



The importance of long-term partnerships

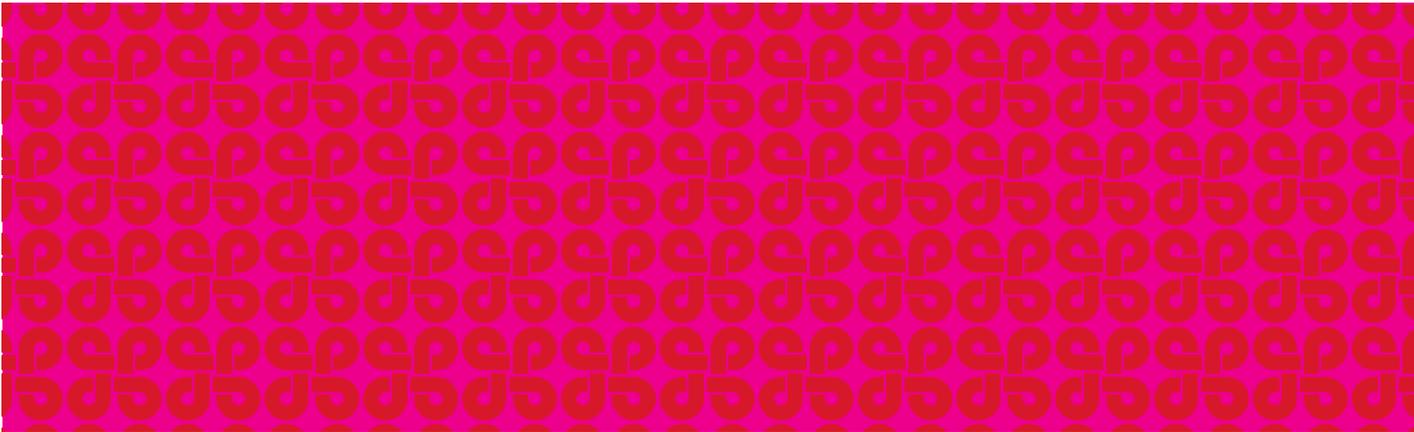
Focus on Óptima Servicios Financieros in El Salvador

Unaudited semi-annual report as at 30 September 2019

Rapport semestriel non révisé au 30 septembre 2019



Luxembourg Microfinance
and Development Fund



In collaboration with



Subscriptions for shares issued by the Fund may only be accepted on the basis of the current prospectus accompanied by the latest annual report and the latest semi-annual report, if more recent. Such documents can be obtained free of charge at the registered office of the Fund or downloaded from the website www.lmdf.lu

The information presented in this report refers only to the necessary information concerning Investing for Development SICAV and its compartment Luxembourg Microfinance and Development (LMDF), the compartment Forestry and Climate Change Fund is not included in this report.

ISIN Codes / Codes ISIN

Class C shares: LU0456967404

Class B shares: LU0456966935

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LMDF rated "A" by:



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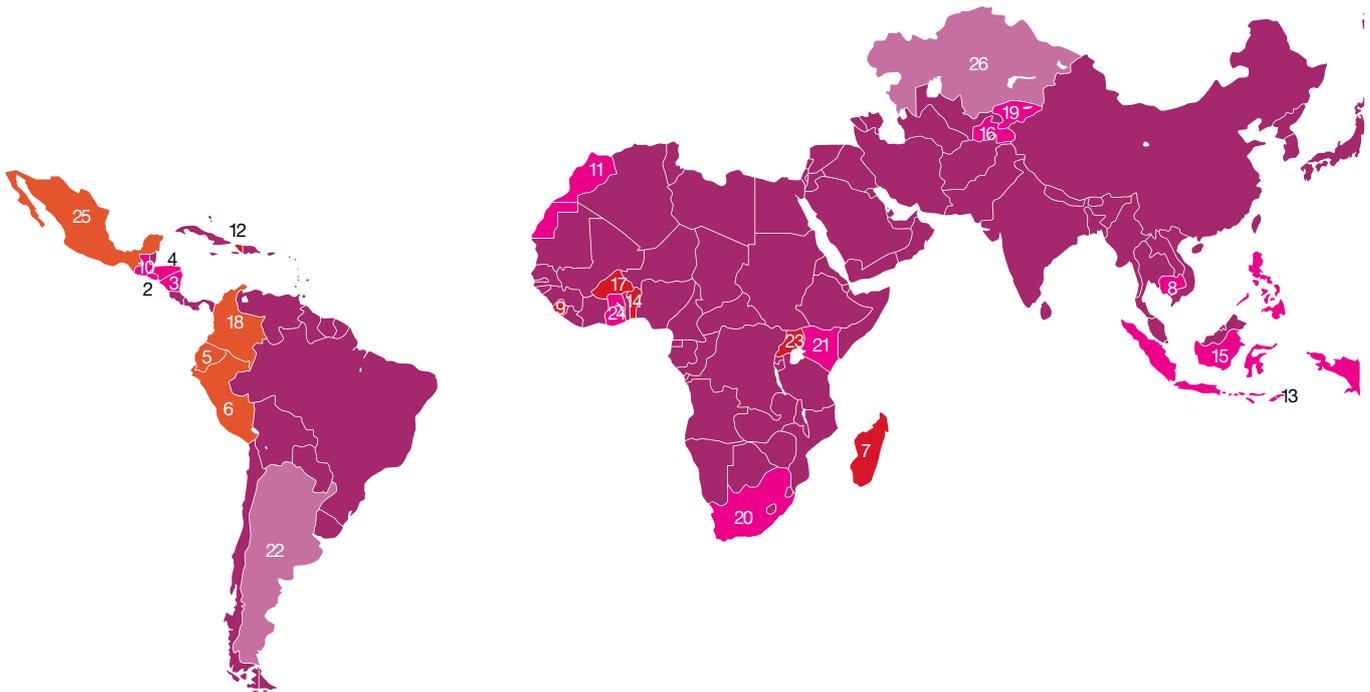
LMDF in figures // en chiffres

30 September 2019 // 30 septembre 2019

EUR 36.5 million Investments in microfinance	80% Women
54 Microfinance institutions financed directly	13,642 Employees of partner MFIs
1 Regional fund	54,382 Micro-entrepreneurs financed by LMDF
26 Countries	1,148 Number of university students financed
1 Service provider	53% Micro-loans for services and small trade
53% Latin America	23% Agricultural activities
17% Southeast and Central Asia	7% Production and crafts
29% Sub-Saharan and North Africa	17% Other uses
<1% Developed countries	EUR 652,510 Average exposure per MFI
81% Financing in local currency of MFI country	1.7% Twelve month return Class A shares
1.67 million Micro-entrepreneurs financed by partner MFIs	1.4% Twelve month return Class A _{bis} shares
EUR 858 million Total micro-loan portfolio of partner MFIs	2.3% Twelve month return Class B shares
EUR 1,554 Average disbursed micro-loan	1.3% Twelve month return Class C shares

Note: The figures stated in this section of the report relating to information received from microfinance institutions are as at 30th June 2019 and largely based on unaudited information. The calculations follow, wherever applicable, the Microfinance Investment Vehicles Disclosure Guidelines as published by CGAP in 2010.

LMDF's impact map



- | | |
|----------------|-----------------|
| 1 USA | 16 Tajikistan |
| 2 El Salvador | 17 Burkina Faso |
| 3 Nicaragua | 18 Colombia |
| 4 Honduras | 19 Kyrgyzstan |
| 5 Ecuador | 20 South Africa |
| 6 Peru | 21 Kenya |
| 7 Madagascar | 22 Argentina |
| 8 Cambodia | 23 Uganda |
| 9 Sierra Leone | 24 Ghana |
| 10 Guatemala | 25 Mexico |
| 11 Morocco | 26 Kazakhstan |
| 12 Haiti | |
| 13 Timor Leste | |
| 14 Benin | |
| 15 Indonesia | |

Colour code Human Development Index (HDI):

■ Low HDI
 ■ Medium HDI
 ■ High HDI
 ■ Very high HDI

Source: LMDF analysis, UNDP

Report of the Board of Directors to the shareholders

As the Fund fast approaches its tenth anniversary, the Board of Directors is pleased to present this semi-annual report for the period covering 1 April – 30 September 2019.

With a greater degree of maturity, we see steady growth in net assets of 4% over the first half year with net assets now reaching EUR 39.5 m. Current investor demand is primarily stemming from the retail side, and following the decision of the Ministry of Finance to convert its B shares to A_{bis} shares and thus support further growth from retail investors, fundraising from this segment continues to be a priority.

The Fund has noted a strong demand for financing from Microfinance Institutions and there is a very promising pipeline of investments ahead for the second half. With such strong demand, the Fund is close to fully invested. In this environment, the Fund is prioritising transactions in less and least developed countries and is pleased to have completed transactions in Uganda, Kenya and Madagascar during the past half year.

Since the decision was taken in the previous reporting year to increase the focus on smaller institutions, the proportion of Tier 3 institutions within the portfolio continues to grow and has now reached 8% of the portfolio. Given the developments in the microfinance industry, the Fund has continued to prioritise strategic opportunities and is conducting further work on other key areas of change in microfinance, notably the integration of technology into the delivery of financial services and new forms of financing entrepreneurship.

The Fund continues to place a high emphasis on social performance and works closely with

its portfolio of microfinance institutions and its investment adviser, ADA, on this area. One component of this work is ensuring long-term partnerships, an area which is discussed in further detail in this report. The Fund will also be publishing its third Social Performance Report this year.

The Fund plans various activities to celebrate the important milestone of its tenth anniversary and does hope that many readers of this report will be able to attend.

Corporate governance

The **Board of Directors** has selected and retained ADA (Appui au Développement Autonome a.s.b.l.) as the investment adviser to LMDF, to provide the services of identification, evaluation and selection of investment and disinvestment opportunities as well as the review, supervision and monitoring of its microfinance investments.

The Board has established the following committees whose role is to support and make recommendations to the Board, or take decisions within certain limits determined by the Board, in their areas of activity:

- The **Investment Committee**, which currently has seven members, is authorised, within the limits of the investment policy and objectives of the sub-Fund as defined by the Board of Directors, to decide upon the acquisition or disposal of investments on the basis of a proposal by the Investment Adviser, and to take all other decisions relating to the management of the sub-Fund's portfolio.
- The **Risk Committee**, which has five



Domingo Hernández (left) in his bakery. Óptima finances a lot of clients in the bakery business.

members, provides direction, advice and oversight with regard to LMDF's risk management and reporting framework, including risk policies, processes and controls.

- The **Marketing Committee**, which has four members, oversees the Fund's marketing strategy including the development of the shareholder base.
- The **Employment Committee**, which has three members, reviews the objectives, performance and remuneration of management.
- The **Appointments Committee**, which has three members, assists the Board in ensuring that its composition is aligned with the objectives of the Fund.

The Board has resolved that membership of the above Committees may be open to non-directors.

The members of the Board do not receive any remuneration as directors, apart from the reimbursement of expenses incurred for Fund business and approved in advance by the Board.

As the lead up to the tenth anniversary

continues, I look forward to seeing how this exciting year progresses.

The Board also wishes to thank its shareholders for their continued support.

The Board of Directors
25 November 2019

Raymond Schadeck
Chairman



Vision

LMDF aims to contribute to the alleviation of poverty by supporting organisations that empower people and stimulate entrepreneurship, with a particular focus on the most excluded. The Fund facilitates access to responsible finance by building sustainable links between investors, microfinance institutions and ultimate beneficiaries.

Mission

In order to realise its Vision, LMDF

- Constitutes an attractive investment proposition by balancing stable financial returns to investors with the provision of responsible financial services to the poor.
- Specialises in facilitating the growth of promising emerging microfinance institutions which address the financial needs of marginalised communities and individuals in developing countries.
- Enables the development of micro-entrepreneurs in areas where unmet needs are largest, particularly among women, youth and rural populations.
- Is accessible to public, institutional and retail investors; is accountable for reaching both social and financial objectives; and is transparent in its reporting.

