



2017 *Annual Report*



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Mission of the Fund

THE FUND

Microfinance Enhancement Facility S.A., SICAV-SIF ("MEF") was set up in February 2009 as a major facility to provide short and medium-term financing to microfinance institutions ("MFIs") facing difficulties in securing financing as a result of the global financial crisis and, in particular, the 2008/2009 liquidity crisis.

Initiated by KfW and the International Finance Corporation ("IFC"), a member of the World Bank Group, and co-managed by four leading private investment managers (BlueOrchard Finance AG, Cyrano Global LLC, responsAbility Investments AG and Symbiotics SA).

Positioned as an efficient microfinance debt fund - with an emergency liquidity buffer of USD 60-80 million on stand-by maintained at all time providing stability to the microfinance market - MEF has an important signalling effect and contributes to the stabilisation of the microfinance sector. In times of uncertainty, a vehicle that can respond quickly and decisively, such as MEF, can provide a stable source of funding.

As a complement to existing sources of funding, MEF focuses on providing liquidity that the market does not offer. MEF is a flexible vehicle structured to meet the needs of MFIs, without crowding out private sector initiatives.

As a demand oriented fund, seeking to respond to the needs of the market and of individual MFIs, it has supported almost 2.8 million low income borrowers by providing over USD 1.7 billion to more than 178 microfinance institutions in 50 of the world's poorest countries.

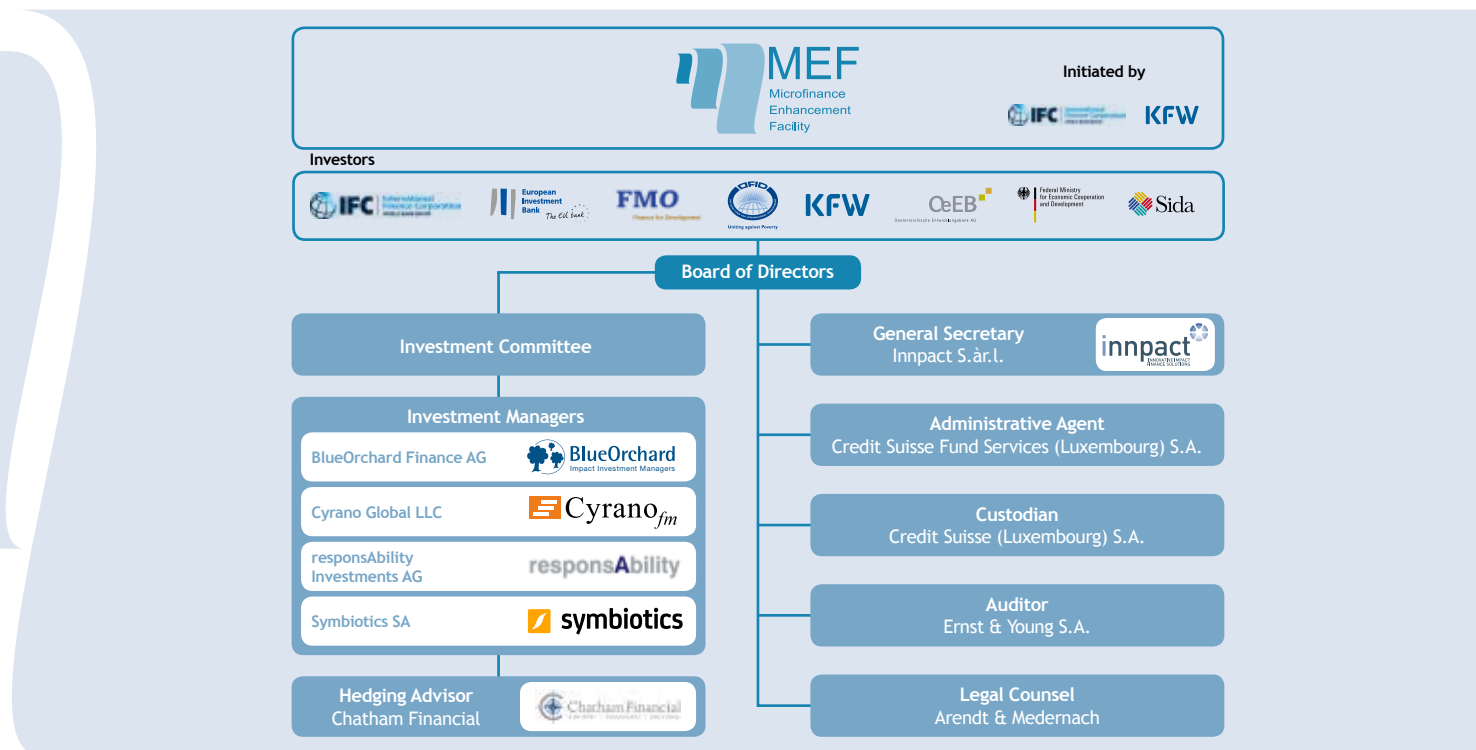
The Investment Managers are led by MEF's Investment Committee, convened on a monthly basis and composed of reputable professionals in the microfinance industry, Mr. Syed Aftab Ahmed, Mr. Karlo de Waal, Mr. Michael Neumayr and Dr. Klaus Glaubitt.

THE MISSION

MEF supports economic development and prosperity globally through the provision of additional development finance to microenterprises, via qualified financial institutions.

In pursuing its development goal, MEF observes principles of sustainability and additionality, combining development and market orientations.

