

Global Microfinance Investment Congress  
Equity investment and microfinance

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## Portfolio Triodos' microfinance funds

Data per 31 December 2007

EUR 120 million

Equity: 25%

Debt: 75%

70 Microfinance Institutions - 16 equity investments

33 countries



## Investment Team

- Seven senior Investment Officers with an average of 5-10 years of banking experience
- Responsible for investment portfolio
- Position in the Board of Directors of investee banks
- In exceptional cases representation on the Board of Directors by local bankers



## Investment Strategy

- Long term shareholder >5 years
- Locally managed and preferably majority locally owned MFIs
- Mix of greenfield and established MFIs
- Geographical spread Asia, Africa and Latin America
- Add value through role in governance



## Exit strategy - Valuation

- Open-end funds; no ‘exit-pressure’
- Realise cash-return through dividends vs exits
- Monthly valuation based on either NAV or market value if any
- Preference for exits to either strategic investors (example KMB Bank Russia to Banca Intesa) or local shareholders



## Equity investments – established MFIs

- ACLEDA Bank (Cambodia) 2000
- Akiba Commercial Bank (Tanzania) 1997
- BASIX (India) 2001
- Banco Solidario Ecuador 1999
- CEB (Cambodia) 2006
- Centenary Bank (Uganda) 1997
- FFP FIE (Bolivia) 2003
- FINDESA (Nicaragua) 2003
- K-REP Bank (Kenya) 1998
- Mibanco (Peru) 2003
- XacBank (Mongolia) 2005



## Equity investments – greenfield MFIs

- BRAC Afghanistan Bank (Afghanistan) 2006
- Reliance Financial Services (The Gambia) 2006
- AccesBanque Madagascar (Madagascar) 2006
- Bellwether Microfinance Fund (India) 2005
- Acleda Bank Lao (Laos) (Q1 2008)



## Shareholder's role Triodos Funds

- Representation in Board of Directors by senior Triodos co-workers
- Share and contribute the 15-year knowledge and expertise in the microfinance sector
- Share Triodos Bank's knowledge and expertise as a values-driven bank (Triple Bottom Line Banking)

Add value through:

- Transparency in Sustainability and Finance Project
- SMARTRAC
- Annual international workshop



## Critical issues for equity investments in MFIs

- Local ownership of MFIs vs majority foreign ownership
- Building local social capital markets vs global (anonymous) capital markets for investments in MFIs
- Safeguarding the mission
- Contribution to governance – what qualities are needed in the Board

