



Fixed Income Opportunities

Diversification through Microfinance

Global Microfinance Investment Congress

PlaNet Finance

January 21-22, 2008

Centre de Conférences Internationales, Paris

MICROVEST
INVESTING IN ONE WORLD

A Critical Intermediary

MicroVest Capital Management, LLC was founded as a commercial investment firm by:



(45%)



(45%)

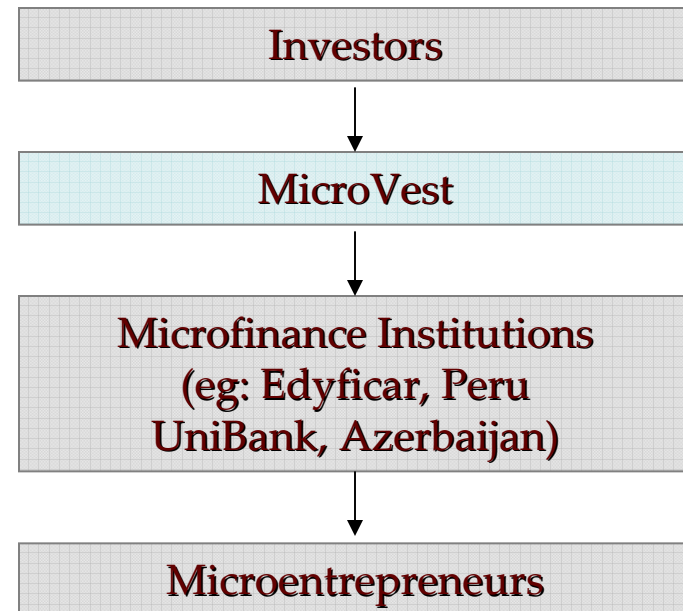


(10%)

MicroVest Provides:

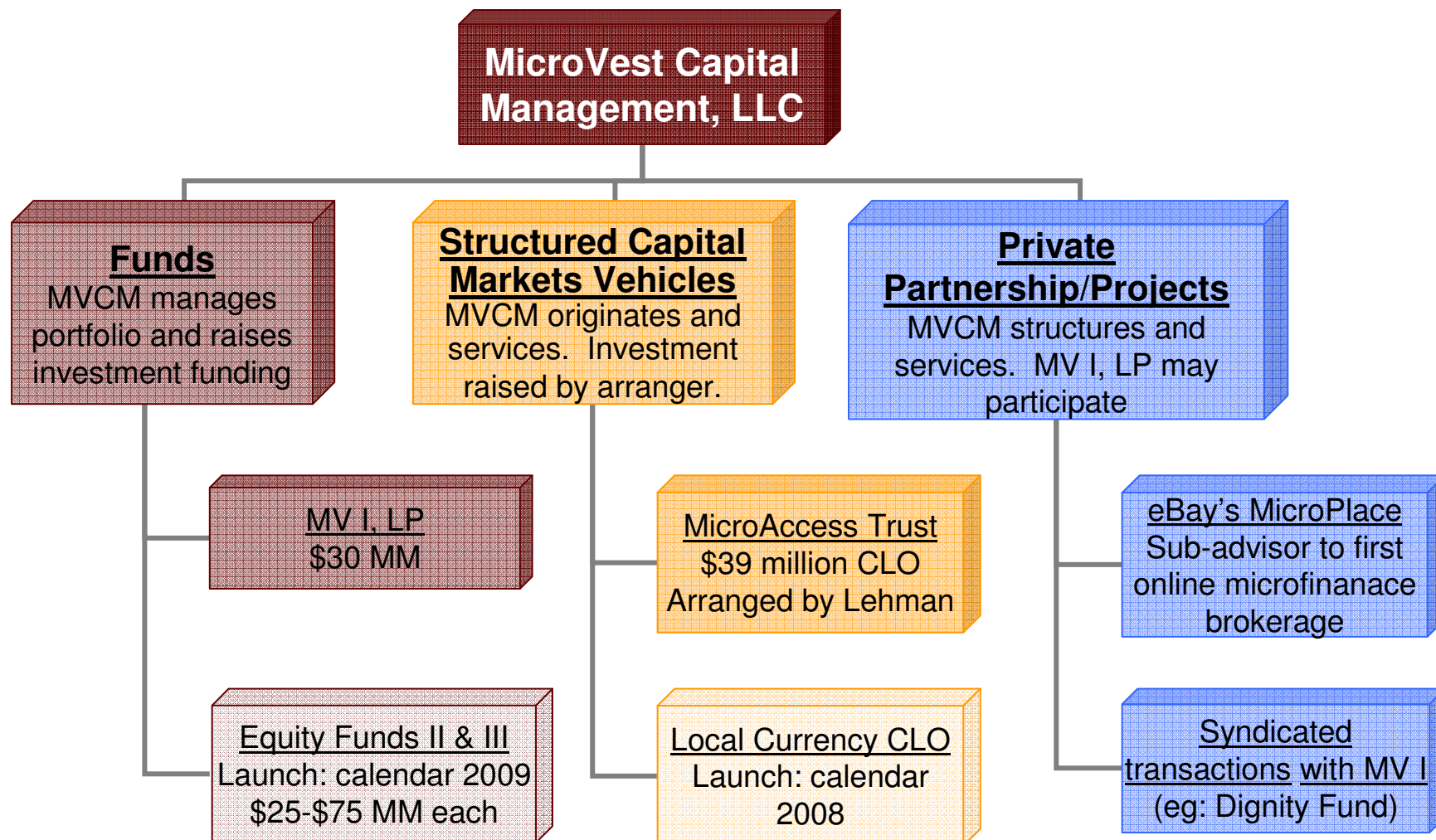
- Debt, quasi-equity and equity financing on commercial terms
- Financing customized to meet the particular needs of each microfinance institution (MFI)
- A record of efficiency, flexibility, transparency, and reliability
- Transactions executed by a team experienced in global capital markets and microfinance