Structure of the Fund



Board of Directors

Board of Directors

Chairperson

Dr. Johannes FEIST

Directors

Mr. Martin HOLTSMANN (until 11 December 2017)

Mr. Swapnil NEERAJ (since 12 December 2017)

Mr. Robert Peck CHRISTEN

Ms. Andrea HAGMANN

Mr. Angus MACRAE

Mr. Karl VON KLITZING (until 10 November 2017)

Ms. Constanze KREISS (since 11 November 2017)

Investment Committee

Investment Committee

Chairman

Dr. Klaus GLAUBITT

Members

Mr. Syed Aftab AHMED

Mr. Karlo DE WAAL

Mr. Michael Neumayr (since 24 July 2017)



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Letter of the Chairperson

2017 was a significantly more positive year for global economies. Commodity prices began to recover and stabilise to the benefit of many developing countries, due to growing demand and also to supply-side limitations (e.g. weather events in the United States and security issues in Middle Eastern oil-exporting economies). Emerging and developing countries experienced GDP growth of around 4.3%. Solid economic growth also continued in South Asia and Asia Pacific. But 2017 also saw several events that could have potentially affected economic growth in certain microfinance markets. In Sub-Saharan Africa, key events included Kenya's controversial presidential elections, South Africa's continued deteriorating circumstances and the long-awaited departure of Robert Mugabe in Zimbabwe.

In Latin America successive weather-related crises, such as flooding in Peru and earthquakes in Mexico also influenced the region's portfolio quality and the increasing role of local funding sources posed a challenge for the growth of microfinance investment vehicles (MIVs) - a healthy challenge from a development point of view, though. All in all, microfinance markets nevertheless continued their expansion during 2017.

In this context the MEF closed the year with USD 652 million of total assets and two major organisational achievements:

- Keystone investors in the MEF, the International Finance Corporation (IFC), KfW (Germany's Development Bank) and the Development Bank of Austria (OeEB), renewed their

funding commitments until 2025 and a large institutional private investor extended its investment in the MEF until 2022.

- In October 2017 the MEF welcomed Symbiotics SA as fourth Investment Manager to further strengthen the capacity of the MEF in its support to MFIs in developing markets worldwide, along with the long-serving Investment Managers BlueOrchard Finance AG, Cyrano Global LLC and responsAbility Investments AG.

The global events confirm the MEF's role in providing a reliable and flexible source of debt to microfinance institutions (MFIs) in developing countries. Since its inception in 2009, the MEF has lent over USD 1.7 billion to close to 180 MFIs across all developing countries. It thus

enhanced access to financial services for over 600,000 micro-entrepreneurs and employers running productive small businesses.

During 2017 the MEF disbursed USD 264 million to 53 MFIs, therewith continuing to pursue its mission and again able to support the microfinance markets around the world. The Fund closed 2017 with an outstanding portfolio in the record amount of USD 598.6 million with 113 MFIs in 45 countries - including 26 new MFIs and 6 new countries: Bolivia, Honduras, Ghana, Haïti, China and Burkina Faso.

In this report we are pleased to highlight the achievements of two partner microfinance institutions (Satin Creditcare Network Limited - India and



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Letter of the Chairperson

Vision Fund - Ecuador) and also the stories of some of the many successful entrepreneurs that received loans from the MFIs supported by the MEF - including a tyre business in Bolivia, a business of wedding gowns and accessories in Ghana, a dressmaker in India and a tortilla business in Mexico.

Following the path of the previous year, 2017 still has been a challenging year in which the portfolio quality continued to deteriorate in some aspects. The continuing economic difficulties in Azerbaijan, the turmoil in the banking sector in Kenya and the difficult situation of an MFI in Nigeria led the MEF to establish provisions representing 6.72% (3.22% in 2016) of its gross portfolio. These provisions only affected the C Shareholders which provide a risk

cushion to the other investors in the MEF. In continuation of the 2016 efforts, the Fund's Investment Managers, the Investment Committee and the Board closely monitored the critical cases and - through the intense treatment of the cases - the MEF remained a key player, acting both as negotiator and facilitator of suitable solutions in work-out situations concerning the investees. These coordinated efforts, wherever possible in close coordination with other lenders, resulted in some decent recoveries on assumingly "lost cases", which demonstrate the efficient management of the Fund. One MFI in Azerbaijan in particular, which had been considered a "lost case" by many lenders when it tumbled into restructuring in early 2016, over the last two years completely outperformed return expectations to

its lenders and still continues to do so - showing that restructuring is more an art than a science, and certainly a people's business with cooperation being the key success factor.

Similar to 2016, and in reaction to the deterioration of the market conditions in certain regions, the MEF continued to further balance its regional distribution by reducing its exposure in Eastern Europe, Caucasus & Central Asia (from 11.3% to 7.3%), while increasing its exposure in Latin America and the Caribbean (from 34.5% to 45.5%) with a balanced portfolio across the countries in the region. As in 2016, with 28% of portfolio in South Asia and Sub Saharan Africa, the Fund continued to serve the low-income countries. With the support of its hedging counterparties, and in

consideration of the experience of the previous years when local currency depreciation was a major threat to hard-currency financed MFIs, the MEF continued to increase its portion of local currency loans to 48.9% (from 42.8% at the end of 2016), including 14.4% of loans in countries where either the USD (Ecuador, El Salvador and Panama) or EUR (Kosovo, Montenegro) is the legal tender, therewith de-risking approximately half of its investees from currency fluctuations.

The net income from operations increased from USD 28.9 million in 2016 to USD 32.7 million but was negatively affected by increased impairments which only impact the C Shares. As it has done consistently since its creation in 2009, the MEF will pay the expected



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Letter of the Chairperson

target dividends to its Shareholders together with additional marginal complementary dividends. The continued focus on cost control and efficiency is reflected in a low Total Expense Ratio of 1.64% in 2017 (TER - based on average total assets).

A positive evolution of major emerging and developing economies is expected in 2018 as commodity prices continue to recover. Overall, the microfinance sector and its financial intermediaries are projected to continue their expansion in a sustainable manner. The economic recovery in Eastern Europe, the Caucasus and Central Asia supports improvements in the credit risk of financial institutions.

