DWM Inclusive Finance Equity Fund II

Mid-term review

Prepared for OeEB by OMTRIX

OESTERREICHISCHE ENTWICKLUNGS-BANK AG

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Oesterreichische Entwicklungsbank AG

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ACRONYMS

ALS	Average Loan Size
ANMF	ASN-Novib Mikrokredietfonds
CEO	Chief Executive Officer
COO	Chief Operating Officer
CFO	Chief Financial Officer
CFE	Centro Financiero Empresarial
COLAC	Confederación Latinoamericana de Cooperativas de Ahorro y Crédito
DEG	Deutsche Investitions- und Entwicklungsgesellschaft
DFI	Development Financial Institutions
DWM	Developing World Markets
E&S	Environmental and Social
EBRD	European Bank for Reconstruction and Development
ESMS	Environment and Social Management Systems
FI	Financial Institution
FX	Foreign Exchange
GDP	Gross Domestic Product
IFC	International Finance Corporation
IFEF II	Inclusive Finance Equity Fund II
IT	Information Technology
KfW	Kreditanstalt für Wiederaufbau
LAC	Latin America and the Caribbean
L/E	Leverage to Equity
MIVs	Microfinance Investment Vehicles
MFIs	Microfinance Institutions
NBFC	Non-banking Financial Company
NGO	Non-Governmental Organization
OECD/DAC	Organisation for Economic Co-operation and Development / Development Assistance Committee
OeEB	Oesterreichische Entwicklungsbank AG
SDGs	Sustainable Development Goals
SHAs	Shareholders Agreements
SMEs	Small and Medium Enterprises
SPV	Special Purpose Vehicle
TA	Technical Assistance
TORs	Terms of Reference

Executive Summary

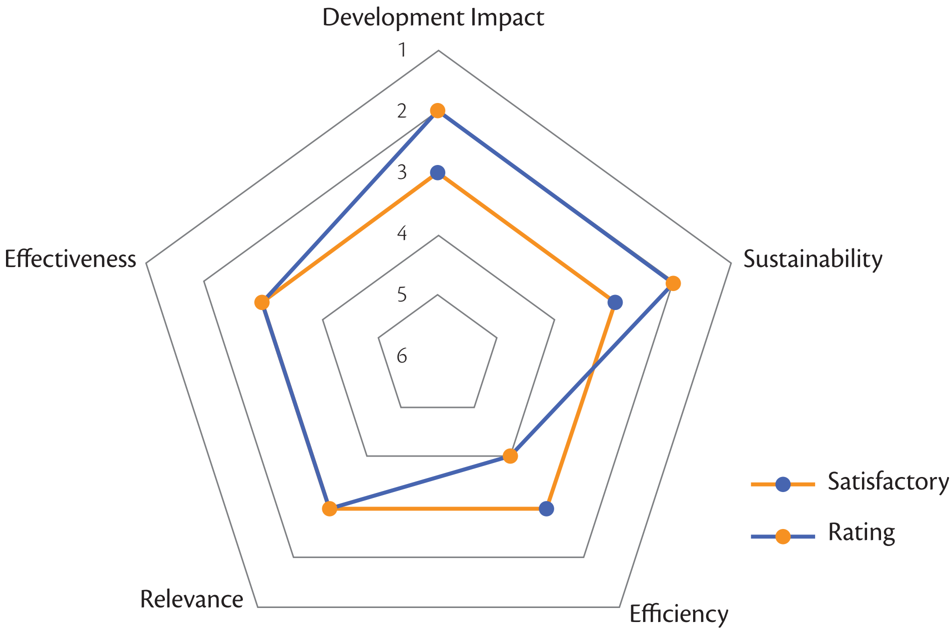
In 2015 OeEB invested in an equity stake of around USD 5.9 million into Development World Market´s (DWM) USD 52.1 million Inclusive Finance Equity Fund II ("the Fund"). The Fund´s stated objective was to provide equity to inclusive financial institutions in Asia and Latin America. In addition to equity funds, OeEB has also supported the Fund in developing its Environmental and Social Management System (ESMS).

OeEB contracted OMTRIX, a specialized Costa Rica based consulting organization, to perform a mid-term evaluation of the Fund and its investees. As per the Terms of Reference (TORs), OECD/ DAC Criteria for Evaluating Development Assistance were followed. Pursuant to said evaluation, interviews were conducted during the second semester of 2019 with all of the Fund´s current portfolio companies through a combination of tele-conferences, questionnaires, and field visits. It is important to point out that the DAC criteria used for the evaluation differs from the impact objectives/targets established by the Fund Manager (and accepted by all investors/parties). Objectives that, so far, the Fund has for the most part fulfilled.

In addition to the evaluation´s final report as well as companion case studies, the following deliverables were submitted and approved by OeEB: i) Questionnaires to be used during the interviews, ii) Summaries of the main findings related to each of the three field visits, and iii) Monthly progress reports on the progression of the evaluation.

Results of the evaluation would indicate that despite the need for the funding being offered by the Fund being unclear, said investments were, nevertheless, made according to the terms and objectives set at inception for the Fund and contributed to the development objectives of the host countries. The Fund´s investments have indeed increased access to funding for underserved SMEs and provided substantial additionality to the investees through Board participation. Further, through some of the investees, moderate contributions are being made to literacy, financial education and, overall, to the United Nations Sustainable Development Goals. The Fund´s portfolio companies are currently providing access to funds to close to 1.8 million clients; 89% of whom are women and 18% live in rural areas. Also, the Fund and DWM do adhere to the Principles of Responsible Finance and, partially through the tools for measuring impact developed with OeEB´s funding, are actively raising the awareness and importance of the social and environmental matters in the portfolio companies. However, in terms of effectiveness, while the Fund did manage to disburse all the funding it was provided, it is coming-up short with respect to the returns originally offered. Our expectations are that the returns originally offered by the Fund Manager will not be achieved.

Consequently, as shown in the graph below and resulting from the 1 to 6 rating criteria described on Annex V (where 1 is the best result), the project received an **Overall Rating of 3 (Satisfactory**: project falls short of expectations but the positive results dominate). A detailed analysis (organized according to each one of the DAC criteria) would indicate the following:



1. Very good result that clearly exceeds expectations
2. Within expectations and no significant shortcomings
3. Short of expectations but positive
4. Despite positive result negative result dominate
5. Negative result clearly dominate
6. Significant shortcomings and clearly inadequate results

Figure No. 1
Rating of IFEF II

• Relevance (Rating 3: Satisfactory: project falls short of expectations, but the positive results dominate)

- Was there a need for the funding being offered?

  The short answer would, overall, be that for most of the portfolio companies the investments of the Fund were not critical and/or catalytical. The Fund frequently acquired shares in financial intermediaries that had already surpassed the "early stage" phase and/or in the secondary market from other Impact Investment Vehicles in which case the proceeds from the Fund´s investments did not bring to the investees a social and environmental "vision/voice" that did not already exist at the investee and/or did not go directly to increase the capital base of the portfolio companies.

- Did the investments of the Fund serve the needs of the country and/or its policies, and/or global development aims?

The answer in this case would be yes. Not only all the investments were made in developing nations that require foreign capital investments; but further, most investments, were made in organizations that are clearly aligned with the respective host countries' policies and global development goals.

• Effectiveness (Rating: 3: Satisfactory: project falls short of expectations, but the positive results dominate)

- Were the objectives of the Fund attained?

In terms of amounts disbursed, while the Fund did manage to disburse all the Funds that the investors provided, the original target was expected to be larger than what the Fund ended-up closing at. Regarding regional distribution, the Fund did disburse its funds in the target geographies (mainly developing countries in Asia and Latin America).

In terms of attaining the objective established by the Fund Manager and accepted by all parties, those objectives are for the most part being fulfilled. Further, the portfolio companies have been strengthened as the result of the Fund´s investments and thus have been able to grow more and faster. And in doing so the Fund has: i) contributed to raise income levels, ii) facilitate access to more flexible financing terms to finance micro-entrepreneurs and SME, iii) raise the visibility of the portfolio companies and microfinance among institutional investors, iv) strengthen the governance of the institution and v) contribute to the strengthening of a secondary market MFIs´ equities.

• Efficiency (Rating: 4: Unsatisfactory: below expectations, negative results dominate despite discernible positive results)

- Were risk-appropriate returns for investors achieved?

The short answer is no. Despite the Fund Manager having the appropriate expertise for the type of investment, dedicating adequate resources to the endeavor and charging appropriate fees and, overall, conducting itself in a professional and efficient manner with respect to the Fund, the above market returns originally offered will not be achieved. While there are still a few more years to go before the Fund is actually liquidated and only then will the final returns be assed, in our opinion the probability is low that moving forward the Fund´s yield will reach the expected levels.

• Development Impact (Rating: 2: Good result, in line with expectations and without any significant shortcomings)

All the Fund´s investments were made in organizations that are well aligned with the respective host countries' policies and global development goals. Specifically, they are all improving financial inclusion, and thus having considerable impact. To date, the on-lending from the local portfolio companies is providing access to funds to close to 1.8 million microfinance and small and mid-sized enterprise clients; 89% of whom are women and 18% live in rural areas.

However, despite the Fund having, through repeat investments, contributed in many cases to increase the capital of the portfolio company, the original investments were frequently made in financial intermediaries that had already surpassed the "early stage" phase and/or in shares acquired in the secondary market (in which case the funding did not go directly to the investee). Accordingly, the "leverage" of said investment in terms of contribution to development has been limited.

Nevertheless, impact has occurred in as so much as the Fund´s investments did allow for DWM´s participation in the investees´ governance and thus allowed them to grow more and faster. Further, DWM´s strong push to enhance social and environmental policies undoubtedly has increased the investees client centricity and thus improved the quality and quantity of financial products being made available.

• Sustainability (Rating: 2: Good result, in line with expectations and without any significant shortcomings)

The Fund´s investments have clearly had a positive impact in the governance of the investees and through them the organizations have been made stronger. Further, the importance of the social and environmental matters in the portfolio companies has also been highlighted. Similarly, DWM has in some cases made other contributions to the portfolio companies. Notably with respect to funding and/or providing guidance in terms of digitalization. Said contributions hopefully will have a lasting impact and, even with the passage of time, are most likely not going to be reversed because of the Fund's future divestment. To this respect, it should be noted that most of the portfolio companies do recognize the Fund as having added value.

Lessons learnt

Below a few lessons learnt that can be taken from this project and could be useful to OeEB when considering investing in similar instruments and/or designing strategies to better reach SMEs and other underserved enterprises.

a) Investee Governance: Active participation of the Fund Manager in the portfolio companies´ governance, as was the case with this Fund, should be encouraged.

