

# Investment Fund Strategies in Competitive Markets – Workshop 3

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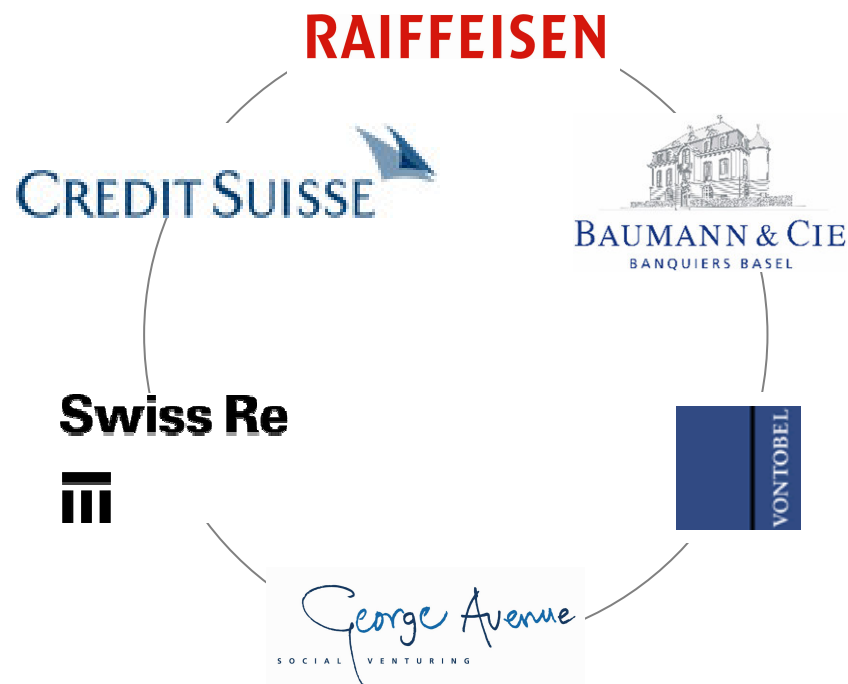
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- responsAbility - business portrait and investment concept
- The MF investment universe – hunting for investment opportunities
- MIVs – investment funds vs. structured finance
- Investment funds – competitive advantages

# Portrait of responsAbility

Specialized in microfinance and social investments with focus on developing countries

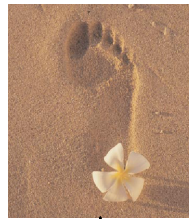
Founding institutions and shareholders Further partners



- Credibility (with clients)
- Weight (with authorities)
- Distribution Power

# The Investment Concept of responsAbility

The unique partner concept offers expertise, diversification, flexibility and market access