Résumé / Zusammenfassung

Le rapport semestriel non révisé du LMDF couvre les premiers six mois pour la période du 1 avril au 30 septembre 2019. LMDF a réalisé une croissance modérée de 4% de l'actif net total au cours de la période à 39,5 millions d'EUR. La croissance est inférieure à celle des années précédentes principalement en raison des contraintes dans la collecte de fonds supplémentaires.

LMDF occupe aujourd'hui une position très claire sur le marché de la microfinance en tant que fournisseur des petites institutions de microfinance (IMF) qui poursuivent une mission sociale claire. 8 % du portefeuille est attribué à des IMF de Tier 3 (le plus petit segment) tandis qu'une grande majorité de 78% appartiennent au segment intermédiaire, les Tier 2. 10 % sont des IMF de Tier 1 (principalement des partenaires historiques) et le reste à des investissements non catégorisés. Ces six derniers mois, le Fonds a finalisé 7 transactions pour un un peu plus de 4 millions d'EUR. Fidèle à son rôle financeur dans les pays les moins avancés, des prêts ont été accordés en Ouganda, au Kenya et à Madagascar.

Au cours de la période, la NAV a augmenté de 0,6% pour les actions de classe A et A_{bis} de 1,0% pour la classe B et de 0,6% pour la classe C. Les rendements à douze mois sont de 2,3% pour la classe B et de 1,3% pour la classe C, ce qui est comparable à l'indice SMX EUR (+1,9%, graphique 8). Le TER a légèrement augmenté, passant de 2,6 % à 2,8 % de l'actif net moyen, mais le fonds s'attend à ce que l'exercice se termine à des niveaux proches de 2,5 %.

Les priorités pour l'exercice financier sont d'accroître les investissements privés dans le Fonds, de maintenir la solide position de marché du LMDF parmi les petites IMF axées sur le social, tout en étudiant attentivement les nouveaux marchés.

Der Halbjahresbericht des LMDF umfasst den Zeitraum von April bis September 2019. Während des Jahres zeigte der Fonds ein moderates Wachstum des gesamten Nettovermögens um 4% auf EUR 39 Mio. Das Wachstum ist geringer als in den Vorjahren, vor allem aufgrund von Engpässen bei der Beschaffung zusätzlicher Mittel.

LMDF hat heute eine sehr klare Position auf dem Microfinanzierungsmarkt als Anbieter kleiner Mikrofinanzinstitute (MFI), die eine klare soziale Aufgabe erfüllen. 8% des Portfolios werden Tier-3-MFI (dem kleinsten Segment) zugewiesen, während die große Mehrheit von 78% dem Tier-2-Segment (mittleren Segment), zuzurechnen ist. 10 % sind Tier-1-MFI (hauptsächlich historische Partner) und der Rest sind nicht klassifizierte Investitionen. In den vergangenen sechs Monaten hat der Fonds 7 Transaktionen für etwas mehr als 4 Mio EUR abgeschlossen. In Einklang mit der finanziellen Rolle in den am wenigsten entwickelten Ländern wurden Darlehen in Uganda, Kenia und Madagaskar gewährt.

Im Berichtszeitraum erhöhte sich die NAV um 0,6% für Klasse-A- und A_{bis}, um 1,0% für Klasse-B und um 0,6% für Klasse-C. Die Zwölfmonats-Renditen betragen 2,3% für Klasse-B und 1,3% für die Klasse C, was mit dem SMX-Index EUR vergleichbar ist (+1,9%, Grafik 8). Der TER stieg leicht von 2,6 % auf 2,8 % des durchschnittlichen Nettovermögens, doch der Fonds erwartet, dass das Geschäftsjahr mit einem Niveau von nahe 2,5 % abgeschlossen wird.

Die Prioritäten für den Rest des Jahres sind die Erhöhung der privaten Investitionen in den Fonds, die Aufrechterhaltung der starken Marktposition des LMDF bei den kleinen sozialorientierten MFI bei gleichzeitiger sorgfältiger Prüfung der neuen Märkte.

Management report on activities

/ Continued activities and analysis of new markets

The Luxembourg Microfinance and Development Fund (LMDF or Fund) reports on the period 1 April – 30 September. The Fund's investment model is now at a mature stage and LMDF realised a moderate growth of 4% in total net assets during the period to EUR 39.5 m. Growth is lower compared to the previous years mainly due to constraints in raising additional funds.

LMDF today has a very clear position in the microfinance market as a provider of funding to smaller microfinance institutions (MFIs) which pursue a clear social mission. Graph 5 shows that 8% of the portfolio are Tier 3 institutions (the smallest segment) while a large majority of 78% belong to the middle segment of Tier 2s. 10% are Tier 1 institutions (mainly historic partners of LMDF) and the remainder consist of non-categorised investments.

During the period, the Fund finalised 7 transactions with MFIs for a total disbursement just over EUR 4 m. True to its role as a financier in less and least developed countries, LMDF granted loans in Uganda, Kenya and Madagascar. The Fund closes the period close to fully invested with liquidity available for investment below EUR 500,000.

One notably improvement in the operating environment for LMDF is the normalisation

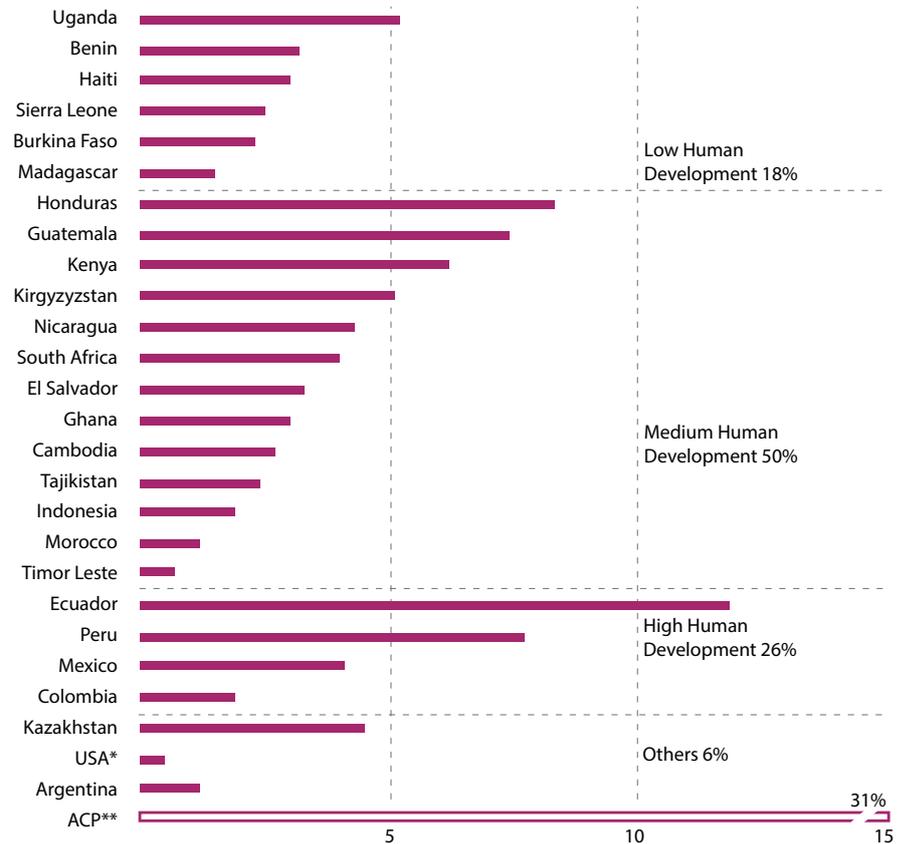
of the interest rate difference between US-Dollar rates and Euro rates (Graph 6). Over the course of the last year the difference reduced by almost one percentage point, a trend which should benefit the Fund financially.

The Fund has also started a process to identify new markets with two avenues of investigation underway: (1) the increasing integration of technology in the delivery of financial services and (2) new forms of financing of entrepreneurship. The analysis of both trends is driven by changing market realities on the ground and the limitations in terms of outreach of the traditional microfinance model.

/ Net inflows from retail and institutional shareholders

Total net assets increased by 4% during the period with EUR 1.3 m in inflows, mainly from retail clients, and a small amount of outflows (less than EUR 0.1 m). Class C shares (for private and not-for-profit investors), which benefit from a risk protection from Class A and Class A_{bis} shares, constitute 32% of total net assets (30% at the end of last year) whereas Class B constitute 56% of total net assets.

GRAPH 1:
MICROFINANCE INVESTMENTS BY COUNTRY AND HUMAN DEVELOPMENT INDEX
(% of microfinance portfolio)

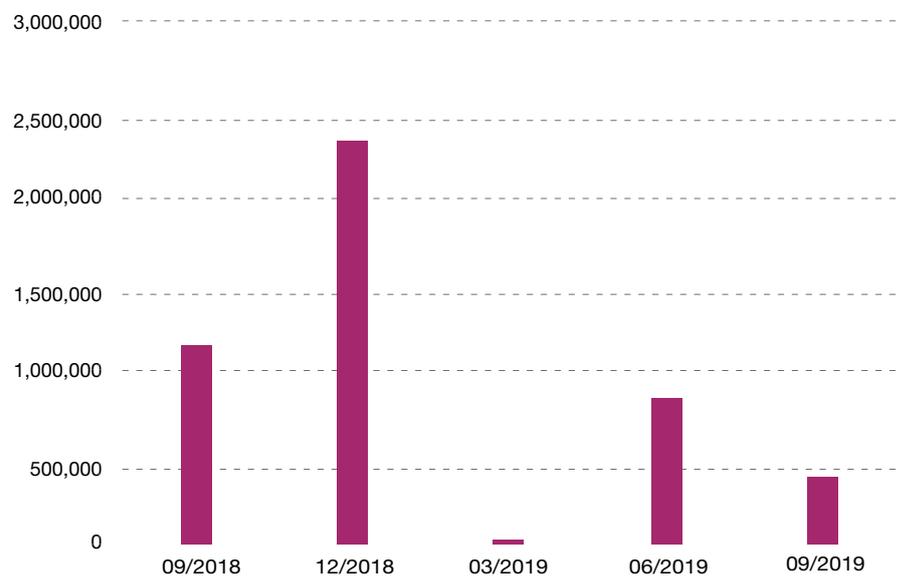


*Includes investment in regional fund investing in Latin American countries.

**ACP Countries: African, Caribbean and Pacific Group of States.

Source: LMDf analysis as at 30/09/2019. Human Development Index 2017 by UNDP.

GRAPH 2:
EXCESS LIQUIDITY (in EUR)



Source: LMDf analysis.

/ Successful MFI partnerships

This report looks at LMDF's MFI partner Óptima, a very dynamic institution from El Salvador. It is impressive to see that an MFI which LMDF financed when it had less than EUR 5 m in loan portfolio, now serves more than 10,000 clients, with a total portfolio of almost EUR 35 m. It also confirms LMDF's role as a catalyst, or as Gustavo Siman, the founder and chairman puts it: "The support that LMDF has given us in our growth trajectory has certainly been fundamental."

/ Improving yields

The decreasing difference between Euro and US-Dollar interest rates have been beneficial to LMDF, although the full effect will take time to materialise. The Fund tracks closely the net Euro return on average microfinance portfolio, which stands at 6.6% on loans disbursed during this period, compared to 5.7% during the previous financial year.

The Fund aims to deliver a complex investment strategy in an efficient manner.

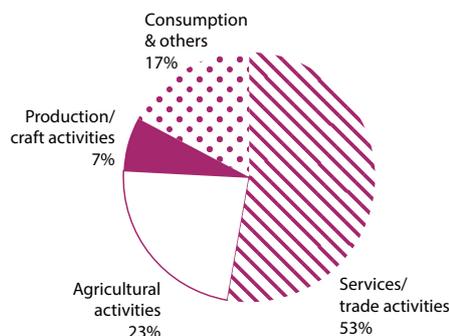
The total expense ratio increased slightly from 2.6% to 2.8% of average net assets, but is expected to close the financial year at levels at or close to 2.5%. During the period, the Fund faced a one-off charge related to the introduction of a new IT system. During the six months, the NAV/Share increased by 0.6% for Class A and Class A_{bis}, 1.0% for Class B and 0.6% for Class C shareholders during the financial period. Twelve month returns stand at 2.3% for Class B and 1.3% for Class C, comparable to the SMX EUR index (+1.9%, Graph 8).