The market demand for business loans is gradually increasing, albeit borrowers strongly prefer local currency financing. Fuelled by these trends, demand for cross-border funding for microfinance is expected to continue to grow at a higher pace than in 2017. Given simultaneous growth in supply, pricing will remain central to the investment activity in 2018. Rising USD interest rates will benefit the MEF's return on an absolute income basis. However, the ability to pass the increasing cost of funds to MEF's investees will depend on whether local markets will reflect such rising cost of funds as well and also on whether the MFIs can pass on higher funding costs to their own clients. In case many MFIs

find cheaper funding sources and the MEF's loan book remains lower than expected, the Fund would not consider this as a damage, considering that the mission of the Fund remains to be additional, crowding-in and not crowding-out private investors.

The majority of 2018 MIV deal origination is expected from Asian and Latin American countries, but to some extent also from Sub-Saharan Africa. After having successfully secured in 2017 the Fund's long-term ability to fulfil its mandate, the outlook for 2018 confirms the need to have a unique instrument such as the MEF which can actively support MFIs in their stabilisation and growth.

On behalf of the Board I would like to take the opportunity to express our thanks to the committed investors of the MEF for their ongoing support in this initiative as well as the service providers and the General Secretary for their efforts and dedication in supporting the development of the MEF and for their commitment to the Fund's mission. And I want to address our investees, the MFIs who reach out with great dedication to our ultimate clients, the most vulnerable parts of the population in 45 countries: rest assured that the MEF will continuously stand firm to its mission and remain a committed and constructive partner even in difficult times.



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Supported by Four Investment Managers

BlueOrchard Finance AG

BlueOrchard Finance AG is a globally leading impact investment manager, specialised in fostering inclusive finance and sustainable growth. BlueOrchard was founded in 2001 at the initiative of the UN as the first commercial manager of microfinance debt investments worldwide. To this day, the company has invested over USD 4.7 billion in institutions across 70 emerging and frontier markets, providing access to financial and other services to over 30 million individuals at the bottom of the pyramid. BlueOrchard-managed

funds drive attractive double-bottom line returns to private and institutional investors, supranational institutions as well as renowned foundations. BlueOrchard Finance AG is an asset manager licensed by the Swiss FINMA and its Luxembourg entity is a licensed alternative investment fund manager (AIFM) by CSSF.



Portfolio MEF - BlueOrchard

Portfolio managed as of 31 December 2017

Portfolio	USD	% total MEF portfolio
	363,600,000	61%



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Supported by Four Investment Managers

Cyrano Global LLC

Cyrano Global LLC is a pioneer assets manager specialised in the microfinance industry in emerging markets. Cyrano has developed a rigorous risk assessment methodology to analyse in-situ, and to monitor on a monthly basis, the qualitative and quantitative risks of all portfolio MFIs. This discipline and risk management approach generates a solid portfolio quality for MEF.

Cyrano managed the first credit fund for MFIs (LA-CIF), created the only mezzanine fund in microfinance (Solidus) as well as one of the most successful and solvent global funds (GMF) that reached an AA pre-sale rating by Fitch. Cyrano also manages WMF, a local currency fund fully devoted to MFIs Ghana, created with the investment participation of the national Pension Fund of Ghana and KfW.



Portfolio MEF - Cyrano

Portfolio managed as of 31 December 2017

Portfolio	USD	% total MEF portfolio
	114,600,000	19%



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Supported by Four Investment Managers

responsAbility Investments AG

responsAbility Investments AG is a leading asset manager in the field of development investments. It manages a range of investment vehicles that supply private debt and private equity to high-impact portfolio companies in the agriculture, energy and finance sectors of emerging economies.

As of 31 December 2017, *responsAbility* had USD 3.4 billion of assets under management invested in 540 companies in 90 countries. Founded in 2003, the company is headquartered in Zurich and has local offices in Bangkok, Geneva, Hong Kong, Lima, Luxembourg, Mumbai, Nairobi, Oslo and Paris. Its shareholders include reputable institutions in the Swiss financial market and its own employees. *responsAbility* is regulated by the Swiss Financial Market Supervisory Authority FINMA.

responsAbility

Portfolio MEF - *responsAbility*

Portfolio managed as of 31 December 2017		
Portfolio	USD	% total MEF portfolio
	106,200,000	18%



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Supported by Four Investment Managers

Symbiotics SA

Incorporated in 2004, Symbiotics SA is a leading investment company dedicated to inclusive and sustainable finance in emerging and frontier markets. The company currently manages and advises over USD 1.8 billion in assets and has been offering tailor-made solutions to a diversified range of investors for

the past 13 years. Since inception, Symbiotics has originated over USD 4 billion of fixed income investments across 78 countries. Symbiotics has offices in Geneva, Zurich, London, Amsterdam, Mexico City, Cape Town and Singapore.

