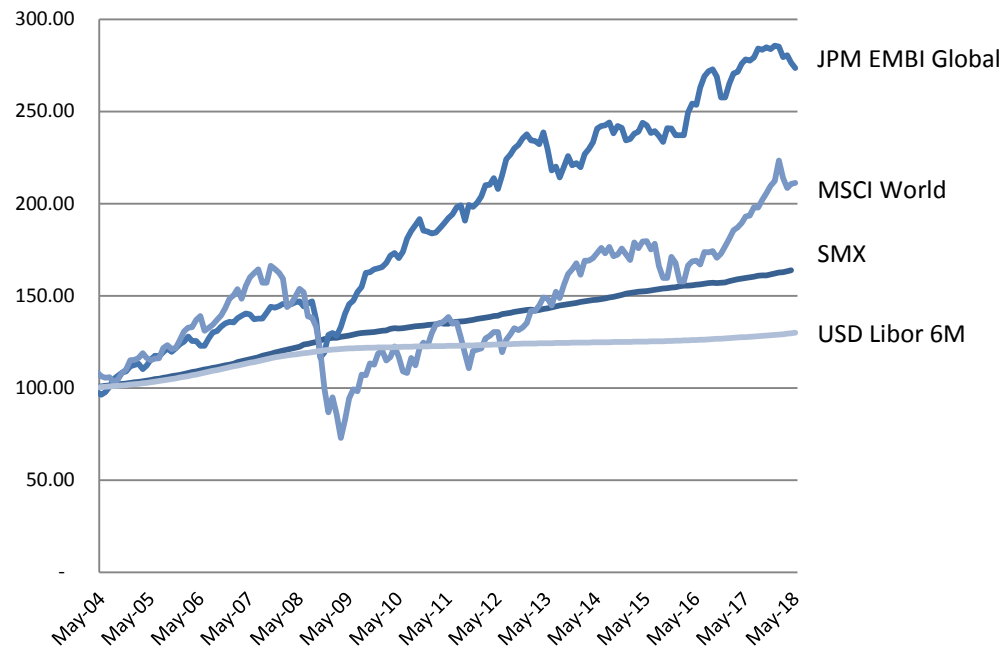


Stable Returns & Low Correlation: Key features of Microfinance funds

Cumulative returns of microfinance and other asset classes¹⁾

Indexed at 100

- JPM EMBI Global: Emerging Markets Bond Index
- MSCI World: World Equities Index
- **SMX: Microfinance Index**
- LIBOR 6M: USD Money Market Investment



1) Data as of 31/05/2018 based on monthly USD returns.

SMX return, volatility and correlation¹⁾

Return	Annualized
10 years	3.04%

Volatility	Annualized
3 years	0.40%
5 years	0.45%
10 years	0.57%

Correlation	Over 5 years
USD Libor 6M	0.55
JPM EMBI Global	- 0.10
MSCI World	- 0.09