Microfinance Investing



MicroVest Financial Vehicles

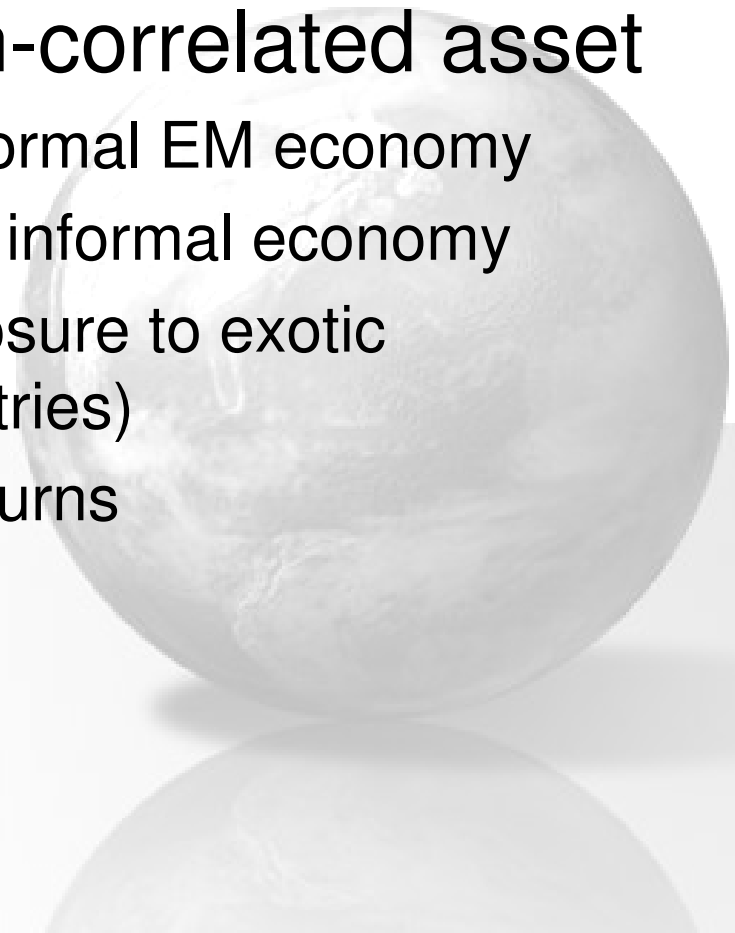
Total MFI Assets Under Management ≈ \$70 MM (12/31/07)



Institutional Investors and Microfinance

Why is microfinance attractive to institutional investors?