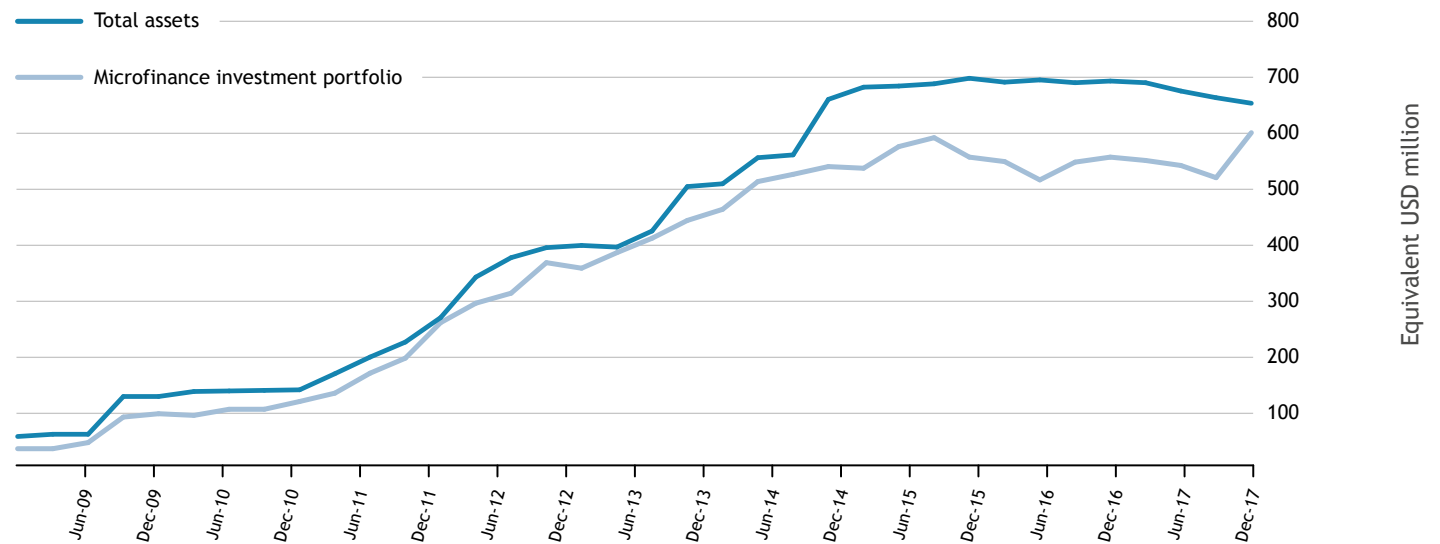


Portfolio MEF - Symbiotics

Portfolio managed as of 31 December 2017

Portfolio	USD	% total MEF portfolio
	14,000,000	2%

Portfolio Evolution Since Launch



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A Facility Enhancing MFIs

Key Figures

as at 31 December 2017

(as per abridged IFRS-based financial statements)

Portfolio in Detail

	December 2017	December 2016	Cumulative figures
Microfinance investment portfolio	USD 598.6 M	USD 554.9 M	USD 1.706 M
Cash	USD 42.5 M	USD 112.0 M	-
Other short term investments	USD 10.5 M	USD 25.2 M	-
Total assets	USD 651.7 M	USD 692.2 M	-
Microfinance portfolio as a % of total assets	91.8%	80.2%	-
Total net asset value	USD 530.2 M	USD 551.8 M	-
Number of MFIs	113	102	178
Number of loans	191	183	511
Number of countries	45	40	50



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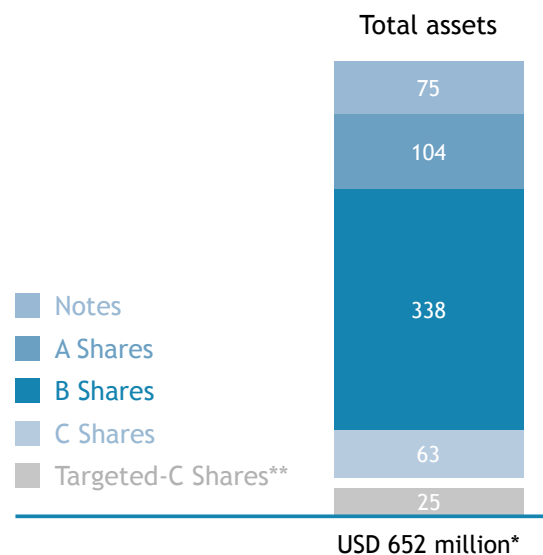
A Facility Enhancing MFIs

Key Figures

as at 31 December 2017

(as per abridged IFRS-based financial statements)

Investor Structure



USD 18.5 million of committed B Shares are undrawn

*incl. other assets

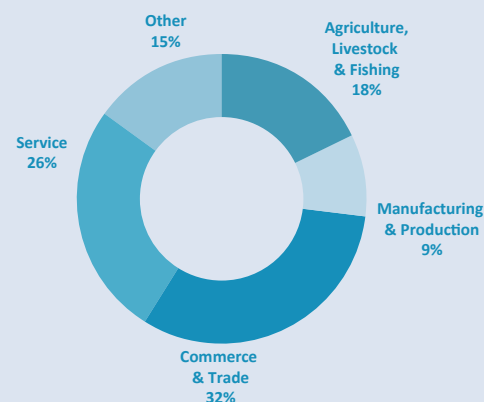
**Targeted-C Shares shall only be impacted by & bear the exclusive risk of the valuation of Target Investments.

A Facility Enhancing MFIs

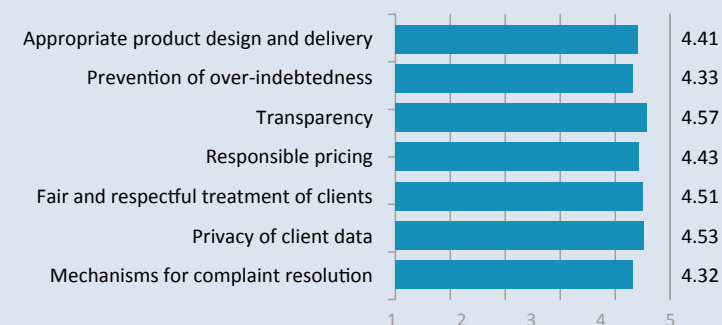
Impact Indicators

as at 31 December 2017

Sector Distribution of Portfolio



Level of Adherence to the Client Protection Principles (CPPs) (self-reported)



The diagram highlights the good scores of MEF's MFIs regarding their adherence to the Client Protection Principles.