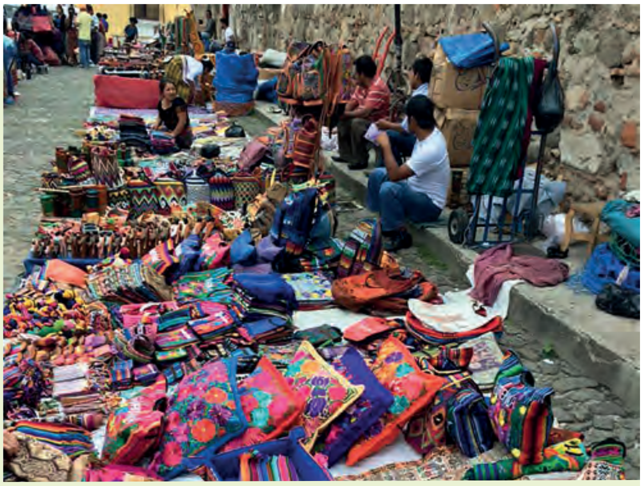
b) Secondary Market: For future investments in Funds, beyond insisting that the Funds invest in worthwhile, impact oriented and double-bottom line oriented organizations, it would be also important to insist that the Funds give preference to investments in which said investments bring to the investees a social and environmental "vision/voice" that did not already exist at the investee and/or in primary shares of the investee so as to ensure that the Fund´s monies go directly to strengthen the organizations' net-worth.

c) Private Equity: Investing in start-ups that the Fund is ill-prepared to appropriately support should be avoided.

d) Fund Governance: It might be helpful to explore ways in which, for future investments, OeEB would have, directly or indirectly, more influence (for example through the Shareholders Agreement) in Fund's investment decisions so as to ensure a better alignment of said investments with OeEB's objectives/goals.

e) Objectives: OeEB´s should strive to better define/document its objectives when making future investment in a Fund.

I. Introduction



A) Background

In 2015 OeEB invested around USD 5.9 million in an equity stake of DWM´s Inclusive Finance Equity Fund II ("the Fund") of Developing World Markets (DWM - "the Fund Manager"). The Fund had its first close in 2013 at $44.5 mm and its second and final close, in which OeEB invested, in 2015 at $52.1 mm Its objective is to provide equity to inclusive financial institutions in Asia and Latin America; including Microfinance Institutions (MFIs) as well as specialized financial service providers that provide financing for education, housing and Small and Medium Enterprises (SMEs). In addition to equity funds, OeEB has also supported the Fund in developing its Environmental and Social Management System (ESMS) for SME related issues with Business Advisory Services funds.

OeEB, which participates in private equity funds acting as trustee for the Austrian Ministry of Finance, requires that all projects must make developmental and economic sense and are subject to a comprehensive environmental and social review. As such and considering that as of December 2018 the Fund had reached the end of the investment period, OeEB decided to engage external support to perform a mid-term evaluation of the Fund and its investees as well as to determine the impact it has had on the end-borrowers.

After a call for proposals by OeEB, OMTRIX, a specialized Costa Rica based consulting organization[1], was contracted by OeEB to deliver and objective feedback that, in as so much as possible, promotes best practices and contributes to improving the development effectiveness of future OeEB´s investments.

B) Objective

It is not always clear what constitutes 'social impact' and thus there might be more than one way of determining what would be relevant and thus establishing a robust way of measuring it. Having said this, there is nevertheless some consensus that impact investment aims to create positive social change alongside financial returns; thereby creating blended value and, furthermore, assuring that the intention behind said investment is to have a positive effect on society while at the same time avoiding negative effects.

1 A summary of OMTRIX's qualifications and experience is included as Annex III.

Accordingly, when measuring the impact of any given investment, it is useful to consider the following questions.

- What has happened as a result of the program or project?
- What real difference has the activity made to the beneficiaries?
- How many people have been affected?

OMTRIX´s evaluation of the Fund presented here intends to answer these questions and, in so doing, provide OeEB the needed feedback with respect to the impact of its investment. This, hopefully, will help in promoting best practices and contributes to improving the development effectiveness of future OeEB´s investments.

C) Methodology

As per the Terms of Reference of the task at hand, for which the focus is on providing an independent evaluation of the Fund, OMTRIX followed OECD/ DAC Criteria for Evaluating Development Assistance. Accordingly, and following said criteria OeEB´s investment in the Fund was reviewed along the following five criteria:

- **Relevance:** Was there a need for the funding being offered?
- **Effectiveness:** Were the objectives of the Fund attained?
- **Efficiency:** Were risk-appropriate returns for investors achieved?
- **Development Impact:** What was the contribution to the development objectives?
- **Sustainability:** What are the estimated positive/negative long-term effects of the project?

D) Process

The evaluation took place over a period of several weeks following a pre-agreed timetable. The process was conducted as a combination of desk review and field visits in which pertinent data was collected, analyzed, compared with applicable benchmarks, and conclusions drawn. It was undertaken in several stages:

1. Desk Review

Review of the documents provided by OeEB and the Fund as well as complementary research of other relevant documents/information.

Data sources included:

- **OeEB:** All relevant information on-file as well as interviews with OeEB´s representatives, in particular the Investment Manager and the Fund´s Board Members [2]
- **Fund Manager:** All relevant reports and monitoring information complemented with telephone and/or physical meetings with the appropriate officials.

2 Complete list of interviews is attached as Annex I.

- **Investees:** Information provided by each investee including reports and other monitoring information.
- **Other:** As appropriate, relevant materials obtained though examination of pertinent data including; socio/economic data of each one of the target countries.

2. Appraisal

Interviews were conducted with all of the Fund´s current portfolio companies through a combination of tele-conferences, questionnaires, and field visits.

- **Investee level:** Utilizing a questionnaire that had been discussed by OeEB, telephone interviews were conducted with appropriate officials at four of the nine portfolio companies. Additionally, physical interviews were conducted with four MFIs.
- **End-beneficiaries:** Physical interviews were also conducted with several end-beneficiaries. Specifically, two in Panama, four in Colombia, and two in India. Additionally, four case studies were prepared based on the results of these client's interviews.
- **Other:** Telephone and/or physical interviews were also conducted with representatives of other industry players active in the same space as the Fund Manager; including: Micro Investment Vehicles/Funders (MIVs), Technical Assistance providers, Development Financial Institutions co-investing in the Fund (DFIs), as well as whenever possible local competitors of the portfolio company and/or the corresponding industry associations.

3. Documentation

The following deliverables were submitted and approved by OeEB[3]:

i. **Inception Report:** A report describing, in addition to the expected contents and structure of the report, any deviation from the Terms of Reference.
ii. **Questionnaire:** A questionnaire aimed at appropriate officials at each one of the Fund´s main stakeholders.
iii. **Mission Summary:** After each one of the field visits, a brief summary of the main findings.
iv. **Case Studies:** Based on the materials collected during the field visits, specifically utilizing materials/ testimonies collected during the meeting with the end-beneficiaries, four case studies were prepared.

3 A Power Point presentation will be prepared so as to be utilized to deliver the Evaluation's main conclusions and lessons learned to OeEB´s staff.

E) Issues

Several potential issues that could have jeopardized the evaluation were recognized at inception. Below a short overview of such issues and the corresponding mitigant actions that were taken.

Data: There is always the risk of not being able to collect information/data on an accurate and timely fashion. Overall this was not the case in the evaluation. This was achieved through a combination of adequate planning (including clear definition of what was going to be needed and making requests on a timely fashion to the appropriate officials) as well as reviewing/analyze data as soon as possible so as to early-on identify potential miscommunications.

Fund Manager: A non-collaborative Fund Manager is always a possibility. DWM proved to be very transparent, collaborative, and generally responded on a timely and adequate fashion to all the evaluator's request.

MFIs/Investees: The Fund´s portfolio companies were all receptive and entertained well all the requests for information. They were similarly gracious with their time. This, in terms of making the right official available for telephone interviews as well as, in the case of field visits, making the right staff available for interviews as well as providing help with the corresponding logistics and overall ground support.

Objectives: Initial difficulties were encountered identifying OeEB´s objectives for the investment in the Fund (which would have made it difficult appropriate comparison between what was planned and what was actually achieved). However, this issue was mitigated through constant and appropriate communication with OeEB´s staff and specific efforts to clarify as much as possible the purpose of the investment in the Fund as well as what could have been the desired outcomes.

F) Dissemination

As per the Terms of Reference, after obtaining the non-objection from DWM, the final version of the Evaluation Report as well as a PowerPoint summarizing the report and the related Cases, Studies will be delivered to OeEB for it to decide regarding how best to disseminate them.

II. Project Description

A) The Fund

i. Background

The Fund, a Luxemburg based entity, was established as to make private equity investments in microfinance and other socially beneficial sectors in Latin America and Asia. The fund had its first close of USD 44.5 million on December 5, 2013. The fund had its second and final close on May 31, 2015 that brought available capital to USD 52.1 million.

ii. Governance

The Fund´s governance is provided for by the General Assembly of Shareholders and the Shareholders Advisory Committee. The Fund's bylaws specify what issues have to be brought to each one of these bodies. Said decisions normally would be of an "exceptional" nature. For example, for the General Assembly: extensions of the investment cycle, changes to investment guidelines, and merger with another entity. For the Shareholders Advisory Committee, in which all three major shareholders are represented (and KfW and OeEB conform a majority): all issues pertaining to potential conflict of interest, selection of auditors, changes in valuation techniques, key-man events, etc.

iii. Objectives

The Fund was expected to have significant social value in as so much as it would contribute to:

- raise income levels for micro-entrepreneurs as well as owners and employees of SMEs
- increase the size of the MFIs' and facilitate for them access to more flexible financing terms and thus improve their ability to finance micro-entrepreneurs and SMEs
- familiarize MFIs with international financial and raise the visibility of microfinance and related assets among institutional investors
- contribute to the creation of a market for equity in MFIs.

Environment and Social Risk Analysis Tools

Before the advent of the INCLUSIVE FINANCE PRIVATE EQUITY FUND" (the "Fund"), DWM used a Social Scorecard to capture the Environmental and Social (E&S) risk associated with its microfinance investees. Given that the new Fund, into which OeEB invested, had an expanded scope that include not only Microfinance organizations(MFIs) but also Small and Medium Enterprises (SME) lenders, DWM sought to develop a stronger environmental and social risk management system (ESMS) that would not only also include SMEs but further also be integrated into the risk appraisal and investment decisions of the Fund.

Accordingly, and with OeEB´s support (Technical Assistance), a third-party consultant was retained to assist in the development of a monitoring tool that would be more appropriate for SMEs which included:

- o Expanded scorecard to capture the E&S risks posed by SME and specialty lenders
- o Processes and Procedure to identify and mitigate risks identified
- o An exclusion list and compliance expectations with local labor, environment and safety regulations
- o Risk categorization framework for low, medium and high risk portfolios based on sector
- o Ongoing evaluation and reporting mechanism to report on non-compliance in high risk investees.

ENTVRONMNTAL AND SOCIAL RISK MANAGEMENT SYSTEM							
Portfolio Company	E&S Risk Categorization	Compliance with Exclusion List	Maintains Comprehensive ESG Policies**	Has procedures to Identify, Assess & Manage ESG Risks	Conducts Staff & Client Training	Maintains a Reporting Framework	ESG Board Committee
MicroCred China	Low	✓	●	●	◕	◑	◑
Suryoday	Low	✓	◕	◑	◑	◕	●
Crystal	Low	✓	◕	◕	◕	◕	●
IntelleGrow	Medium	✓	●	●	◕	◕	●
CFE	Low	✓	◑	◑	◕	◑	◑
HNB Finance	Low	✓	◑	◕	◕	◑	◑
Acercasa	Low	✓	◑	◑	◑	◑	◑
Inecobank	Low	✓	◑	◑	◕	◔	○

** Complies with local environmental and social regulations, identifies clients with ESG risks, includes specific clauses in the loan contracts to mitigate ESG risk, monitors and audits clients to verify compliance with ESG policies, and actively trains staff regarding ESG procedures.