/ Risk review

- Credit risks

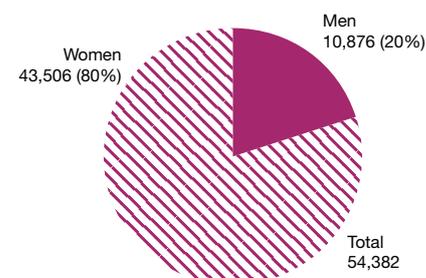
Note 6 of this report provides shareholders with a qualitative and quantitative view of the credit risks of the Fund. During the period, LMDF provisioned EUR 57,000 of the outstanding notional of a senior loan to Financiera Fundeser in Nicaragua, reflecting a challenging operating environment and a second creditors' restructuring of the MFI's liabilities.

GRAPH 3:
ECONOMIC PURPOSE OF MICRO-CREDITS FINANCED BY LMDF (in %)



Source: LMDF analysis of weighted average data provided by partner MFIs as at 30/06/2019

GRAPH 4:
ACTIVE MICRO-ENTREPRENEURS FINANCED BY LMDF



Source: LMDF analysis of weighted average data provided by partner MFIs as at 30/06/2019

The remaining exposure to ASUSU S.A., Niger was covered by a political risk insurance which took effect on 18 April 2019.

The Fund's risk diversification remained stable during the period. The average exposure to MFIs remained at 1.7% of total net assets. The Fund's largest exposures towards microfinance institutions decreased from 4.6% of net assets to 4.4%. LMDF's average exposure to MFIs is about EUR 650,000 in line with our focus on emerging microfinance institutions.

- Currency risk

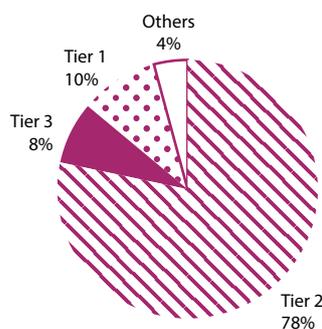
The Fund maintained its conservative approach to currency risks in volatile markets. 31% of the Fund's total net assets are invested in instruments denominated in USD, a decrease from 35% at the end of March 2019. The Fund significantly expanded the share of the portfolio financed in local currency. These positions are

hedged on a line-by-line basis through cross-currency interest rate swaps and forwards.

- Country risks

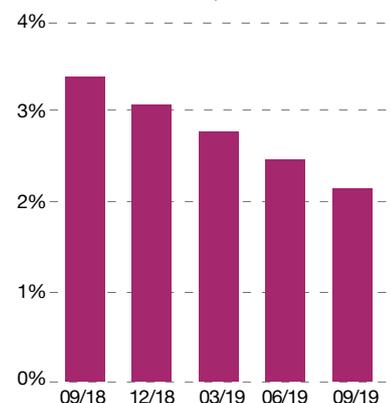
At the end of the year LMDF is invested in 26 countries. The biggest exposure is towards Ecuador (10.4% of net assets), Honduras (7.5%), Peru (6.8%), Guatemala (6.6%) and Kenya (5.6%). Five countries concentrate 37% of investments, a small decrease compared to March 2019 (39%).

GRAPH 5:
DISTRIBUTION OF MFIS BY TIER IN
LMDF'S PORTFOLIO (% OF PTF)



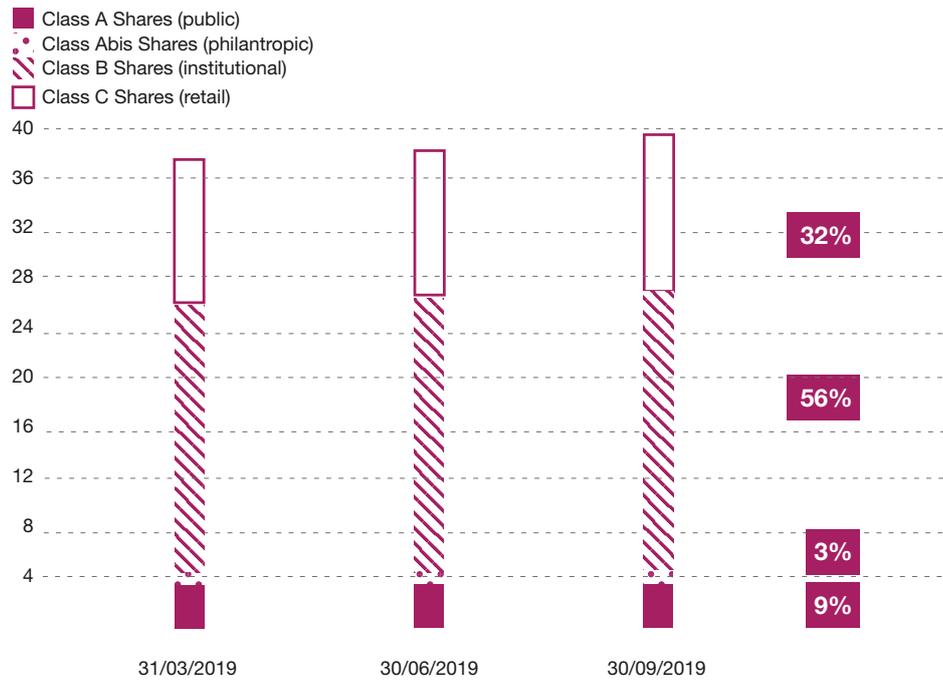
Source: LMDF analysis

GRAPH 6:
DIFFERENCE BETWEEN EUR AND USD
INTEREST RATE (3 MONTH LIBOR)



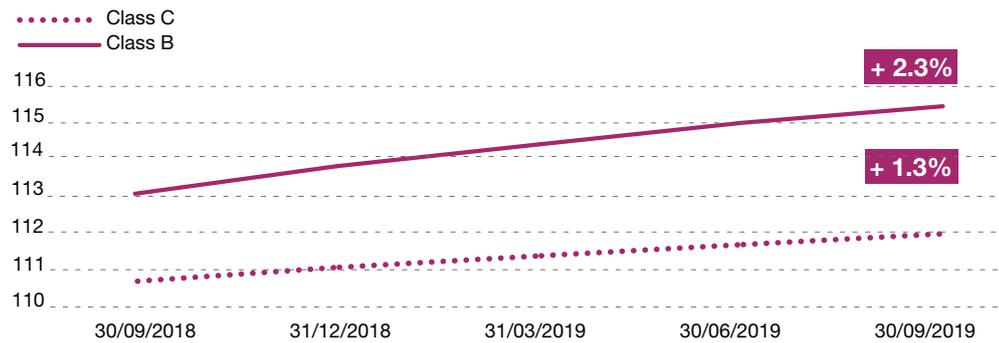
Source: US Department of the Treasury and European Central Bank

GRAPH 7:
NET ASSET VALUE BY SHARE CLASS (in EUR million)



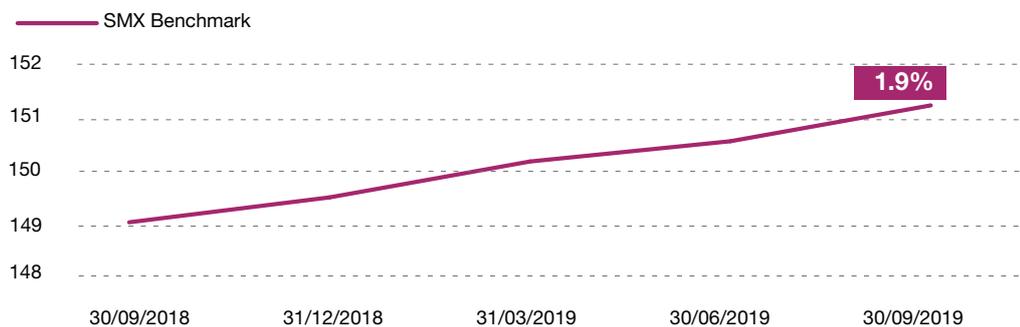
Source: LMDF analysis

GRAPH 8:
DEVELOPMENT OF NAV PER SHARE OF CLASS B AND CLASS C SHARES DURING THE LAST 12 MONTHS (in EUR)



Source: LMDF analysis

QUARTERLY PERFORMANCE OF THE SYMBIOTICS MICROFINANCE DEBT INDEX - EUROS (SMX EUR) DURING THE LAST 12 MONTHS



Source: Syminvest



Today, Rodri Ayala Andrade in El Salvador is able to live from his plantation.

/ Outlook

The priorities for the financial year are to increase retail inflows into the Fund and, maintain the strong market position of LMDF among smaller, socially focused MFIs while carefully investigating new markets.

As always, we very much welcome your comments or questions,

Kaspar Wansleben

Executive Director
(kaspar@lmdf.lu)

1 Microfinance Institution in focus

Óptima Servicios Financieros, El Salvador

Óptima Servicios Financieros (Óptima) was founded in 2009, the same year as LMDF. The microfinance institution focuses on offering a broad range of financial products and services to suit the needs of micro-entrepreneurs in El Salvador and prides itself on innovation. LMDF has been financing Óptima since 2013.

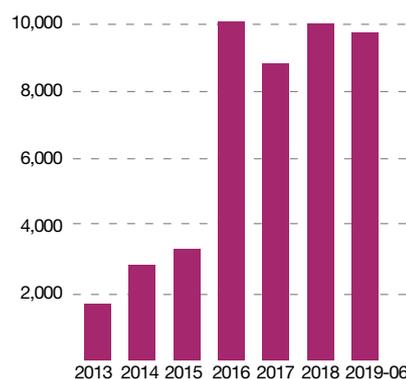
The institution not only seeks financial profitability, but at the same time, seeks to obtain a clear and measurable social impact. Their vision is to be a leading financial organisation, recognised for their strength and profitability, offering innovative products and excelling in their service offering. This is achieved through innovation, efficiency and taking pride in the services offered, while ensuring that all work contributes to the development of their clients and to environmental conservation. Nonetheless, in the difficult operating context of El Salvador, this is not without its challenges, and Óptima

works hard to support its clients given the problems inherent in the geography.

LMDF added El Salvador to its microfinance portfolio in 2010. In a country of only 6,4 million inhabitants, one in four El Salvadorans are estimated to have migrated¹. High levels of violence and a subdued economy have done nothing to improve the situation in this country. Increasingly it is being realised that the best way to stem this tide, and perhaps to quell the violence too, is to ensure that there are opportunities for people to be able to thrive in their own communities. This is particularly the case when it comes to the young, where the youth unemployment rate is 14%, against the country's average unemployment rate of 6.4%.

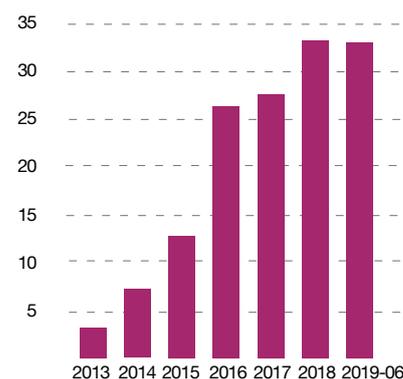
¹Trading Economics

GRAPH 9:
CLIENT EVOLUTION SINCE LMDF'S
FIRST INVESTMENT (EXCLUDING
HONDURAS)



Source: LMDF analysis of weighted average data provided by partner MFIs as at 30/06/2019

GRAPH 10:
NET PORTFOLIO EVOLUTION SINCE
LMDF'S FIRST INVESTMENT (IN EUR
MILLION, EXCLUDING HONDURAS)



Source: LMDF analysis of weighted average data provided by partner MFIs as at 30/06/2019

2 Four questions to

Gustavo E. Siman, Chairman of Óptima



LMDF started financing Óptima in 2013. How has your MFI evolved since then to become the organisation we see today?

