



## Microfinance shows resilience phased with Covid-19

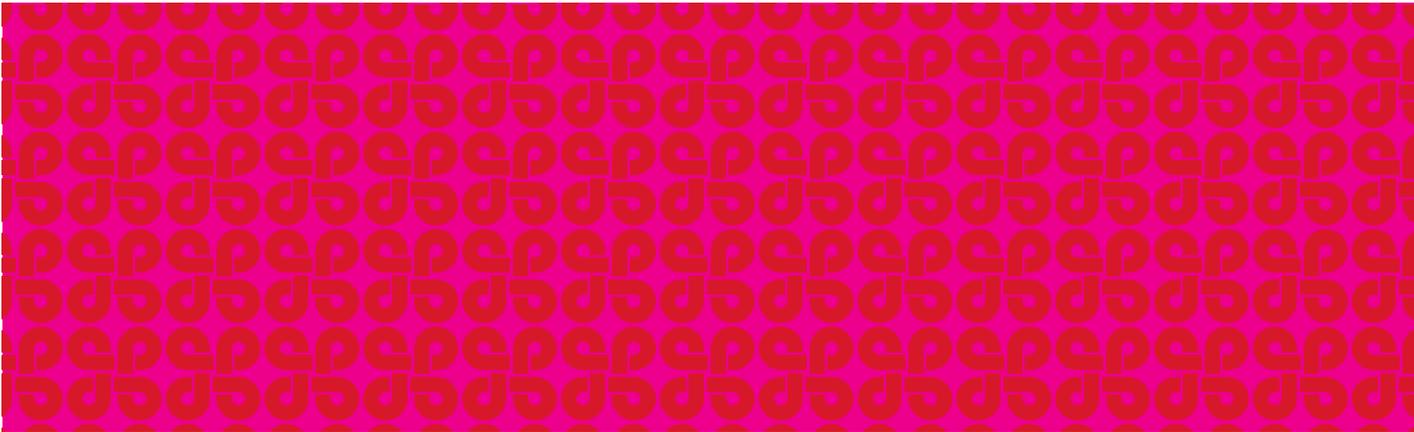
Focus on LAPO Microfinance Company in Sierra Leone

Audited annual report as at 31 March 2021

*Rapport annuel révisé au 31 mars 2021*



Luxembourg Microfinance  
and Development Fund



In collaboration with



THE GOVERNMENT  
OF THE GRAND DUCHY OF LUXEMBOURG  
Ministry of Finance



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](http://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**

LMDF obtained the:



LMDF rated "A" by:



LMDF is included in:



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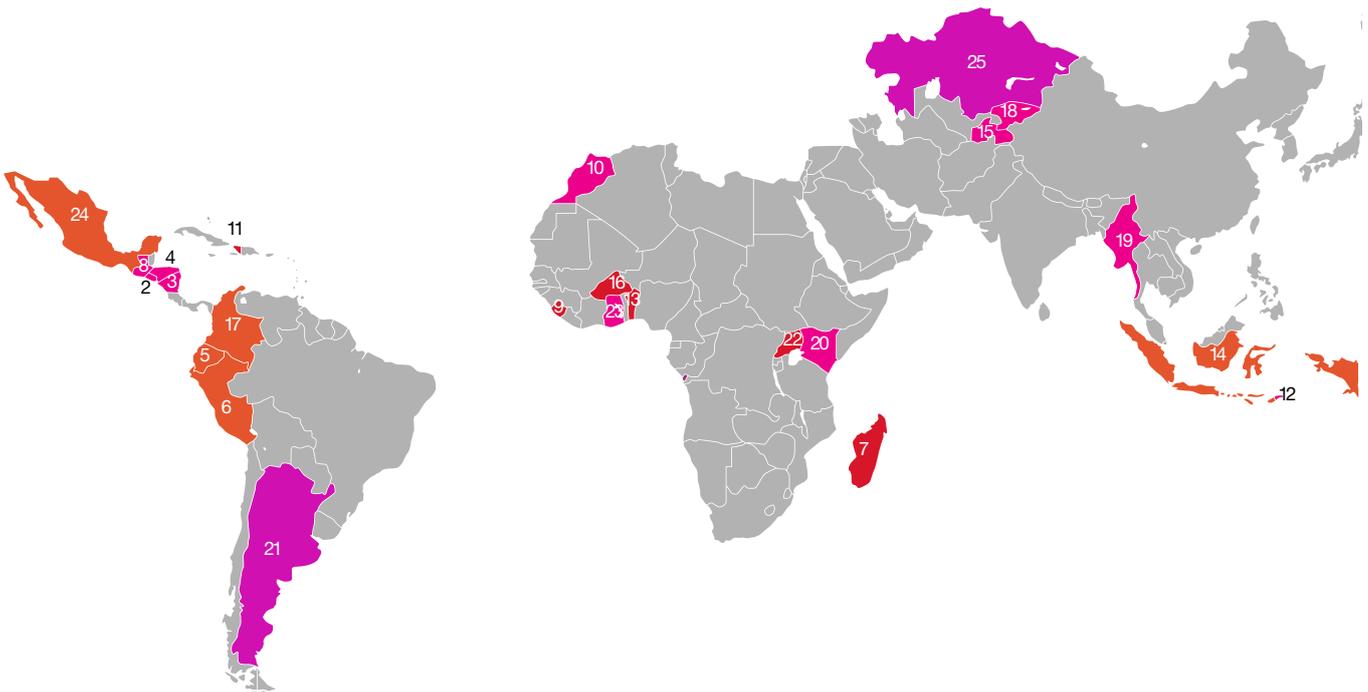
## LMDF in figures // en chiffres

31 March 2021 // 31 mars 2021

<b>EUR 31.7 million</b> Investments in microfinance	<b>62%</b> Women
<b>51</b> Microfinance institutions financed directly	<b>15,189</b> Employees of partner MFIs
<b>1</b> Regional fund	<b>55,721</b> Micro-entrepreneurs financed by LMDF
<b>25</b> Countries	<b>1,248</b> Number of university students financed
<b>1</b> Service provider	<b>50%</b> Micro-loans for services and small trade
<b>46%</b> Latin America	<b>23%</b> Agricultural activities
<b>26%</b> Sub-Saharan and North Africa	<b>10%</b> Production and crafts
<b>25%</b> Southeast and Central Asia	<b>17%</b> Other uses
<b>3%</b> Developed countries	<b>EUR 598,126</b> Average exposure per MFI
<b>68%</b> Financing in local currency of MFI country	<b>4.0%</b> Twelve month return Class A shares
<b>2.2 million</b> Micro-entrepreneurs financed by partner MFIs	<b>1.6%</b> Twelve month return Class A <sub>bis</sub> shares
<b>EUR 883 million</b> Total micro-loan portfolio of partner MFIs	<b>2.3%</b> Twelve month return Class B shares
<b>EUR 1,338</b> Average micro-loan	<b>1.0%</b> 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 31<sup>st</sup> December 2020 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 Burkina Faso |
| 2 El Salvador  | 17 Colombia     |
| 3 Nicaragua    | 18 Kyrgyzstan   |
| 4 Honduras     | 19 Myanmar      |
| 5 Ecuador      | 20 Kenya        |
| 6 Peru         | 21 Argentina    |
| 7 Madagascar   | 22 Uganda       |
| 8 Guatemala    | 23 Ghana        |
| 9 Sierra Leone | 24 Mexico       |
| 10 Morocco     | 25 Kazakhstan   |
| 11 Haiti       |                 |
| 12 Timor Leste |                 |
| 13 Benin       |                 |
| 14 Indonesia   |                 |
| 15 Tajikistan  |                 |

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

The year began with all staff looking out of their home office windows and ended in a similar way, but although the view may not have changed much, our outlook is now very different. The small size of our Fund has enabled us to be nimble and flexible and to switch between a focus on risk management, in the first half of the year, to a focus on investment, in the second half (H2), when the impact of COVID-19<sup>1</sup> became clearer, and our partner institutions (MFIs) were again seeking new investments. We go into the new year cautiously optimistic: although COVID-19 related challenges are not over, it is apparent that financing to support poverty alleviation is now needed more than ever.

The pandemic has certainly had an impact on our portfolio. Provisions peaked in June at 2.8% of the portfolio, but have now come down to 1.8%, and EUR 73k has been written-off as a result of COVID related losses (this includes a write-off on a position which occurred shortly after financial year end and which is detailed in Note 16: Subsequent Events of the LMDF sub-fund). During this time, our priority has been to support our MFIs in the most appropriate way possible and the Fund completed 21 agreements with MFIs to support their liquidity management during this time. We have also been pleased to be a launch signatory of the Key principles to protect MFIs and their clients in the Covid-19 crisis. This led to a very eventful year for the Risk Committee, although requests for Covid-19 related support slowed in H2.

Yet it is not only the Risk Committee that has had a significant year. Although, in accordance with COVID-19 restrictions, changes have had to be made to our operating practices, it is very apparent that institutions need new financing to help with economic recovery. In the latter part of

the year, the Fund disbursed EUR 7m through 13 transactions and has a strong pipeline ahead. We continue to work with institutions which have a strong focus on social impact. Despite the upheaval of the Pandemic, it is clear that social visions remain at the heart of MFI actions. LMDF published its third social performance report which is especially significant at a time of substantial change in operating environments, when MFIs are adopting new practices and ways of working. This report serves to demonstrate the extent of the Fund's impact – it has now reached over 296,000 micro-entrepreneurs, with over two thirds living in Low or Medium HDI countries.

We are very thankful to our shareholders and their support during this uncertain period. Even during these challenging times, the Fund saw its net assets increasing by 7.6% to EUR 44m; this will enable us to increase our work with micro-entrepreneurs in fragile countries, at a time when financing is most needed. The Net Asset Value (NAV) per Class C share increased by 1.0%, per Class B share by 2.3%: performance in-line with industry trends.

This support enables us to go into the new financial year with the ability to provide MFIs with fresh funds just when they are needed. Later in the report, you can learn about LAPO in Sierra Leone and see how microfinance can contribute to rebuilding economies. This is a very significant lesson for 2021. The Fund has ambitious portfolio growth targets for the year: prioritising existing partnerships, while operating and travel conditions remain challenging, but covering new geographies and further MFI+ institutions as restrictions begin to be lifted.

## **Corporate governance**

The Board of Directors has selected and retained



LAPO is a pro-poor financial institution committed to the social and economic empowerment of low-income households // LAPO, Sierra Leone

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 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.

Over this year, we have seen a different way in which size matters – as a small institution we have been able to be flexible and nimble and adapt from a risk management phase to a heavy phase of disbursement. This flexibility will continue to be an advantage as we disburse financing to our innovative and exciting pipeline during the year ahead.

Finally, "If a free society cannot help the many who are poor, it cannot save the few who are rich!"  
*John F. Kennedy.*

The Board of Directors  
15 June 2021

Raymond Schadeck  
Chairman

<sup>1</sup> COVID-19 refers to Severe acute respiratory syndrome coronavirus 2. It is also referred to as COVID, SARS-CoV-2 Virus or Coronavirus in this report.