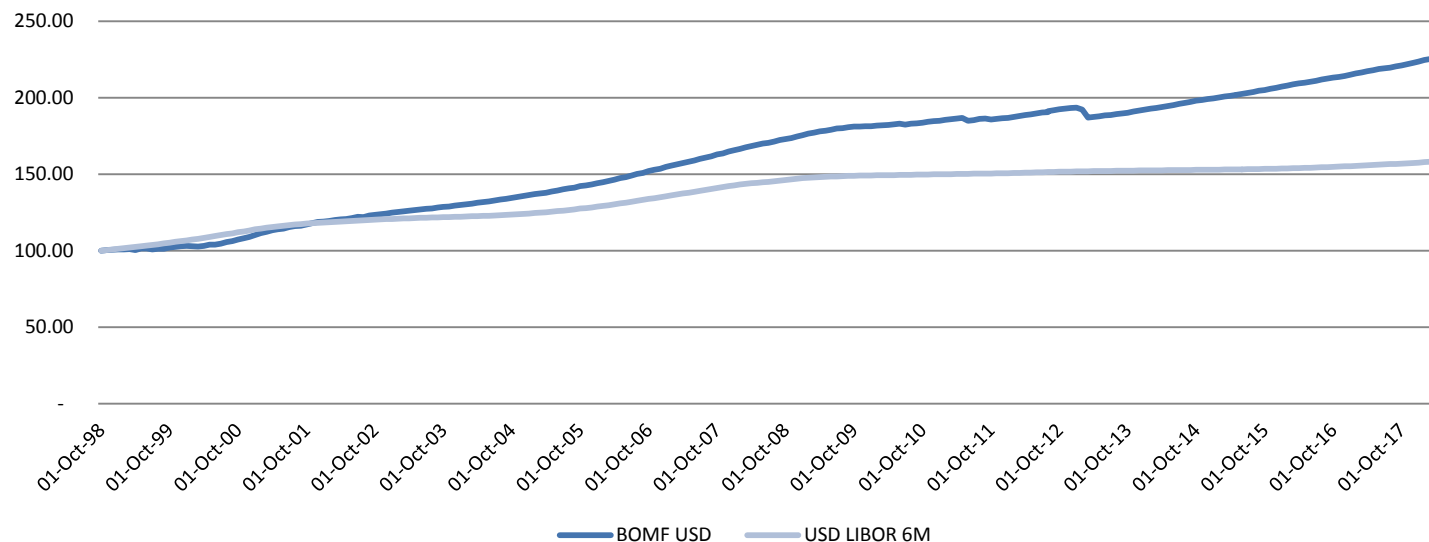
Performance Overview: BOMF Institutional Share Class

Annual Return
since inception¹
4.25%

Cum. return
since fund
inception¹
127.8%

Correlation to
MSCI World
-0.06

Performance Comparison



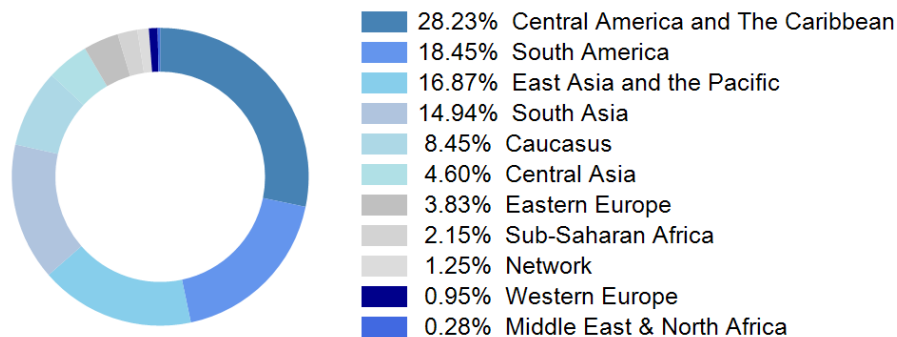
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018*
USD share class	6.06%	2.95%	2.09%	1.00%	3.28%	-0.67%	3.78%	3.87%	3.76%	4.02%	1.78%
USD LIBOR 6 months	3.06%	1.09%	0.52%	0.51%	0.68%	0.41%	0.34%	0.49%	1.06%	1.47%	0.95%
EUR share class	6.41%	3.09%	2.01%	1.37%	2.84%	-1.06%	3.71%	3.30%	2.35%	1.75%	0.59%
EUR LIBOR 6 months	4.76%	1.39%	1.04%	1.59%	0.74%	0.25%	0.27%	0.05%	-0.17%	-0.28%	-0.14%
CHF share class	4.91%	2.43%	1.69%	0.29%	2.58%	-1.19%	3.39%	2.28%	1.74%	1.41%	0.49%
CHF LIBOR 6 months	2.69%	0.49%	0.27%	0.18%	0.15%	0.08%	0.07%	-0.68%	-0.67%	-0.66%	-0.28%