Óptima has evolved considerably. I founded the company in 2009 and we are turning ten this year. I started with my own capital and, when LMDF invested initially, as one of the first funds to support us, I was the only shareholder. We had our agency and a vision to grow, in an orderly manner, with a solid and prudent credit methodology. We also aimed to differentiate ourselves from the competition, with innovative products, allowing us to reach certain market segments efficiently.

LMDF invested initially, as one of the first funds to support us.

Looking back, we certainly have grown. We now have USD 100 million in assets (USD 2 million in 2013). We have 37 agencies (including recent acquisitions in Honduras) and are employing more than 600 people. We now reach about 30,000 clients. The truth is that it has been a real journey. It gives me great satisfaction to be able to see the way in which we have changed the lives of many of our customers who have grown up with us, who have created small businesses, improved their homes, even bought vehicles. The support that LMDF has given us in our growth trajectory has certainly been fundamental.

We started mainly by financing rural micro-entrepreneurs, with support for housing improvement. We then launched our microcredit product to finance working capital and this was when we started to differentiate ourselves.

The support that LMDF has given us in our growth trajectory has certainly been fundamental.

We looked for innovative and alternative ways to match our clients' cash cycles and at their specific needs, and found that factoring was very important, given that some clients had very large open contracts. We have continued to innovate and are now looking at customer profiling and speedy delivery. We have also launched a mobile application and are already making disbursements through it.

In an evolving marketplace, how do you maintain growth and what opportunities and challenges do you see?

Our institution has a firm belief in culture: we need people that are committed and have enough experience and desire to overcome challenges. People feel part of the success of the company and this is a real differentiator. We are always looking to do things in the best possible way and place a lot of emphasis on training. We have a university and an Óptima school to train people for different areas of the business.



Alfredo Santos Vidafañe in his workshop.

A second point is that we continuously innovate. We try to deeply understand customers' needs for each of the sectors we serve and design products that are differentiated and that really meet our clients' requirements, in terms of business cyclicity or capital requirements. We also look to anticipate market trends, and be open, flexible, creative and adaptable. This is a common goal across departments, from risk to business development.

Healthy growth is also fundamental - there is no point of growing with a portfolio quality that is compromised. El Salvador has a high level of over-indebtedness. This is a challenge, but there are ways in which we are lowering this risk, by approaching community development associations. Being a regional player, and integrating technology, also helps to support our healthy growth.

El Salvador has a high migration rate. Various factors such as violence,

limited opportunities in rural areas, increasingly unpredictable climate and vulnerability to natural disasters might have led to high migration. How can microfinance help address this issue and so allow its inhabitants to live a decent life in their own country?

Many of our clients have considered, at one time or another, emigrating to the United States. One reason is that some are approached by the Maras² and are told to pay USD 5,000 the next day; if not, they had better leave the country. We work with community development associations to try to ensure that our people and clients can work more safely. Generating clusters, where customers can have more control over how

² Maras, criminal gangs in El Salvador.



Óptima also finances health related businesses like Cynthia Armijo's optician's studio.

to invest their money and not be prey to the Maras, may be the way to go here.

Healthy growth is also fundamental - there is no point of growing with a portfolio quality that is compromised.

A second step is to ensure that clients invest their money well. Our team of advisers closely accompany clients, particularly when it comes to working capital. If not, clients often end up spending the money on things that do not add to equity. When money is badly spent, vulnerable communities may again become desperate and decide to leave the country. Óptima works closely with the client to ensure that investments generate an accumulation of assets and thus allow them to be more stable and remain in their country.

Another solution is housing. When the family owns their own home, they have a firm rooting and are less inclined to migrate.

We see that the Salvadorans are very entrepreneurial and hardworking; when they throw in the towel and leave, it is because of conditions like missing roots, business failure or because they have been a victim of the Maras. We need to ensure clients have their needs holistically covered and then we can see the impact of credit in providing a safe occupation within the country.



How do you see technology, such as mobile solutions, integrated in your product range?

We have seen mobile solutions taking off in several areas, notably Africa and East Asia, partly as a result of geography (large distances, poor infrastructure). These have not been such push factors in Central America, but clients are certainly becoming increasingly aware of the potential for technology.

We are making strides towards financial services being offered through a mobile platform, and I think that companies not taking such steps will be seriously disadvantaged.

In El Salvador, in particular, mobile phone ownership is quite high, partly as a result of US influence and trends seen there. I think there are almost two cell phones per inhabitant. Clients are increasingly migrating towards services offered through cell phones, notably for remittances. We also provide other mobile services, for example, viewing statements or paying bills. We are making strides towards financial services being offered through a mobile platform, and

I think that companies not taking such steps will be seriously disadvantaged.

Apart from the Óptima mobile application, we already have our digital wallet platform. All our credit executives have a mobile device through which they directly make queries, enter and complete credit applications and above all submit them. The transaction cost is significantly reduced, and, with certain recurring clients, we are also looking at how to change several processes to become more efficient.

Transcribed and translated from Spanish to English by LMDF.

"It gives me great satisfaction to be able to see the way in which we have changed the lives of many of our customers who have grown up with us."

Gustavo E. Siman, Chairman of Óptima Servicios Financieros

Statutory information

Organisation

Registered Office // Domicile

2, place de Metz
L-1930 Luxembourg

Trade Register Number // Registre de commerce et des sociétés

R.C.S. Luxembourg B 148.826

Board of Directors and Committees // Conseil d'administration et comités

Chair - Président

Raymond Schadeck

Independent

Members - Membres

Claude Faber (until 25/04/2019)

Development Cooperation Department,
Ministry of Foreign and European Affairs (MAEE)
Ministry of Finance

Michel Haas

Independent

Patrick Losch

Marie-Anne Marx (from 13/05/2019)

Development Cooperation Department,
Ministry of Foreign and European Affairs (MAEE)

Michel Maquil (from 13/05/2019)

ADA - Appui au Développement Autonome

Natalia Oskian

Independent

Raoul Stefanetti

Banque Internationale à Luxembourg (BIL)

Monica Tiuba

Independent

Dzemaal Tomic

Banque et Caisse d'Épargne de l'État (BCEE)

Kaspar Wansleben

Executive Director

Investment Committee LMDF*

Comité d'investissement LMDF

Raoul Stefanetti - BIL, Committee Chair

Anne Contreras - Independent

Gilles Franck - ADA

Michel Haas - Ministry of Finance

Thomas Lammar - MAEE

Philippe Dardart - BGL BNP Paribas

Kaspar Wansleben - Executive Director

Risk Committee

Comité de risque

Dzemaal Tomic - BCEE, Committee Chair

Raymond Schadeck - Independent

Yves Speeckaert - Independent (from 18/09/2019)

Jane Wilkinson - Independent (from 18/09/2019)

Apricot Wilson - Head of Risk (from 13/05/2019)

Employment Committee // Comité d'emploi

Michel Haas - Ministry of Finance, Committee Chair

Raymond Schadeck - Independent

Dzemaal Tomic - BCEE

Marketing Committee

Comité de marketing

Natalia Oskian - Independent, Committee Chair

Viviane Clauss - BdL

Hedda Pahlson-Moller - Independent (until 21/05/2019)

Didier Richter - BIL

Patrick Bilbault - Independent

Appointments Committee

Comité de nomination

Claude Faber - MAEE, Committee Chair (until 25/04/2019)

Marie-Anne Marx - MAEE, Committee Chair (from 13/05/2019)

Michel Haas - Ministry of Finance

Raymond Schadeck - Independent

*A separate investment committee has been constituted for FCCF

Investment adviser // Conseiller en investissement

ADA - Appui au Développement Autonome asbl
39, rue Glesener
L-1631 Luxembourg

Microfinance expertise // Expertise en microfinance

General Partner of the Higher Education
Finance Fund LP
OMTRIX Inc.
Oficentro La Virgen No.2, Edificio 1, Piso 1
Zona Industrial de Pavas,
San José, Costa Rica

Custodian and Paying Agent

Banque dépositaire et agent de paiement

Banque et Caisse d'Épargne de l'État
1, place de Metz
L-2954 Luxembourg

Administrative Agent, Registrar and Transfer Agent

Administration centrale et agent de transfert

European Fund Administration S.A.
2, rue d'Alsace
L-1017 Luxembourg

Auditors // Réviseur d'entreprises agréé

KPMG Luxembourg, Société coopérative
39, Avenue John F. Kennedy
L-1855 Luxembourg

Legal Advisors // Conseiller légal

Elvinger Hoss Prussen
2, place Winston Churchill
L-1340 Luxembourg

Distributors // Distributeurs

Banque de Luxembourg S.A.
14, boulevard Royal
L-2449 Luxembourg

BGL BNP Paribas S.A.
50, avenue J.F. Kennedy
L-2951 Luxembourg

Banque Raiffeisen s.c.

4, rue Léon Laval
L-3372 Luxembourg

Fortuna Banque s.c.

130, boulevard de la Pétrusse
L-2330 Luxembourg

Listing // Listing

On the Luxembourg Stock Exchange
Securities Official List (SOL)
www.bourse.lu/green

Foreign Currency Hedging Provider // Contrepartie de couverture de risque de change

MXF Solutions, Inc.
1050 17th St. NW, Suite 550
Washington DC, 20036
United States of America

Banque et Caisse d'Épargne de l'État
1, place de Metz
L-2954 Luxembourg

Identity numbers // Code d'identité

Class B shares
ISIN: LU0456966935
Bloomberg: LMDSVCB:LX
SIX: 10633787

Class C shares
ISIN: LU0456967404
Bloomberg: LMDSVCC:LX
SIX: 10633788

Unaudited financial statements

Etats financiers non révisés

// 1 **Statement of net assets** *État des actifs nets*

as at 30 Septembre 2019 // au 30 septembre 2019

Assets – Actif	Notes	EUR
Shares (and equity-type securities) in regional microfinance investment vehicles <i>Actions (et instruments similaires) dans des structures régionales d'investissements en microfinance</i>		1,082,941
Shares (and equity-type securities) in microfinance institutions and service providers <i>Actions (et instruments similaires) dans des institutions de microfinance et structures de support</i>		467,949
Loan agreements with microfinance institutions <i>Contrats de prêt avec des institutions de microfinance</i>	6, 8	33,426,899
Cash and savings at banks <i>Avoirs et épargne en banques</i>		4,333,084
Unrealised appreciation on swap contracts <i>Plus-value non réalisée sur contrat de swap</i>	5	200,439
Income receivable on portfolio <i>A recevoir sur le portefeuille</i>		997,732
Total assets Somme d'actifs		40,509,044



Ricardo Menendez grinds beans in his workshop before selling them.