## 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 fonds présente ses activités au cours de l'exercice du 1<sup>er</sup> avril 2020 au 31 mars 2021. Cet exercice correspond à la période au cours de laquelle le virus SARS-CoV-2 a provoqué une pandémie mondiale et a fortement influencé la vie des clients des institutions de microfinance (IMF), des IMF et du fonds lui-même.*

*Après une période initiale de forte incertitude et l'arrêt de l'activité d'investissement, le conseil d'administration du LMDF a adopté en octobre 2020 une stratégie d'investissement pour soutenir les micro-entrepreneurs. Au cours de cette première période, le Fonds a accumulé des liquidités importantes car la plupart des IMF ont effectué leurs paiements à temps.*

*La mise en œuvre de la stratégie a été pilotée par le comité d'investissement qui a approuvé les premiers investissements en novembre 2020. Entre le 20 novembre 2020 et le 31 mars 2021, LMDF a investi plus de 7 M€ dans des IMF avec 13 transactions. Ce volume d'activité élevé sur les quatre mois a permis au fonds de réaliser des investissements de 9,1 M€ sur l'ensemble de l'année, un chiffre comparable aux années précédentes.*

*Le total du bilan est passé de 40,9 M€ à 44,0 M€ (+ 7,6 %). L'efficacité opérationnelle du fonds a augmenté de manière significative avec un ratio de dépenses totales de 2,1% en fin d'année (2,6% à fin mars 2020). Ceci reflète le niveau élevé de liquidité pour lequel le fonds ne paie aucun frais de conseil. Au cours de l'exercice, la valeur liquidative par action de la classe C a augmenté de 1,0 % et de 2,3 % par action de la classe B.*

*Ces dernières années, notre modèle d'organisation a évolué, avec notamment la création d'une fonction dédiée à la gestion des risques. Cette structure a porté ses fruits l'année où la gestion des risques a été au cœur du processus de décision stratégique.*

*Nous sommes optimistes que nos IMF, principalement des petites institutions de niveau 2 et de niveau 3, pourront surmonter cette crise et accompagner leurs clients dans la reprise de leurs activités économiques. Les objectifs de croissance ambitieux du fonds pour l'année à venir reflètent cette confiance.*

Der Fonds stellt seine Aktivitäten im Geschäftsjahr vor, das am 1. April 2020 begann und am 31. März 2021 endete. Dieses Geschäftsjahr entspricht dem Zeitraum, in dem der SARS-CoV-2 Virus eine weltweite Pandemie verursachte und das Leben von Kunden der Mikrofinanzinstitutionen (MFI), von MFIs und des Fonds selbst maßgeblich beeinflusst hat.

Nach einer ersten Periode die von hoher Unsicherheit und damit einhergehend, weitergehende Einstellung der Investitionstätigkeit verabschiedete der Verwaltungsrat des LMDF im Oktober 2020 eine Investitionsstrategie zur Unterstützung von Kleinstunternehmern. In diesem ersten Zeitraum kumulierte LMDF erhebliche Barmittel, da die meisten MFIs ihren Zahlungen Fristgerecht nachkamen.

Die Umsetzung der Strategie wurde durch das Anlagekomitee gesteuert. Erste Investitionen genehmigte das Komitee im November 2020. Zwischen dem 20. November 2020 und dem 31. März 2021 investierte der Fonds mehr als 7 Mio. € in MFIs in 13 Transaktionen. Dieses hohe Geschäftsvolumen in den vier Monaten ermöglichte, dass der Fonds im Gesamtjahr Investments von 9,1 Mio. €, ein vergleichbarer Wert zu den Vorjahren.

Die Bilanzsumme stieg von 40,9 Mio. Euro auf 44,0 Mio. Euro (+ 7,6%). Die operative Effizienz des Fonds erhöhte sich deutlich mit einer Gesamtkostenquote von 2,1 % zum Jahresende (2,6 % Ende März 2020). Dies spiegelt die hohe Liquidität wieder, für die der Fonds keine Beratungsgebühren entrichtet. Im Laufe des Jahres stieg der NIW pro Anteil der Klasse C um 1,0 % und um 2,3 % pro Anteil der Klasse B.

In den letzten Jahren hat sich unser Organisationsmodell weiterentwickelt, einschließlich der Schaffung einer dem Risikomanagement gewidmeten Funktion. Diese Struktur trug im Jahr Früchte, als das Risikomanagement zentraler Bestandteil des strategischen Entscheidungsprozesses war.

Wir sind optimistisch, dass unsere Partner-MFIs, hauptsächlich kleine Tier-2- und Tier-3-Institute, diese Krise überwinden und ihre Kunden bei der Wiederaufnahme ihrer wirtschaftlichen Aktivitäten unterstützen können. Die ambitionierten Wachstumsziele des Fonds für das kommende Jahr spiegeln diese Zuversicht wider.

# Management report on activities

The Luxembourg Microfinance and Development Fund (LMDF or Fund) reports on its activities during the financial year which started on 1 April 2020 and ended on 31 March 2021. The Fund's financial year corresponds to the period during which the Coronavirus SARS-CoV-2 ("Covid-19") caused a global pandemic and significantly influenced the life of micro-entrepreneurs, microfinance institutions ("MFIs") and the Fund itself.

## **/ Start of the financial year dominated by Covid-19 related uncertainty**

The financial year of the Fund started with all employees working from home and confronted with an unprecedented situation. The Fund decided, together with its investment adviser, ADA, that the immediate priority should be an understanding of the crisis and its impact on micro-entrepreneurs and MFIs. Consequently, disbursements of loans to MFIs stopped almost completely between April and November 2020.

During this first phase of Covid-19, ADA developed a dedicated risk scoring methodology to allow the Fund to identify and manage credit risks while remaining responsive to MFIs' needs. LMDF also engaged in industry initiatives to ensure that clients' interests are incorporated into decision making. The Fund was a launch signatory of the *Key principles to protect MFIs and their clients in the COVID-19 crisis* launched at the end of April 2020.

In response to various forms of Covid-19 related lockdowns in many countries, governments imposed creditors' rights for a moratorium on payments on outstanding loans. These payment moratoria required MFIs to renegotiate their funding to reflect changes to the cash-flows on their loan portfolios and the uncertainty over the ability of clients to restart payments at the end

of the moratorium. During this phase, LMDF was engaged in inter-creditors discussions involving 21 of the 57 MFIs in the portfolio.

The part of MFI loan portfolios considered at risk also increased sharply to reach 28% for MFIs in LMDF's portfolio at the end of June 2020 (including loans restructured under loan moratoria).

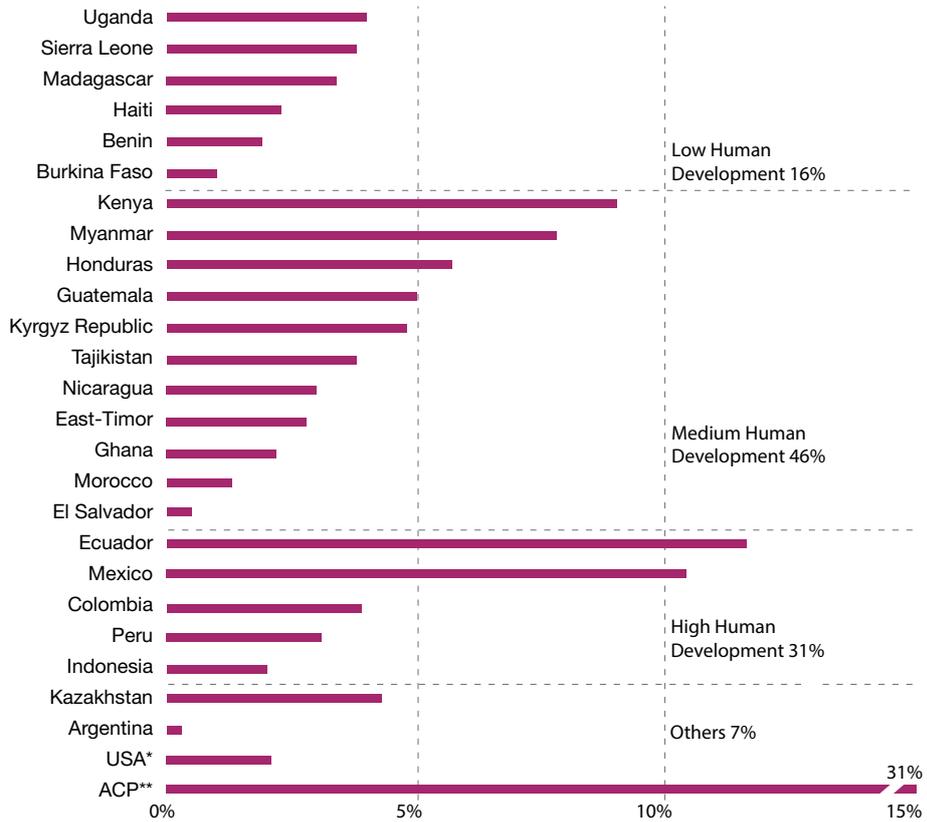
As illustrated in Graph 2, the Fund saw a significant built-up of liquidity during the period April – September 2020 as its investment activities were put on hold while most MFIs continued to pay the Fund on time.

In summary, this first part of Covid-19 was characterised by a very high degree of uncertainty over the evolution of the sector and the exposure to credit risks in LMDF's portfolio. During this period, LMDF's Board of Directors (the "Board") agreed on three strategic priorities for a Covid-19 action plan: (1) Support existing partners where required through restructuring, (2) Provide emergency liquidity where needed and (3) Support the restart of economic activities.

## **/ An investment strategy to support micro-entrepreneurs adopted in October 2020**

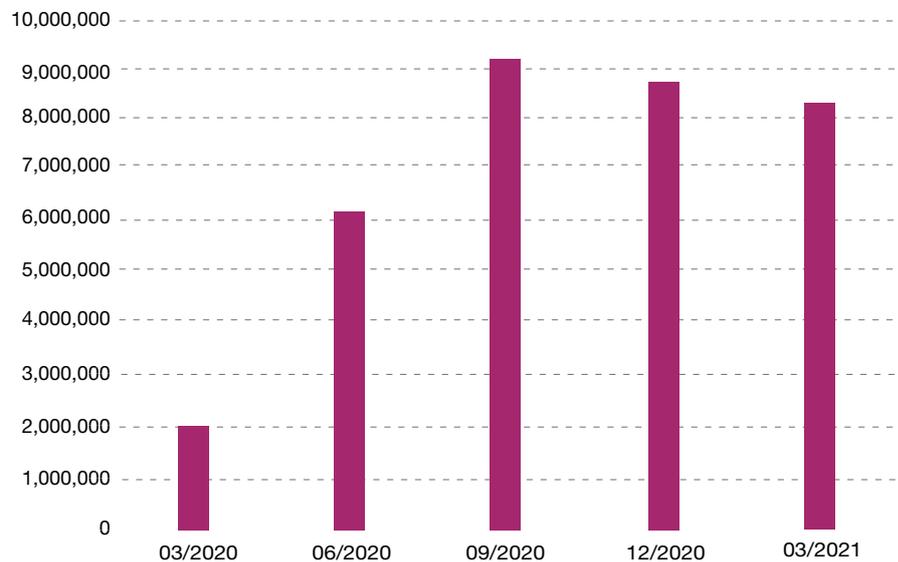
In the countries where LMDF is investing, communication from our partner MFIs and available data on clients (such as the 60 Decibels survey) suggested a marked improvement in the outlook of most households from July – August onwards. This positive perspective needs to be seen in conjunction with the hardship Covid-19 caused on many poor households. 68% of households self-report that their financial wellbeing has been affected by the crisis.