*YTD as of 31 May 2018

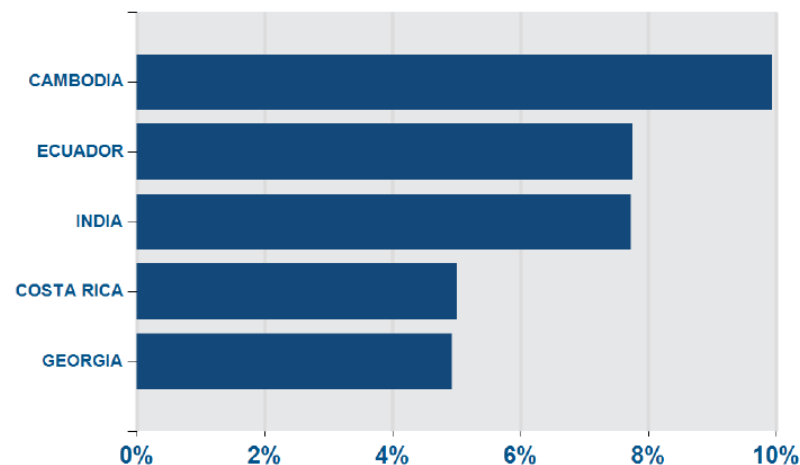
¹Fund inception 18 Sept 1998. Performance history for Class I Shares (in italics) calculated using realized gross performance of Class P Shares and current management fees for Class I Shares (until 31 Oct 2013); from 1 Nov 2013 effective net performance of Class I Shares.

Investment philosophy: focus on diversification...

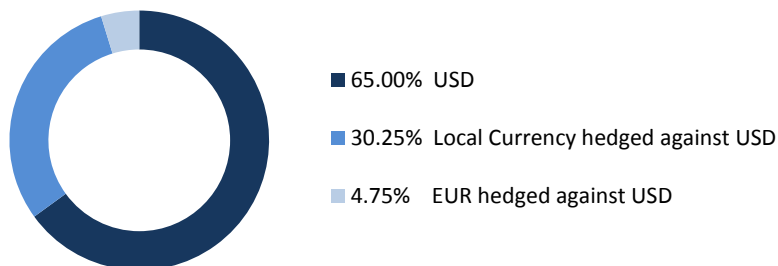
Exposure by region (as % of MFI portfolio)



Exposure by country (top 5 as % of total assets)



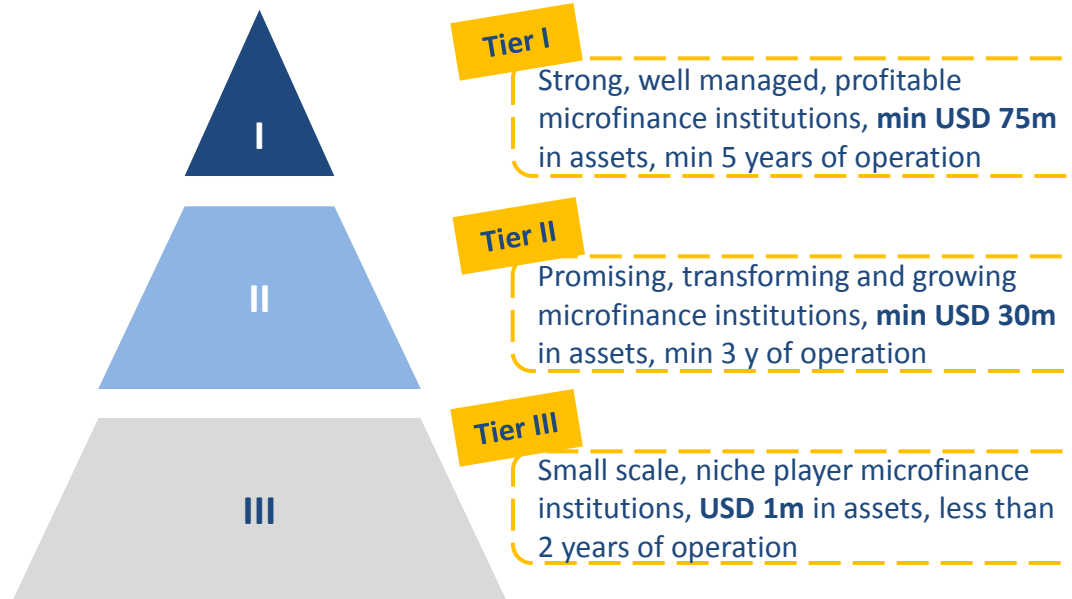
Exposure by currency (as % of MFI portfolio)



Top 5 holdings (as % of MFI portfolio)