*Below is the excerpt from the Q3 2019 E&S monitoring report**

Through questionnaires that are periodically completed by each portfolio company, DWM monitors and evaluates the environmental and social risks associated with each investment. Based on the results of said questionnaires and through its role in the governance of the investees, DWM is able to promote change/improvements in the investees' social and environmental practices.

Impact/Effects of the OeEB funded project for expanding the ESMS to SME finance:

- DWM has implemented annual trainings of its staff to build institutional capacity on implementing E&S risk management procedures in its portfolio.
- In addition to reporting annually on impact metrics associated with its social scorecard, DWM has now implemented quarterly reporting for the entire Fund II portfolio. This allows DWM´s managers to set goals and regularly track improvements in the ability of the investees to set policies, measure and report against those policies and facilitate training of staff and oversight by the boards of the respective companies.
- DWM has introduced exclusions lists into its SHAs and strengthened its capacity to engage with its portfolio companies around compliance with local labor, environmental and safety standards.
- As a result of the new management system, E&S risk has gradually improved and Fund's portfolio is now comprised of no "high" risk portfolio companies and one "medium" risk portfolio company.

* A fully shaded ball meaning full compliance while an "empty" ball would mean non-compliance.

Taking the above into consideration, when selecting prospective investees, the Fund Manager chose potential investees after an appropriate due diligence had been performed. Final approval was in the hands of the Investment Committee; which has, by design, no shareholder representation.

iv. Portfolio

As of June 30, 2019, the Fund has completed the disbursement cycle (having disbursed all the funds committed) and has entered the monitoring and value-added cycle.

The Fund has approved and disbursed nine investments, of which one has been exited at consioderable loss of value. The Fund´s average investment was USD 4.8 million and the average shareholding 14.2%. The chart below[4] illustrates the distribution by region[5].

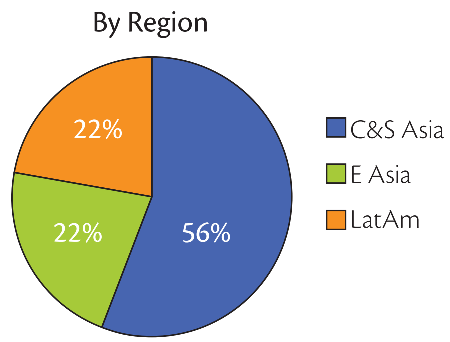


Figure No. 2

Distribution of the Fund's Investments by Region as of June 2019

Source: DWM's IFEF II Report QII-2019

All the Fund´s investments complied with the requirements established in the Fund´s offering/incorporation documents[6]. The charts below include a summary of the status of the Fund´s investments as of June 30, 2019. The investees are all worthwhile double bottom-line organizations that, as shown in the chart below, for the most part, are performing well within their respective enabling environments (exception made for Simpa, which has been exited at considerable loss of value, and ACERCASA which is still struggling to reach profitability).

4 Most data presented in the herein report have been taken from the Q2/2019 Fund's quarterly monitoring report as well as other reports provided by the Fund Manager and/or investees.

5 Data utilized for the charts includes the exited investments.

6 More details regarding the requirements/limits established for the Fund's investments are included as Annex II

Table No. 1

Financial Data on Portfolio Companies

SUMMARY FINANCIAL DATA ON PORTFOLIO COMPANIES (as of 6/30/2019)									
		Gross Loan Portfolio (000´s)			Perfomance Ratios (TIM)				
MFI	Country	Size	YoY Growth	No. Of Borrrowers	ROA	ROE	D/E Ratio	PAR>30	Portfolio Yield
MicroCred China	China	201.4	-4.6%	23,275	4.4%	11.5%	1.3x	0.7%	22.9%
Suryoday	India	458,303	62.0%	1,245,564	4.7%	20.4%	3.4x	3.1%	26.4%
Crystal	Georgia	98,081	-7.6%	100,434	0.7%	5.2%	5.6x	5.5%	26.9%
IntelleGrow	India	50,246	3.4%	484	0.1%	0.4%	1.7x	6.9%	17.7%
CFE	Panama	40,784	23.5%	4,348	2.9%	17.3%	2.9x	3.8%	29.7%
HNB Finance	Sri Lanka	161,754	17.3%	254,067	2.5%	11.7%	6.7x	15.9%	6.70%
Acercasa	Colombia	12,939	-9.4%	378	-7.7%	-8.9%	1.4x	9.8%	15.6%
Inecobank	Armenia	473,692	8.00%	223,860	2.6%	13.7%	5.0x	4.50%	13.10%

Source: DWM's IFEF II Report QII-2019

Table No. 2

Social Performance of the Investees of the Fund

SOCIAL PERFOMANCE SUMMARY (Q2 2019)							
MFI	Country	Sector	Borrrowers/ Customers	Average* Loan Size (ALS)	ALS as % of GDP per Capita	% Rural Clients	% Women Clients
MicroCred China	China	Microfinance	23,275	13,846	144.0%	27.0%	31%
Suryoday	India	Microfinance	1,245,564	323	18.9%	0.0%	99%
Crystal	Georgia	Microfinance	100,434	775	20.0%	63.0%	56%
IntelleGrow	India	SME Lender	484	78,388	4,585.1%	NA	NA
CFE	Panama	Microfinance	4,348	9,542	62.4%	0.0%	28%
HNB Finance	Sri Lanka	Microfinance	254,067	515	12.6%	78.0%	91%
Acercasa	Colombia	Mortgage Lender	378	34,384	597.1%	NA	50%
Inecobank	Armenia	Bank	223,860	1,402	32.2%	31.0%	52%

* Figures in USD

Source: DWM's IFEF II Report QII-2019

Furthermore, as can be appreciated in the chart below, the portfolio companies directly improve the livelihood of close to 1.8 million individuals (a significant percentage of which is in impoverished rural areas) and, overall, have a significant social impact in their respective host countries.

B) The Portfolio Companies

1. Microcred China Limited (China)

The Company

Microcred China is a Hong Kong based SMART Campaign certified company that owns 100% of two legal entities set up in mainland China The organization, which started operations in 2007, offers a range of credit products to micro, small, and medium-sized businesses that face difficulties in accessing credit from the traditional banking system. In addressing this population in a very restrictive market, the company contributes to financial inclusion and thus improves the lives of its clients and their families. Microcred China, who is recognized by the Chinese government as a socially responsible entity, goes to great lengths to be as client centric as possible. As part of that calling, it is currently committed to an effort to reduce operating expenses and improve the client experience by increasing the level of digitalization of its operations.

Despite good operational indicators, Microcred China has relatively low levels of profitability. This, the result of a combination a difficult enabling environment that, among other things, restricts interest rates and leverage levels[7] as well as the company´s continued commitment to serve the less profitable smaller clients. Microcred China plans to expand by bringing its business model to other underpenetrated prefectures in West China.

Table No. 3

Microcred China - KPIs for the periods ended as of December 2017 and 2018 and as of June 2019

	12/31/2017	12/31/2018	Growth in 18	jun-19	Jun 19 Growth
Total Portfolio (USD MM)	182	211.2	15.9%	201.4	-4.6%
Porfolio Yield (%)	22.5%	23.1%	2.7%	22.9%	-0.9%
Arrears (Par 30)	0.3%	0.5%	60.6%	0.7%	42.9%
Leverage (L/E)	1.1x	1.3x	18.2%	1.3x	0.0%
ROE (%)	5.8%	8.1%	39.7%	11.5%	42.0%
Number Clients	25,697	23,392	-9.0%	23,275	-0.5%
Number Employes	576	574	-0.3%	533	-7.1%
Average Loan (AL) (USD)	10,084	13,027	29.2%	13,846	6.3%
AL/GDP Per capita (%)	114.0%	136.0%	19.3%	144.0%	5.9%

Source: Information provided by the Investee

2. Suryoday Small Finance Bank Limited (India)

The Company

Suryoday Small Finance Bank Limited ("Suryoday") is an urban focused Small Finance Bank based in Mumbai, India. The Company commenced operations as a Non-Bank Financial Company (NBFC) in May 2009 with five branches. In 2017 it transformed into a Small Finance Bank. The Bank, whose operational and financial performance are good, is poised for substantive growth as its banking license opens-up a multitude of opportunities in a very large and non-saturated market.

The rates being charged by Suryoday (averaging 24% for microloans and 21% overall) are, not only in line with what is being charged in the market for similar loans, but actually tend to be in the lower end. The Company is also quite transparent regarding its rates/fees and adheres to best practices when it comes to collection techniques. Most of Suryoday's portfolio is unsecured and the size of its micro-loans size (approximately USD 350) is below the national average (specially for urban areas). The Company is thus, truly servicing the financial needs of clients at the bottom of the pyramid. This is even more worthwhile if one takes into account that almost 100% of its micro clients are women. Further, the Company tries hard to be "client centric"; especially with respect to product design. Furthermore, it has an active financial literacy program (that serviced more than 65,000 clients in 2018) as well as health services and community development programs.

7 The operation has recently received authorization from local government to leverage its equity up to approximately 3X with local and foreign funding. While 3X is still low in absolute terms, this is, nevertheless, a significant accomplishment in the local tightly restricted enabling environment which imposes strong restrictions on MFIs and, in the eyes of many, a recognition of the social orientation of the organization.

Table No. 4

Suryoday Small Finance Bank - KPIs for the periods ended as of December 2017 and 2018 and as of June 2019

	12/31/2017	12/31/2018	Growth in 18	jun-19	Jun 19 Growth
Total Portfolio (USD MM)	231,650	422,173	62.5%	458,303	62.0%
Porfolio Yield (%)	26.4%	26.4%	0%	26.4%	0%
Arrears (Par 30)	7.1%	3.4%	-52%	3.14%	-8%
Leverage (L/E)	2.7x	3.2x	19%	3.4x	6%
ROE (%)	12.3%	15.2%	24%	20.4%	34.2%
Number Clients	818,456	1,159,658	9.0%	1,245,564	44.5%
Number Employes	2,874	3,931	32.3%	3,919	29.8%
Average Loan (AL) (USD)	257	312	52.2%	323	14.1%
AL/GDP Per capita (%)	15.0%	18.2%	21%	18.9%	4%

Source: Information provided by the Investee

3. IntelleGrow (India)

The Company

Intellegrow is an NBFC based in Mumbai, India providing debt financing to Small & Medium Enterprises ("SMEs") with particular emphasis in social sectors including, financial inclusion, clean energy, health care, and education. Intellegrow's loans range from USD 200,000 to 900,000 for up to 3 years, carrying interest rates of 16% to 25% and, in most cases, requiring no hard-collateral requirements. The Company is only moderately profitable and is currently recuperating from a set-back (loss in 2018).

The Company's Governance is strong. Intellegrow also has a strong Risk unit that has the last word in the approval process of new loans. It is also investing heavily in updating/strengthening its IT Unit.