Access to all segments of the complex Microfinance market

We invest

- with experts



- through networks



- in portfolios

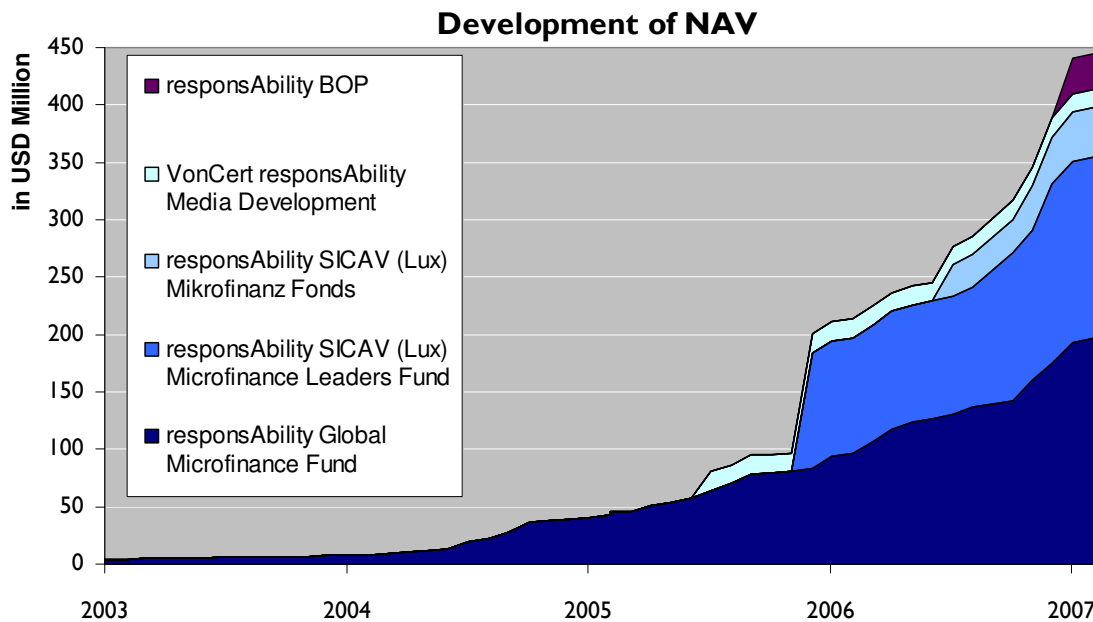


- in MFIs and capital market transactions directly



# NAV Development of responsAbility's AuM

Currently about **USD 450m NAV** in total – new products and strong growth during 2007



## Example: responsAbility Global Microfinance Fund:

- Luxembourg mutual fund
- NAV of USD 200m
- Top performance (2007: 7.7% p.a.)
- Highly diversified (155 institutions in 35 countries)
- Strong growth (over 100% in 2007)
- Registered for public distribution
- Liquid asset, price data available

# Hunting for Investment Opportunities

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## Limited pool of investment opportunities only a temporary situation?

### ■ Huge growth potential:

- Today only about 100m microentrepreneurs reached (of an estimated 1bn)
- Estimated financing gap in the microfinance sector of USD 250bn (today about USD 25bn microcredit volume outstanding)
- Expected investment volume of USD 25bn in 2015 compared to USD 4.4bn in 2006 (IFIs and private funders together)
- 2007 IFIs/private: about 50/50. In 2015 expected to be 20/80
- Strong growth of most Tier 1 MFI leading to huge funding needs
- Entrance of new start-up MFI and greenfield projects

### ■ However:

- Only about 150-200 Tier 1 MFI globally (new Tier 1 MFI to appear but consolidation to come?)
- Future funding strategy of IFIs still targeting Tier 1 MFI? Or focus on developing Tier 2 MFI plus TA?
- Competition from structured finance transactions (CDOs)
- Further bottlenecks limiting growth: number of educated credit officers at MFI, pace of formalization of industry (e.g. ratings, etc.)
- What will be the effect of a first crisis (funding, demand, legal/supervision)?

# MIVs – Investment Funds vs. Structured Finance (CDOs)

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## The fund's perspective

- Continuous deal flow vs. transaction driven closing
- Capability to absorb entire risk not only a specific senior tranche
- No support from IFIs needed; purely commercial concept that is sustainable
- Fund is stable and long term investor from MFI's view, less volatile investment appetite. Less „crowding in“ of only risk/return motivated investors
- Better diversified portfolio
- Flexibility, speed and simplicity of execution and disbursement
- Performance and costs probably comparable?
- Structured finance is a funding alternative for matured Tier 1 MFI only. Small deals – probably having the higher social impact – easier doable through funds?
- Growing market for SRI, growing number of private and institutional investors
- Liquidity of investment product?

# Investment Funds – Competitive Advantages

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- Sales Side / Placement Power: make the cash available allowing for growth
  - setting up the right range of investment products (open vs. closed funds, retail vs. institutional, registration for public distribution, TER, performance, etc.)
  - co-operations with banks that can open sales channels
  - visibility, marketing and PR, reporting, transparency
  - trust and track record
  
- Corporate Activities: efficient „production“, professional analysis and PF management
  - focus on core activities only, not covering the entire value chain (matured markets have specialized actors)
  - rely on external services (e.g. fund administrator, rating agencies, etc.)
  
- Investment Power: find the investments in a rather dry deal environment
  - ensuring deal pipeline and growth through partnerships (e.g. investment partner concept)
  - be visible for direct deals and capital market transactions; be ready for the future (e.g. Tier 2 Capital)
  - be quick but professional in decision making (e.g. pricing indications, approval process)
  - offer acceptable terms and a simple execution process
  - local currency capabilities

# Contact Details

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