Outreach of Microfinance Institutions Financed

Borrowers	
Number of microentrepreneurs reached by funding provided by MEF	600,746
Total of microentrepreneurs reached by the MFIs in the portfolio	23,965,491
Women, percent	85%
Rural, percent	56%
Loans	
Average loan balance	1.224
Client Type	
Microenterprise (five or fewer employees)	22%
SME	18%
Consumption	17%
Housing	7%
Large enterprises	21%
Education	1%
Other	14%
Product Type	
Direct loans	78%
Group guaranteed loans	18%

Adherence to Social and Environmental Criteria

Adherence to the CPPs	
MFIs having formally adopted the CPPs	76%
Adherence to Exclusion List	
Violations of the Exclusion List	None

All figures reflect the MEF-financed portions in the MFI portfolios. Please note that 104 out of the 113 MFIs in the portfolio as of 31 December 2017 have reported their social and environmental data.



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Activity Report

BlueOrchard

MARKET REVIEW

The performance of microfinance markets worldwide continued its expansion during 2017.

MEF's BlueOrchard pool was very active in Latin America, especially in Nicaragua, Peru, El Salvador and Mexico. Increasingly in the region, loans have been made to larger banks and other financial institutions that cater mainly to SMEs.

Solid economic growth continued in South Asia and Asia Pacific over 2017. Overall, Cambodia and India remained key markets in Asia. In India, where the microfinance industry was impacted by the government's surprise implementation of demonetisation in November 2016 by withdrawing all INR 500 (USD 7.80)

and INR 1000 (USD 16) banknotes from circulation, MFIs have largely absorbed the impact. Cambodia remains a dynamic market with the implementation of interest rate caps (18%) on microfinance institutions. However, larger institutions have generally dealt adequately with these changes.

POOL PERFORMANCE

The BlueOrchard pool was further enlarged by 14 new investees in the outstanding portfolio as of 31 December 2017. BlueOrchard disbursed USD 129 million in 36 loans across 16 countries during the reporting period. The BlueOrchard pool reached an outstanding portfolio of USD 364 million as of 31 December 2017, over 7% higher than in 2016.

MARKET OUTLOOK

Overall, the microfinance sector and its financial intermediaries are projected to continue their expansion in a sustainable manner (20-30% growth).

In certain markets the importance of large downscaling banks and/or large commercial banks active in micro and SME lending is expected to provide significant funding opportunities for the Fund (e.g. Central America and Mexico). We also foresee good prospects for MEF in the South Asia and Asia Pacific region.

The economic recovery in CIS countries (Commonwealth of Independent States) supports improvements in the credit risk of financial institutions. The market demand for business loans is gradually increasing; however, borrowers strongly

prefer local currency financing. The recent liberalisation of currency controls and improved political risk in Uzbekistan open opportunities to cooperate with MSME-focused banks.

The low growth and rapidly decreasing rates in Southeast European (SEE) countries limit the potential for new investments.

Activity Report

Cyrano



MARKET REVIEW

In 2017, as in the previous year, a number of adverse factors negatively impacted the emerging markets and the MFIs: (i) dramatic price reduction of metals and petroleum, (ii) downturn of economies related to Russia, (iii) China's lower demand of metals, (iv) increasing devaluation and inflation, and (v) impact of El Niño on agriculture and related value chains. Cyrano's actions implied supplementary restrictions on extending large loan amounts and to maintain a close monitoring of counterparty risk.

POOL PERFORMANCE

Cyrano maintained a close monthly risk monitoring of MFIs. As some covenants were breached, Cyrano submitted some waiver requests to the Investment Committee of MEF.

Some loans were not renewed because the MFIs' risk trend was negative or because the financial conditions were not agreed upon by the parties.

The outstanding portfolio declined from USD 122 million in 2016 to USD 115 million by the end of 2017 as flight to quality was adopted as a main criteria during these times of uncertainties. Cyrano's portfolio experienced its first default with an MFI in Nigeria towards the end of 2017, leading to booking provisions for credit loss as of 31 December 2017.

MARKET OUTLOOK

A positive development of major in emerging economies is expected in 2018. However, the increasing international interest rates are jeopardising the margins of MFIs. Still, Cyrano projects portfolio quality improvements in MFIs and a higher portfolio growth for 2018. Cyrano will continue to be very selective in lending and will continue to monitor very closely the countries and MFIs in its pool in order to prevent any potential negative impact.



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Activity Report

responsAbility

MARKET REVIEW

2017 was a significantly more positive year for global economies with global growth thought to be in the region of 3% for the year. As has been the case since the financial crisis, global growth was lifted by higher growth in emerging and developing economies, which on a whole experienced GDP growth of around 4.3% collectively. However, while these average aggregate figures globally looked good, some markets experienced heightened risk. In Cambodia we stress tested counterparties on the back of the introduction of a politically motivated interest rate cap on microfinance lenders in March. In India any plans at the start of the year had to be postponed until the full impact of demonetisation could be reasonably assessed. And we closely monitored the troublesome election situation in Kenya.

POOL PERFORMANCE

Following a slow 2016 in terms of investment activity, responsAbility disbursed USD 70 million for MEF in 2017. This represents a tripling of disbursements in comparison to the previous year. responsAbility currently has an outstanding net MEF portfolio of close to USD 106 million with 22 institutions spread over 17 countries. Around a third of the exposure is in non-USD local currency. Provisioning impaired performance in 2017. An investee in Kenya, originally placed in receivership by the Central Bank in 2016, took an unfortunate turn for the worse in 2017 as provision levels were increased to 100%. In Azerbaijan it was a mixed year as one investee had provisions released, however, this was more than offset by an increase in provisions in another investee.