Indian Commercial Banks are generally skeptical of any unsecured loan (specially to small and medium size enterprises). Accordingly, Non-Bank Financial Companies (NBFCs) have traditionally been the ones called to serve the financial needs of the SME sector. In such an enabling environment NBCFs (such as Intellegrow) willing to service this segment of the market without requiring the corresponding collateral, are truly "saving the day" for SMEs. Further, as currently NBFCs are also having increased difficulty in accessing resources, any increase in Intellegrow´s ability to grow its portfolio, such as the Fund´s investment in the company´s equity, can be construed as an enabler for local SMEs growth.

Table No. 5

IntelleGrow – KPIs for the periods ended as of December 2017 and 2018 and as of June 2019

	12/31/2017	12/31/2018	Growth in 18	jun-19	Jun 19 Growth
Total Portfolio (USD MM)	38,917	48,608	24.9%	50,246	3.4%
Porfolio Yield (%)	21.4%	17.3%	-19%	17.7%	2%
Arrears (Par 30)	4.5%	4.4%	-2%	6.9%	57%
Leverage (L/E)	1.8x	3.5x	94%	1.7x	-51%
ROE (%)	6.9%	-21.6%	-413%	0.4%	-98%
Number Clients	119	119	0.0%	484	193.3%
Number Employes	45	45	0.0%	65	47.7%
Average Loan (AL) (USD)	210,361	262,744	24.9%	78,388	-54.8%
AL/GDP Per capita (%)	12,418.0%	13,546.2%	24.9%	4,585.1%	-66%

Source: Information provided by the Investee

4. HNB Finance Limited (Sri Lanka)

The Company

HNB Finance is the third largest non-bank microfinance institution in Sri Lanka. It defines its mission as being "customer centric, provider of well diversified products and services, responsibly and sustainably" to the bottom of the pyramid in Sri Lanka. It accomplishes this by providing, among other products, group lending finance to microentrepreneurs. Many of them in rural areas. While HNB Finance had until recently very good operating and financial indicators, 2018/2019 have been turbulent years for the Sri Lankan economy. The country has been challenged by adverse weather conditions and political turmoil. Although weather conditions have improved, the ongoing sociopolitical uncertainty in the country has cast a doubt over Sri Lanka's long-term political stability. This has led the government to embark in a number of populist measures targeting the financial institutions servicing the low-end of the market. Notably, an interest rate cap at 35% which puts significant pressure on operators, such as HNB Finance, that rely heavily on microfinance and traditionally charged rates above that limit. Further, and probably even more worrisome, recent announcements by the government regarding a politically motivated loan forgiveness program has affected borrowers' willingness to pay. Not surprisingly, this has had a material impact on HNB Finance´s portfolio quality indicator and make a potential exit for the Fund more complicated (as well as most probably at a lower multiple than anticipated).

Table No. 6

HNB Finance - KPIs for the periods ended as of December 2017 and 2018 and as of June 2019

	12/31/2017	12/31/2018	Growth in 18	jun-19	Jun 19 Growth
Total Portfolio (USD MM)	119,038	137,951	15.9%	161,754	17.3%
Porfolio Yield (%)	25.0%	20.0%	-20.0%	7.0%	-65.0%
Arrears (Par 30)	7.2%	9.8%	35.4%	15.9%	62.0%
Leverage (L/E)	6.2x	6.28x	1.8%	6.67x	6.2%
ROE (%)	33.2%	20.5%	-38.4%	11.7%	-42.9%
Number Clients	230,138	242,428	5.3%	254,067	4.8%
Number Employes	1,701	1,899	11.6%	2,026	6.7%
Average Loan (AL) (USD)	464	469	1.1%	515	9.7%
AL/GDP Per capita (%)	5.9%	8.9%	50.8%	12.6%	41.6%

Source: Information provided by the Investee

5. JSC MFO Crystal (Georgia)

The Company

Crystal's microfinance activities commenced in 1998 during the time of the civil war, under the auspices of a local NGO established in 1995 by a group that saw the need to provide financial services to displaced persons from Abkhazia (a disputed territory situated in the north west of Georgia). In 2003, at the suggestion of donors and funders, the NGO's micro-lending program was transferred to an independent MFI, Crystal Fund. This entity, in 2007, transformed into a non-bank financial intermediary: JSC MFO Crystal; still with a clear mission and focus on microfinance. Today, the original founders of the NGO are currently still involved in the management and board of Crystal. DWM's relationship with Crystal commenced in 2007 as a provider of debt funding and later on also, through another fund, as an equity investor.

Crystal continues to be committed to serving the underserved segment of the population through both financial and capacity building services. Crystal is the largest non-bank MFI in the country and 4th when also considering banks targeting the microfinance market. However, unlike other market participants, Crystal operates mainly in 16 remote and underserved locations. Crystal, a SMART Campaign certified company, has gained international recognition as a socially motivated company. It has a Social Committee, which is headed by a representative of DWM, and has incorporated in its institutional objectives six of the United Nations Sustainable Development Goals[8] (SDG). Specifically: Goal 1: Reduction of Poverty, Goal 4: Quality Education, Goal 5: Gender equality, Goal 7: Affordable and Clean Energy, Goal 8: Decent Work and Economic Growth and Goal 10: Reduced Inequalities. Further, the organization conducts annual evaluations of their social performance and, if the results are not as expected, demands the implementation of the necessary corrective measures. As of today, Crystal is the only MFI in Georgia that has gone through a social audit and achieved an A- rating granted by Microfinanza.

Table No. 7

Crystal - KPIs for the periods ended as of December 2017 and 2018 and as of June 2019

	12/31/2017	12/31/2018	Growth in 18	jun-19	Jun 19 Growth
Total Portfolio (USD MM)	79,427	103,371	30.1%	98,081	-7.6%
Porfolio Yield (%)	52.6%	30.6%	-42%	26.9%	-12%
Arrears (Par 30)	2.6%	2.6%	0%	5.5%	112%
Leverage (L/E)	5.5x	6.6x	20%	5.6x	-15%
ROE (%)	36.2%	16.2%	-55%	5.2%	-68%
Number Clients	65,003	103,636	59.4%	100,434	17.9%
Number Employes	896	1,028	14.7%	1,021	-0.6%
Average Loan (AL) (USD)	986	792	-19.6%	775	-19.4%
AL/GDP Per capita (%)	21.6%	27.6%	28%	20.0%	-28%

Source: Information provided by the Investee

8 *https://www.un.org/sustainabledevelopment/sustainable-development-goals/*

Sustainable Development Goals (SDGs)

n September 2015 the General Assembly of the United Nations adopted the 2030 "Agenda for Sustainable Development" which includes 17 Sustainable Development Goals (SDGs). Such Agenda underlines a holistic approach to achieving sustainable development for everybody. It acknowledges that ending poverty and other deprivations must go aligned with strategies that improve health and education, reduce inequality, and catalyze economic growth while addressing urgent matters such as climate change and protection of the environment. The SDGs are an urgent call for action by all United Nations Member States in a global partnership.

Though the ToRs of the Inclusive Finance Equity Fund II do not explicitly reference the SDGs as part of its objectives, all the investees do address some of the SDGs, particularly goals 1- No Poverty, 5-Gender Equality, 8-Decent Work and Economic Growth, 10-Reduced Inequalities.

The IFEF II´s investees have been contributing mostly to poverty reduction, economic growth and gender inequality by providing funding to the underserved segment of the population through mostly financial services. Overall, IFEF II´s investees serve close to 1.8 million clients; 89% of whom are women and 18% live in rural areas. More importantly, IFEF II and DWM adhere to the Principles of Responsible Finance and have clearly contributed in raising the awareness of the importance of social and environmental issues amongst the investees of the Fund. The implementation of the impact measuring tools developed by OeEB´s funding has been instrumental in providing an instrument of impact assessment, particularly to those financial institutions that did not have a proper tool in place before the arrival of IFEF II.

The investees of IFEF show different degrees of social orientation which is not directly related to their size or their legal structure, but more to their mission. Only one of the investees, Crystal in Georgia, has explicitly incorporated in the objectives of the organization 6 of the SDGs (Goal 1: Reduction of Poverty, Goal 4: Quality Education, Goal 5: Gender equality, Goal 7: Affordable and Clean Energy, Goal 8: Decent Work and Economic Growth and Goal 10: Reduced Inequalities). The rest of the investees have not included the SDGs in their institutional objectives, mission or vision yet they are still having a social impact and therefore, addressing indirectly the SDGs.

As mentioned before, though DWM has been catalyst in raising the awareness of the importance of social and environmental issues in the investees, it still does not encourage nor request from the financial institutions to include the SDGs in their mission, vision or objectives.

6. Inecobank CJSC (Armenia)

The Company

Inecobank was founded in 1996 by local entrepreneurs and provides universal banking services to retail, micro and SME customer segments in Armenia. The bank currently has 25 branches, with 17 of them located in Yerevan, the capital.

Through join efforts with international donors, Inecobank is involved with many projects that have social and environmental benefits (energy efficiency, renewable energy, community development, etc.). Some examples of said projects include: housing project with Habitat International and energy efficiency projects with EBRD and KfW.

Table No. 8

Inecobank - KPIs for the periods ended as of December 2017 and 2018 and as of June 2019

	12/31/2017	12/31/2018	Growth in 18	jun-19	Jun 19 Growth
Total Portfolio (USD MM)	368,285	438,595	19.1%	473,692	8.0%
Porfolio Yield (%)	14.2%	13.6%	-4.2%	13.1%	-3.7%
Arrears (Par 30)	5.3%	3.9%	-26.4%	4.5%	15.4%
Leverage (L/E)	4.8x	4.7x	-2.1%	5.0x	6.4%
ROE (%)	15.2%	15.9%	4.6%	13.7%	-13.8%
Number Clients	197,996	214,192	8.2%	223,860	4.5%
Number Employes	793	829	4.5%	839	1.2%
Average Loan (AL) (USD)	1,390	1,415	1.8%	1,402	-0.9%
AL/GDP Per capita (%)	21.6%	27.6%	27.8%	32.2%	17%

Source: Information provided by the Investee

7. Centro Financiero Empresarial-CFE (Panama)

The Company

Centro Financiero Empresarial (CFE) is a private financial institution lending primarily to micro and small businesses ("SMEs") in Panama. The company is based in Panama City and operates through a network of eight branches throughout the country.

CFE targets micro and relatively smaller SMEs with sales up to USD 1.5 million, offering secured loans to self-owned business that range from USD 1,000 to 100,000. Local Commercial Banks are reluctant to lend to small/medium size companies that are not completely "formalized". Banks are not willing to go past the lack of formal financial statements and/or lack of complete documentation/registration regardless of their profitability. Accordingly, these SMEs are having increased difficulty in accessing needed funding. CFE´s willingness to work with these companies (after helping them building-up their records and counting on the support of adequate guarantees), enables excluded SMEs to access the loans they need to grow and prosper. Last, but not least, the company takes pride of being very transparent and boosting a solid governance structure. Currently, CFE is the second largest microfinance organization and has been growing quite rapidly. Sale to a strategic investor and/or local commercial bank should provide exit options for the Fund´s investment.

