

THE SMALL ENTERPRISE IMPACT INVESTING FUND (SEIIF)

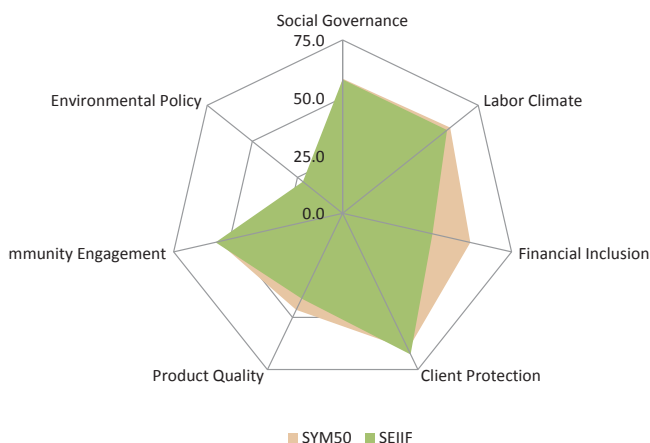
A Joint Initiative of the City of London, Oxfam GB and Symbiotics

INVESTMENT MANAGER'S COMMENT

The Small Enterprise Impact Investing Fund aims at becoming a reference product in the impact investing space. Thanks to Oxfam GB's solid experience in impact measurement and certification, the fund will be able to measure its impact on job creation and enterprise growth through a range of metrics and evaluations. As small enterprise financing is essentially geared to job creation, the fund will provide indicators on employment and wages by gender, quality (part or full time) and location (urban/rural). It will also track the growth of small businesses through output, revenues and financing. As of now, the fund has provided financing to two local intermediaries, one in Mongolia to a leasing finance company, and one in Kyrgyzstan to a rural financing company. These investments contributed to directly financing 300+ small enterprises.

FINANCIAL INTERMEDIARY SOCIAL RESPONSIBILITY

	SEIIF	SYM50
Rating	★★★	★★★
Score	52.1%	55.0%
Social Governance	57.9%	58.3%
Labor Climate	57.8%	59.5%
Financial Inclusion	39.9%	56.7%
Client Protection	67.8%	65.3%
Product Quality	40.9%	46.3%
Community Engagement	56.4%	55.3%
Environmental Policy	22.0%	17.7%



PORTFOLIO OUTREACH

		Rating
Overall		-
Breadth		-
Depth		★★★
Macro Level	Countries	Value
Breadth	Number of countries	2
Depth	GDP per Capita	2,934
Meso Level	Intermediaries	
Breadth	Number of SEFIs*	2
Depth	Average SEFI portfolio	39,718,583
Micro Level	End Client	
Breadth	Number of clients	168
Depth	Average financing	12,118

* Small Enterprise Financing Intermediaries

SMALL ENTERPRISE IMPACT MEASUREMENT

Small Enterprise Development

Number of Enterprises Financed	168
Average Financing (USD)	USD 12,118
Average Additional Finance Mobilized (USD)	NA
Average Growth (output)	NA
Average Revenue (USD)	NA
Average Wage (USD)	NA

Job Creation

Number of Employees	NA
Number of Jobs Created	NA

Food Security

% Activities Financed in Agriculture	27%
% Activities Financed in Rural Areas	54%

Women Empowerment

% of Women's Business Ownership	27%
Number of Women Employed	NA

VALUE CHAIN ILLUSTRATION



MONGOLIA

With three million inhabitants, Mongolia is one of the most scarcely populated countries in Asia. Besides traditional agriculture and herding, the country has significant potential in mining, including one of the world’s largest copper deposits. Over the past few years, the country has recorded significant GDP growth which has had a positive impact on the SME sector seeing its financing needs increase substantially. However, this growth has also been accompanied by increasing inflation. The microfinance sector is relatively well developed and marked by a high outreach, occurring mainly through bank branches and ATMs. The sector is dominated by two commercial banks, Khan Bank and XacBank. In 2012, Mongolia was ranked the 25th best microfinance business environment by the U.K. Economist Intelligence Unit’s: “Global microscope on the microfinance business environment”.

	2012
Population	3.1 million
Population living in poverty	39.20%
Human dev. rank	110/187
GDP per capita	USD 4,800
Real GDP growth	17.5%
Inflation rate	9.5%
Fx hedging costs (12m)	11.5%
Private credit	51.6%/GDP
Foreign aid	USD 301 million
Remittances	USD 279 million

XAC LEASING

XAC Leasing was created in May 2007 by Tenger Financial Group (TFG), XAC Bank’s sole shareholder. With the exception of another operator that is mostly active in the mining sector, XAC Leasing is Mongolia’s only leasing company and aims to diversify its offering through a comprehensive range of products dedicated to SMEs. The company became profitable in 2008 with growth slowing down in 2009 as a result of the economic crisis which hit the Mongolian economy severely. However, already in 2010 and 2011, the company recorded triple digit growth and concentrated on institutional development in 2012. Its current lease portfolio is mostly invested in commercial vehicles such as trucks and passenger cars used in different economic sectors such as transportation, manufacturing, construction and mining. In the upcoming years, Xac Leasing intends to fund growth through debt helping it to maximize its focus on widening its leasing offer to include various types of assets such as health or educational equipment.