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 31/03/2021. Human Development Index 2019 by UNDP.

GRAPH 2:  
EXCESS LIQUIDITY (in EUR)



Source: LMDf analysis.

By the end of summer, the Fund also observed that most micro-entrepreneurs started payments on their loans on time once the moratorium ended. This points to the resilience of many low-income households and a strong payment discipline on the outstanding micro-loans, as confirmed during times of crisis in the past. Clients also started to ask for new loans from MFIs, re-launching the credit cycle.

The Fund worked together with the investment adviser on a strategy to balance risks and new investments to MFIs in September 2020. Beginning of October, the Board met to review, discuss and ultimately approve the strategy to implement the third pillar of its Covid-19 action plan (support restart of economic activities). The Board resolutions covered the treatment of loan portfolios restructured due to Covid-19 and the tolerance level of microloan portfolios at risk. These decisions were taken in view of facilitating the flow of financing to MFIs while recognising the financial and operational impact of Covid-19.

The strategy also recognised the operational impact of Covid-19 faced by ADA as the Fund's investment adviser. The strategy focuses on supporting partner MFIs the Fund knows well and only onboarding a limited number of new partners. Due diligence processes are adjusted to a mix of remote analysis and the presence of

consultants to verify certain information on the ground.

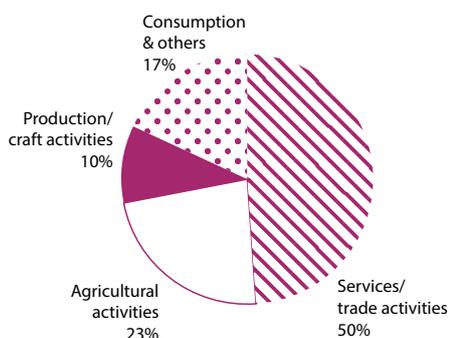
The implementation of the strategy into investment activities started immediately with the first investments approved by the Fund's Investment Committee in November 2020. Between 20 November 2020 and 31 March 2021, the Fund disbursed in excess of EUR 7m through 13 transactions, reaching a total disbursement for the whole financial year of EUR 9.1m.

Finally, the Fund did not face a significant amount of redemptions, reflecting the continued trust of shareholders in the microfinance investment model with a strong social impact focus during this pandemic.

#### **/ Positive financial performance during a challenging year**

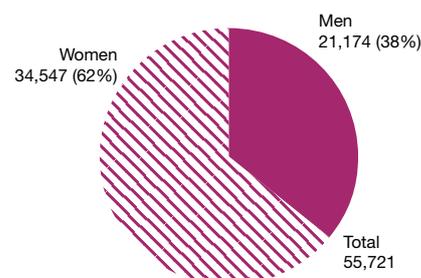
LMDF's total net assets increased from EUR 40.9m to EUR 44.0m (+7.6%). The Fund's financial key performance indicators saw marked improvements mainly due to lowering of hedging costs driven by the interest rate difference between Euro and U.S. dollar rates (Graph 6). LMDF also noticed an increase in interest rates accepted by MFIs, particularly during the second half of the year.

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



Source: LMDF analysis of weighted average data provided by partner MFIs as at 31/12/2020

GRAPH 4:  
ACTIVE MICRO-ENTREPRENEURS FINANCED BY LMDF



Source: LMDF analysis of weighted average data provided by partner MFIs as at 31/12/2020

The Fund's operating efficiency increased sharply with a total expense ratio of 2.1% at year-end (compared to 2.6% during the previous financial year). This reflects the high level of liquid assets on which the Fund does not pay advisory fees. Although subject to significant fluctuations during the year, the Fund's risk provisions stayed almost the same compared to the initial Covid-19 provisions made in March 2020. The March 2021 provisions contain allowances for country level risks in Myanmar, implying that Covid-19 related provisions decreased significantly, reflecting a positive outlook.

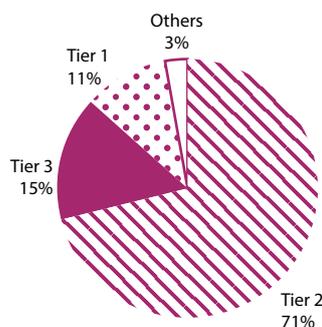
Over the financial year, the Net Asset Value (NAV) per Class C share increased by 1.0%, per Class B share by 2.3%. The performance of the LMDF share class is comparable to the 1.5% return of microfinance debt funds denominated in Euros (measured by the Symbiotics SMX Euro Index). Graph 8 shows the returns over the last twelve months.

**/ Risk review**

**- Credit risks**

During the past years, the Fund has evolved in its organisational model, including the creation of a dedicated risk management function. This structure paid off during the year when risk

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



Source: LMDF analysis as at 31/03/2021

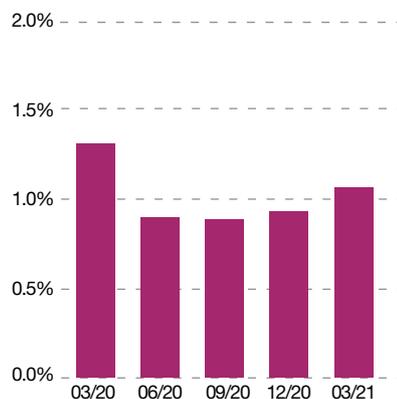
management was the centrepiece of strategic reflections. Whereas, historically, the Fund's impairment test would result in only a few loans showing signs of impairment, the number has increased significantly to reach close to 30% of the total loan portfolio in June 2020. In order to value a large number of loans with impairment indications, the Fund applied a revised valuation methodology (described in Note 6 of these financial statements in more detail).

Applying the methodology, the Fund provisioned a total of EUR 543,000 during the year, including EUR 118,000 risk provisions on MFIs located in Myanmar. This compares to total risk provisions of EUR 436,000 at the year-end 31 March 2020.

The Fund also actively worked with MFIs considered high-risk to reduce financial exposure. In the case of the MFI OMLA in Argentina, the Fund and the MFI agreed on a repayment of 90% of outstanding notional while the Fund has written-off 10% of notional and accrued interest resulting in a EUR 4,000 loss for the Fund. Post year-end the Fund entered into a similar agreement with the MFI ECLOF Columbia resulting in a further EUR 69,000 realised loss.

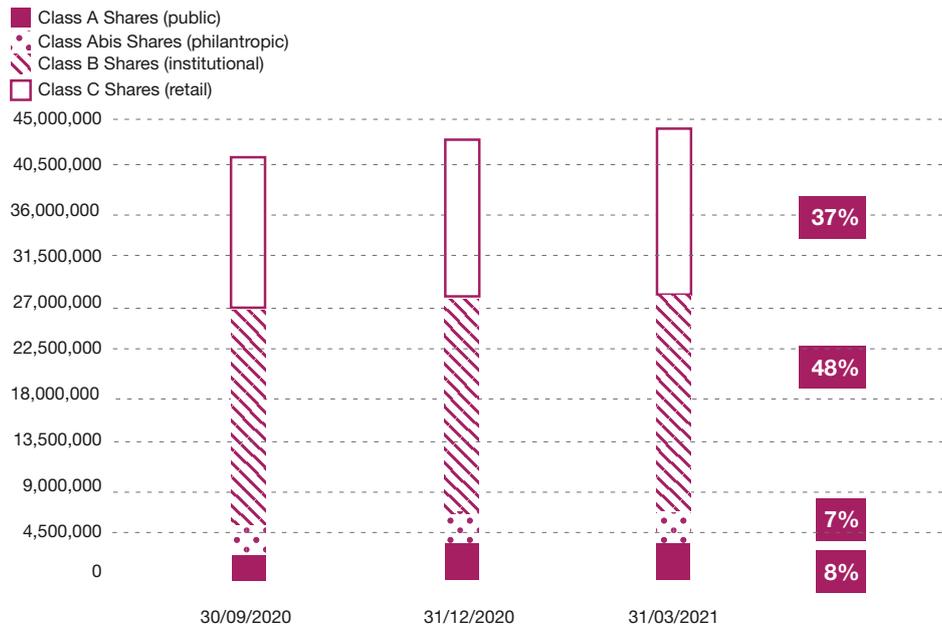
Shareholders should also note that only 72% of the Fund's assets were invested in

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



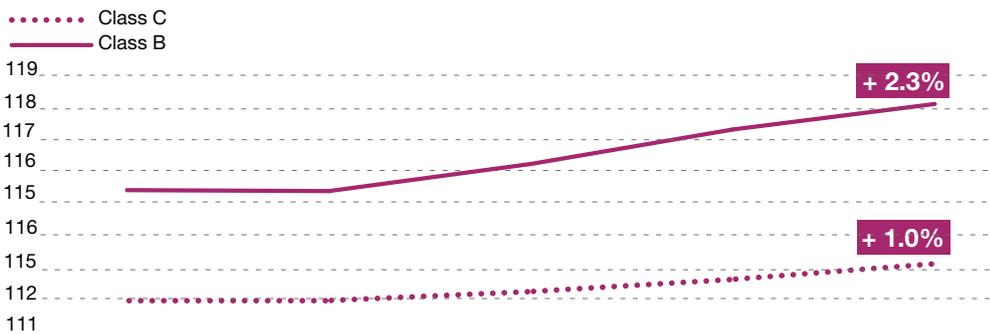
Source: US Department of the Treasury and European Central Bank

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



microfinance as at year-end, reducing the overall risk exposure. The average exposure per MFI amounts to 1.4% of total net assets, demonstrating that the portfolio remains highly diversified.

**- Currency risk**

The Fund's conservative approach to currency risks paid out in times of significant market volatility. The Fund's hedging portfolio at year-end is valued at EUR 876,000 for the cross-currency swaps and EUR 143,000 for the forwards, a material increase over the March 2020 year-end. The Fund's hedging covers a diverse portfolio of 18 currencies plus the Euro. The Fund's exposure to the U.S. dollar continues to shrink. At the end of the reporting year, the Fund held 25.2% of total net assets in instruments denominated in U.S. dollars, compared to 27.7% at the end of March 2020.

**- Country risks**

At the end of March, LMDF is invested in 25 countries. The exposure towards countries which are monitored by the Financial Action Task Force (the entity evaluating money laundering and terrorist financing risks) is listed in a detailed Note 10. 13.9% of total net assets are held in countries included in such lists.

The Fund's exposure in Myanmar amounts to EUR 2.5m (or 5.6% of total net assets) and is subject to close monitoring reflecting the political situation and its economic impact in the country.