Liabilities – <i>Passif</i>	Notes	EUR
Accrued expenses <i>Provision pour frais à payer</i>	7	500,224
Unrealised depreciation on forward foreign exchange contracts <i>Moins-value non réalisée sur contrats de change à terme</i>	5	503,939
Interest payable on bank accounts and term deposits <i>Intérêts à payer sur avoirs en banque et dépôts à terme</i>		13,704
Other payable & liabilities <i>Autres passifs</i>	7	3,709
Total liabilities Somme des passifs		1,021,576
Net assets at the end of the period <i>Actifs nets à la fin de la période</i>		39,487,468
A Class shares outstanding <i>Nombre d'actions en circulation de la Classe A</i>		131,347.257
Net asset value per A Class share <i>Valeur nette d'inventaire par action de la Classe A</i>		26.83
A _{bis} Class shares outstanding <i>Nombre d'actions en circulation de la Classe A_{bis}</i>		38,322.661
Net asset value per A _{bis} Class share <i>Valeur nette d'inventaire par action de la Classe A_{bis}</i>		25.73
B Class shares outstanding <i>Nombre d'actions en circulation de la Classe B</i>		193,542.397
Net asset value per B Class share <i>Valeur nette d'inventaire par action de la Classe B</i>		115.68
C Class shares outstanding <i>Nombre d'actions en circulation de la Classe C</i>		112,731.928
Net asset value per C Class share <i>Valeur nette d'inventaire par action de la Classe C</i>		111.67

// 2 Statement of operations and other changes in net assets État des opérations et des variations des actifs nets

from 1 April 2019 to 30 September 2019
du 1^{er} avril 2019 au 30 septembre 2019

Income – Revenus	Notes	EUR
Interest on microfinance loan agreements <i>Intérêts sur contrats de prêt en microfinance</i>		2,143,567
Net interest paid on swap contracts <i>Intérêts nets payés sur contrat swaps</i>		(912,237)
Net interest on microfinance loan agreements <i>Intérêts nets sur contrats de prêts en microfinance</i>		1,231,330
Commissions on microfinance loan agreements <i>Commissions sur contrats de prêts microfinance</i>		38,335
Other income <i>Autres produits</i>		1,454
Total income <i>Somme des revenus</i>		1,271,119
Expenses – Frais		
Advisory fees <i>Frais du conseiller en investissement</i>	3	279,403
Salary and wages of the fund management <i>Charges salariales de gestion du fonds</i>	3, 12	120,697
Custodian fees <i>Commission de la banque dépositaire</i>		18,765
Central administration costs <i>Frais de l'administration centrale</i>		18,828
Bank charges and other fees <i>Frais bancaires et charges liées</i>		17,823
Interest on bank accounts and term deposits <i>Intérêts bancaires et dépôts à termes</i>		9,794
Transaction fees <i>Frais de transaction</i>		2,500
Audit fees <i>Frais de révision</i>		14,161
Legal fees <i>Frais légaux</i>		5,377
Travel and representation fees <i>Frais de voyage et de représentation</i>		9,875
Rent & Information technology fees <i>Loyer et frais informatiques</i>		31,744
Other administrative costs <i>Autres charges administratives</i>	7	17,029
Total expenses <i>Total des frais</i>		545,996
Net investment income <i>Résultat net d'investissement</i>		725,123

The accompanying notes form an integral part of this report.

Net realised gain/(loss) <i>Bénéfice/(perte) net(te)</i>	Notes	EUR
On investments <i>Sur investissements</i>	6	(12,386)
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		(265,869)
On foreign currency transactions <i>Sur transactions en devises</i>		(174,436)
Realised result <i>Bénéfice/(perte) net(te) réalisé(e)</i>		(452,691)
Net variation of the unrealised gain/(loss) <i>Variation de la plus-value/(moins-value) nette non réalisée</i>		
<i>On investment portfolio / Sur portefeuille d'investissements</i>		
Variation of impairment on microfinance loans <i>Variation de provisions sur prêts microfinance</i>	6	(45,036)
Variation of valuation of equity investments <i>Variation de la valorisation des investissements en capital</i>		12,242
Variation due to changes in the foreign exchange rate <i>Variation due à l'évolution du taux de change</i>		509,657
Total variation on investment portfolio <i>Variation totale sur portefeuille d'investissements</i>		476,863
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		(120,212)
On cross-currency swap contracts <i>Sur contrats de swap de taux et change à terme</i>		(298,478)
On foreign exchange transactions <i>Sur transactions en devises</i>		5,332
Unrealised result <i>Bénéfice/(perte) net(te) non réalisé(e)</i>		63,505
Result of operations <i>Résultat net des opérations</i>		335,937
Subscriptions <i>Souscriptions</i>		1,270,455
Redemptions <i>Rachats</i>		(87,990)
Total changes in net assets <i>Variation globale de la valeur nette d'inventaire</i>		1,518,402
Total net assets at the beginning of the period <i>Valeur nette d'inventaire au début de la période</i>		37,969,066
Total net assets at the end of the period <i>Valeur nette d'inventaire à la fin de la période</i>		39,487,468

// 3 Statistical information Informations statistiques

as at 30 September 2019 // au 30 septembre 2019

Total net assets – Actifs nets EUR

As at 30/09/2019 39,487,468
Au 30/09/2019

Number of A Class shares – Nombre d'actions de la Classe A en circulation

Outstanding at the beginning of the period 131,347.257
Au début de la période

Issued during the period -
Émises durant la période

Redeemed during the period -
Rachetées durant la période

Outstanding at the end of the period 131,347.257
À la fin de la période

Net asset value per A Class share Valeur nette d'inventaire par action de la Classe A

As at 30/09/2019 26.83
Au 30/09/2019

Number of A_{bis} Class shares – Nombre d'actions de la Classe A_{bis} en circulation

Outstanding at the beginning of the period 38,322.661
Au début de la période

Issued during the period -
Émises durant la période

Redeemed during the period -
Rachetées durant la période

Outstanding at the end of the period 38,322.661
À la fin de la période

Net asset value per A_{bis} Class share Valeur nette d'inventaire par action de la Classe A_{bis}

As at 30/09/2019 25.73
Au 30/09/2019

Number of B Class shares – *Nombre d'actions de la Classe B en circulation*

Outstanding at the beginning of the period <i>Au début de la période</i>	191,890.163
Issued during the period <i>Émises durant la période</i>	1,652.234
Redeemed during the period <i>Rachetées durant la période</i>	-
Outstanding at the end of the period <i>À la fin de la période</i>	193,542.397

Net asset value per B Class share
Valeur nette d'inventaire par action de la Classe B

As at 30/09/2019 <i>Au 30/09/2019</i>	115.68
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Number of C Class shares – *Nombre d'actions de la Classe C en circulation*

Outstanding at the beginning of the period <i>Au début de la période</i>	103,607.555
Issued during the period <i>Émises durant la période</i>	9,914.726
Redeemed during the period <i>Rachetées durant la période</i>	(790.353)
Outstanding at the end of the period <i>À la fin de la période</i>	112,731.928

Net asset value per C Class share
Valeur nette d'inventaire par action de la Classe C

As at 30/09/2019 <i>Au 30/09/2019</i>	111.67
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// 4 Statement of investments and other net assets État du portefeuille-titres et autres actifs nets

as at 30 September 2019 // au 30 septembre 2019

Instrument // Microfinance institution	Note	Country	Maturity	Currency	Quantity // Nominal value	Total value (in EUR)	% of NAV
Financial instruments not admitted to an official stock-exchange listing nor dealt in on another regulated market							
Investments in regional microfinance funds or similar entities							
Higher Education Finance Fund LP		USA	N/A	USD	1,292,627	1,082,941	2.7%
Shares (and equity-type securities) in microfinance institutions and service providers							
MFX Solutions LLC		USA	N/A	USD	187,090	284,496	0.7%
Loan agreements with microfinance institutions							
LETSHEGO Kenya LTD		KENYA	10/04/2020	KES	180,000,000	1,728,151	4.4%
EDPYME Alternativa S.A.		PERU	10/04/2020	PEN	5,900,000	1,670,173	4.2%
Cooperativa de Ahorro y Crédito 4 de Octubre		ECUADOR	11/04/2022	USD	1,500,000	1,438,498	3.6%
The Small Enterprise Foundation NPC (SEF)		SOUTH AFRICA	10/10/2019	ZAR	22,000,000	1,417,327	3.6%
Asociación Familia y Medioambiente OPDF - FAMA OPDF		HONDURAS	10/10/2019	HNL	30,000,000	1,190,544	3.0%
Maxima Microfinance Plc		CAMBODIA	10/04/2020	USD	1,000,000	956,935	2.4%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		ECUADOR	11/10/2021	USD	1,000,000	954,731	2.4%
EFC Uganda Limited MDI		UGANDA	11/04/2022	UGX	3,400,000,000	929,681	2.4%
Cooperativa de Ahorro y Crédito Norandino LTDA		PERU	10/01/2022	PEN	3,300,000	914,333	2.3%
MFO "Arnur Credit" LLP		KAZAKHSTAN	11/04/2022	KZT	320,000,000	826,564	2.1%
Sinapi ABA Savings & Loans Limited		GHANA	10/07/2021	GHS	4,600,000	820,018	2.1%
L'association pour la promotion de l'épargne crédit à base communautaire - BETHESDA		BENIN	10/04/2021	XOF	500,000,000	811,426	2.1%
Instituto para el Desarrollo Hondureño		HONDURAS	10/10/2020	HNL	20,000,000	795,487	2.0%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		ECUADOR	09/07/2021	USD	833,334	779,186	2.0%
Avanza Sólido, S.A. de C.V. SOFOM E.N.R		MEXICO	11/07/2022	MXN	16,000,000	767,215	1.9%
Óptima Servicios Financieros, S.A.		EL SALVADOR	10/01/2020	USD	750,000	700,091	1.8%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		GUATEMALA	10/04/2021	GTQ	5,550,000	698,139	1.8%
Koperasi Mitra Dhuafa - KOMIDA		INDONESIA	10/04/2021	IDR	10,000,000,000	689,658	1.8%
LLC Micro Credit Organization "OXUS"		TAJIKISTAN	12/04/2021	TJS	6,400,000	674,061	1.7%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		MEXICO	12/07/2021	MXN	14,000,000	673,984	1.7%
Action pour la coopération avec la microentreprise S.A. ACME		HAITI	10/04/2021	HTG	64,000,000	666,026	1.7%
Microfinance Company Saly Finance		KIRGYZSTAN	10/10/2019	USD	675,000	647,418	1.6%
Asociación de desarrollo integral Cuenca del Lago de Atitlan - ADICLA		GUATEMALA	11/04/2022	GTQ	5,000,000	633,280	1.6%
EBO Co-operative Savings & Credit Society LTD		UGANDA	10/10/2021	UGX	2,131,000,000	582,762	1.5%
Asociación para el Desarrollo Integral de San Antonio Ilotenango		GUATEMALA	12/07/2021	GTQ	4,400,000	536,982	1.4%
ACTB Savings and Loans LTD		SIERRA LEONE	11/01/2021	SLL	5,100,000,000	522,487	1.3%
Société d'investissement pour la promotion des entreprises à Madagascar - SIPEM Banque		MADAGASCAR	12/07/2021	EUR	500,000	503,972	1.3%
Bimas Kenya Limited		KENYA	11/07/2022	KES	55,000,000	498,769	1.3%
Proyectos y Iniciativas Locales para el Autodesarrollo Regional de Honduras OPDF		HONDURAS	10/07/2020	USD	525,000	490,064	1.2%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		ECUADOR	11/10/2021	USD	500,000	477,365	1.2%
Empresa para el apoyo y desarrollo de la micro y pequeña empresa urbana y rural (MICREDITO) S.A.		NICARAGUA	10/04/2021	USD	500,000	476,263	1.2%
Adel Microcréditos S.A. de C.V.		HONDURAS	11/01/2021	HNL	12,300,000	474,360	1.2%
ACEP-Burkina SA		BURKINA FASO	10/01/2021	XOF	300,000,000	471,038	1.2%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		ECUADOR	12/07/2021	USD	500,000	467,772	1.2%

The accompanying notes form an integral part of this report.