PRASAC	Cambodia	2.96%
PRODUBANCO	Ecuador	2.58%
COOPENAE	Costa Rica	2.37%
BANCO FICOHSA HONDURAS	Honduras	2.36%
BANCO PICHINCHA	Ecuador	2.03%

The fund invests primarily in top tier microfinance institutions



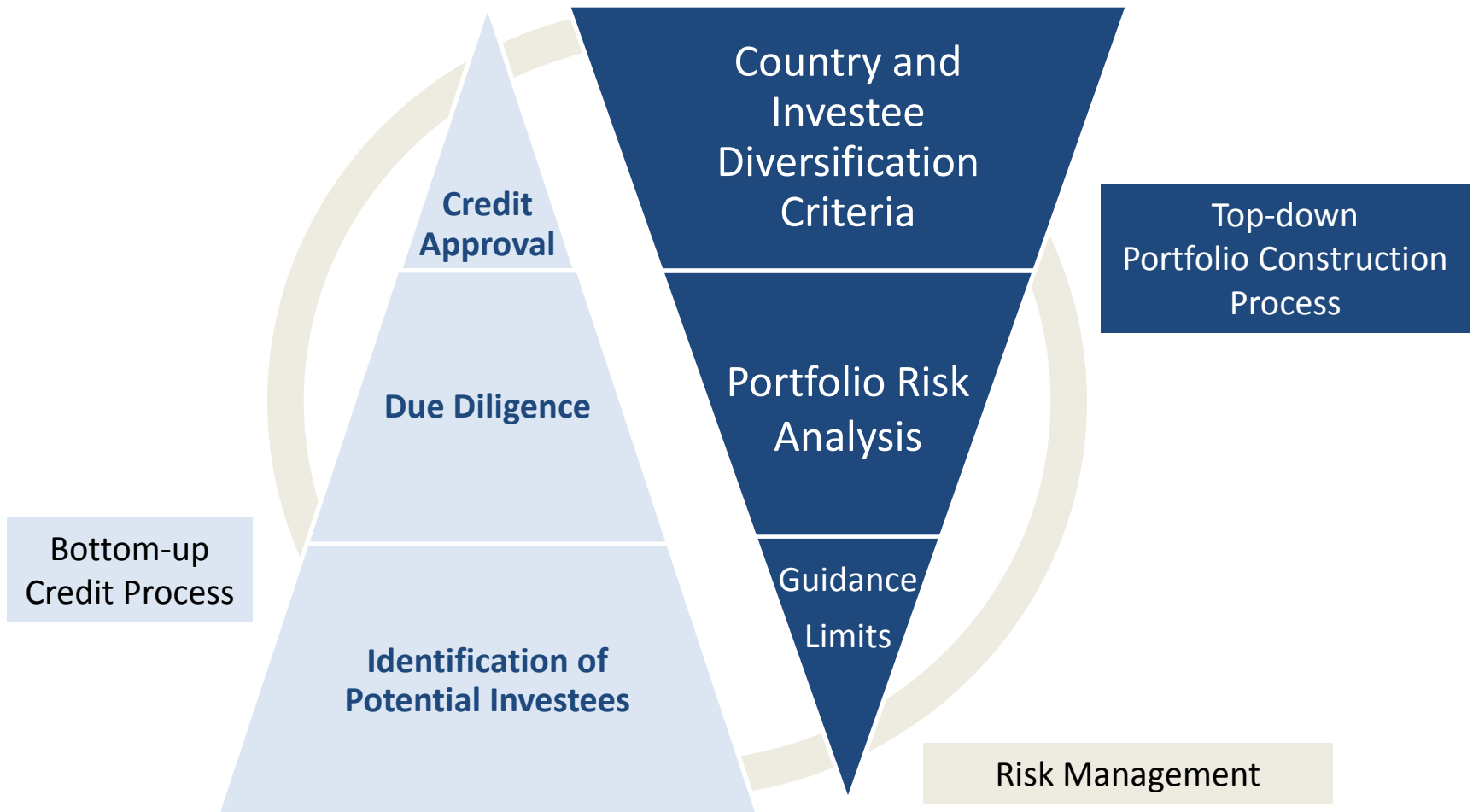
BOMF eligibility criteria :