Ecuador continues to be the largest portfolio country concentrating 8.3% of total net assets. The five most significant countries account for 32% of the portfolio, a marked reduction from 37% in the previous year-end.

**/ Outlook**

As outlined in this management report, we are optimistic as to the ability of our partner MFIs, mainly small Tier 2 and Tier 3 institutions, to navigate this crisis and support their clients in restarting economic activities. The Fund's strong growth targets for the next year reflect this confidence.

LMDF's strategy would not be feasible without the support and trust of shareholders in our work and we would like to thank all shareholders for their commitment.

As always, we look forward to receiving your thoughts and comments.

Yours faithfully,

Kaspar Wansleben

Executive Director  
(kaspar@lmdf.lu)

# 1 LMDF's new strategy

## A time of cautious optimism

We go into 2020/21 with a very different outlook from the start of the previous financial year. At that time, the focus was on risk management and now our outlook is rather different. It has become clear that MFIs are anxious to restart their businesses, to contribute to the regeneration of economies and to fulfil their social missions. The Fund has therefore developed its investment strategy – with the phrase “cautious optimism” in mind – it is clear that a recovery is occurring, that our institutions do need support, but also that we need to be mindful of the risks of this new operating context.

### **Working with valued partners**

The crisis has placed a strain on many microfinance institutions. Although they are now emerging from the challenges of COVID-19, many institutions still have elevated levels of risk as indicated notably by PAR 30, loans in arrears for 30 days or more. Nonetheless, having seen strong performance and good management during the crisis, we have confidence in the ability of institutions to recover. For this reason, the Fund is now disbursing loans to institutions which have higher risk indicators than would have been typical before the crisis, provided that they are on a positive recovery trajectory. In this context, existing partners are prioritised, as we have strong visibility on how they managed the crisis.

### **New operating conditions**

Travel still remains complex and we are very conscious that risks should not be taken, either for our analysts or for our

partner institutions or the communities that they support. For this reason, remote due diligence is still being completed, and again this reinforces our preference for working with long-term partners. For partnerships with new institutions, we are currently working with consultants to ensure that good policies are well integrated into practice.

While travel is difficult, this does result in a focus on existing geographies, but as geographies reopen, we look forward to exploring opportunities in new geographies, notably in the ACP (Africa-Caribbean-Pacific) region, where we see potential in several new countries.

### **Liquidity management**

A clear message coming from the crisis was the complexity that many institutions saw in working with so many lenders. As a consequence many are looking to consolidate their lender base. LMDF is responding by providing larger loans, within risk limits defined by the Fund. It is also looking at increasing loan maturities, as the average maturity of the portfolio is now 12 months (30 months at disbursement), and this may cause administrative challenges both for the Fund and its MFI partners.

MFIs' management of liquidity is one area, but LMDF's liquidity also needs to be considered. The Fund currently has 31% of its assets in cash. The Fund systematically maintains at least 10% liquidity and the increase in liquidity has been made in view of risk management during the uncertain times at the start of the COVID crisis. However, as the outlook becomes more certain, it is

clear that this money could also be used to sustain post-pandemic recovery. For this reason, the Fund will also complete some transactions with larger institutions, which would typically be outside its remit of working with emerging financial institutions, but which also show strong social performance.

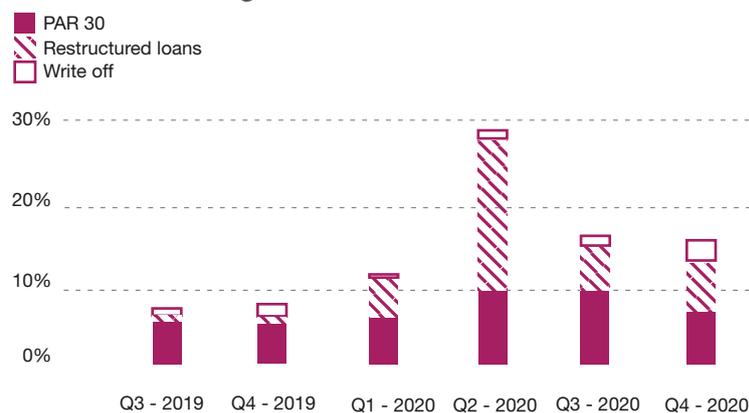
### Microfinance+

One clear message that has come out of the crisis is the need for MFIs to offer a diversified range of financing products. As lockdowns were enforced, schools closed, and many activities had to suspend their operations, one sector which came to the fore was off-grid electricity. Data from 60 Decibels emphasizes the focus that was placed on repaying these loans, even in the depths of the COVID crisis, implying that this facility was of considerable value. There are other significant services which are developing in the Microfinance+ domain,

notably in terms of education and value chain financing. These are areas we will continue to work on as restrictions are lifted and we have the chance to visit institutions, assess their models and see their social impact.

Microfinance is fundamental at this time: yet there is still caution among financiers and many international aid budgets have been cut. Life, however, continues: agricultural inputs are needed, people need to purchase goods to meet their daily needs, animals need to be tended, school fees need paying... The year ahead promises to be busy and we have strong pipeline ahead – we look forward to supporting microfinance institutions in this crucial period, but while we continue our work, cautious optimism will be the refrain in our mind.

GRAPH 9:  
MFIS PORTFOLIO QUALITY



Source: LMDF portfolio as of 31/12/2020

## 2 Focus on Sierra Leone

### A country marked by previous pandemics

Located on the west coast of Africa, with a population of more than 7 million, Sierra Leone is a low-income country with considerable natural resources stemming from mining, fishing, forestry, and agriculture. The country was mired in one of Africa's most brutal civil wars for over a decade, with the conflict coming to an end in 2002. This conflict had a devastating humanitarian impact, displacing up to a quarter of the population, and decimating the country's infrastructure. Sierra Leone still has some of the world's worst health outcomes.

During the country's recovery period, it was hit by another crisis. Despite rumours in the early months of the year, the first cases of Ebola were confirmed in May 2014. Soon after, in July, cases were also declared in the capital. Various measures, including lockdowns and travel restrictions, were introduced to rein in the spread of the disease, but to limited avail. Despite international efforts, the disease continued to spread. Finally, after another series of strict lock-down measures, the pandemic began to come under control in Spring 2015 and the country was finally declared Ebola free in March 2016.

Given Sierra Leone's severe shortage of medical supplies, trained clinicians and health infrastructure, the Ebola pandemic, compounded by the drop in global prices of iron ore –Sierra Leone's major export– led GDP to fall by around 25%. Unemployment rose and a year after the crisis around a third of citizens reported incomes lower than they had been pre-Ebola.

The country still has its fragilities. It is at "high risk" of debt distress for both external public debt and overall public debt. This rising public debt is reflected in high inflation and the continuous depreciation of the country's exchange rate.

The country also has its weaknesses from a health perspective.

The maternal mortality rate is the highest in the world. One in seventeen women are likely to die in pregnancy, delivery or its aftermath. The outlook is similarly grim for infants with over 1 in 10 children not reaching their 5<sup>th</sup> birthday. These shocking numbers represent the severe challenges that women and children face in Sierra Leone due to poor health practices and inadequate health care.<sup>1</sup>

Although Sierra Leone has seen limited impacts from COVID, the changes in focus in a country with an already strained healthcare system are a concern.

Yet Sierra Leone also provides a strong example of how microfinance organisations can make a difference. While many institutions in Europe came to a standstill during the crisis, the MFIs have continued operating and have placed a considerable emphasis on female empowerment.

<sup>1</sup> UNICEF



*MFI's have continued operating during the crisis and have placed a considerable emphasis on female empowerment // LAPO, Sierra Leone*

# 3 LAPO Microfinance Company Ltd

Lift Above Poverty Organisation, Sierra Leone

In 2008, the NGO LAPO Nigeria launched the MFI LAPO SL in Sierra Leone. In keeping with the original mission of the NGO, the MFI focuses on providing micro-loans to women in disadvantaged areas.

97% of the borrowers the institution works with are female, and 73% live in rural areas. The MFI has a small loan size with an average disbursed loan of EUR 346 (in contrast with the country's per capita GNI of USD 540). The MFI supports around 56,000 clients, across 29 branches. It is one of the largest MFIs of the country with a coverage of 80% of the national territory.

The flagship product of LAPO SL is a group loan for women in disadvantaged areas. The MFI has, however, also developed a range of individual products, and SME loans. Most loans concentrated in the services

and trade activity sectors (50%) and 23% are dedicated to the agricultural sector. It has also developed some innovative loan products including:

- **Asset loans:** targeted to help existing clients to purchase assets such as generators, refrigerators, grinding machines...
- **Energy Loans:** these are granted to clients to assist in affordable solar energy power for homes and commercial use.



98% of female clients



56,000 clients



USD 436 average disbursed loan



23% agriculture



29 branches in the country



73% of clients are located in rural areas



*The MFIs mission is to provide micro-loans to women in disadvantaged areas. 98% of their clients are female // LAPO, Sierra Leone*

Besides proposing loans, LAPO also offers different savings products:

- **Festival savings account:** designed to allow clients to save money for increasing their stock for sale during business booms (i.e. Christmas, Easter, Ramadan, Sallah...)
- **Individual savings**
- **Mi Pikin Savings:** allows clients to save money for their children. LAPO also picks one child that will get a Microfinance Scholarship

The organisation also has a team in charge of non-profit activities, whose mission is to lead mandatory awareness training on health, education, and gender issues for all client groups at least once a year. It also

organises campaigns to raise awareness of the fight against malaria.

LMDF started its partnership with LAPO towards the end of 2018 with a disbursement of USD 360,000, and reinvested, in March 2021, USD 550,000 in order to support the expansion of microfinance activities in Sierra Leone.

## 4 Four questions to

Gabriel Eshiague, Managing Director, Lapo



### **LAPO was founded in Sierra Leone in 2008 following Sierra Leone's first elections since the civil war. Please could you explain its vision and goals?**

The civil war in Sierra Leone ended in the year 2000, and the first democratic elections after the war were held in 2002, followed by another in 2007. In the year 2008, LAPO was incorporated in Sierra Leone under the Company's Act of 2009 with its goals and vision as captured below:

**Goals:** "To offer financial services that meet the needs of economically active people in a cost-effective and innovative manner". The company has realised that even when there are economically active people in Sierra Leone, yet, the services provided are not done in an innovative and cost-effective manner. That is why, as a company, our goals are set towards providing innovative financial services to our customers in a cost-effective manner.

**Vision:** "Is to be the first-choice microfinance company impacting on the lives of members of low-income Sierra Leonean households". Lift Above Poverty Organisation (LAPO) as the name implies, envisions a society that is free from poverty and hardship, and in the

circumstances, the company wants to be the first-choice of people in impacting their lives by providing innovative services that would meet their needs in a cost-effective manner.