Instrument // Microfinance institution	Note	Country	Maturity	Currency	Quantity // Nominal value	Total value (in EUR)	% of NAV
Microcredit Company Bailyk Finance		KIRGYZSTAN	10/01/2021	KGS	34,000,000	464,511	1.2%
Financiera Fundeser S.A.	6	NICARAGUA	12/06/2020	USD	600,000	427,062	1.1%
La Sociedad Cooperativa PADECOMSMCREDITO de RL de CV		EL SALVADOR	10/01/2022	USD	450,000	420,290	1.1%
Uganda Microcredit Foundation Limited		UGANDA	11/10/2021	UGX	1,500,000,000	413,076	1.1%
Financiación Amiga S.A.S.		COLOMBIA	11/04/2022	COP	1,440,000,000	407,971	1.0%
Attadamoune Micro-Finance		MOROCCO	11/01/2021	EUR	400,000	405,922	1.0%
LLP Microfinance Organization "BEREKE"		KAZAKHSTAN	10/01/2022	KZT	160,000,000	395,408	1.0%
LLP Microfinance Organization "BEREKE"		KAZAKHSTAN	11/07/2022	KZT	160,000,000	391,416	1.0%
OXUS Micro-Credit Company		KIRGYZSTAN	11/07/2022	USD	400,000	366,905	0.9%
Fundenuse, S.A.		NICARAGUA	10/10/2021	USD	375,000	357,197	0.9%
LAPO Microfinance Company Limited		SIERRA LEONE	11/10/2021	USD	360,000	344,496	0.9%
Cooperative des Membres Unis Bethel Actions (COMUBA)		BENIN	10/04/2020	XOF	200,000,000	324,795	0.8%
ACEP-Burkina SA		BURKINA FASO	31/01/2023	XOF	200,000,000	316,604	0.8%
Fundación para el desarrollo integral de programas socioeconómicos FUNDAP		GUATEMALA	10/10/2019	USD	300,000	286,089	0.7%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		GUATEMALA	11/04/2022	USD	280,000	269,418	0.7%
Baobab Microfinance Company Limited		GHANA	11/10/2021	GHS	1,400,000	267,275	0.7%
FINCA Haïti S.A.		HAITI	09/10/2020	HTG	23,000,000	241,989	0.6%
Fundenuse, S.A.		NICARAGUA	10/04/2021	USD	250,000	238,132	0.6%
Moris Rasik Foundation		TIMOR LESTE	12/07/2021	USD	250,000	233,233	0.6%
Microcredit Organization "FURUZ"		TAJIKISTAN	11/04/2022	EUR	200,000	207,836	0.5%
FINCA Haïti S.A.		HAITI	10/07/2020	HTG	20,000,000	200,148	0.5%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		GUATEMALA	12/07/2021	USD	200,000	186,879	0.5%
OXUS Micro-Credit Company		KIRGYZSTAN	10/01/2020	USD	170,000	158,865	0.4%
ECLOF Colombia SAS		COLOMBIA	10/04/2020	COP	547,500,000	154,396	0.4%
"Trust-Union" Micro-credit Company		KIRGYZSTAN	08/10/2021	USD	150,000	143,540	0.4%
Fie Gran Poder S.A.		ARGENTINA	10/07/2020	ARS	7,275,000	123,120	0.3%
ECLOF Colombia SAS		COLOMBIA	10/10/2020	COP	435,000,000	122,671	0.3%
Fundación Pro Mujer Argentina		ARGENTINA	10/04/2021	ARS	6,000,000	108,024	0.3%
Fundación Pro Mujer Argentina		ARGENTINA	10/10/2020	ARS	4,600,000	82,589	0.2%
Oportunidad Microfinanciera Latinoamericana OMLA, S.A.		ARGENTINA	10/07/2020	ARS	3,900,000	66,073	0.2%
Cooperativa de Ahorro y Crédito Microfinanzas Prisma		PERU	10/07/2020	USD	66,666	62,369	0.2%
Fie Gran Poder S.A.		ARGENTINA	10/10/2020	ARS	3,300,000	59,502	0.2%
Cooperativa de Ahorro y Crédito Microfinanzas Prisma		PERU	10/01/2020	USD	43,334	40,541	0.1%
Sub-total						36,540,539	92.5%
Net accrued interest on swap contract						(748,472)	(1.9%)
Sub-total						35,792,067	90.6%
Cash at banks, term deposits and savings accounts						4,333,019	11.0%
Other net assets / liabilities						(637,618)	(1.6%)
Total net assets						39,487,468	100.0%

// 5 Breakdown of microfinance investments and evolution of NAV Répartition des investissements en microfinance et évolution de la VNI

/ Total exposure per counterparty as at 30 September 2019 /
Exposition agrégée par contrepartie au 30 septembre 2019

Aggregated exposure to	Notes	Amount (EUR)	% of total net assets
LETSHEGO Kenya LTD		1,728,151	4.4%
EDPYME Alternativa S.A.		1,670,173	4.2%
Cooperativa de Ahorro y Crédito 4 de Octubre		1,438,498	3.6%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		1,422,503	3.6%
The Small Enterprise Foundation NPC (SEF)		1,417,327	3.6%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		1,256,551	3.2%
Asociación Familia y Medioambiente OPDF - FAMA OPDF		1,190,544	3.0%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		1,154,436	2.9%
Higher Education Finance Fund LP		1,082,941	2.7%
Maxima Microfinance Plc		956,935	2.4%
EFC Uganda Limited MDI		929,681	2.4%
Cooperativa de Ahorro y Crédito Norandino LTDA		914,333	2.3%
MFO "Arnur Credit" LLP		826,564	2.1%
Sinapi ABA Savings & Loans Limited		820,018	2.1%
L'association pour la promotion de l'épargne crédit à base communautaire - BETHESDA		811,426	2.1%
Instituto para el Desarrollo Hondureño		795,487	2.0%
ACEP-Burkina SA		787,642	2.0%
LLP Microfinance Organization "BEREKE"		786,824	2.0%
Avanza Sólido, S.A. de C.V. SOFOM E.N.R		767,215	1.9%
Óptima Servicios Financieros , S.A.		700,091	1.8%
Koperasi Mitra Dhuafa - KOMIDA		689,658	1.7%
LLC Micro Credit Organization "OXUS"		674,061	1.7%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		673,984	1.7%
Action pour la coopération avec la microentreprise S.A. ACME		666,026	1.7%
Microfinance Company Salym Finance		647,418	1.6%
Asociación de desarrollo integral Cuenca del Lago de Atitlan - ADICLA		633,280	1.6%
Fundenuse, S.A.		595,329	1.5%
EBO Co-operative Savings & Credit Society LTD		582,762	1.5%
Asociación para el Desarrollo Integral de San Antonio Ilontenango		536,982	1.4%
OXUS Micro-Credit Company		525,770	1.3%
ACTB Savings and Loans LTD		522,487	1.3%
Société d'investissement pour la promotion des entreprises à Madagascar - SIPEM Banque		503,972	1.3%
Bimas Kenya Limited		498,769	1.3%
Proyectos y Iniciativas Locales para el Autodesarrollo Regional de Honduras OPDF		490,064	1.2%
Empresa para el apoyo y desarrollo de la micro y pequeña empresa urbana y rural (MICREDITO) S.A.		476,263	1.2%
Adel Microcréditos S.A. de C.V.		474,360	1.2%
Microcredit Company Bailyk Finance		464,511	1.2%
FINCA Haïti S.A.		442,137	1.1%
Financiera Fundeser S.A.	6	427,062	1.1%
La Sociedad Cooperativa PADECOMSMCREDITO de RL de CV		420,290	1.1%
Uganda Microcredit Foundation Limited		413,076	1.0%
Financiación Amiga S.A.S.		407,971	1.0%
Attadamoune Micro-Finance		405,922	1.0%
LAPO Microfinance Company Limited		344,496	0.9%
Cooperative des Membres Unis Bethel Actions (COMUBA)		324,795	0.8%

The accompanying notes form an integral part of this report.

Aggregated exposure to	Notes	Amount EUR	% of total net assets
Fundación para el Desarrollo Integral de Programas Socioeconómicos FUNDAP		286,089	0.7%
MFX Solutions LLC		284,496	0.7%
ECLOF Colombia SAS		277,067	0.7%
Baobab Microfinance Company Limited		267,275	0.7%
Moris Rasik Foundation		233,233	0.6%
Microcredit Organization "FURUZ"		207,836	0.5%
Fundación Pro Mujer Argentina		190,613	0.5%
Fie Gran Poder S.A.		182,622	0.5%
"Trust-Union" Micro-credit Company		143,540	0.4%
Cooperativa de Ahorro y Crédito Microfinanzas Prisma		102,910	0.3%
Oportunidad Microfinanciera Latinoamericana OMLA, S.A.		66,073	0.2%
Total Portfolio		36,540,539	92.5%
Average exposure by microfinance institution		652,510	1.7%

/ Geographical breakdown of microfinance investments as at 30 September 2019
Répartition géographique des investissements en microfinance au 30 septembre 2019

Geographical classification	Notes	Amount (EUR)	% of total net assets
ECUADOR		4,117,551	10.4%
HONDURAS		2,950,456	7.5%
PERU		2,687,416	6.8%
GUATEMALA		2,610,786	6.6%
KENYA		2,226,920	5.6%
UGANDA		1,925,519	4.9%
KIRGYZSTAN		1,781,239	4.5%
KAZAKHSTAN		1,613,388	4.1%
NICARAGUA		1,498,655	3.8%
MEXICO		1,441,199	3.6%
SOUTH AFRICA		1,417,327	3.6%
USA		1,367,437	3.5%
BENIN		1,136,221	2.9%
EL SALVADOR		1,120,381	2.8%
HAITI		1,108,163	2.8%
GHANA		1,087,293	2.8%
CAMBODIA		956,935	2.4%
TAJKIKISTAN		881,897	2.2%
SIERRA LEONE		866,983	2.2%
BURKINA FASO		787,642	2.0%
INDONESIA		689,658	1.7%
COLOMBIA		685,038	1.7%
MADAGASCAR		503,972	1.3%
ARGENTINA		439,308	1.1%
MOROCCO		405,922	1.0%
TIMOR LESTE		233,233	0.6%
Total Portfolio		36,540,539	92.5%
Average exposure by country		1,405,405	3.6%



Eduarda Hernandez in her bakery.

/Breakdown of microfinance investments by currency as at 30 September 2019
Répartition des investissements en microfinance par devise au 30 septembre 2019

Geographical classification	Amount (EUR)	% of total net assets
United States dollar	12,290,775	31.1%
Peruvian Sol	2,584,506	6.5%
Honduran lempira	2,460,392	6.2%
Kenyan shilling	2,226,920	5.6%
Ugandan shilling	1,925,519	4.9%
West African CFA franc	1,923,863	4.9%
Guatemalan quetzal	1,868,400	4.7%
Kazakhstani tenge	1,613,388	4.1%
Mexican peso	1,441,199	3.6%
South African rand	1,417,327	3.6%
Euro	1,117,731	2.8%
Haitian gourde	1,108,163	2.8%
Ghanaian cedi	1,087,293	2.8%
Indonesian rupiah	689,658	1.7%
Colombian peso	685,038	1.7%
Tajikistani somoni	674,061	1.7%
Sierra Leonean leone	522,487	1.3%
Kyrgyzstani som	464,511	1.2%
Argentine peso	439,308	1.1%
Total Portfolio	36,540,539	92.5%
Average exposure by currency	1,923,186	4.9%

/Evolution of the net asset value per share
Évolution de la valeur nette d'inventaire par action

in EUR <i>en EUR</i>	NAV/share as at 30/09/2019 <i>VNI/action au 30/09/2019</i>	NAV/share as at 31/03/2019 <i>VNI/action au 31/03/2019</i>	NAV/share as at 31/03/2018 <i>VNI/action au 31/03/2018</i>	Initial subscription price <i>Prix de souscription initial</i>
Class A shares <i>Actions de la Classe A</i>	26.83	26.68	26.29	25.00
Class A _{bis} shares* <i>Actions de la Classe A_{bis}*</i>	25.73	25.58	25.29	25.00
Class B shares <i>Actions de la Classe B</i>	115.68	114.56	112.27	100.00
Class C shares <i>Actions de la Classe C</i>	111.67	111.02	109.88	100.00

	Performance financial period 2018 - 19 <i>Rendement de la période 2018 - 19</i>	Performance financial year 2018 - 19 <i>Rendement de l'année 2018 - 19</i>	Performance financial year 2017 - 18 <i>Rendement de l'année 2017 - 18</i>	Performance since inception <i>Rendement depuis lancement</i>
Class A shares <i>Actions de la Classe A</i>	0.6%	1.5%	1.5%	7.3%
Class A _{bis} shares* <i>Actions de la Classe A_{bis}*</i>	0.6%	1.1%	1.2%	2.9%
Class B shares <i>Actions de la Classe B</i>	1.0%	2.0%	2.2%	15.7%
Class C shares <i>Actions de la Classe C</i>	0.6%	1.0%	1.4%	11.7%
Total net assets (EUR) <i>Actifs nets</i>	39,487,468	37,969,067	31,225,560	
Growth in total net assets <i>Croissance des actifs nets</i>	4.0%	21.6%	14.4%	

*Class A_{bis} shares have been issued for the first time on 30 June 2017.