Table No. 9

CFE - KPIs for the periods ended as of December 2017 and 2018 and as of June 2019

	12/31/2017	12/31/2018	Growth in 18	jun-19	Jun 19 Growth
Total Portfolio (USD MM)	29,524	36,025	21.6%	40,784	23.5%
Porfolio Yield (%)	29.1%	29.5%	1%	29.7%	1%
Arrears (Par 30)	3.4%	2.5%	-26%	3.8%	51%
Leverage (L/E)	2.1x	2.9x	38%	2.9x	0%
ROE (%)	18.6%	15.9%	-15%	17.3%	9%
Number Clients	3,433	3,813	11%	4,348	14%
Number Employes	130	142	9%	162	14%
Average Loan (AL) (USD)	8,600	9,448	9.9%	9,542	1.0%
AL/GDP Per capita (%)	62.1%	62.4%	0.5%	62.4%	0%

Source: Information provided by the Investee

CEF´s management recognizes the Fund/DWM as having had, overall, a positive impact on CFE. It´s contribution is recognized specially as the result of its Board participation. They signal DWM as "an engine of change" that spearheaded the rotation/replacement of the previous CEO which, in-turn, can be clearly linked not only to the improvement the organization's operating results, but also to the advent of more progressive management practices. CFE is now not only growing rapidly and profitably (see statistics above) but also has made significant strides in terms of employee morale. CFE has also worked hard to improve client satisfaction as well as "catching-up" in terms of innovation.

8. ACERCASA S.A.S. (Colombia)

The Company

Acercasa S.A.S. is a residential mortgage originator based in Bogota, Colombia catering to the missing middle-class segments with limited access to long-term financing. Acercasa caters to the missing middle-class segments with limited access to long-term financing. Specifically, to unserved clients that, despite having adequate guarantees to offer and because of the clients´ low level of formalization, are on the one hand not of interest to the banks and, on the other hand, are too big to be serve by microfinance institutions. By providing access to these previously underserved clients, Acercasa has considerable impact on the livelihood of its clients. The Company´s recent emphasis in productive housing is expected to further increase the company´s impact through the incremental job creation brought upon by facilitating the growth of micro/small businesses operating out of said "productive" housing units. To this respect, it recently retained an executive that will be responsible for leading the microfinance unit in Acercasa, which will provide relatively large[9] microfinance loans.

Table No. 10

Acercasa - KPIs for the periods ended as of December 2017 and 2018 and as of June 2019

	12/31/2017	12/31/2018	Growth in 18	jun-19	Jun 19 Growth
Total Portfolio (USD MM)	14,475	14,262	-1.5%	12,997	-8.9%
Porfolio Yield (%)	14.4%	16.7%	16%	16.5%	-1.2%
Arrears (Par 30)	7.8%	7.2%	-8%	9.8%	36%
Leverage (L/E)	1.4x	1.6x	14%	3.8x	138%
ROE (%)	-25.4%	-17.7%	31.5%	-17.7%	0%
Number Clients	377	404	7%	378	-6.4%
Number Employes	64	70	9.4%	70	1.4%
Average Loan (AL) (USD)	38,395	35,302	-8.1%	34,384	-2.6%
AL/GDP Per capita (%)	607.0%	531.5%	-12%	597.1%	12%

Source: Information provided by the Investee

9 ACERCASA's "big micro-loans" range from 5,000 to 6.000 USD (while its average loan is: USD 37,652). Average microfinance loan in Colombia is USD 2,156 (Dario Estrada, Banco de La República, July 2018).

9. Simpa Finance Co. PVT Ltd. (India)

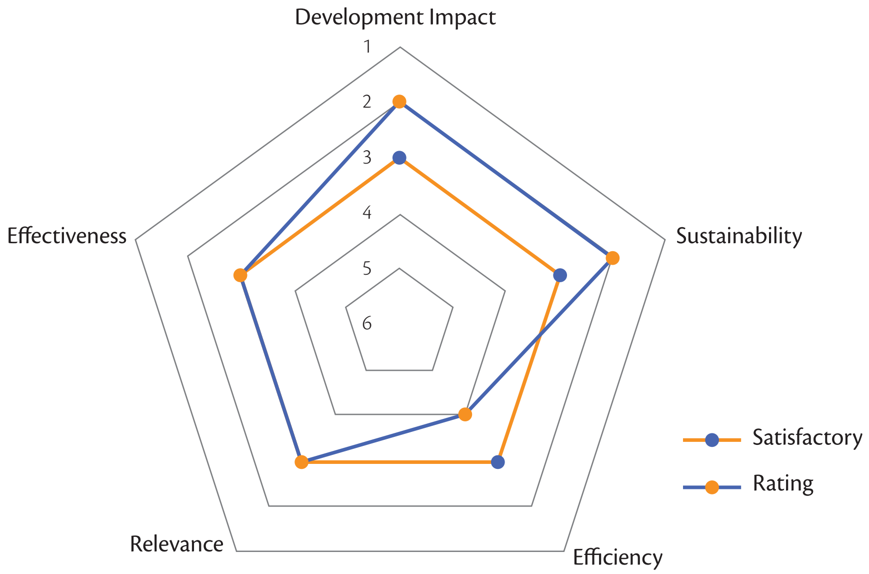
The Company

Simpa Finance Co. PVT Ltd. (Simpa), based in Uttar-Pradesh, sells solar home systems on financing to energy-poor households and micro-enterprises in rural India. Its offering: "an environmentally sound option for clients at the bottom of the pyramid to resolve their energy needs", is clearly full of great social and developmental potential. Indeed, beyond environmental impact, the project is charged with great potential when it comes to servicing the very poor, especially non-urban women. The Company is led by a management team with experience across information technology, microfinance and rural lending, utility-scale solar, satellite and digital TV and mobile operations. The founder, Paul Needham, has 15+ years of experience in information technology, successfully starting and selling an info tech, advertising company. In 2016, fully recognizing that this was more a Venture Capital endeavor than the "typical" Fund investment, the Fund invested in a minority stake. In 2018, after several years of losing money and despite Simpa's improving operating performance, the Company was unable to raise from existing investors the additional equity it required to continue operating. At that point, with cash reserves reaching a critical point, Simpa increased its focus on attracting strategic investment from third parties. Late in 2018, Engie Corporation acquired 90% of Simpa. Although this ensures that the mission of the Company will continue, this transaction resulted in a considerable loss of value for the Fund.

III. Evaluation

As per the Terms of Reference, OECD/DAC´s guidelines ("DAC"), were applied. Results of the evaluation would indicate that despite the need for the funding being offered by the Fund being unclear, said investments were, nevertheless, made according to the terms and objectives set at inception for the Fund and contributed to the development objectives of the host countries. Specifically, the local portfolio companies are providing access to funds to close to 1.8 million clients; 89% of whom are women and 18% live in rural areas. In terms of effectiveness, the Fund is coming short with respect to the original expectations. Indeed, instead of above market financial returns, the Fund is currently struggling to break-even and expectations is that the final return will probably end-up being negative.

Consequently, as shown in the graph below and resulting from the application for each one of the DAC categories of the 1 to 6 rating criteria on Annex V (where 1 is the best result), the project received an overall **Rating of 3 (Satisfactory:** project falls short of expectations, but the positive results dominate).



1. Very good result that clearly exceeds expectations
2. Within expectations and no significant shortcomings
3. Short of expectations but positive
4. Despite positive result negative result dominate
5. Negative result clearly dominate
6. Significant shortcomings and clearly inadequate results

Figure No. 1
Rating of IFEF II

A more detailed analysis (organized according to each one of the DAC criteria) follows.

• Relevance

Rating: 3 (Satisfactory: project falls short of expectations, but the positive results dominate).

Was there a need for the funding being offered?

If one looks in a dictionary for the definition of "needs", one would find something along the lines of: "circumstances in which something is necessary, or that require some course of action". In this case, and with regard to the question "did the Fund´s investments serve the needs of the investees, one would have to assume that the question being posed could be re-expressed as: "if the funding provided by the Fund to any one of the underlying portfolio companies had not been made, would the organization survive? Was the funding vital for this continuity and/or growth? Using this definition, the short answer would, overall, be that the funding was **not needed.**

Most of the Fund's investments cannot be considered critical and/or catalytical. Indeed, despite the Fund having, through repeat investments, contributed in many cases to increase the capital of the portfolio company, frequently the original investments were made in the secondary market and thus the proceeds from the Fund´s investments did not go to directly strengthen the capital base of the investee and/or did not bring to the investees a social and environmental "vision/voice" that did not already exist at the investee. Further, most investments were made in financial intermediaries that had already surpassed the "early stage" phase and/or for small percentages of the organization's shareholdings.

With regards to the broader question: did the investments Fund served the needs of the country and/or its policies, and/or global development aims? The answer in this case would be yes. Not only all the investments were made in developing nations[10] that encourage/require foreign capital; but further, most if not all were made in organizations that are clearly aligned with the respective host countries' policies and United Nations Sustainable Development Goals[11].

• Effectiveness

Rating: 3 (Satisfactory: project falls short of expectations, but the positive results dominate).

Were the objectives of the Fund attained?

While the short answer is **yes**, if one disaggregates this question on the basis of different criteria, one might get somewhat different answers.

Indeed, in terms of **amounts disbursed**, while the Fund did manage to disburse all the Funds that the investors provided, the original target size of the Fund was larger than what the Fund ended-up closing at. One would need to point to that this is relevant in two different ways:

10 However, none of the investments were made in "Less Developed Countries" (LDCs) as defined by the United Nations.

11 *https://www.un.org/sustainabledevelopment/sustainable-development-goals/*

a) **Size:** The fact that the Fund ended-up being smaller than its initial target size had not only implications with regards to economies of scale, but also with regards to "reach". Indeed, investments in which the Fund could have potentially invested a larger amount and/or maybe acquired a larger percentage were not made and/or made for smaller amounts. This reduced the Fund´s ability to become a larger/controlling entity as it might have been the objective at one point in time.

b) **Pace:** A sluggish demand for funding meant that the initial disbursement pace was slow. Not only this means that the period during which the Fund holds the shares is shortened (and thus somewhat curtails the possibility of share appreciation).

In terms of attaining the **objective established by the Fund Manager** in the Offering memorandum and included in the formal agreements agreed upon by all parties, the short answer is yes. The Fund was expected to have significant social value in as so much as it would contribute to:

- raise income levels for micro-entrepreneurs as well as owners and employees of SMEs
- increase the size of the MFIs' and facilitate for them access to more flexible financing terms and thus improve their ability to finance micro-entrepreneurs and SMEs
- familiarize MFIs with international financial and raise the visibility of microfinance and related assets among institutional investors
- contribute to the creation of a market for equity in MFIs.

Indeed, the portfolio companies have been strengthened as the result of the Fund´s investments and thus have been able to grow more and faster. And in so doing, the Fund has, as established in the corresponding documentation, contributed to attain all these objectives.

In terms of **contribution to the development objectives** of the host countries, overall the Fund did contribute. To this respect, one has to note that all of the portfolio companies do have double/bottom line objectives, all of which are clearly aligned with the host countries' development objectives. Specifically, the Fund's investments have allowed DWM to collaborate in strengthening the governance of the investees and also helped secure additional funding. In as so much as this has allowed the portfolio companies, all great contributors to local development objectives, to grow more and faster.

Did the investment contribute to increase outreach to underserved SMEs?