### **Although Sierra Leone has emerged from civil war, the operating context has remained challenging, with Ebola notably affecting the country from 2014-2016. How has facing prior challenges prepared LAPO for the COVID Pandemic ?**

One of the worst legacies of the civil war is a battered health care system, as exposed by the emergence of the Ebola virus. The virus spanned from 2014 to 2016 with lots of economic impacts and implications: The economic impacts of the Ebola crisis include loss of gross domestic output, threat to food security, high rate of unemployment, closure of businesses and a loss of livelihoods, and a decline in foreign investment and internal economic growth. LAPO as a financial institution, witnessed and survived the devastating period with resilience, strategies and innovations.



*In Sierra Leone, access to health facilities by women has been a key challenge due to financial instability and other factors // LAPO, Sierra Leone*

During that challenging period under review, many financial institutions closed, but LAPO was able to traverse those difficulties, with more disbursements to old and new clients, to help boost their businesses during that challenging period and to lift them out of the warring poverty. While many others considered the outbreak as a problem and shut down, LAPO considered the outbreak as a challenge that could be surmounted through hard-work, resilience and financial discipline. Some of the striking challenges faced by LAPO during the Ebola virus were the high rates of transmission of the disease and the swiping restrictions of movement across the country and even internationally.

**LAPO as a financial institution, witnessed and survived the devastating period with resilience, strategies and innovations.**

With branches across the country, LAPO suffered seriously from non-movements and lockdown restrictions from the government as containment measures. Managers and supervising officers were unable to travel freely to other branches across the country, and the collection of repayments during the lockdown became problematic. However, in the midst of those challenges, LAPO was

able to put in place strategies that helped in its disbursement and collection.

**LAPO swiftly responded by restructuring and deploying monitoring staff in all our branches across the country to ease the suspected problems of movement restrictions.**

A marked difference between Covid-19 and Ebola is that Covid-19 is a global pandemic that attracted more global attention than the Ebola, but the economic impacts are very similar. With the declaration of the pandemic in April, 2020, after the recording of the first case in Sierra Leone, the country and its economy were affected with fear, but LAPO swiftly responded by restructuring and deploying monitoring staff in all our branches across the country to ease the suspected problems of movement restrictions. Operational policies on disbursement and the mode of collection were adjusted to suit operational convenience and to avoid overdue, and inherently a high Portfolio at Risk (PAR). Judging from the Ebola virus experience, even with the challenges from Covid-19, LAPO has not shutdown, rather, management is able to open more branches, has employed more staff and introduced new products to meet the needs of its clients.

## Sierra Leone is among the countries with the highest maternal mortality rates in the world. How, as a microfinance institution, do you help to combat this?

In Sierra Leone, access to health facilities by women has been a key challenge due to financial instability and other factors. Poor Maternal health services have been identified as a major cause of maternal mortality in Sierra Leone. The government of Sierra Leone has introduced free health care for children under 5 years of age and for lactating mothers. Notwithstanding the introduction of the same by the government, the health care system remains a serious challenge and warrants the intervention of other partners, including financial institutions. LAPO has been very committed in the fight against maternal mortality in Sierra Leone through diverse ways:

- Women constitute over 98% of LAPO-SL credit groups. They are low-income, small scale entrepreneurs or petty traders. They are likely to practice self-medication and delay the utilisation of services in standard health facilities because of their minimum level of health information and literacy. LAPO, has been providing free reproductive, Maternal, New Born and Child Health

sensitisation programs for women. The aim of those programs is to provide valid information and to help strengthen community health networks and improve reproductive, maternal, new born and child health for women, adolescent girls, and children under five. The company has also been providing financial literacy to its clients and other beneficiaries free of cost.

**The health care system remains a serious challenge and warrants the intervention of other partners, including financial institutions.**

- Collaboration with community development associations: LAPO-SL collaborates with and mentors community development associations to deliver sustainable community-based health services.
- Providing financial support: ensuring financial stability and boosting the self-confidence of women remains a big challenge in Sierra Leone. LAPO Microfinance is believed to have significantly impacted the lives of many of its clients and other women and children. A high rate of women have been impacted by way of loans provision to ensure and help them to be financially stable and improve their self-confidence.



*LAPO, has been providing free reproductive, maternal, new born and child health sensitisation programs for women // LAPO, Sierra Leone*

**Given the lessons you have learnt from your 13 years of operations, encompassing both an Ebola and Covid Pandemic, how do you see your organisation evolving in future?**

The Ebola Virus killed more than 3,000 people in Sierra Leone between 2014-2016, and Covid has claimed the lives of thousands of people around the world, including Sierra Leone. Those challenging times affected businesses globally and invariably across Sierra Leone. With resilience and bravado, even in the midst of those painful moments with such a financial crunch, LAPO continues to open more branches across the country, employing more workers, disbursing funds to clients more than ever before, thereby setting the pace for other microfinance companies to follow.

We are not in a position to declare Covid over and we cannot tell whether there will be more devastating diseases in the future.

However, judging from our experience, with absolute lucidity, we are in a position to assert that the company has past the stage of any premature death due to an outbreak. Evolving for the past 13 years, the company has attained an admirable height in the microfinance finance sector in the country and it has earned the respect of not only the government of Sierra Leone, but the public in general. Currently, it is operating in more than 29 active and viable branches across the country with more than 50,000 clients.

**We are not in a position to declare Covid over and we cannot tell whether there will be more devastating diseases in the future.**

Learning from the experience of Ebola, while other companies are shutting down their operations during the Covid Pandemic, LAPO has opened four microfinance banks in the most business-centred cities of the country. As the company continues to evolve with efficient and excellent services, we envisage a company that would be the first-choice microfinance to touch and impact the lives of low-income Sierra Leoneans.

# 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

Michel Haas  
Patrick Losch  
Marie-Anne Marx

Ministry of Finance  
Independent  
Development Cooperation Department,  
Ministry of Foreign and European Affairs (MAEE)  
ADA - Appui au Développement Autonome  
Independent  
Belair House  
Independent  
Banque et Caisse d'Épargne de l'État (BCEE)  
Executive Director

Michel Maquil

Natalia Oskian

Raoul Stefanetti

Monica Tiuba

Dzemaal Tomic

Kaspar Wansleben

#### Investment Committee LMDF\*

##### Comité d'investissement LMDF

Raoul Stefanetti - Belair House, 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  
Jane Wilkinson - Independent  
Apricot Wilson - Head of Risk

#### Marketing Committee

##### Comité de marketing

Natalia Oskian - Independent, Committee Chair  
Viviane Clauss - BdL  
Didier Richter - BIL  
Patrick Bilbault - Independent

#### Employment Committee // Comité d'emploi

Michel Haas - Ministry of Finance, Committee Chair  
Raymond Schadeck - Independent  
Dzemaal Tomic - BCEE

#### Appointments Committee

##### Comité de nomination

Marie-Anne Marx - MAEE, Committee Chair  
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

**Depository, Paying and Domiciliation**

**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 Advisers // 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](http://www.bourse.lu/green)

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

MXF Solutions, Inc.  
1050 17<sup>th</sup> 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

# Report of the réviseur d'entreprises agréé

## Rapport du réviseur d'entreprises agréé



To the Shareholders of  
Investing for Development SICAV  
Luxembourg Microfinance and Development Fund  
2, Place de Metz  
L-1930 Luxembourg

### Report on the audit of the financial statements

#### Opinion

We have audited the accompanying financial statements of Luxembourg Microfinance and Development Fund ("the Sub-Fund"), a sub-fund of Investing for Development SICAV ("the Fund") which comprise the statement of net assets and the statement of investments and other net assets as at 31 March 2021 and the statement of operations and the statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Luxembourg Microfinance and Development Fund as at 31 March 2021, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

#### Basis for opinion

We conducted our audit in accordance with the Law of 23 July 2016 on the audit profession ("Law of 23 July 2016") and with International Standards on Auditing ("ISAs") as adopted for Luxembourg by the Commission de Surveillance du Secteur Financier ("CSSF"). Our responsibilities under the Law of 23 July 2016 and ISAs as adopted for Luxembourg by the CSSF are further described in the « Responsibilities of "réviseur d'entreprises agréé" for the Audit of the Financial Statements » section of our report. We are

also independent of the Fund in accordance with the International Code of Ethics for Professional Accountants, including International Independence Standards, issued by the International Ethics Standards Board for Accountants ("IESBA Code") as adopted for Luxembourg by the CSSF together with the ethical requirements that are relevant to our audit of the financial statements, and have fulfilled our other ethical responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Emphasis of matter

Without qualifying our opinion, we draw your attention to the fact that the Sub-Fund does not constitute a separate legal entity.

#### Other information

The Board of Directors of the Fund is responsible for the other information. The other information comprises the information stated in the annual report but does not include the financial statements and our report of the "réviseur d'entreprises agréé" thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report this fact. We have nothing to report in this regard.

### **Responsibilities of the Board of Directors of the Fund and Those Charged with Governance for the financial statements**

The Board of Directors of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements, and for such internal control as the Board of Directors of the Fund determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors of the Fund is responsible for assessing the Fund's and each of its sub-funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors of the Fund either intends to liquidate the Fund or any of its sub-funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### **Responsibilities of the "Réviseur d'Entreprises agréé" for the audit of the financial statements**

The objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report of the "réviseur d'entreprises agréé" that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the Law of 23 July 2016 and with ISAs as adopted for Luxembourg by the CSSF, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund or any of its sub-funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Luxembourg, 15 June 2021

KPMG Luxembourg  
Société coopérative  
Cabinet de révision agréé  
39, Avenue J.F. Kennedy  
L-1855 Luxembourg



Pia Schanz

# Audited financial statements

## *Etats financiers révisés*

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

as at 31 March 2021 // au 31 mars 2021

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>		409,797
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>		240,606
Loan agreements with microfinance institutions <i>Contrats de prêt avec des institutions de microfinance</i>	6, 10	29,827,947
Cash and savings at banks <i>Avoirs et épargne en banques</i>		11,948,373
Unrealised appreciation on swap contracts <i>Plus-value non réalisée sur contrat de swap</i>	5	875,846
Unrealised appreciation on forward foreign exchange contracts <i>Plus-value non réalisée sur contrats de change à terme</i>	5	143,408
Income receivable on portfolio <i>A recevoir sur le portefeuille</i>		750,516
Interest receivable on bank accounts and term deposits <i>Intérêts à recevoir sur avoires en banque et dépôts à terme</i>		325
VAT receivable <i>TVA à recevoir</i>		48,597
Other receivable and assets <i>Autres actifs</i>	7	189,140
<b>Total assets</b> <b>Somme d'actifs</b>		<b>44,434,555</b>



Liabilities – Passif	Notes	EUR
Accrued expenses <i>Provision pour frais à payer</i>	7	394,503
<b>Total liabilities</b> <b>Somme des passifs</b>		<b>394,503</b>
<b>Net assets at the end of the year</b> <b>Actifs nets à la fin de l'année</b>		<b>44,040,052</b>
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>		27.30
A <sub>bis</sub> Class shares outstanding <i>Nombre d'actions en circulation de la Classe A<sub>bis</sub></i>		116,052.936
Net asset value per A <sub>bis</sub> Class share <i>Valeur nette d'inventaire par action de la Classe A<sub>bis</sub></i>		26.07
B Class shares outstanding <i>Nombre d'actions en circulation de la Classe B</i>		178,774.243
Net asset value per B Class share <i>Valeur nette d'inventaire par action de la Classe B</i>		118.38
C Class shares outstanding <i>Nombre d'actions en circulation de la Classe C</i>		143,808.248
Net asset value per C Class share <i>Valeur nette d'inventaire par action de la Classe C</i>		113.09