// 6 Notes to the unaudited financial statements *Notes aux états financiers non révisés*

as at 30 September 2019 // au 30 septembre 2019

GENERAL INFORMATION

/ A Structure of the SICAV

The Luxembourg Microfinance and Development Fund (the "LMDF" or "Fund") is a compartment of the Investing for Development SICAV (the "SICAV").

The SICAV is an investment company organised as a public limited company (société anonyme) under the laws of the Grand Duchy of Luxembourg and qualified as a "société d'investissement à capital variable" (SICAV). The SICAV is internally managed and has been registered on 31 January 2014 by the CSSF as an Alternative Investment Fund Manager ("AIFM") falling under the de minimis rule of Article 3 of the Luxembourg law of 12 July 2013 ("AIFM Law").

The SICAV was incorporated in Luxembourg on 7 October 2009 with an initial capital of EUR 31,000 divided into 1,240 fully paid-up shares with no par value. The capital of the SICAV is equal at all times to its net assets. The Articles were published in the Mémorial on 2 November 2009 and the SICAV is registered under trade register number R.C.S B 148826. The SICAV is incorporated for an unlimited period.

The SICAV is an umbrella fund and as such may operate separate Sub-Funds, each of which is represented by one or more classes of shares (each, a "Class"). The Sub-Funds are distinguished by their specific investment policy or any other specific features. As at 31 March 2019, the SICAV had two Sub-Funds, the Forestry and Climate Change Fund and the Luxembourg Microfinance and Development Fund.

On 16 May 2017, the SICAV held an extraordinary general meeting of shareholders ("EGM"). The EGM adopted a number of amendments to the Articles of Incorporation, among them to change the name of the SICAV from Luxembourg Microfinance and Development Fund SICAV to Investing for Development SICAV and the name of the Sub-Fund from Social Venture Capital Sub-Fund to Luxembourg Microfinance and Development Fund.

/ B Structure of the LMDF

The Fund is authorised as an undertaking for collective investment ("UCI") under Part II of the law of 17 December 2010 relating to undertakings for collective investment (the "Law"). The Fund is an open-ended fund. Accordingly, the Fund is authorised to issue an unlimited number of shares, all of which are without par value.

The Fund may issue four classes of shares, namely

Class A shares, Class A_{bis} shares, Class B shares and Class C shares, each targeting different types of investors, evidencing a different level of risk, offering a target return and evidencing a different level of involvement in the Fund's governance. The initial subscription period for Class A and Class B shares ended on 18 December 2009. The initial subscription period for Class C shares ended on 31 March 2010. The initial subscription period for Class A_{bis} shares ended on 30 June 2017.

The base currency of the Fund is the Euro and the financial statements of the Fund are presented in Euro. The financial year of the Fund ends on 31 March of each year.

Copies of the Articles, the latest financial reports and the latest annual report may be obtained without cost on request from the Fund.

Copies of the material agreements mentioned in the Prospectus may be reviewed during normal business hours on any business day at the registered office of the Fund.

/ C Investment Objective

The Fund aims at contributing to the alleviation of poverty in developing countries through the provision of permanent and adapted financial services to marginalised communities and individuals. The Fund invests in promising microfinance institutions ("MFIs") that have a positive social impact so that these institutions reach financial autonomy. In pursuance of its objectives, the Fund may invest in MFIs, in networks or associations of MFIs, in regional funds, in microfinance investment vehicles ("MIVs") and in other microfinance-related products.

The Fund has two principal objectives, social and financial: (1) help socially-oriented MFIs to become long-term viable enterprises that reach more poor people and offer better services, and (2) generate sufficient income to sustain its own operations and give its shareholders a financial return that at least compensates for inflation.

The Fund invests primarily in various credit products such as senior loans, term deposits, promissory notes, bonds or other interest-bearing instruments. The Fund may invest up to 10% of its net assets in equity instruments.

The Fund invests in developing countries in Africa, Asia and Latin America.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

/ A Presentation of Financial Statements

The Fund invests a significant part of its assets in financial instruments denominated in currencies other than the Euro. Often, the Fund contracts cross-currency interest rate swaps or forward foreign exchange contracts to limit the exposure of the Fund to the movements of the foreign currency in relation to the Euro. In the case of debt instruments, the cost of hedging such exposure strongly influences the interest rate the Fund charges to microfinance institutions.

The interest income on microfinance loan agreements in the statement of operations and other changes in net assets includes the interest charges to microfinance institutions to cover the hedging costs of the respective currency. The impact of the valuation of the hedging instruments is presented in the net realised gain/loss and the variation of the unrealised gain/loss.

/ B Valuation of Financial Instruments

Debt instruments not listed or dealt in on any stock exchange or any other regulated market that operates regularly, is recognised and open to the public, will be valued at the nominal value. Accrued interest from microfinance loan agreements is presented separately. Such value will be adjusted, if appropriate, to reflect, for instance, major fluctuations in interest rates in the relevant markets or the appraisal by the Board of Directors of the credit worthiness of the relevant debt instrument.

Capital participations not listed or dealt in on any stock exchange or any other regulated market that operates regularly, is recognised and open to the public, will be valued at their reasonably foreseeable sales price, determined prudently and in good faith, pursuant to procedures established by the Board of Directors. Such procedures include, in order of preference:

- Up to the first year following the Sub-Fund's acquisition, the capital participations will be valued at cost;
- After the first year of holding, the value of the capital participation will be estimated with reference to prices of equity transactions or issues of new shares involving the same MFI within a reasonable period of the valuation date. Such a period is determined by an assessment of the Board of Directors of whether material changes within the MFI or in its operating environment have occurred since the date such transactions took place;
- If such transactions are not available or deemed not representative of fair value, the value of the capital participation should be estimated with reference to the price-to-book ratio at which the Sub-Fund

acquired the capital participation;

- If the Sub-Fund has entered negotiations to sell a capital participation to a third party, the capital participation may be valued at its expected sales price if the disclosure is judged appropriate by the Board of Directors in view of the ongoing negotiations. The value of any cash on hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest declared or accrued and not yet received is deemed to be the full amount thereof, unless the same is unlikely to be paid or received in full, in which case the value thereof is arrived at after making such discounts as may be considered appropriate in such a case to reflect the true value thereof.

The value of securities that are listed on any stock exchange or dealt in on any regulated, recognised, open to the public and regularly functioning market is based on the last available price.

The value of units or shares in UCIs is based on their last-stated net asset value. Other valuation methods may be used to adjust the price of these units or shares if, in the opinion of the Fund, there have been changes in the value since the net asset value had been calculated or the valuation method used by the UCIs is not appropriate to reflect the fair value thereof.

Cross-currency swaps or foreign forward exchange contracts that are materially linked to any underlying loan instrument are valued using the spot exchange rate for the notional. The difference between the spot and forward rates is amortised until the maturity of the instrument. Such valuation approach is changed if a credit risk materialises in the form of an impairment. The part of the SWAP or forward foreign exchange contract notional then exceeding the valuation of the underlying loan is valued using a mark to market approach, if the position cannot be closed.

The value of all assets and liabilities not denominated in the reference currency of a Sub-Fund will be translated into the reference currency of such Sub-Fund at the rate of exchange ruling in Luxembourg as at the relevant Valuation Day. If such quotations are not available, the rate of exchange will be determined in good faith by or under procedures established by the Board of Directors.

The Board of Directors, at its discretion, may permit some other methods of valuation to be used, if it considers that such valuation better reflects the fair value of any asset of the Fund.

/ C Allocation of Net Asset Value Among Share Classes

The preferential return to Class B shares is allocated if and only if the Sub-Fund's result of operations since the last valuation day, both with and without

impairment risk on microfinance, shows a profit.

In such a case, the net profit generated by the Sub-Fund since the last valuation day is first allocated to Class B shares until the first of the following is attained:

- The remuneration reaches the total net profit since last valuation;
- The equivalent of 1% p.a. interest on Class B shares' NAV.

The release of excess impairment provisions is not included in net profits allocated to Class B shares on a preferential basis.

The remaining profit, if any, is allocated among the three share Classes according to their respective proportions in the Sub-Fund's total NAV.

Microfinance Impairment Risk

Class A shares and Class A_{bis} shares shall cover the net loss allocated to Class C shares since the last valuation day, if such loss arises from the impairment of microfinance related investments, until Class A share capital is nil and Class A_{bis} capital is nil. Only a reduction in the Fund's microfinance investments resulting from the deterioration of the financial conditions of the counterparty is considered as a microfinance impairment.

The Fund reserves the right to suspend subscriptions in Class C shares within the Fund, if the NAV allocated to Class A shares plus Class A_{bis} shares is less than 20% of the combined NAV of Class C, Class A and Class A_{bis} shares.

/ D Dividends

The primary investment objective of the Fund is to achieve long-term growth. The Fund's operating plan in general does not contemplate payment of dividends to shareholders.

NOTE 2 SHARES

The Board is authorised, without limitation, to issue an unlimited number of fully paid-up shares at any time without reserving a preferential right to subscribe for the shares to be issued to the existing shareholders. The following share Classes are available for subscription, each targeting different types of investors evidencing a different level of risk, offering a different target return and involvement in the Fund's governance.

Class A shares:

Class A shares are reserved for subscription by the Luxembourg Government and such other investors as may be approved by the existing Class A shareholders. Class A shares entitle their holders to propose a common list of proposed directors for appointment to the Board by the General Meeting of shareholders. Class A shares are not redeemable.

- Risk profile: Junior
- Target return: Above inflation rate targeted by the ECB over the medium term

Class A_{bis} shares:

Class A_{bis} shares are open for subscription by philanthropic or other investors seeking a financial leverage on an investment with developmental impact. Class A_{bis} shares are junior and cover risks for Class C shares, yet senior to Class A shares. Class A_{bis} shares are redeemable subject to an 18 month notice period and the condition that after such redemption, the combined Net Asset Value of Class A and Class A_{bis} shares amounts to at least 25% of the sum of the Net Asset Values of Class A, A_{bis} and C Shares.

- Risk profile: Junior
- Target return: Above inflation rate targeted by the ECB over the medium term

Class B shares:

No restrictions for investors in Class B shares exist. Class B shares entitle their holders to earn a 1 percent p.a. higher return than Class A shares, Class A_{bis} shares and Class C shares to the extent possible.

- Risk profile: Mezzanine
- Target return: Above inflation rate targeted by the ECB over the medium term plus 1 percentage point p.a.

Class C shares:

Class C shares are reserved for subscription for private individuals and private non-profit organisations which are subject to the consent of the Board of Directors. Class C shares entitle their holders to avoid under certain conditions risks emanating from impairment of the microfinance investments of the Sub-Fund which will be covered by Class A shares and Class A_{bis} shares.

- Risk profile: Senior
- Target return: Above inflation rate targeted by the ECB over the medium term



Jose Nerilraheta Portillo and his cucumber plantation.

NOTE 3
ADVISORY FEES AND MANAGEMENT /
TEAM REMUNERATION

/ A Advisory fees

On 15 December 2009, the Fund concluded an investment advisory agreement with ADA - Appui au Développement Autonome a.s.b.l., amended on 1 October 2015.

Per the agreement the investment adviser is entitled to receive, out of the assets of the Fund, a yearly fee of:

- 1.5% p.a. of the Sub-Fund's average microfinance assets under advice plus 0.25% p.a. remuneration linked to the performance of the microfinance assets of the Fund if the assets managed by the adviser are below EUR 25 million and;
- 1.35% of the Sub-Fund's average microfinance assets under advice plus 0.25% p.a. remuneration linked to the performance of the microfinance assets of the Fund if the assets managed by the adviser exceed EUR 25 million.

Total investment advisory and portfolio related fees amount, for the period ended on 30 September 2019, to EUR 279,403 or 1.4% (annualised) of the average net asset value of the SICAV. Of the total investment advisory fees, EUR 63,430 are linked to the performance of the microfinance assets.