MARKET OUTLOOK

Macro-economic fundamentals continue to look strong in 2018: The World Bank forecasts global economic growth to increase to around 3.1% in 2018. Importantly, emerging and developing economies are expected to prosper this year as commodity prices continue to recover. Fuelled by this, demand for cross border funding for microfinance is expected to continue to expand, and at a higher pace than in 2017. Given simultaneous growth in supply, pricing will remain central to the investment activity in 2018. Rising USD interest rates will benefit the MEF's return on an absolute income basis; however, the ability to pass these increasing costs of funds to MEF clients will depend on whether local markets will reflect such rising costs of funds as well, and on whether MFI clients

can pass on higher funding costs to their clients. We believe that there are good opportunities across the globe for the MEF, in particular in Mexico, Central Asia, and India.



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Activity Report

Symbiotics

MARKET REVIEW

2017 was a year of global recovery with an estimated 3.7% increase in output. Commodity prices began to recover and stabilise because of growing demand and supply-side limitations (e.g. weather events in the United States and security issues in Middle Eastern oil-exporting economies). Challenging economic conditions in emerging markets generally eased, with Argentina, Brazil and Russia exiting respective recessions. The United States' Federal Reserve Bank notably ended 2017 with a rate increase to 1.5%, and the USD 6-month Libor reached a high of 1.83%. In terms of microfinance markets, overall, Symbiotics' SYM50⁽¹⁾ benchmark's key performance indicators were broadly positive, revealing a 12.9% growth in Total Assets, a 14% growth in Gross Loan Portfolio and an increase in ROE from 8.5% in 2016 to 10.5% in 2017. 2017 also saw

several events that could have potentially affected economic growth in certain microfinance markets. In Sub-Saharan Africa, key events included Kenya's controversial presidential elections, South Africa's continued deteriorating circumstances and the long-awaited departure of Robert Mugabe in Zimbabwe. Despite this, funding demands for African microfinance investment vehicles (MIVs) remained relatively stable. In Latin America, the increasing role of local funding sources posed a challenge for MIV growth. Successive weather-related crisis, such as flooding in Peru and earthquakes in Mexico also influenced the region's portfolio quality. Investor confidence grew in Eastern and Central Europe with improved credit indicators and currencies, paving the way for increased origination opportunities (especially in Georgia, Armenia and Kazakhstan). Several

fundamental regulatory developments also characterized 2017, including Myanmar's removal of restrictions on international payment companies, IFC's support of Azerbaijan in its launch of its first credit information bureau, and Cambodia and Nepal's 18% cap on MFI interest rates. Meanwhile, India continued to experience the after-shocks of 2016's demonetization, and the SME segment was heavily impacted by the newly introduced Goods and Services tax.

POOL PERFORMANCE

Symbiotics was delighted to join MEF as investment manager end of July 2017. During the first 5 months, Symbiotics received approvals for 9 investments in 8 countries, for a total of USD 51.5 million. Out of these approved transactions, 3 investments (amounting to USD 14 million) across 3 countries (India,

Peru and Ecuador) were disbursed in 2017. Investments in Peru and Ecuador were denominated in USD, while the investment in India was in local currency.

MARKET OUTLOOK

2018's global economic growth will continue on an upward trajectory, driving growth in emerging market economies. The majority of MIV deal origination is expected from Asian and Latin American countries. Latin America is expected to continue its expansion path for digitisation as a distribution channel for microfinance, while Tier 0 (>USD 1 billion) and Tier 1 (>USD 100 million) institutions will continue to post financing needs driven by SME portfolio growth. Recovery in commodity prices should positively impact major emerging markets' commodity exporters in terms of their portfolio outreach.

⁽¹⁾ SYM50 is a benchmark of 10 key indicators from 50 financial institutions, largely composed of second tier MFIs with whom Symbiotics works most frequently. For more information, please visit www.syminvest.com



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Client Story

Satin Creditcare Network Limited

India

Satin Creditcare Network Limited (Satin) began operations in 1990 with a mission to provide financial assistance to households with limited access to mainstream financial services. It has a wide outreach, serving over 2 million active borrowers in rural and semi-urban areas. While Satin's initial clients were issued individual loans, the MFI's business is now largely based on the joint liability group model, a credit-oriented group product where women borrowers from the same village and similar socio-economic background have access to collateral-free microcredits.

One such group, a group of 13 women from Malikpur, a village located in North India, benefits from this product. In October 2016, the women each received a loan of INR 25,000 (<USD 400), which was used to either start or expand an existing micro-business (e.g. tailoring, farming inputs and animal husbandry). The appointed group leader discovered Satin's product by recommendation. Group meetings take place every 14 days and the women are now familiar with Satin's loan officers who work with smartphones and tablets. Meetings usually start and end with the women

narrating a pledge on the proper use of the loan and about the joint as well as the individual responsibility towards repayment of the loan. Each group member is extremely well-versed on the loan components and instalment amounts, demonstrating the level of Satin's transparency towards its clients and the benefits of group-training provided by Satin's field staff. Group members also have the option of loan insurance which can be taken up voluntarily at the time of application.



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Client Story

Tyre business

Bolivia

[Fidela Huanca](#) widowed a year and a half ago. Years ago, she and her husband got a loan to start a tyre business. Since then, obtaining loans from year to year, their business grew. Eventually she started her own business selling lunches. After the death of her husband, her children took care of the family business, and

also took loans from Sembrar Sartawi, their local MFI. Mrs. Huanca found Sembrar Sartawi through a friend of hers who took her to their offices. There, she met the village banking loan officer who helped her to expand the restaurant where she sells lunch and dinner.

"I am very grateful to the institution that trusts us and helps us so that we can grow, as a single woman now; I move forward, I have seen some changes here, very good and proactive staff."