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

from 1 April 2020 to 31 March 2021  
du 1<sup>er</sup> avril 2020 au 31 mars 2021

Income – Revenus	Notes	EUR
Interest on microfinance loan agreements <i>Intérêts sur contrats de prêt en microfinance</i>		3,510,220
Net interest paid on swap contracts <i>Intérêts nets payés sur contrat swaps</i>		(1,242,316)
<b>Net interest on microfinance loan agreements</b> <b><i>Intérêts nets sur contrats de prêts en microfinance</i></b>		<b>2,267,904</b>
Commissions on microfinance loan agreements <i>Commissions sur contrats de prêts microfinance</i>		73,317
Other income <i>Autres revenus</i>		22,695
<b>Total income</b> <b><i>Somme des revenus</i></b>		<b>2,363,916</b>
Expenses – Frais		
Advisory fees <i>Frais du conseiller en investissement</i>	3	415,314
Salary and wages of the fund management <i>Charges salariales de gestion du fonds</i>	3, 12	202,226
Custodian fees <i>Commission de la banque dépositaire</i>		54,550
Central administration costs <i>Frais de l'administration centrale</i>		49,296
Bank charges and other fees <i>Frais bancaires et charges liées</i>		23,961
Interest on bank accounts and term deposits <i>Intérêts bancaires et dépôts à termes</i>		80,346
Transaction fees <i>Frais de transaction</i>		2,150
Audit fees <i>Frais de révision</i>		29,238
Legal fees <i>Frais légaux</i>		7,560
Travel and representation fees <i>Frais de voyage et de représentation</i>		20,892
Rent & Information technology fees <i>Loyer et frais informatiques</i>		35,410
Other administrative costs <i>Autres charges administratives</i>	7	75,685
<b>Total expenses</b> <b><i>Total des frais</i></b>		<b>996,628</b>
<b>Net investment income</b> <b><i>Résultat net d'investissement</i></b>		<b>1,367,288</b>

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	(4,192)
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		366,353
On forward foreign currency transactions <i>Sur transactions en devises</i>		(455,701)
<b>Realised result</b> <i>Bénéfice/(perte) net(te) réalisé(e)</i>		<b>(93,540)</b>
<b>Net variation of the unrealised gain/(loss)</b> <i>Variation de la plus-value/(moins-value) nette non réalisée</i>		
On investment portfolio / <i>Sur portefeuille d'investissements</i>		
Variation of impairment on microfinance loans <i>Variation de provisions sur prêts microfinance</i>	6	(6,811)
Variation of valuation of equity investments <i>Variation de la valorisation des investissements en capital</i>		(7,379)
Variation due to changes in the foreign exchange rate <i>Variation due à l'évolution du taux de change</i>		(470,323)
<b>Total variation on investment portfolio</b> <i>Variation totale sur portefeuille d'investissements</i>		<b>(484,513)</b>
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		8,415
On cross-currency swap contracts <i>Sur contrats de swap de taux et change à terme</i>		30,460
<b>Unrealised result</b> <i>Bénéfice/(perte) net(te) non réalisé(e)</i>		<b>(445,638)</b>
<b>Result of operations</b> <i>Résultat net des opérations</i>		<b>828,110</b>
Subscriptions <i>Souscriptions</i>		2,773,448
Redemptions <i>Rachats</i>		(412,099)
<b>Total changes in net assets</b> <i>Variation globale de la valeur nette d'inventaire</i>		<b>3,189,459</b>
<b>Total net assets at the beginning of the year</b> <i>Valeur nette d'inventaire au début de l'année</i>		<b>40,850,593</b>
<b>Total net assets at the end of the year</b> <i>Valeur nette d'inventaire à la fin de l'année</i>		<b>44,040,052</b>

### // 3 Statistical information Informations statistiques

as at 31 March 2021 // au 31 mars 2021

Total net assets – Actifs nets		EUR
As at 31/03/2021 <i>Au 31/03/2021</i>		44,040,052
Number of A Class shares – Nombre d'actions de la Classe A en circulation		
Outstanding at the beginning of the year <i>Au début de l'année</i>		131,347.257
Issued during the year <i>Émises durant l'année</i>		-
Redeemed during the year <i>Rachetées durant l'année</i>		-
Outstanding at the end of the year <i>À la fin de l'année</i>		131,347.257
Net asset value per A Class share <i>Valeur nette d'inventaire par action de la Classe A</i>		
As at 31/03/2021 <i>Au 31/03/2021</i>		27.30
Number of A <sub>bis</sub> Class shares – Nombre d'actions de la Classe A <sub>bis</sub> en circulation		
Outstanding at the beginning of the year <i>Au début de l'année</i>		116,052.936
Issued during the year <i>Émises durant l'année</i>		-
Redeemed during the year <i>Rachetées durant l'année</i>		-
Outstanding at the end of the year <i>À la fin de l'année</i>		116,052.936
Net asset value per A <sub>bis</sub> Class share <i>Valeur nette d'inventaire par action de la Classe A<sub>bis</sub></i>		
As at 31/03/2021 <i>Au 31/03/2021</i>		26.07

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

Outstanding at the beginning of the year <i>Au début de l'année</i>	179,764.308
Issued during the year <i>Émises durant l'année</i>	742.935
Redeemed during the year <i>Rachetées durant l'année</i>	(1,733.000)
Outstanding at the end of the year <i>À la fin de l'année</i>	178,774.243

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

As at 31/03/2021 <i>Au 31/03/2021</i>	118.38
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#### Number of C Class shares – Nombre d'actions de la Classe C en circulation

Outstanding at the beginning of the year <i>Au début de l'année</i>	121,735.687
Issued during the year <i>Émises durant l'année</i>	23,947.875
Redeemed during the year <i>Rachetées durant l'année</i>	(1,875.314)
Outstanding at the end of the year <i>À la fin de l'année</i>	143,808.248

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

As at 31/03/2021 <i>Au 31/03/2021</i>	113.09
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## // 4 Statement of investments and other net assets État du portefeuille-titres et autres actifs nets

as at 31 March 2021 // au 31 mars 2021

Instrument // Microfinance institution	Note	Country	Maturity	Currency	Quantity // Nominal value	Total value (in EUR)	% of NAV
<b>Financial instruments not admitted to an official stock-exchange listing nor dealt in on another regulated market</b>							
<b>Investments in regional microfinance funds or similar entities</b>							
Higher Education Finance Fund LP		USA	N/A	USD	581,635	409,797	0.9%
<b>Shares (and equity-type securities) in microfinance institutions and service providers</b>							
MFX Solutions LLC		USA	N/A	USD	187,090	240,606	0.6%
<b>Loan agreements with microfinance institutions</b>							
Alliance for Microfinance Myanmar limited	6, 10	Myanmar	10/01/2022	MMK	2,500,000,000	1,523,917	3.5%
M-Kopa Holdings Ltd		Kenya	11/07/2022	USD	1,700,000	1,475,494	3.4%
Cooperativa de Ahorro y Crédito 4 de Octubre		Ecuador	11/04/2022	USD	1,500,000	1,327,604	3.0%
Microfinance Company Salym Finance		Kyrgyz Republic	10/10/2022	USD	1,200,000	1,062,571	2.4%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		Mexico	10/04/2025	MXN	25,000,000	1,039,430	2.4%
Advans MFI Myanmar Company Limited	6, 10	Myanmar	10/01/2023	EUR	1,000,000	938,778	2.1%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		Ecuador	11/10/2021	USD	1,000,000	885,476	2.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		Honduras	10/01/2024	HNL	24,000,000	883,567	2.0%
EFC Uganda Ltd MDI	10	Uganda	11/04/2022	UGX	3,400,000,000	864,068	2.0%
Action pour la coopération avec la microentreprise S.A. ACME		Haiti	10/04/2022	HTG	64,000,000	744,076	1.7%
Moris Rasik Foundation		East-Timor	10/04/2025	USD	850,000	725,240	1.7%
MFO Arnur Credit LLP		Kazakhstan	11/04/2022	KZT	320,000,000	694,334	1.6%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		Mexico	11/07/2022	MXN	16,000,000	687,114	1.6%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		Mexico	10/01/2024	MXN	15,000,000	637,690	1.5%
Koperasi Mitra Dhuafa - KOMIDA		Indonesia	10/04/2021	IDR	10,000,000,000	625,018	1.4%
Financiación Amiga S.A.S.		Colombia	10/10/2023	COP	2,579,373,201	622,017	1.4%
L'association pour la promotion de l'épargne crédit à base communautaire - BETHESDA		Benin	10/04/2021	XOF	375,000,000	596,088	1.4%
Asociación de Desarrollo Integral Cuenca del Lago de Atitlan - ADICLA		Guatemala	11/04/2022	GTQ	5,000,000	584,595	1.3%
Cooperativa de Ahorro y Crédito Norandino LTDA		Peru	10/01/2022	PEN	2,475,000	572,662	1.3%
Sinapi ABA Savings & Loans Limited	10	Ghana	10/07/2021	GHS	3,450,000	535,317	1.2%
Société d'Investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		Madagascar	10/01/2024	EUR	500,000	510,917	1.2%
ACTB Savings and Loans LTD		Sierra Leone	11/05/2021	SLL	5,100,000,000	498,609	1.1%
Consultores de Servicios Varios SA de CV SOFOM ENR		Mexico	10/04/2022	MXN	11,000,000	490,126	1.1%
Yehu Microfinance Services Limited		Kenya	10/01/2024	KES	57,000,000	470,288	1.1%
LAPO Microfinance Company Limited		Sierra Leone	10/04/2024	USD	550,000	471,399	1.1%
Bimas Kenya Ltd		Kenya	10/10/2022	KES	55,000,000	460,910	1.1%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		Mexico	12/07/2021	MXN	10,500,000	451,792	1.0%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	11/10/2021	USD	500,000	442,738	1.0%
Bimas Kenya Ltd		Kenya	11/07/2022	KES	55,000,000	443,491	1.0%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		Guatemala	10/04/2021	GTQ	3,700,000	432,600	1.0%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	10/01/2023	USD	500,000	433,260	1.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		Honduras	10/01/2024	HNL	12,000,000	425,436	1.0%
Attadamoune Micro-Finance	10	Morocco	10/01/2024	EUR	400,000	405,467	0.9%
Société d'Investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		Madagascar	12/07/2021	EUR	375,000	379,583	0.9%