Yes. Through DWM´s efforts to strengthen the governance and/or help with funding, the investees have been able to provide more funding to underserved SMEs in the corresponding host countries. Indeed, most of the investee have active SME programs. Especially worthwhile is the case of Intellegrow and CFE that specialize in the provision of loans to SMEs. This is especially worthwhile in markets, such as India, Colombia and Panama, in which current enabling conditions make it very difficult for even good SMEs to have access to the funding they need to grow their operations. Other investees (notably Microcred China, HNB Finance and Suryoday) are, as part of their strategy, increasing the participation of loans to SMEs in their portfolio (loans of these two organizations to SMEs currently add-up to approximately USD 15 million).

Were regional/sectorial distribution objectives met? The short answer here would be **yes.** While maybe a slightly more concentration in Latin America could have achieved a better overall balance, the Fund did disburse its funds in the target geographies (mainly developing countries in Asia and Latin America).

Did FX play a material role in the results? While FX did play some role in the financial results of the Fund, overall the behavior of most of the relevant currencies during the period of investment was within the "expected parameters. Accordingly, FX was **not a major factor in determining the Fund´s results.**

Was the Fund able to provide support to the investees beyond funding?

Yes. Most of the portfolio companies do recognize the Fund and DWM as an investor that has added value.

In most cases this has occurred through an active participation in the governance of the investees. Even in those cases where the Fund was not entitled to a seat in the Board of the portfolio companies, DWM´s staff still participated as "observers" in said Boards and/or in specific Board Committees. Through such participations, DWM´s staff is recognized as having played an important role; in a couple of cases actively promoting changes in the Portfolio Company's management[12] that resulted in better performance.

Other areas in which DWM´s staff has been recognized as adding value to the portfolio companies include: Funding (opening doors to new funding sources and/or, in some cases, as direct providers of funding) and Social and Environmental policies (preaching the importance of said polices as well as providing tools to better measure impact). The Fund has also been credited for providing support in other areas; for example, in commissioning a "level of digitalization" study that has been deemed by the investees as helpful in benchmarking themselves against their peers.

Did the investments generate employment (if possible desegregated by gender)?

Some. In as so much as the original investments were frequently made in shares acquired in the secondary market it would probably not be appropriate to list all those working for the portfolio companies and/or the jobs created by the firms they in turn finance as "generated" by the investment.

Nevertheless, through repeat investments the Fund did contribute in many cases to increase the capital of the portfolio company. Further, the Fund's investments have strengthened the governance of the investees and helped secure additional funding. This in turn has allowed the portfolio companies to grow more and faster. In doing so these companies have not only added themselves staff but also provided additional loans to their clients which in turn have created more jobs. One could then safely say that the creation of those incremental jobs was generated by the Fund´s investments. While it would be quite difficult to quantify the number of such jobs, since the Fund's investments were made the Fund's investees have added approximately 2,000 staff members. Further, the number of borrowers of the investees has increased by approximately 700,000.

With respect to gender, it should be noted that most of the portfolio companies do track and report statistics of their staff and clients by gender. Further, because of DWM´s work in terms of promoting more awareness of social aspects (including improving in terms of gender), it would be safe to say that some improvement in gender diversification has resulted because of the Fund's involvement (even if its direct impact cannot be quantified).

12 DWM has been specially recognized as having been instrumental in generating management changes at CFE (Panama) and Intellegrow.

Further, while most of the Fund's investees are making efforts to improve in terms of gender, Suryoday's clients are almost all women. Further, Crystal in Georgia should also be singled out as one that is recognized as having an outstanding record in this regard; more than half of their clients (52%) are women for which they have training programs aimed at empowering them. Such record that has earned the company, not only local but international recognition. In September 2019, Ms. Maya Kobalia, Head of Environmental and Social (E&S) Division at Crystal was one of the finalists to an UN award in recognition to her work in addressing gender issues.

Was local and sectoral context taken into account?

Yes. With the possible exception of Microcred China (which is a subsidiary of a global network), the Fund´s investments have been made in local organizations. Said organizations (and including Microcred China) are well integrated into their respective host countries, comply with all the local regulations, and are valuable participants of those countries' economies.

• Efficiency

Rating: 4 (Unsatisfactory: below expectations, with negative results dominating despite discernible positive results).

Were risk-appropriate returns for investors achieved?

The short answer is no. The Fund is coming-up short with respect to the returns originally offered. Our expectations are that the returns originally offered by the Fund Manager will not be achieved.

To this effect, and when taking a deeper dive into the underlying reasons for the unfavorable returns, it might be relevant to point out that except for Simpa, HNB, and ACERCASA, the portfolio companies are overall operationally and financially performing well. However, regardless of the intrinsic quality of the underlying asset, because the Fund´s original investments were frequently made in secondary shares and/or not at an early stage, the Fund was not well poised to participate of any material appreciation (which is more commonly associated with early stage investments). Indeed, it probably would be safe to assume that by the time the Fund invested, said upswings in valuation were already reflected in the asking/market price of said shares.

This is especially relevant as the lack of "potential material appreciation" in some of the investments, takes away the buffer that, in case it had existed, could have shielded the Fund for lukewarm/negative performance of any other investment(s). Specially, as some downturns could/should be expected when one is investing in volatile environments in which, even well managed companies, can be negatively impacted by changes in the enabling environment (such as, for example, interest rate ceilings, leverage limits, funding limitations, etc.).

Further, an important contributor to this unsatisfactory result was the substantial decline in value of the Fund´s investment in Simpa Network (India). In retrospective we all have a clear view and thus might find it easy to question how prudent it was to dedicate resources to a failing endeavor. However, one needs to note that at the time of the original investment, at least in paper, the potential investment was spearheaded by a reputable operator and the project arguably seemed viable/sustainable. Further, one has to also recognize that the potential impact of the endeavor in terms of social and environmental objectives are big and undeniable. Accordingly, and in line with the Fund´s charter, that allows for a portion of the capital to be invested in more risky ventures and/or "early stage" investments, DMW´s original decision to invest in the Company might not seem as unwise as it now appears to be.

More difficult to understand might be the repeat investment that the Fund made in this company. Regarding this matter, DWM´s Management points out that it was their belief at that point in time the venture could still be salvaged. Further, given the nature of the investment (venture capital style in a start-up organization), such repeat investment was pretty much already "assumed" at the time the original investment was made. This because, by their very nature very-early-stage companies more frequently than not are always cash thirsty, recapitalizations are frequent/expected and original investors are the ones assumed/called to satisfy the additional funding needs.

Did the investment have any leverage effect?

Some. It would be difficult to qualify the Fund´s investments as "catalytic" in nature and/or claim that by the investment being made influenced other potential investors to also fund the endeavor and/or aided in the completion of the "financial plan" (reaching the minimum critical amount that might be needed for the initial capitalization/closing to take pace). This, particularly because by the time the original investments were made, most investees already had other Impact Investors and/or Development Financial Institutions as part of their shareholdings.

However, on the other hand, several of the portfolio companies recognize DWM as having played an important role in helping them in the process of securing additional funding. Furthermore, in some cases DWM acted, in parallel, as a provider of debt funding[13].

Does the Fund Manager have the appropriate expertise for the type of investment?

Yes. DWM is a reputable, well organized, and well managed, Fund Manager with ample experience in Impact investment. While the organization is more widely recognized as a provider of debt funding, the Fund being evaluated is the follow-up to another Equity Fund also managed by DWM and which is recognized as having been quite successful.

DWM´s staff is overall well qualified and key personnel is conveniently located in countries that are close to the portfolio companies. This not only facilitate access but further also help in terms of a better understanding of regional/local issues/trends that might have an impact on the investees. Further, DWM has in place adequate controls and a back office that generates adequate and timely reporting. With respect to reporting, DWM does good job in terms of adequate and transparent reporting; in excess of what it is formally required by the Fund´s agreements.

Where efforts made to strengthen its staff to correct any weaknesses?

13 An investor providing simultaneously both equity and debt funding can be construed as a conflict of interest. As with most conflicts of interest, said conflicts can be greatly mitigated by being transparent about the matter as well as establishing clear conflict resolution mechanisms. While the most effective conflict resolution mechanism is ensuring full transparency to all related parties, other mechanisms might include, for example, inclusion of specific covenants in the debt and/or shareholders agreement specifying how a potential conflict of interest between debt and equity holders would be dealt with. Further, empirical evidence has failed to establish the existence of material negative impact (and on average, said negative impact normally it tends to swing in favor of the equity side).

Partially. In most cases DWM was proactive and diligent in terms of replacing members of its staff that left the organization and thus avoided being in a position in which the Fund´s affairs would not be receiving adequate attention[14].

However, a notable exception would be with respect to the social and environmental area. While initially the Fund had one person that was primarily responsible for Social and Environmental issues, when that person left DWM, he was not replaced and his functions were distributed, as additional responsibilities, to other staff members. Specifically, the overall coordination of the area was accumulated to the responsibilities of the Fund´s Risk Manager (who already has a heavy burden in terms of work-load).

Was the Fund Manger's operationally and financially efficient?

Yes. The Fund Manager has achieved a large enough size and has been in operation long enough to be able to achieve a critical mass in terms of operations that allow it to attract and retain a qualified, determined, and well-motivated team of professionals. However, on the other hand, it is small enough to be able to be flexible and operationally efficient structure.

Further, DWM is by nature a thrifty operation and as thus does not find it difficult to ensure that the Fund´s budget is observed.

Were the fees appropriate?

Yes. The fees charged by DWM, are reasonable and in line with market rates for specialized Funds of relatively small size with global investments/operations.

• Development Impact

Rating: 2 (Good result, in line with expectations and without any significant shortcomings).

What was the contribution of the investment to the host countries development objectives?

All of the Fund´s investments were made in organizations that are well aligned with the respective host countries' policies and global development goals. Specifically, they are all improving financial inclusion, and thus having considerable impact.

However, the Fund´s original investments were frequently made in shares acquired in the secondary market and thus the funding did not go directly to the investee. Consequently, limiting the ability of the Fund to take credit for the contributions made by the investees to the host country´s developmental objectives. Having said this, the Fund's investments did strengthen said companies and thus allowed them to grow more and faster and as such have, even if in a limited fashion, did contribute to the development objectives.

It should also be noted that DWM has a strong and standardized evaluation process in place which allows it to identify financial institutions that are lending responsibly and sustainably. Any investment process was initiated

14 Consistent with the level of maturity of the Fund and thus manpower required, initial headcount assigned by DWM to the Fund has been reduced from 8 to its current level of 5.

with an eligibility screening to ensure that, beyond solid risk management and good operational and financial performance, the prospective investee's business model also matches the Fund´s criteria for client protection as well as financial inclusion (i.e. that the intermediary focuses on the target population).

What were the results for the investees and their clients?

By driving financial inclusion, the Fund´s investments will enable millions of households to gain access to financial services and to improve their livelihoods, finance their children's education and contribute to economic growth. To date, the on-lending from the local portfolio companies is providing access to funds to close to 1.8 million microfinance and small and mid-sized enterprise clients; 89% of whom are women and 18% live in rural areas.

Further, DWM´s strong push to enhance social and environmental policies undoubtedly has increased the investees client centricity and thus improved the quality and quantity of financial products being made available. Further, at least in some cases, the portfolio companies are also providing additional services to their clients (notably: financial education, women empowerment program and health services at Suryoday).

Did the investment contribute to increase outreach to underserved SMEs?

