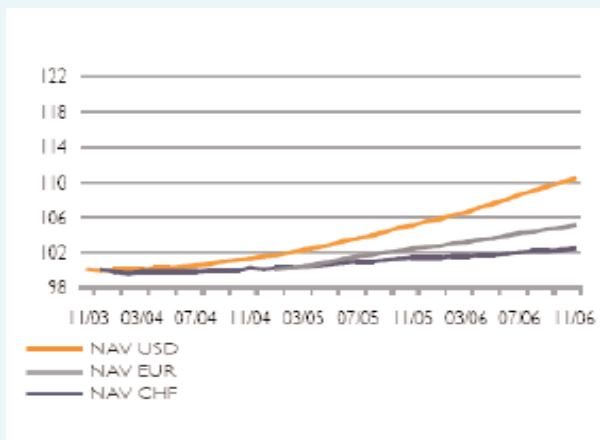




## SPECIAL PURPOSE INVESTING - I : "RESPONSABILITY" GLOBAL MICROFINANCE FUND



Fund's performance since inception  
Source: responsAbility Social Investment Services AG

**Focus:** Social investing/micro finance (mf) and fair trade investing. The portfolio consists of loans and indirect lending to micro finance institutions (mfis) globally - through partners, mandates or via specialised investment vehicles.

**Strengths:** ability to identify and select: investment recipients in developing/ transition countries and establish a network of experts in those markets

**Weaknesses:** high fees/transaction cost with respect to the annual returns generated

**Opportunities:** Returns exhibit a very low correlation to other asset classes; currently only 200 of the estimated 10,000+ mfis worldwide are accessible to private investors

**Threats:** High political risk; lack of a secondary market; easy availability of subsidized money

## Risk Assessment

□ = low □ = low/moderate □ = moderate □ = moderate to high □ = high

• Weightage attached to a mfi's track record	□□□□□	• Default risk linked with direct investments in mf assets	□□□□□
• Relevance of an onsite DD	□□□□□	• Fraud risk borne with direct investments in mf assets	□□□□□
• Relative to investing in traditional assets, risk associated with mf	□□□□□	• Liquidity of underlying asset	□□□□□
• Default risk linked with indirect investments in mf vehicles	□□□□□	• Currency risk	□□□□□
• Fraud risk linked with indirect investments in mf vehicles	□□□□□	• Political Risk	□□□□□
		• Competition related risk	□□□□□
		• Leverage used	□□□□□
			none

## Performance Parameters

□ = insufficient □ = adequate □ = satisfactory □ = good □ = outstanding

• Access to deal flow	□□□□□	• A conservative / balanced portfolio	□□□□□
• Ability to diversify globally	□□□□□	• An aggressive portfolio	□□□□□
• Ability to secure loans with varying maturities	□□□□□	• Avg. annual correlation to equities	= 0
• Ability to perform in a rising, falling, sideways trending market	□□□□□	• Avg. annual correlation to bonds	= 0
• Benefit of inclusion	-	• Avg. annual correlation to hedge funds	= 0
		• Since inception, consistency in delivering targeted annual returns	□□□□□

## Outlook

↑ upside potential ↗ upside to range bound ↔ range bound ↘ range bound to down ↓ downside potential

• Fund's investment outlook for global mf	↔	• Do ABL investments display cyclical behaviour: generally no
• Peer group perception of investing in the space	↗	• Conditions for the fund to out perform: relative out performance in a low interest rate environment
• Ability to deliver targeted annual returns: over the next 1 year	↔	• Conditions for the fund to under perform: increasing competition in funding mfis could lead to excess and "cheap" liquidity - exerting downward pressure on returns
• Ability to deliver targeted annual returns: over the next 3-5 years	↗	• Max. capacity of the fund (AuM): as secondary market activity grows, the fund is capable of broadening AuM
• Barriers to entry	high	

## Investment Insights

• Target audience pvt. & institutional investors, pension funds, endowments	• Geographic limitations Not available to US citizens & to those living in the US
• Level of complexity investor friendly	• Fund currencies (base currency USD) EUR, CHF
• Fund focuses on social investing	• Liquidity provided moderate
• To optimise returns, recommended avg. holding period 2/3 years	• Transparency provide high
	• Risk/reward compensation adequate