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
Asociación para el Desarrollo Integral de San Antonio Ilontenango		Guatemala	12/07/2021	GTQ	3,300,000	374,202	0.9%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	09/07/2021	USD	416,667	361,247	0.8%
Instituto para el Desarrollo Hondureño	6	Honduras	10/07/2021	USD	409,355	355,149	0.8%
LLC Micro Credit Organization "OXUS"		Kyrgyz Republic	11/07/2022	USD	400,000	353,784	0.8%
Financiera Fundeser S.A.	6, 10	Nicaragua	12/05/2022	USD	488,491	330,761	0.8%
Empresa para el apoyo y desarrollo de la micro y pequeña empresa urbana y rural (MICREDITO) S.A.	10	Nicaragua	10/04/2021	USD	375,000	331,291	0.8%
LLP Microfinance Organization "BEREKE"	6	Kazakhstan	11/07/2023	KZT	160,000,000	323,973	0.7%
ACEP-Burkina SA	10	Burkina Faso	31/01/2023	XOF	200,000,000	312,810	0.7%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/01/2024	USD	360,000	311,096	0.7%
EBO Cooperative Savings & Credit Society LTD	6, 10	Uganda	11/10/2021	UGX	1,420,666,666	279,530	0.6%
Asociación Arariwa Para La Promoción Técnico Cultural Andina		Peru	11/10/2021	PEN	1,100,000	262,138	0.6%
Micrédito Microfinanciera S.A.S.		Colombia	10/04/2024	COP	1,100,000,000	255,896	0.6%
LLC Micro Credit Organization "OXUS"		Tajikistan	12/04/2021	TJS	3,200,000	250,169	0.6%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/01/2024	TJS	3,200,000	250,010	0.6%
LLP Microfinance Organization "BEREKE"	6	Kazakhstan	10/01/2023	KZT	120,000,000	246,684	0.6%
LAPO Microfinance Company Limited		Sierra Leone	11/10/2021	USD	270,000	239,627	0.5%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		Ecuador	12/07/2021	USD	250,000	216,866	0.5%
Financiación Amiga S.A.S.		Colombia	11/04/2022	COP	864,000,000	211,966	0.5%
Microcredit Organization "FURUZ"		Tajikistan	11/04/2022	EUR	200,000	206,211	0.5%
Microcredit Organization "FURUZ"		Tajikistan	10/04/2024	USD	230,000	195,711	0.4%
ONG Vahatra		Madagascar	10/01/2024	MGA	800,000,001	188,597	0.4%
Fundenuse, S.A.	10	Nicaragua	10/10/2021	USD	212,500	187,732	0.4%
Baobab Microfinance Company Limited	10	Ghana	11/10/2021	GHS	1,050,000	174,590	0.4%
Moris Rasik Foundation		East-Timor	12/07/2021	USD	200,000	173,020	0.4%
Alternativa Centro De Investigación Social y Educación Popular		Peru	10/01/2023	PEN	675,000	156,503	0.4%
La Sociedad Cooperativa PADECOMSMCREDITO de RL de CV		El Salvador	10/01/2022	USD	180,000	155,888	0.4%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		Guatemala	11/04/2022	USD	168,000	149,101	0.3%
Adel Microcréditos S.A. de C.V.	6	Honduras	11/01/2021	HNL	6,150,000	141,448	0.3%
Uganda Microcredit Foundation Limited	6, 10	Uganda	11/10/2021	UGX	750,000,000	131,488	0.3%
Fundenuse, S.A.	10	Nicaragua	10/04/2021	USD	125,000	110,430	0.3%
MFO Arnur Credit LLP		Kazakhstan	10/01/2023	KZT	50,000,000	103,607	0.2%
"Trust-Union" Micro-credit Company		Kyrgyz Republic	08/10/2021	USD	112,500	100,084	0.2%
ECLOF Colombia SAS	6	Colombia	10/04/2020	COP	515,500,000	71,604	0.2%
Fundación Pro Mujer Argentina		Argentina	10/04/2021	ARS	6,000,000	62,704	0.1%
ECLOF Colombia SAS	6	Colombia	10/10/2020	COP	435,000,000	60,423	0.1%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		Guatemala	12/07/2021	USD	50,000	43,321	0.1%
Illumina Soluciones	6	Argentina	11/10/2021	USD	42,800	28,968	0.1%
<b>Sub-total</b>						<b>31,700,703</b>	<b>72.0%</b>
<b>Net accrued interest on swap contract</b>						<b>(422,587)</b>	<b>(1.0)%</b>
<b>Sub-total</b>						<b>31,278,117</b>	<b>71.0%</b>
<b>Cash at banks, term deposits and savings accounts</b>						<b>11,948,373</b>	<b>27.1%</b>
<b>Other net assets / liabilities</b>						<b>813,562</b>	<b>1.9%</b>
<b>Total net assets</b>						<b>44,040,052</b>	<b>100.0%</b>

## // 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 31 March 2021 /  
Exposition agrégée par contrepartie au 31 mars 2021

Aggregated exposure to	Notes	Amount (EUR)	% of total net assets
Alliance for Microfinance Myanmar limited	6, 10	1,523,916	3.5%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		1,491,222	3.4%
M-Kopa Holdings Ltd		1,475,494	3.4%
Cooperativa de Ahorro y Crédito 4 de Octubre		1,327,604	3.0%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		1,324,804	3.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		1,309,003	3.0%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		1,237,245	2.8%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		1,102,342	2.5%
Microfinance Company Saly Finance		1,062,571	2.4%
Advans MFI Myanmar Company Limited	6, 10	938,778	2.1%
Bimas Kenya Ltd		904,401	2.1%
Moris Rasik Foundation		898,260	2.0%
Société d'Investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		890,500	2.0%
EFC Uganda Ltd MDI	10	864,068	2.0%
Financiación Amiga S.A.S.		833,983	1.9%
LLC Micro Credit Organization "OXUS" Tajikistan		811,275	1.8%
MFO Arnur Credit LLP		797,941	1.8%
Action pour la coopération avec la microentreprise S.A. ACME		744,076	1.7%
LAPO Microfinance Company Limited		711,026	1.6%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		625,022	1.4%
Koperasi Mitra Dhuafa - KOMIDA		625,018	1.4%
L'association pour la promotion de l'épargne crédit à base communautaire - BETHESDA		596,088	1.4%
Asociación de Desarrollo Integral Cuenca del Lago de Atitlan - ADICLA		584,595	1.3%
Cooperativa de Ahorro y Crédito Norandino LTDA		572,662	1.3%
LLP Microfinance Organization "BEREKE"	6	570,657	1.3%
Sinapi ABA Savings & Loans Limited	10	535,317	1.2%
ACTB Savings and Loans LTD		498,609	1.1%
Consultores de Servicios Varios SA de CV SOFOM ENR		490,126	1.1%
Yehu Microfinance Services Limited		470,288	1.1%
Higher Education Finance Fund LP		409,797	0.9%
Attadamoune Micro-Finance	10	405,467	0.9%
Microcredit Organization "FURUZ"		401,922	0.9%
Asociación para el Desarrollo Integral de San Antonio Ilotenango		374,202	0.8%
Instituto para el Desarrollo Hondureño	6	355,149	0.8%
LLC Micro Credit Organization "OXUS" Kyrgyz Republic		353,784	0.8%
Empresa para el apoyo y desarrollo de la micro y pequeña empresa urbana y rural (MICREDITO) S.A.		331,291	0.8%
Financiera Fundeser S.A.	6, 10	330,761	0.8%
ACEP-Burkina SA	10	312,810	0.7%
Fundenuse, S.A.	6, 10	298,162	0.7%
EBO Cooperative Savings & Credit Society LTD		279,530	0.6%
Asociación Arariwa Para La Promoción Técnico Cultural Andina		262,138	0.6%
Micreditoya Microfinanciera S.A.S.		255,896	0.6%
MFX Solutions LLC		240,606	0.5%
ONG Vahatra		188,597	0.4%
Baobab Microfinance Company Limited	6, 10	174,590	0.4%

The accompanying notes form an integral part of this report.

Aggregated exposure to	Notes	Amount EUR	% of total net assets
Alternativa Centro De Investigación Social y Educación Popular		156,503	0.4%
La Sociedad Cooperativa PADECOMSMCREDITO de RL de CV		155,888	0.4%
Adel Microcréditos S.A. de C.V.	6	141,448	0.3%
ECLOF Colombia SAS	6	132,027	0.3%
UGANDA MICROCREDIT FOUNDATION LIMITED		131,488	0.3%
"TRUST-UNION" MICRO-CREDIT COMPANY		100,084	0.2%
Fundación Pro Mujer Argentina		62,704	0.1%
Ilumina Soluciones Financieras S.A.	6	28,968	0.1%
<b>Total Portfolio</b>		<b>31,700,703</b>	<b>72.0%</b>
<b>Average exposure by microfinance institution</b>		<b>598,126</b>	<b>1.4%</b>

**/ Geographical breakdown of microfinance investments as at 31 March 2021**  
*Répartition géographique des investissements en microfinance au 31 mars 2021*

Geographical classification	Notes	Amount (EUR)	% of total net assets
Ecuador		3,667,191	8.3%
Mexico		3,306,152	7.5%
Kenya		2,850,183	6.5%
Myanmar	10	2,462,694	5.6%
Honduras		1,805,600	4.1%
Guatemala		1,583,819	3.6%
Kyrgyz Republic		1,516,439	3.4%
Kazakhstan		1,368,598	3.1%
Uganda	10	1,275,086	2.9%
Colombia		1,221,906	2.8%
Tajikistan		1,213,198	2.8%
Sierra Leone		1,209,635	2.7%
Madagascar		1,079,097	2.5%
Peru		991,303	2.3%
Nicaragua	10	960,214	2.2%
East-Timor		898,260	2.0%
Haiti		744,076	1.7%
Ghana	10	709,907	1.6%
USA		650,403	1.5%
Indonesia		625,018	1.4%
Benin		596,088	1.4%
Morocco	10	405,467	0.9%
Burkina Faso	10	312,810	0.7%
El Salvador		155,888	0.4%
Argentina		91,672	0.2%
<b>Total Portfolio</b>		<b>31,700,703</b>	<b>72.0%</b>
<b>Average exposure by country</b>		<b>1,268,028</b>	<b>2.9%</b>



**/Breakdown of microfinance investments by currency as at 31 March 2021**  
*Répartition des investissements en microfinance par devise au 31 mars 2021*

Geographical classification	Amount (EUR)	% of total net assets
United States Dollar	11,118,2601	25.2%
Mexican Peso	3,306,1512	7.5%
Euro	2,440,9556	5.5%
Myanmar Kyat	1,523,916	3.5%
Honduras Lempira	1,450,451	3.3%
Guatemalan Quetzal	1,391,397	3.2%
Kenyan Shilling	1,374,689	3.1%
Kazakhstani Tenge	1,368,598	3.1%
Ugandan Shilling	1,275,086	2.9%
Colombian Peso	1,221,906	2.8%
Peruvian Nuevo Sol	991,303	2.3%
West African CFA Franc	908,8998	2.1%
Haitian Gourde	744,076	1.7%
Ghanaian Cedi	709,907	1.6%
Indonesian Rupiah	625,018	1.4%
Tajikistani Somoni	500,1897	1.1%
Sierra Leonean Leone	498,609	1.1%
Malagasy ariary	188,597	0.4%
Argentine Peso	62,704	0.1%
<b>Total Portfolio</b>	<b>31,700,703</b>	<b>72.0%</b>
<b>Average exposure by currency</b>	<b>1,668,458</b>	<b>3.8%</b>