Yes. Most of the investees have active SME programs and through DWM´s efforts to strengthen the governance and/or help with funding, the investees have been able to provide more funding to unserved SMEs in their corresponding host countries.

Does the Fund adhere to the principles of responsible finance and promote them at the investee level?

Yes. DWM is committed to the principles of responsible financing and has been recognized to actively promote them among the portfolio companies. This, thru the use of the monitoring tools developed in conjunction with OeEB as well as thru the governance process (in some cases by actively participating in the Social and Environment Committee).

Regarding the Social and Environmental Monitoring System that DWM developed with support of OeEB, all investees are promptly reporting on the agreed-upon social and environmental indicators and most are doing so utilizing these the tools developed with OeEB´s support. Even those not utilizing the tools because they already had their own internal systems, do recognize the value added of said tools as some aspects have been incorporated into their own monitoring systems. Further, all investees recognize that DWM´s highlighting the importance of measuring impact, including the promotion of OeEB´s tools, have had a positive influence in raising awareness of social and environmental issues within their respective organizations.

Further, DWM requires portfolio companies to complete a Social Impact Questionnaire during the pre-investment due diligence process as well as on an annual basis once an investment has been made. The questionnaire links and feeds data into a scorecard, which is a quantitative, data-driven tool that uses approximately 60 indicators to evaluate an institution's impact. The scorecard produces a weighted average social impact score to measure social impact, evaluating an institution's social commitment across the following five, weighted dimensions: Client Benefit & Welfare (40%), Outreach & Targeting (25%), Responsibility to Community and Staff (10%), Environment (5%) and Governance (20%):

• Sustainability

Rating: 2 (Good result, in line with expectations and without any significant shortcomings).

What are the estimated positive/negative effects of the project and specially to the ESMS on the investees after the exit of the Fund?

The Fund´s investment have clearly had a positive impact in the governance of the investees and, through it, in further emphasizing the importance of the social and environmental matters. While once the Fund divests itself, it is conceivable that with time some of the gains in these areas might dwindle, this is probably unlikely given the nature of the organizations and that, in most cases, other like-minded investors would be left behind.

Similarly, gains in other areas in which DWM has over the years contributed to the investees, such as the emphasis in measuring social impact, funding, and/or providing guidance in terms of digitalization, are most likely not going to be reversed because of the Fund's future divestment.

Will those effects have any lasting impact?

Yes. The culture of client centricity and in general the overall gains that can be expected from a double bottom-line approach were already engrained in the DNA of most of the investee companies and reinforced as the result of the Fund´s involvement. One would anticipate that this positive attitude of the portfolio companies towards social and environmental issues will not only have a positive impact but, further, that such impact will be a lasting one.

What were the major factors which influenced the achievement or non-achievement of sustainability of the investments?

Positive influence of the Fund´s investments could have been amplified if:

- If the Fund had made more investments in earlier stage organizations (rather than, as was the case for most companies, in more mature companies). Investments made directly into the capital of earlier stage companies are frequently more determinant in facilitating sustainability/growth of the investee and, also normally allow the investor (especially if the stockholding is for a material percentage of the company) more say in defining the strategic direction of the investee.
- If more investments had been made into the portfolio company itself (rather than, as frequently was the case in acquiring shares in the secondary market). Also, if the Fund had avoided investing too early stage companies as the Fund and DWM are ill-equipped to handle these types of investments that require a different set of skills/resources as well as the capacity to continue to support multiple rounds of re-investments.

IV. What are the lessons learnt?

Below a few lessons learnt that, with OeEB future strategy in mind, might be worth highlighting:

a) **Objectives:** OeEB´s objectives at the time at which the investment in the Fund was made were not clear (at least not properly documented for the evaluators to take into account). Moving forward, better definition/documentation of the objectives that OeEB seeks when making an investment in a Fund would be useful. This, not only for purposes of the evaluation, but further and probably more important, so that it is available for representatives of OeEB that are responsible for the monitoring and oversight of the investment.

b) **Fund Governance:** Given the nature of the Fund´s governance structure, and as is the case in most PE Funds, OeEB has had little impact or decision power in the selection/characteristic of the portfolio companies. It might be helpful to explore ways in which OeEB would have, directly or indirectly, more influence (for example through the Shareholders Agreement), in the Fund's investment decisions so as to ensure a better alignment of said investments with OeEB's objectives/goals.

c) **Investee Governance:** The Fund/DWM´s participation in the governance of the portfolio companies has proven to be probably the biggest contributor to impacting the investees. Indeed, not only has DWM been successful in contributing to strengthen the investee organizations from an operational, financial, and corporate governance perspective, but also through enhancing their awareness of social matters. Accordingly, such active participation should be encouraged and the possibility of it being (or not) an active component of a Fund´s strategy should continue a key component in the evaluation of a potential future investment of OeEB in a Fund.

d) **Secondary Market:** While most of the Fund´s investments were made in worthwhile impact/double-bottom line organizations, frequently the original investments were made in the secondary market. In most of those cases, the Fund bought out other impact investors and thus not only did the Fund´s monies not go into strengthening the capital base of the portfolio companies, but further, it would be difficult to claim that the investment brought to the investees a social and environmental "vision/voice" that did not already exist at the investee.

e) **Private Equity:** Most of the Fund´s investments were made in well-structured organizations active in the micro and SME sector. However, one of them was made in a start-up company that was pioneering into a relatively unchartered field. This was not only permitted by the Fund´s charter but, further, probably could have an undeniable developmental impact. However, it is important to recognize the difference in skills and effort that equity investing in start-up requires. Investment in this type of ventures not only has to be financial and operationally viable, but further, frequently will also require technical and/or managerial expertise as well as repeat investments. A Venture Capital style structure/organization would be more appropriate for these kinds of investments than that of DWM´s Inclusive Private Equity Fund.

ANNEX I
List of Interviews

Teleconferences

Teleconferences were held with several stakeholders. A list follows.

OeEB:

- June 13th, 2019. Participants included Lisa Gschaider and Hannes Manndorff.
- July 22nd, 2019. Participants included Lisa Gschaider and Hannes Manndorff.
- August 14th, 2019 with Martin Auer.

DWM:

- June 24th, 2019. Participants included: Brad Swanson (CEO), Hunter Martin (Head Equity LAC), Aleem Remtula (Head Equity Asia), Suma Swaminathan (Equity Team- NY based), Sadaf Sultan (Equity team - Singapore based; responsible for China and Sri Lanka), and Ashwin Mahabaleswara (Equity team Hong Kong based; responsible for India and rest of Eurasia).
- July 11th, 2019. Participants included Aleem Remtula (Head Equity Asia) and on July 6 an in-person meeting with Hunter Martin (Head Equity Latin America).
- August 2nd, 2019 with Equity Team Member - New York based -Suma Swaminathan.
- August 14th, 2019 with Hunter Martin (Head Equity Latin America), and on
- August 26th, 2019 with Mr. Brad Swanson
- August 27th, 2019 with Aleem Remtula (Head Equity Asia);
- September 2nd, 2019 with Sadaf Sultan (Officer Equity Asia);

Portfolio Companies:

- September 2nd, 2019 with Microcred China´s CEO and Company Secretary.
- September 4th, 2019 with CFO and Investor Relations Manager of Inecobank (Armenia).
- September 4th, 2019 with Head of Environmental and Social Division at Crystal (Georgia).
- September 5th, 2019 with CEO and COO of HNB Finance (Sri Lanka).

Other:

- July 31st, 2019 with KfW´s representative at the Fund's Shareholders Advisory Committee

Field Trips

Panama - July 22nd - 25th, 2019

OMTRIX´s Staff: Georgina Vazquez and Alex Silva

Organizations Visited and Individuals Interviewed:

- CFE
  - CEO
  - COO
  - Branch Manager - Tocumen Branch
  - Branch Manager - Don Bosco Branch
  - Others: 2 Credit Officers, 3 Credit Analysts, 2 Marketing/Communications Officers
- DELTA
  - CEO
  - CFO
  - Innovation Manager
- BID-LAB/IADB
  - Innovation Officer
- REDPAMIF (Panamanian Microfinance Network)
  - President

Colombia - July 29th through August 1st, 2019

OMTRIX´s Staff: Georgina Vazquez

Organizations Visited and Individuals Interviewed:

- ACERCASA
  - CEO
  - Commercial Director
  - Microfinance Manager
  - Five clients of ACERCASA
- ACCION International

  Senior Vice president & Chief Relationship Officer Latin America
- Marulanda Consultores
  - Impact Investing Consultant
- ASOMICROFINANZAS (Colombian Microfinance Network)
  - Executive Director
- Consultant

India - September 9th through 13st, 2019

OMTRIX´s Staff: Alex Silva

Organizations Visited and Individuals Interviewed:

- Intellegrow
  - CEO
  - CFO
  - COO
  - Risk Manager
  - One client of Intellegrow (Enaltec)
- Suryoday
  - COO
  - Business Intelligence
  - Comercial Manager
  - Chief Risk Officer
  - Manager Investor Relations
  - Branch Manager
  - Three clients
- ACCION International
  - Chief Regional Officer- India
- Maj Invest (Asia)
  - Reginal Manager and Senior Investment Officer
- Lok Capital
  - Investment Associate
- Indian School Finance Company
  - CEO

ANNEX II
Fund´s Investment Process & Requirements/Limitations

Investment process

1 Origination

- Originate equity investments via: 1) Existing debt relationships, ii) Partners' contracts with managers and stakeholders, iii) industry conferences, and iv) Brokers.

2 Screening & Desktop DD

- Screened via desk-top análisis to assess expected return on investment. Includes analysisof: i) business model, ii) financial performance and iii) business plan.

3 Term Sheet Negotiation & Approval

- Agreement of preliminary term sheet
- Promising investment opportunities presented to Investment Committee for discussion and feedback.

4 On-site Due Diligence

- Typically 3-4 days
- Investment Manager conducts meetings with senior and middle management, visit branches / local offices, interview borrowers/clients and meet with competitors and regulators.

5 Evaluation

- Evaluation to focus on: i) quality of mgmt, ii) reputation, iii) track record and iv) performance.
- Risk analysis to include: i) country, legal and industry analysis, ii) currency risk, iii) in-depth risk assessment on governance, finance and operations
- Performance análisis to include following criteria: i) financial strength, ii) social impact, iii) long-term competitiveness, iv) management values, v) prospects for growth

6 Investment Committee Approval

- Team to submit investment proposal including: i) financial model, ii) detailed investment report
- Investment proposals will be approved by majority of members (4 partners) participating in each meeting.
- Investment proposals evaluated individually and as part of portfolio based on diversification limits, investment guidelines and target allocation.

7 Document Negotiation & Close

- Investment agreements to include: standard covenants, representations and warranties, reporting requirements, indemnities, and where relevant, events of default, tax gross-up provisions.