- Tier 1,2,3
- Externally audited accounts
- Sustainability: operational self-sufficiency
- Sound governance and capable management
- Social performance score minimum

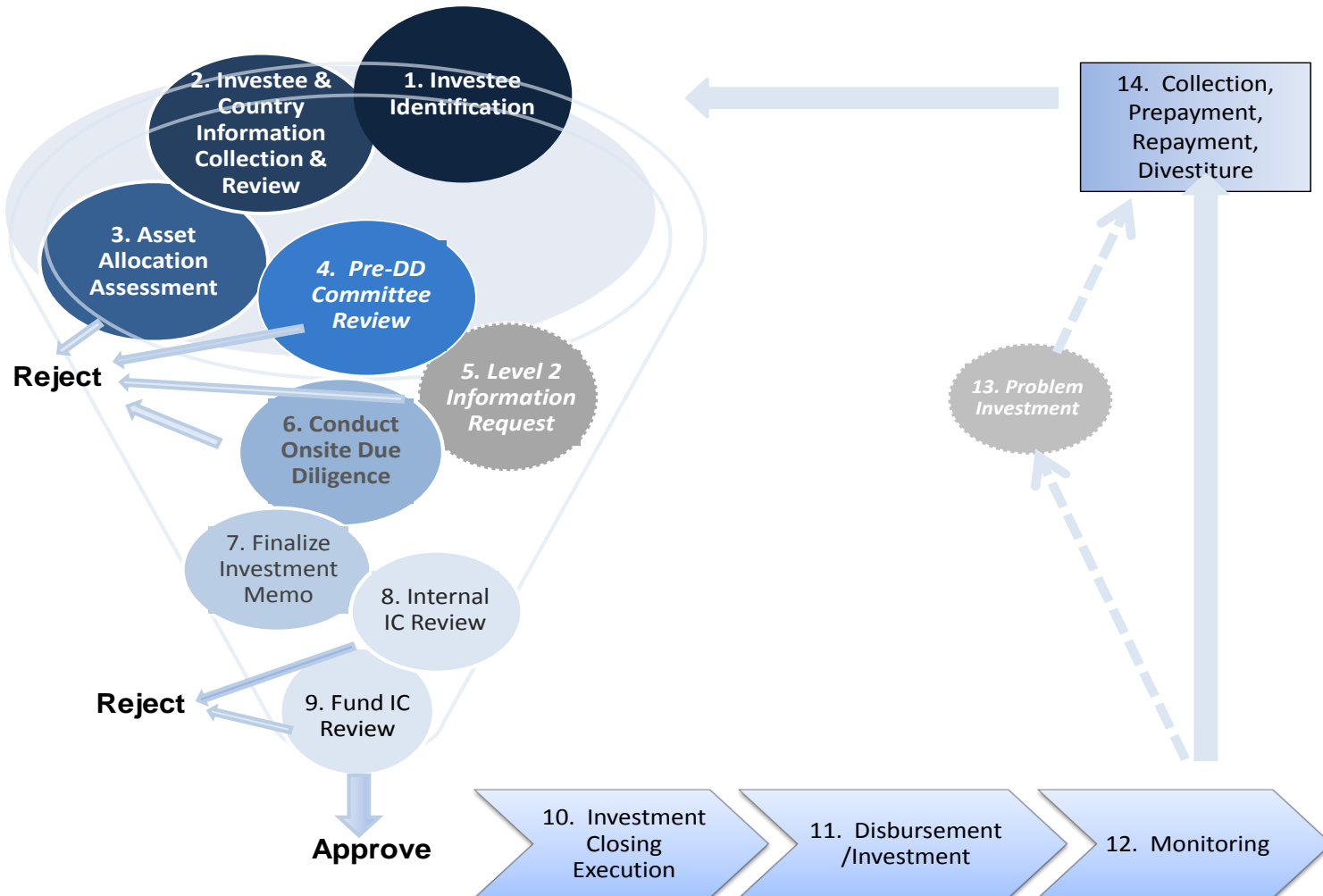
Pure play debt financing:

- **Currency:**
 - All local currencies loans are hedged back to USD , the working currency of the fund
- **Maturity:**
 - Typically up to 3 years
 - Longer term senior loans and sub-debt are limited to 10% and 15% of Total Assets of the fund, respectively
- **Loan amount:**
 - Up to 5% of the fund's Total Assets
- **Interest rates:**
 - Based on BlueOrchard's credit risk assessment
 - Ranges from USD Libor 6M + 400 to 700 bps
- **Payments:**
 - Interest generally paid on a semi-annual basis
 - Principal repaid as per amortization schedule
- **Financial covenants:**
 - Loan agreements typically include covenants on portfolio quality, open FX positions, capital adequacy etc.
 - Covenants are monitored on an ongoing basis

BlueOrchard's Investment Process



BlueOrchard's Underwriting and Due Diligence Process



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Social Impact



Who are these Micro and
Small Entrepreneurs?

Concrete success stories from around the world prove the effectiveness of microfinance

Zohir lives and works in Dushanbe, Tajikistan where he set up his own shop to sell the traditional bread non. With his 1st loan of USD 2'000 he bought flour and raw materials. With his 2nd loan of USD 4'000 he could build a second oven and hire two bakers. He now oversees the selling in the street with his wife and thanks to his high productivity, he sells to other bread vendors in the neighboring area.



Maria Gutierrez operates a market stall on the San-Gregorio market in Lima, Peru. She already took her 4th loan that amounts to USD 2'500. She currently sells vegetables and intends to expand her product offering. Her market stall allowed her to send her children to university and renovate the roof of her family house.



Saroam Tum owns and operates a junkyard on the outskirts of Phnom Penh, Cambodia. She collects household garbage and resells raw material to large junk merchants. She already took her 3rd loan of USD 5'000 and now hires 6 employees.



Katanga runs a workshop in Zambia to build drums, marimbas and other folklore instruments. In addition, he also heads a musical group. He received a first loan 4 years ago of USD 1,700, which he since repaid with interests. He presently holds a loan of USD 5'700. These credits allowed him to buy raw materials and utensils to build his instruments and to promote his enterprise. His three children now help him in his work and his daughter Orica co-manages the Katanga foundation with him.



SPIRIT: Social Performance Impact Reporting & Intelligence Tool

BlueOrchard proprietary social performance assessment tool



To systematically assess the social performance of each investee and identify potential for improvement, BlueOrchard has developed a proprietary tool; the Social Performance Impact Reporting & Intelligence Tool – SPIRIT, which assesses 7 key areas of social impact, aligned with the Universal Standards on Social Performance Management.

Signatory of:



Meeting the SDGs

Our Funds address 13 out of the 17 SDGs

BOMF BlueOrchard Microfinance Fund	1 NO POVERTY	2 ZERO HUNGER	3 GOOD HEALTH AND WELL-BEING	4 QUALITY EDUCATION	5 GENDER EQUALITY	6 CLEAN WATER AND SANITATION	7 AFFORDABLE AND CLEAN ENERGY	8 DECENT WORK AND ECONOMIC GROWTH	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	10 REDUCED INEQUALITIES	17 PARTNERSHIPS FOR THE GOALS
REFFA Regional Education Fund for Africa	1 NO POVERTY	4 QUALITY EDUCATION	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	17 PARTNERSHIPS FOR THE GOALS					
JAWEF Japan ASEAN Women Empowerment Fund	1 NO POVERTY	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	17 PARTNERSHIPS FOR THE GOALS						
MIFA Microfinance Initiative for Asia	1 NO POVERTY	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	17 PARTNERSHIPS FOR THE GOALS						
IIF InsuResilience Investment Fund	1 NO POVERTY	10 REDUCED INEQUALITIES	11 SUSTAINABLE CITIES AND COMMUNITIES	13 CLIMATE ACTION	17 PARTNERSHIPS FOR THE GOALS						
MEF Microfinance Enhancement Facility	1 NO POVERTY	5 GENDER EQUALITY	8 DECENT WORK AND ECONOMIC GROWTH	10 REDUCED INEQUALITIES	17 PARTNERSHIPS FOR THE GOALS						



THE GLOBAL GOALS
For Sustainable Development

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