/ B Management/team remuneration

In consideration of the services rendered to the Fund, the Management and Support Team are entitled to receive remuneration that, together with the fee paid to the investment adviser(s), is at maximum 3% of the Sub-Fund's average net asset value per year.

From 1 April 2019 until 30 September 2019, the remuneration of the Management and Support Team amounted to 0.6% (annualised). Total remuneration paid to the investment adviser(s), and the Management and Support Team amounted to 2.1% (annualised) of the average net asset value of the SICAV.

NOTE 4
SUBSCRIPTION DUTY / "TAXE
D'ABONNEMENT"

The Fund is governed by Luxembourg tax law. Article 20 of the law of 18 December 2009 on the 2010 budget of the Luxembourg State and a Grand Ducal decree of 14 July 2010 abolished the "Taxe d'Abonnement" for funds investing in microfinance with effect on 1 January 2010. On 15 October 2010, the Commission de Surveillance du Secteur Financier ("CSSF") informed the Fund of their decision to include the Fund in the list of investment funds in compliance with such decree.

/ B Forward foreign exchange contracts

The Fund has also contracted foreign currency forwards to hedge currency exposures of the movements of the respective currencies in relation to EUR. The counterparties for trades in relation to such hedges are the Banque et Caisse d'Épargne de l'État and MFX.

Forward foreign exchange contracts							
In relation to loan with MFI	Currency purchased	Amount purchased	Currency sold	Amount sold	Maturity date	Unrealised appreciation / (depreciation), (in EUR)	Remaining amortisation of notional until maturity (in EUR)
COMUBA	EUR	251,572	XOF	200,000,000	10/04/2020	(54,437)	9,154
ECLOF Colombia SAS	EUR	103,346	COP	435,000,000	13/10/2020	(11,334)	7,630
Fie Gran Poder S.A.	EUR	91,197	ARS	3,300,000	13/10/2020	38,641	24,267
Fundación Pro Mujer Argentina	EUR	138,481	ARS	4,600,000	13/10/2020	65,221	29,367
The Small Enterprise Foundation NPC (SEF)	EUR	1,165,223	ZAR	22,000,000	10/10/2019	(165,756)	2,340
The Small Enterprise Foundation NPC (SEF) - Interests 10/10/19	EUR	79,963	ZAR	1,509,750	10/10/2019	(11,243)	N/A
ACEP-Burkina SA	EUR	275,862	XOF	200,000,000	10/01/2020	(30,147)	3,723
Fundación Pro Mujer Argentina	EUR	138,118	ARS	6,000,000	09/04/2021	42,561	48,926
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R. - Interests 10/01/20	EUR	45525	MXN	1,123,422	10/01/2020	(5,613)	N/A
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R. - Interests 11/01/21	EUR	31,489	MXN	842,567	11/01/2021	(4,443)	N/A
FINCA Haïti S.A.	EUR	190,749	HTG	20,000,000	10/07/2020	(55)	25,425
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R. - Interests 10/07/20	EUR	43,250	MXN	1,111,211	10/07/2020	(5,668)	N/A
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.	EUR	136,224	MXN	3,500,000	10/07/2020	(26,454)	10,053
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R. - Interests 12/07/21	EUR	30,263	MXN	837,988	12/07/2021	(4,373)	N/A
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.	EUR	379,193	MXN	10,500,000	12/07/2021	(108,843)	63,403
ECLOF Colombia SAS	EUR	144,688	COP	547,500,000	08/04/2020	349	17,229
Loans in USD	EUR	12,029,341	USD	13,600,000	10/10/2019	(438,177)	N/A
Avanza Sólido, S.A. de C.V. SOFOM E.N.R - Interests 10/01/20	EUR	52,012	MXN	1,177,400	10/01/2020	(1,481)	N/A
Avanza Sólido, S.A. de C.V. SOFOM E.N.R	EUR	441,719	MXN	12,000,000	11/07/2022	(116,036)	104,084
Avanza Sólido, S.A. de C.V. SOFOM E.N.R - Interests 11/07/22	EUR	33,052	MXN	897,900	11/07/2022	(1,329)	N/A
Avanza Sólido, S.A. de C.V. SOFOM E.N.R	EUR	157,451	MXN	4,000,000	12/07/2021	(28,467)	24,233
Avanza Sólido, S.A. de C.V. SOFOM E.N.R - Interests 12/07/21	EUR	46,865	MXN	1,190,600	12/07/2021	(1,793)	N/A
Avanza Sólido, S.A. de C.V. SOFOM E.N.R - Interests 10/07/20	EUR	50,762	MXN	1,197,200	10/07/2020	(1,678)	N/A
Avanza Sólido, S.A. de C.V. SOFOM E.N.R - Interests 11/01/21	EUR	49,448	MXN	1,210,300	11/01/2021	(1,734)	N/A
Avanza Sólido, S.A. de C.V. SOFOM E.N.R - Interests 10/01/22	EUR	34,424	MXN	907,700	10/01/2022	(1,483)	N/A
Sub-total						(873,773)	369,834
Total							(503,939)



Cattle farming is also an activity financed by Óptima, like Joovani Guardado Chavez's farm

NOTE 6

IMPAIRMENTS AND WRITE-OFFS OF MICROFINANCE LOANS

The position in ASUSU S.A. is no longer considered part of the portfolio following the activation of country risk insurance on 18th April 2019 (Note 8), The exit of ASUSU S.A. from the portfolio is reflected in the EUR 12,386 realised loss.

The Fund continues to monitor the political and economic situation in Nicaragua closely. In view of deteriorations within the MFI Financiera Fundeser ("Fundeser") and following amendments to the original Intercreditor Agreement, the Board decided to increase their provision from 15% to 25% over the remaining USD 600,000 position. This has resulted in an increase in the provision on the position amounting to EUR 57,432.

Variation of impairments on microfinance loans	Unrealised gain/loss	
	31/03/2019	31/09/2019
Microfinance institution		
Asusu S.A.	(12,396)	-
Financiera Fundeser S.A.	(80,157)	(137,589)
Total	(92,553)	(137,589)
Net variation of impairments		(45,036)

NOTE 7
DETAILS OF EXPENSES, ACCRUED CHARGES AND OTHER ASSETS

As at the reporting date, accrued and payable expenses consisted of the following (in EUR):

Investment advisory fees	215,973
Investment related fees to the investment adviser	209,114
Administration fees	38,717
Transaction related fees due to the administrator	14,000
Audit fees	12,471
Transfer agency fees	8,108
Legal fees	8,049
Custodian fees	7,508
Wages and salaries	5,609
Custodian fees on forward	3,709
Transaction related fees due to the custodian	3,000
VAT services fees	2,654
Domiciliation fees	1,875
Information technology expenses	1,457
Other fees	1,418
Representation fees	1,395
CSSF fees	(1,000)
VAT	(30,125)
Total	503,933

For the reporting period, other administrative costs consisted of the following (in EUR):

Post & Communication	8.141
Membership fees	5.048
Others fees	2.007
CSSF annual fee	2.000
Board committees expenses	435
VAT services	(603)
Total	17,029



Maria Reine Romero has a family business and sells building materials.

NOTE 8
COUNTRY RISK INSURANCE

In view of reducing the exposure to risks inherent in certain countries, the Fund may contract “Assurances des Investissements” insurance policies from the Luxembourg Office du Ducroire. Such insurance was contracted in the case of ASUSU S.A., Niger to cover the risks of war and “effet du prince” Following the difficulties in Niger, the insurance became active on 18th April 2019 and LMDF received a 90% repayment on the outstanding position, which, as of the date of the activation of the insurance, is no longer considered to be part of the portfolio.

NOTE 9
ASSET – LIABILITY RISK MITIGATION

The Fund grants loans with maturities from 2 – 5 years to microfinance institutions. On 19th February 2016 the Fund has contracted a EUR 500,000 stand-by credit line with the Banque et Caisse d’Epargne de l’Etat to manage the asset-liability mismatch between assets and potential quarterly liquidity requirements for share redemptions. The Board of Directors decided that the sole purpose of the credit line is to honour redemption requests which may exceed the minimum 10% liquid asset threshold the Fund’s Prospectus foresees. The credit line may not be used to finance investments in microfinance institutions. The Fund’s investment portfolio is pledged as a guarantee for this credit line.

NOTE 10
TOTAL EXPENSE RATIO

Average net asset value during the period (in EUR)	38,846,376
Total expenses for the period (in EUR)	545,996

Total expense ratio (annualised)	2.8%
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NOTE 11 FOREIGN EXCHANGE RATES

The principal exchange rates rounded to two decimals applied at the reporting date are as follows:

1 EUR =	62.79	ARS	Argentine peso
1 EUR =	3,793.16	COP	Colombian peso
1 EUR =	5.93	GHS	Ghanaian cedi
1 EUR =	8.43	GTQ	Guatemalan quetzal
1 EUR =	26.83	HNL	Honduran lempira
1 EUR =	104.82	HTG	Haitian gourde
1 EUR =	15,475.46	IDR	Indonesian rupiah
1 EUR =	113.22	KES	Kenyan shilling
1 EUR =	76.11	KGS	Kyrgyzstani som
1 EUR =	423.08	KZT	Kazakhstani tenge
1 EUR =	21.51	MXN	Mexican peso
1 EUR =	36.58	NIO	Nicaragua Cordoba
1 EUR =	3.69	PEN	Peruvian Sol
1 EUR =	56.52	PHP	Philippines Piso
1 EUR =	10,294.62	SLL	Sierra Leonean leone
1 EUR =	33.35	THB	Thai Baht
1 EUR =	10.56	TJS	Tajikistani somoni
1 EUR =	4,015.20	UGX	Ugandan shilling
1 EUR =	1.09	USD	United States dollar
1 EUR =	653.57	XOF	West African CFA franc
1 EUR =	16.53	ZAR	South African rand

NOTE 12 STAFF

The share-based bonus relates to Class B Shares only. The table only considers the bonus allocated to the Luxembourg Microfinance and Development Fund.

In accordance with CSSF Circular 10/437 some employees are considered as key employees. Key employees receive at least 50% of their bonus in shares blocked during a three-year vesting period.

The share-based bonus relates to Class B Shares only. The table only considers the bonus allocated to the Luxembourg Microfinance and Development Fund:

	Performance period	
	2017/18	2018/19
Share-based bonus (number of shares)	182,640	205,347
Shares blocked until	30/06/2021	30/06/2022
Cash-based bonus	8,485	7,397.4



NOTE 13
COMMITMENTS

/ A Commitments of shareholders to subscribe shares

As at the reporting date, the Fund has no outstanding commitments from shareholders to invest in the Fund.

/ B Commitments of the Fund to invest

As at the reporting date, the Fund has no outstanding commitments to invest in financial instruments.

NOTE 14
RELATED PARTY TRANSACTIONS

The Fund considers each shareholder controlling 20% or more of total voting rights or any entity forming part of the key management of the Fund, including its directors, as a related party. During the reporting year, the Fund conducted the following material transactions with related parties, excluding subscription of shares and commitments to subscribe for shares in the future:

- The Fund has concluded an investment advisory agreement with ADA with the remuneration structure disclosed in Note 3.

- The Fund also sub-leases an office and certain services in the “Maison de la Microfinance”, a building leased by ADA at 39, rue Glesener, Luxembourg. The Board of Directors of the Fund estimate the rent to correspond to a rent agreed in an arm’s length transaction with an unrelated party.

NOTE 15
SHARE TRANSACTIONS OF DIRECTORS

One Director of the Fund has acquired 205.347 Class B shares with the June 2019 net asset value as disclosed in Note 12.

One Director of the Fund has acquired 135 Class C shares with the September 2019 net asset value.

NOTE 16
SUBSEQUENT EVENTS

No material event occurred impacting the annual audited report of the Luxembourg Microfinance and Development Fund during the period between the reporting date and 25 November 2019.



Maria Elizabeth Gonzales Vides has a small shop where she sells fresh fruit and vegetables.

Imprint

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