8 Management & Reporting

- Where entitled, PE team members or retained consultants will serve as members of the Board of directors of Portfolio Companies.
- Report financial and other information on quarterly basis

Figure No. 3
Fund´s Investment Process & Requirements/Limitations

Table No. 11

Investment Profile Summary

Summary Investment Profile

Category	Included
Eligible Instruments:	• **Equity:** preferred / common equity, warrants, call options. • **Indebtedness:** debt with equity feature (e.g. convertible / profit participation)
Eligible Assets:	• **MFIS** • **SME Lenders** • **Other FIs** (e.g. Micro-insurance, affordable housing finance, education finance)
Eligible Geographies:	**Latin America:** i. South America; ii) Mexico and Central America **Asia:** i. South, East & Southeast Asia; ii) Caucasus & Central Asia; iii) Middle East.
Eligible Stage / Type:	• **NGOs** • **< 3 years old** (Venture) • **> 3 years old** (Growth, Late Stage) • Direct or through SPV • Assignments and participation permitted

ANNEX III
Omtrix's Qualifications

OMTRIX (*www.omtrixinc.com)* is a consulting, fund manager and capital advisor firm with over 20 years of existence, operating out of San Jose, Costa Rica. It specializes in providing consulting services that aim at addressing financial exclusion issues as well as launching and managing innovative initiatives to support market-based solutions to social inequalities through financial and technical support.

Since 1995, OMTRIX has developed an in-depth knowledge of the financial inclusion industry as well as intimate relationships with its key players. These relationships extend not only to Latin America, but Africa and Asia as well.

Throughout its lifetime, it has performed a number of financial consulting projects in areas such as fund evaluation and appraisal. It has more than 20 years' experience in conducting due diligences and/or provided services to Development Financial Institutions (DFIs), Micro Investment Vehicles (MIVs), and Microfinance Intermediaries (MFIs) in almost every country in Latin America and the Caribbean as well as in Tunisia, Egypt, Kenya, Jordan, East Timor, Bangladesh. While it has global footprint, few Industry Participants can rival Omtrix' extended and extensive experience with impact investment in Latin America. Below is a summary of Omtrix' key relevant skills and experience:

Evaluation Experience

Centurion Fund: Under contract from Development Alternatives Initiatives (DAI) performed a mid-term evaluation of this Moscow based Debt Fund aimed at Russian MFIs.

ACCION Investment Vehicles: Under contract from ACCION International, performed and evaluation and review of strategic options of the investment vehicles of this USA based NGO.

Microenterprise Development Fund - MDF / Bangladesh: Under contract from DFID, reviewed the wholesale microfinance programs of CARE and STROMME Foundation in Bangladesh and provided an assessment on the viability of merging the two into a new second-tier loan fund.

AFRICAP: Under contract from the Sponsors/Investors provided logistic/back office support and participated in periodic assessments of this Pan-African Fund aimed at providing equity and debt to MFIs in Sub Saharan Africa.

Pyme Capital: Under contract from the Interamerican Investment Corporation (IIC/IADB), performed a Mid Term evaluation of this small Nicaragua based specialized Fund investing in the equity of SMEs (specially agroindustry endeavors) in Central America.

FOPEPRO: In partnership with Grassroots and under contract from FOMIN/IADB, participated in the evaluation of this Peru based Fund that provided debt to SMEs in Latin America.

Luxemburg Fund: Under contract from ADA, performed a Mid-Term evaluation and review of the strategic plan for a small Luxemburg based MIV that specializes in providing debt to third tier MFIs.

Financial inclusion Experience

Over the years OMTRIX has developed an in-depth knowledge of the financial inclusion industry as well as an intimate relationship with its key players. These relationships extend not only to Latin America, but Africa and Asia as well.

Investment experience

As a fund manager for more than two decades, OMTRIX has a proven track record designing, structuring, launching, implementing and divesting innovative funds. All along, OMTRIX has delivered on funds/projects' expectations - both financial and social returns - as set forth during the design and fundraising phase. OMTRIX has also successfully structured and managed several technical assistance facilities.

OMTRIX has a track record of innovation that include a number of industry "firsts". We have demonstrated our commitment to providing better products to our MFI clients by successfully designing, launching and managing innovative initiatives such: as the First Equity Fund for MFIs (PROFUND), a Fund to act as "Lender of Last Resort" in the wake of external shocks (the Emergency Liquidity Facility - ELF), a Fund to kick-start the secondary market for microfinance equities (Antares), a Technical Assistance facility for risk management (Risk Management Facility - RMF), a Distress Fund for Failing MFIs in the wake of the Haitian earthquake (HELP), and a Fund to introduce student loans to the bottom of the pyramid through MFIs (the Higher Education Finance Fund - HEFF). OMTRIX has also been closely involved with initiatives such as Habitat for Humanity's MICROBUILD Fund.

OMTRIX also understands that solutions too many of the complex issues being faced by MFIs can only be adequately addressed collectively. Accordingly, it has been a strong promoter of industry-wide action groups and has been at the forefront of promoting initiatives such as the Council of Microfinance Equity Funds, Risk Management Initiative, and Governance-Leadership Seminars. To that respect, it might be worthwhile mentioning that OMTRIX was an early promoter of efforts to improve risk management (and specifically those to mitigate currency risk) among MFIs. As such OMTRIX, in addition to launching its own Risk Management Facility, was also behind such initiatives as LOCFUND (the first fund to lend to MFIs strictly in local currency) and MFX (a hedging vehicle for the microfinance industry). Not surprisingly, OMTRIX can boost an enviable experience in dealing with risk management and specifically foreign exchange risk management.

Experience with environmental and social issues

OMTRIX acknowledges that most investors in the Funds under management have a double bottom line and thus it is imperative, beyond financial objectives, to also achieve and report social performance.

OMTRIX is familiar with Environmental and Social Management System (ESMS). Over more than two decades of operations it has dealt with a wide array of investors (including KfW, FMO, NORFUND, and SECO) and has a proven track record of adequately, timely and a reasonable cost being able to deliver on their requirements for reporting on social performance objectives.

Experience with Financial Institutions

As part of its multiple initiatives (both as fund manager as well as consultant) OMTRIX has engaged (either as an investor or as provider of services) with a wide array of MFIs throughout Latin America and the Caribbean as well as, to a lesser scale, in both Africa and Asia. The scope of said MFIs ranges from the largest and most successful first tier regulated financial intermediaries (such as BancoSol in Bolivia, Solidario in Ecuador, and Compartamos in Mexico) as well as very small and incipient organizations (both NGOs as well as recently transformed second and third tier financial intermediaries). Said organizations include not only a wide variety of sizes as well as legal structures, but also providers of all kinds of products utilizing many different methodologies.

Specifically, OMTRIX has conducted due diligences and/or provided services to MFIs in almost every country in Latin America and the Caribbean as well as in Tunisia, Egypt, Kenya, Jordan, East Timor, Bangladesh, and Russia. Through these engagements, Omtrix is intimately familiar with the issues that have faced microfinance intermediaries, funds, and other micro investing vehicles working for financial inclusion and impact investing initiatives.

OMTRIX operates under a nimble fixed structure that is complemented by an extensive network of expert consultants. This allows OMTRIX to effectively adapt to the ever-changing needs of a fast growing and constantly evolving inclusive finance industry.

Project´s Team

The key staff members listed below will be involved in the Fund´s Mid Term evaluation. Additionally, as needed, additional consultants would be engaged to complement the Project´s needs.

Principal author: Alex Silva

Project manager: Georgina Vázquez

Alex Silva has extensive experience on boards of MIVs And MFIs and as a member and chair of shareholder committees. Georgina Vázquez, Project Manager, has extensive experience in the management, design, governance, and evaluation of MIVs. Mr. Silva has also written extensively on microfinance and related sectors.

Short biographies of the complete team are included below

Alex Silva - Founding Partner. Mr. Silva has more than 25 years of experience in international finance with expertise in the evaluation of financial intermediaries, financial engineering, strategic planning, project financing, equity investing, and corporate finance. He has in-depth knowledge of the Latin American and Caribbean financial markets as well as ample experience working in Africa and Asia. He also has experience working with bi/multilateral institutions and financial institutions in general.

Mr. Silva is an engineer by training. He taught for a number of years industrial engineering at the Universidad Centro Americana in his native El Salvador before receiving his BA in Economics from Louvain University and an MBA from Cornell University. In 1989, Alex joined the Inter-American Investment Corporation (IIC) a member of the IADB Group. His last position at the IIC was Regional Representative for Central America based in Costa Rica. In 1994, he left the IIC to create OMTRIX and through it serve as General Manager of ProFund, a special purpose investment fund that invested throughout Latin America and the Caribbean in commercial financial institutions serving small and microenterprises. His efforts were key in raising USD22 million in capital for ProFund, the first specialized vehicle investing in the equity of microfinance intermediaries, that according to plan was success fully liquidated in 1995 after 10 years of operation.

Alex has also successfully led most consulting project OMTRIX has performed. This has allowed him to gain valuable experience and knowledge on how successful –and not so successful– institutions work. Mr. Silva also derives valuable insights form having served in multiple board of directors of several MFIs (more than 20) as well as several international organizations (including AFRICAP, CGAP, the MIX, MicroRate, Microbuild, MFX) and Habitat for Humanity.

Georgina Vázquez - Program Manager. Ms. Vázquez has over 20 years of experience in corporate finance, with expertise in financial appraisals, analysis, and modeling. She has hands-on capacity to oversee investment funds, non-profit organizations and special programs as well as expertise in project finance, evaluation and governance of microfinance institutions.

Ms. Vázquez worked as Corporate Finance Manager at Andersen Consulting Costa Rica, specializing in financial structuring transactions and feasibility studies. As Program Manager at OMTRIX, Ms. Vázquez has been responsible for overseeing some of the initiatives managed by OMTRIX including; Antares Fund, the Short-Term Liquidity Facility, the Risk Management Facility, and the Emergency Liquidity Facility. Currently Ms. Vázquez is responsible for the oversight of Calmeadow and has contributed in some of the consulting projects including the structuring and oversight of the white papers sponsored by Calmeadow.

Ms. Vázquez has been actively involved in most of the consulting projects carried out by OMTRIX. Through her participation and support in said projects, Ms. Vázquez has gained valuable experience in the assessment of governance of MFIs and evaluating the progress of MFIs in their process of converting into regulated financial institutions. She has served as member of various investment committees and currently serves as secretary of the board of directors of Grameen Costa Rica.

ANNEX IV
Rating Methodology

Below a description of the method used to rate project success (project rating).

For each one of the DAC criteria the project was, evaluated on a six-point scale. The individual ratings were then used to arrive at a final assessment of a project's overall impact. The scale is as follows:

Level 1: Very good result that clearly exceeds expectations

Level 2: Good result, in line with expectations and without any significant shortcomings

Level 3: Satisfactory result - project falls short of expectations, but the positive results dominate

Level 4: Unsatisfactory result - significantly below expectations, with negative results **dominating despite discernible positive results**

Level 5: Clearly inadequate result - despite some positive partial results, the negative results clearly dominate

Level 6: Significant shortcomings and clearly inadequate results

Rating levels 1-3 denote a positive assessment or successful project while rating levels 4-6 denote a negative assessment.

The overall rating on the six-point scale is compiled from a weighting of all five individual criteria as appropriate to the project in question. Rating levels 1-3 of the overall rating denote a "successful" project while rating levels 4-6 denote an "unsuccessful" project. It should be noted that a project can generally be considered developmentally "successful" only if the achievement of the project objective ("effectiveness"), the impact on the overall objective ("overarching developmental impact") and the sustainability are rated at least "satisfactory" (level 3).

OeEB
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