	December 2012
Total assets	USD 18 million
Portfolio size	USD 15 million
Nb of active borrowers	325
Average loan	USD 39,055
Portfolio yield	23.2%
Op. self-sufficiency	152.7%
Op. expense ratio	3.9%
Return on equity	19.2%
Debt/Equity	2.6
PAR>30	7.8%

MR. BAYARSAIKHAN DASHPUNTSAG

Mr. Bayarsaikhan Dashpuntsag is 38 years old and lives in a suburb of Ulaanbaatar, the capital of Mongolia, where he runs a taxi business. His first occupation was trading, used cars. Shortly afterwards, he decided to become an entrepreneur as job opportunities were almost inexistent in Mongolia at that time. He gradually grew his business and also started to import cars and rent them out to taxi drivers on a daily and weekly basis. At the same time, he accessed financing from Xac Bank which allowed him to further expand his business. Mr. Dashpuntsag decided to only borrow with this institution since Xac Bank was the only one to support him during the 2008 economic crisis. In 2011, Mr. Dashpuntsag leased about 30 cars as this was more interesting financially than directly purchasing cars. Currently, his company operates 90 taxis of which 52 are leased. In addition, he founded a professional association which protects the interests of taxi drivers and works to implement the necessary safety and insurance policies for its members.



VALUE CHAIN ILLUSTRATION



KYRGYZ REPUBLIC

The Kyrgyz Republic is a Central Asian state, with a population of 5.5 million people. Its major sectors of activity are in services (51%), industry (29%) and agriculture (20%). After two revolutions in five years, the microfinance sector is funded mainly by International Financial Institutions and commercial microfinance funds. There are a few leading MFIs that have recorded excellent performances so far, with ROE at over 12% and very low PAR. Additionally, around 100 small institutions are registered as MFIs. Efforts are increasing to modify the microfinance legal framework in order to allow MFIs to collect deposits and transform eventually into banks. Reportedly 31% of MFI clients have a parallel loan which provokes a growing concern about the ability of the sector to grow healthily in the coming years.

	2012
Population	5.5 million
Population living in poverty	33.70%
Human dev. rank	126/187
GDP per capita	USD 2,400
Real GDP growth	5.7%
Inflation rate	8%
Fx hedging costs (12m)	14%
Private credit	15.1%/GDP
Foreign aid	USD 380 million
Remittances	USD 1.2 billion

BTFF MCC

In 1996, Acdi/Voca and Caritas in Switzerland launched two microfinance programs in the towns of Osh and Jalalabad. In 2000, both programs were merged into a new MFI named Bai Tushum Financial Fund (BTFF), which was registered as a foundation and in 2009, it was transformed into a Joint Stock Company. In July 2011, it became the first MFI to receive a deposit-taking license and received its banking license at the end of 2012. Currently, BTFF has 63 service points spread across the country, and offers mainly individual loans (85% of the portfolio) in local currency. Its clients are mainly rural based and involved in agriculture and trade activities. Unlike other major Kyrgyz MFIs, BTFF focuses on the upper segment of the country’s microfinance market, where it faces only limited competition from up-scaling and downscaling banks. and plans to offer payment services for SMEs in 2013. They anticipate that future portfolio growth will be made through deposits and equity.

	December 2012
Total assets	USD 101 million
Portfolio size	USD 63 million
Nb of active borrowers	26,500
Average loan	USD 2,206
Portfolio yield	32.1%
Op. self-sufficiency	104.8%
Op. expense ratio	14.5%
Return on equity	4.8%
Debt/Equity	4.8
PAR>30	1.8%

MRS. MARIA VASILYEVNA SAITOVA

Maria Vasilyevna Saitova was born and raised in Bishkek. After she got married, and gave birth to two daughters, she sought to get a job in order to provide her children with an education. As she did not succeed in finding one, she decided to develop her own sewing business. Maria obtained her first loan from “Bai-Tushum & Partners” company in 2006 for the amount of KGS 250 thousand (USD 6,000). Maria decided to sew infant clothing by herself, and have her husband sell them at the market. Subsequently, Maria obtained four other loans for a total amount of 1,800,000 som (USD 43,000). All loans were destined to expanding her business. For the obtained loans, Maria opened a full-scale sewing shop, which was equipped for 10 job posts and created all the necessary good working conditions for her employees. At this time, Maria has a successful sewing shop with ten employees and two of her own multi-usage metal containers at the “Dordoi” market.