- Microfinance is increasingly viewed by asset managers as a non-correlated asset
 - Microfinance uncorrelated to formal EM economy
 - Diversification via exposure to informal economy
 - Further diversification via exposure to exotic currencies (ie: non BRIC countries)
 - Commercially risk adjusted returns



Emerging Market Returns with Reduced Portfolio

A Stern Business School study of 388 commercial banks and MFIs in 65 emerging market countries showed that MFIs perform better than banks during economic downturns:

	Effect of 1% decline in S&P 500 on NOI ⁽¹⁾	Effect of 1% decline in Country GDP on ROE ⁽²⁾
MFIs	-0.49%	+0.67%
Commercial Banks	-1.24%	-0.33%

(1) Net Operating Income

(2) Return On Equity

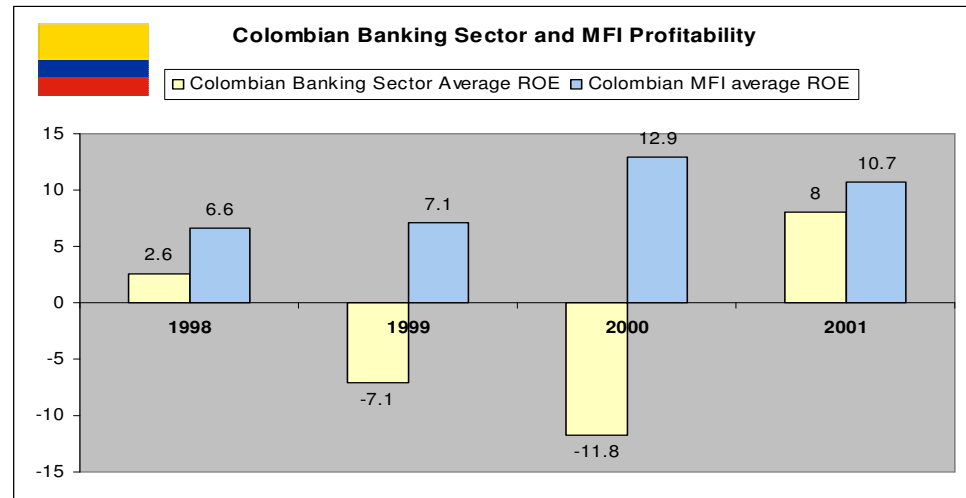
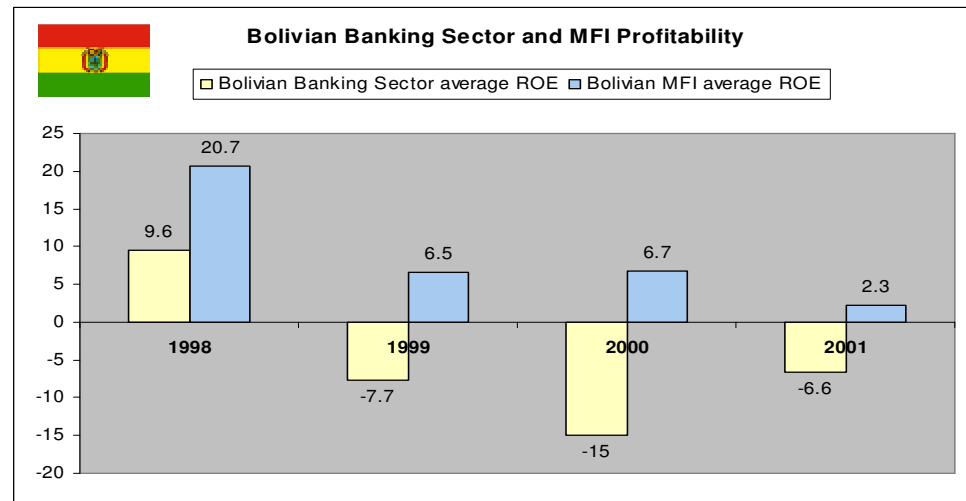
Source: The Systemic Risk of Microfinance, Nicolas Krauss, NYU Stern Business School (draft)

MFIs can reach volatility in emerging market portfolios compared to traditional assets like banks.

Informal Sector Outperforms Formal Sector

Microfinance performance is not highly correlated with overall emerging market economies.

During recessions, the microfinance sector outperforms other banking sectors, as was the case in Bolivia and Colombia between 1998-2001.



Source: MicroRate, "The Finance of Microfinance" October 2002..

Current Challenges

Macro Level

- Liability spreads widened
- Without offsetting widening in asset spreads
- Even more pronounced with microfinance asset spreads

Institutional Level

- Poor quality underwriting by new entrants
- Relaxing underwriting standards

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