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Client Story

Sale of wedding gowns and accessories

Ghana

Christiana was on a search for financial support and was uncertain where to go because she was very afraid of savings and loans groups and always thought they will run away with her money. She spoke to a sister about her needs as well as her fears and the sister spoke well of Advans Savings and Loans where she banks. Christiana was looking for a bank for an immediate loan because it was time for her next purchase as her shop was almost empty. She was not sure of Advans, not even when they

had assured her that they could deliver the loan within seven days. Besides, she had not heard anywhere in Ghana that it is possible to access a loan from a bank without having to save with them. She was surprised when the money was disbursed to her account seven days after applying for the loan.

Her business has expanded since she joined Advans six years ago. Advans has also helped her to improve her savings habits. In addition, Advans has

inculcated a good spirit to plan ahead such as for loan repayment or payment of children school fees. For instance, she has opened a separate account where she saves money regularly to pay for kids' fees. She is now able to plan and keep records of her activities which has helped her expand her business. She has been able to achieve her goals in life and even gone beyond what she ever expected.



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Client Story

Vision Fund

Ecuador

The origins of Banco Vision Fund Ecuador (VFE) dates back to the 1990s. The bank was initially a microfinance program under World Vision Ecuador, an Ecuadorian NGO affiliated with World Vision International. The program's goal was to provide financial services to excluded populations.

VFE's core mission is to promote microenterprise development and improve the quality of life of clients and their families. This is done through the provision of financial and non-financial services with the support of its strategic partner, World Vision. The bank predominantly caters to female micro-entrepreneurs and has a competitive advantage over its peers by successfully financing underserved rural areas. VFE is particularly well-positioned in this segment and

attends to clients in over 16 provinces. VFE has also been able to absorb savings and deposits thanks to its banking license. Although transforming into a bank, VFE remains committed to the company's founding social values and mission. It received the Smart Campaign certification in 2016 and remains a strong social institution that supports local communities and overall financial inclusion.



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Client Story

Dressmaker

India

Mangla lives in a rural area in interior Orissa in India with her husband and three children. After being introduced to Spandana's field staff by her neighbours, Mangla decided to join a group in 2013. She received her first loan of INR 10,000, some USD 150, and, on her husband's advice, invested the amount in purchasing a sewing machine. She started stitching clothes for her friends

and neighbours and also received orders from nearby schools for sewing uniforms. The amount she earned was sufficient to pay her instalments but not enough to generate savings. After clearing the first term loan as per schedule, she approached Spandana for a second loan and purchased two more sewing machines. She hired two women and started taking orders

from schools in surrounding villages. Currently, her business is financially sustainable and she has started making significant savings. She can take care of the school fees of her three children and has recently bought her husband a second-hand mini truck to start their own transportation business.

Client Story

Tortilla business

Mexico



With great enthusiasm and convinced that dreams can come true, Mrs. Ana María Castellanos made the decision to start her own business and become an entrepreneur after working in her cousin's business. Though she was afraid, her desire to get ahead was much stronger. So with only MXN 200 (USD 11), which was all she had to buy corn, and with the support of some friends and family who helped her by lending her a gas tank and a frying pan, she started her business.

She applied for her first loan with Progresemos, a MFI serving her area, for MXN 2,000 (USD 100) - enough to buy her own gas tank and frying pan. At the end of the first quarter, with sustained growth of the business, she decided to

apply for another loan for MXN 4,000 (USD 200). This time she invested in a larger frying pan, an additional gas tank, and took advantage of purchasing more corn since it was harvest time and the price was lower. The success of her business has been undeniable. People now recognise her name and spread the word in nearby towns. All this led her to plan an expansion through delivery by motorcycle.

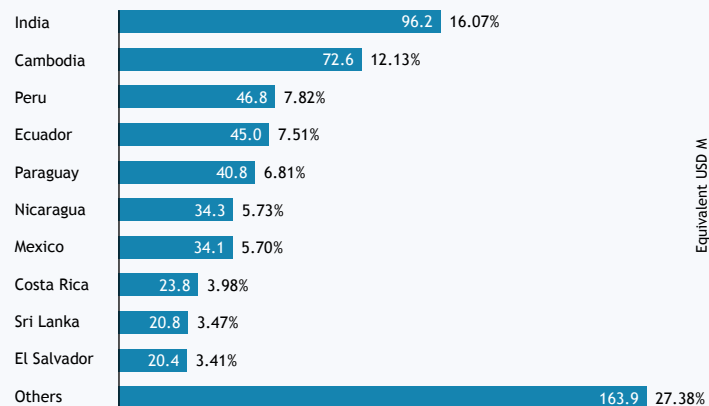
As sales increased, the work and commitment grew stronger. She now offers employment and currently has the support of two women, single mothers who like her seek to get their family ahead.

At Progresemos they know that behind a success story there is hard work, tenacity, and total commitment. They are proud to have clients like Mrs. Castellanos and, as a recognition of her effort and loyalty, Progresemos will be rewarding her with wrapping paper for her Tacos and will identify her as a distinguished client.

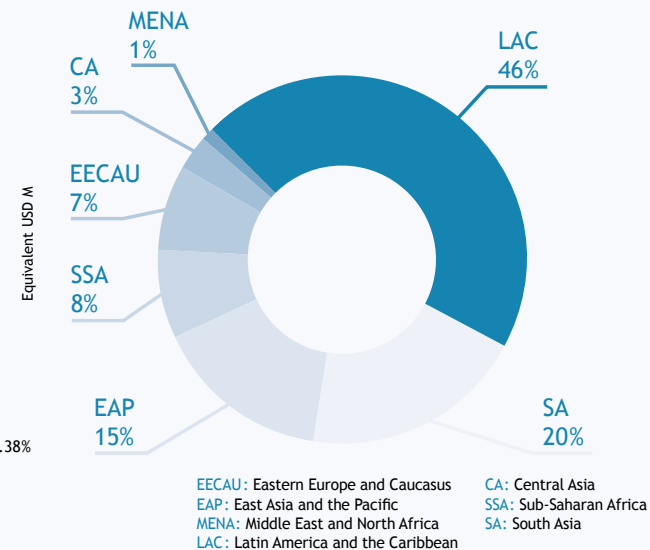
The Portfolio

as at 31 December 2017

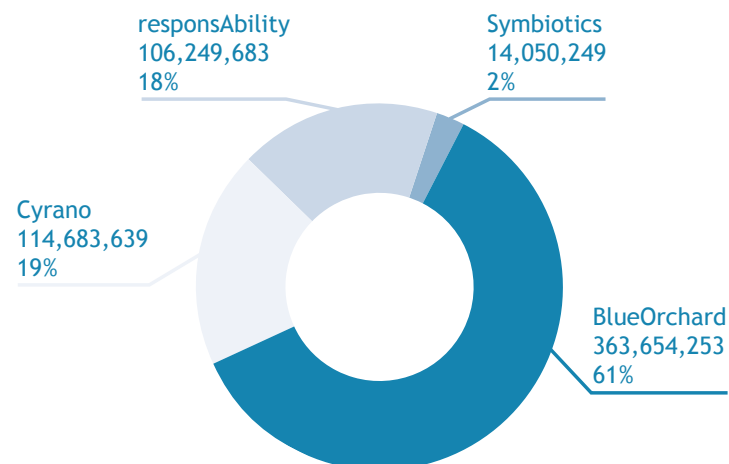
Country Distribution
Microfinance Investment Portfolio
Equivalent USD million



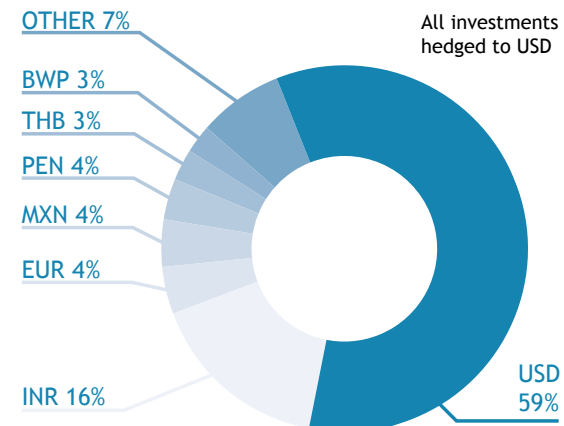
Regional Distribution in %
Microfinance Investment Portfolio



Investment Manager Distribution in %
Microfinance Investment Portfolio - Equivalent USD



Currency Distribution in %
Total Portfolio



Other includes:
CNY. KZT. CRC. XOF. NGN. GHS. PLN. HNL. TZS. KGS. HTG. TND. RUB. ZMW



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The Investors

Investors

KFW

OeEB

Oesterreichische Entwicklungsbank AG



Federal Ministry
for Economic Cooperation
and Development

Sida

IFC International
Finance Corporation
WORLD BANK GROUP

**European
Investment
Bank**
The EU bank

FMO
Finance for Development

IFID
UNITING AGAINST POVERTY

As well as Private Investors



Balance Sheet

in USD as at 31 December 2017 (as per Luxembourg GAAP financial statements)

ASSETS	2017	2016
Loans to MFIs	597,443,943	554,429,576
Current assets	55,013,401	137,813,893
of which: cash & cash equivalent	42,541,806	112,090,029
Other assets	256,831	618,347
Total Assets	652,714,175	692,861,816

LIABILITIES	2017	2016
Notes	75,000,000	107,040,250
Current liabilities	47,497,497	33,991,565
of which: dividend payable	19,453,860	18,121,805
Accruals and deferred income	-	-
Total Liabilities	122,497,497	141,031,815
Net Assets	530,216,678	551,830,001



Income Statement

in USD as at 31 December 2017 (as per Luxembourg GAAP financial statements)

INCOME	as at 31 December 2017	as at 31 December 2016
Interest on loans	43,773,583	39,183,798
Upfront fees	2,055,982	1,849,488
Other income	1,836,834	992,123
Total Income	47,666,399	42,025,409
EXPENSES		
Management fees	(7,098,922)	(5,933,791)
Legal, advisory and audit fees	(442,706)	(334,296)
Administration, custodian and domiciliation fees	(672,681)	(659,763)
Other expenses	(6,767,913)	(6,181,074)
Total Expenses	(14,982,222)	(13,108,924)
NET OPERATING RESULTS		
Net income from investments	32,684,177	28,916,485
Net realised and unrealised gains/losses on foreign exchange	7,758,413	(10,142,749)
Net realised and unrealised gains/losses on swaps and forwards	(19,315,554)	2,313,042
Value adjustments relating to loans	(27,266,600)	(12,641,561)
Net increase/decrease in Net Assets as result of operations for the year/period	(6,139,564)	8,445,217
MOVEMENT IN CAPITAL		
Subscription of shares	3,980,100	-
Redemption of shares	-	-
Advance of dividend	(19,453,859)	(18,121,805)
NET ASSETS AT THE END OF THE YEAR/PERIOD	530,216,678	551,830,001

Board of Directors



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Microfinance Enhancement Facility SA, SICAV-SIF

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2180 Luxembourg, Luxembourg

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Orange Street Wilmington,
Delaware 19801, United States of America

responsAbility Investments AG

Josefstrasse 59
8005 Zurich, Switzerland

Symbiotics SA

Rue de la Synagogue 31
1204 Geneva, Switzerland

General Secretary

Innpact S.à r.l.

5, rue Jean Bertels
1230 Luxembourg, Luxembourg

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in all investments as well as all the specific risks referred to in the Issue Document MEF; accordingly, no assurance can be given that the objectives stated in this document will be achieved.

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