**/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 31/03/2021 <i>VNI/action au 31/03/2021</i>	NAV/share as at 31/03/2020 <i>VNI/action au 31/03/2020</i>	NAV/share as at 31/03/2019 <i>VNI/action au 31/03/2019</i>	Initial subscription price <i>Prix de souscription initial</i>
Class A shares <i>Actions de la Classe A</i>	27.30	26.26	26.68	25.00
Class A <sub>bis</sub> shares* <i>Actions de la Classe A<sub>bis</sub>*</i>	26.07	25.67	25.58	25.00
Class B shares <i>Actions de la Classe B</i>	118.38	115.68	114.56	100.00
Class C shares <i>Actions de la Classe C</i>	113.09	111.94	111.02	100.00

	Performance financial year 2020 - 21 <i>Rendement de l'année 2020 - 21</i>	Performance financial year 2019 - 20 <i>Rendement de l'année 2019 - 20</i>	Performance financial year 2018 - 19 <i>Rendement de l'année 2018 - 19</i>	Performance since inception <i>Rendement depuis lancement</i>
Class A shares <i>Actions de la Classe A</i>	4.0%	(1.6)%	1.5%	9.2%
Class A <sub>bis</sub> shares* <i>Actions de la Classe A<sub>bis</sub>*</i>	1.6%	0.4%	1.1%	4.3%
Class B shares <i>Actions de la Classe B</i>	2.3%	1.0%	2.0%	18.4%
Class C shares <i>Actions de la Classe C</i>	1.0%	0.8%	1.0%	13.1%
<b>Total net assets (EUR) <i>Actifs nets</i></b>	<b>44,040,052</b>	<b>40,850,593</b>	<b>37,969,067</b>	
<b>Growth in total net assets <i>Croissance des actifs nets</i></b>	<b>7.8%</b>	<b>7.6%</b>	<b>21.6%</b>	

\*Class A<sub>bis</sub> shares have been issued for the first time on 30 June 2017.

## // 6 Notes to the audited financial statements *Notes aux états financiers révisés*

as at 31 March 2021 // au 31 mars 2021

### 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 2021, 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<sub>bis</sub> 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<sub>bis</sub> 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<sub>bis</sub> 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<sub>bis</sub> 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<sub>bis</sub> shares is less than 20% of the combined NAV of Class C, Class A and Class A<sub>bis</sub> 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<sub>bis</sub> shares:**

Class A<sub>bis</sub> shares are open for subscription by philanthropic or other investors seeking a financial leverage on an investment with developmental impact. Class A<sub>bis</sub> shares are junior and cover risks for Class C shares, yet senior to Class A shares. Class A<sub>bis</sub> 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<sub>bis</sub> shares amounts to at least 25% of the sum of the Net Asset Values of Class A, A<sub>bis</sub> 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<sub>bis</sub> 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. 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<sub>bis</sub> shares.

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

### **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 investment related fees 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 year ended on 31 March 2021, to EUR 415,314 or 1.0% of the average net asset value of the SICAV. Of the total investment advisory fees, EUR 44,993 are linked to the investment related fees 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 2020 until 31 March 2021, the remuneration of the Management and Support Team amounted to 0.5% of the average net asset value of the SICAV. Total remuneration paid to the investment adviser(s), and the Management and Support Team amounted to 1.5% 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	Counterparty	Unrealised appreciation / (depreciation), (in EUR)	Remaining amortisation of notional until maturity (in EUR)
Fundación Pro Mujer Argentina	EUR	138,118	ARS	6,000,000	09/04/21	MFX	82,614	791
SOFIPA Corporation	EUR	30,263	MXN	837,988	12/07/21	BCEE	(4,171)	N/A
SOFIPA Corporation	EUR	379,193	MXN	10,500,000	12/07/21	BCEE	(57,368)	10,031
Avanza Sólido	EUR	441,719	MXN	12,000,000	11/07/22	BCEE	(57,208)	47,834
Avanza Sólido	EUR	33,052	MXN	897,900	11/07/22	BCEE	(2,017)	N/A
Avanza Sólido	EUR	157,451	MXN	4,000,000	12/07/21	BCEE	(8,858)	3,834
Avanza Sólido	EUR	46,865	MXN	1,190,600	12/07/21	BCEE	(2,006)	N/A
Avanza Sólido	EUR	34,424	MXN	907,700	10/01/22	BCEE	(1,929)	N/A
Conserva	MXN	838,750	EUR	28,829	08/10/21	BCEE	(5,170)	N/A
Conserva	MXN	11,000,000	EUR	369,601	11/04/22	BCEE	(87,748)	28,875
Conserva	MXN	834,170	EUR	29,599	09/04/21	BCEE	(5,052)	N/A
MFO Arnur Credit LLP	EUR	87,869	KZT	50,000,000	10/01/23	MFX	(12,074)	20,301
USD portfolio	EUR	5,363,970	USD	5,900,000	12/04/21	BCEE	343,548	1,795
M-KOPA HOLDINGS LTD	EUR	1,525,175	USD	1,700,000	11/07/22	BCEE	78,613	16,883
Conserva	MXN	834,170	EUR	28,028	11/04/22	BCEE	(4,842)	N/A
UGX portfolio	EUR	227,682	UGX	1,061,000,000	09/04/21	MFX	(18,654)	790
USD portfolio	EUR	3,389,297	USD	4,200,000	09/07/21	BCEE	(184,563)	7,325
ACTB Savings and Loans LTD	EUR	384,468	SLL	5,100,000,000	07/05/21	MFX	(39,519)	7,114
Avanza Sólido	MXN	962,500	EUR	38,877	09/07/21	BCEE	(627)	N/A
Avanza Sólido	EUR	45,585	MXN	1,156,250	10/01/22	BCEE	(651)	N/A
Avanza Sólido	EUR	281,060	MXN	7,500,000	10/01/23	BCEE	(30,769)	25,858
Avanza Sólido	EUR	42,862	MXN	1,143,750	10/01/23	BCEE	(602)	N/A
Avanza Sólido	EUR	20,633	MXN	565,625	10/07/23	BCEE	(365)	N/A
Avanza Sólido	EUR	265,781	MXN	7,500,000	10/01/24	BCEE	(46,048)	41,097
Avanza Sólido	EUR	20,377	MXN	575,000	10/01/24	BCEE	(490)	N/A
Avanza Sólido	MXN	1,137,500	EUR	43,730	11/07/22	BCEE	(491)	N/A
SOFIPA Corporation	EUR	80,383	MXN	1,989,583	08/10/21	BCEE	(273)	N/A
SOFIPA Corporation	EUR	74,439	MXN	1,895,833	08/04/22	BCEE	(317)	N/A
SOFIPA Corporation	EUR	73,254	MXN	1,927,083	10/10/22	BCEE	(870)	N/A
SOFIPA Corporation	MXN	1,906,250	EUR	67,420	10/10/23	BCEE	(1,638)	N/A
SOFIPA Corporation	EUR	69,654	MXN	1,895,833	11/04/23	BCEE	(1,588)	N/A
SOFIPA Corporation	EUR	862,629	MXN	25,000,000	02/04/24	BCEE	(176,801)	178,814
Sub-total							(247,934)	391,341
<b>Total</b>								<b>143,408</b>

## NOTE 6

### IMPAIRMENTS AND WRITE-OFFS OF MICROFINANCE LOANS

#### General approach

The Fund has a standard methodology to indicate whether there is evidence that an impairment might have occurred. Criteria include any default or cross-default, breach of covenants, deterioration of KPIs, inability to refinance, debt restructuring and local laws and regulation preventing the Fund from receiving any payments. This impairment test constitutes the first stage of the valuation process and continues to be adopted in the context of the Covid-19 Pandemic, when many institutions have required debt restructuring. In case the test indicates that any financial instrument is impaired, the Fund then determines the amount of impairment applicable. Given that LMDF invests in financial instruments not admitted to an official stock exchange, nor dealt on another regulated market, (i.e. the Fund cannot derive the amount of impairments from observable market data) the Fund has adopted a process to calculate the impairment based on a discounted cashflow methodology estimating future cash-flows, and a country risk premium and a counterparty risk premium to determine a discount rate. It should be noted that this valuation methodology assumes that the MFI is a going concern. In high risk cases, where there are doubts over the going concern assumption, the Fund needs to prudently determine liquidation proceeds related to the financial instrument it holds. In such cases, the decision to write-off accrued interest may also be taken.

#### Impact of Covid-19

Covid-19 has had an impact on the financial health of many of our institutions and the provisions taken below mainly relate to the increased indications for impairment which arise from the pandemic (notably as the result of the need for debt restructurings). In the majority of cases, the MFIs have been able to gain support from lenders, resume operations and, although the restructuring indicates grounds for impairment, there is nothing to indicate that the institutions will not be able to make their rescheduled commitments. In fact, several of the provisions made in March 2020 have now been reversed, on the basis of improvements in the operating position of an institution and confirmation of ability to meet liabilities. A few cases are considered to be higher risk, and to be prudent, liquidation values or other objectively calculable exit values have been used in such instances. It is clear that the situation continues to evolve, and the data used for this report is the information available as of 31/03/2021.

#### Specific cases

The outlook in Myanmar remains highly uncertain. Although none of the investments have required restructuring measures to be taken and MFIs have remained operational, impairments have been made on the basis of the deteriorating political situation. Following discussions with Oportunidad Microfinanciera OMLA, S.A it was decided that exiting the position with a haircut was preferable to a restructuring arrangement. This has resulted in a realised loss on the position of EUR 4,192.

The table details the variation of unrealised gains and losses related to impaired financial instruments.

Variation of impairments on microfinance loans		Unrealised gain/loss	
Microfinance institution	High risk	31/03/2021	31/03/2020
Financiera Fundeser S.A.		(95,603)	(136,637)
ECLOF Colombia SAS	yes	(88,018)	(4,157)
EBO Cooperative Savings & Credit Society LTD	yes	(82,461)	-
Adel Microcréditos S.A. de C.V.	yes	(76,164)	-
Advans MFI Myanmar Company Limited		(74,000)	-
Uganda Microcredit Foundation Limited	yes	(60,946)	-
Alliance for Microfinance Myanmar limited		(43,761)	-
LLP Microfinance Organization "BEREKE"		(12,473)	(74,721)
Ilumina Soluciones	yes	(9,105)	(15,523)
Instituto para el Desarrollo Hondureño		(697)	(16,556)
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		-	(154,855)
Asociación Arariwa para la Promoción Técnico Cultural Andina		-	(26,230)
Action pour la coopération avec la microentreprise S.A. ACME		-	(24,545)

Variation of impairments on microfinance loans		Unrealised gain/loss	
Microfinance institution	High risk	31/03/2021	31/03/2020
Fundenuse, S.A.		-	(20,496)
Cooperative des Membres Unis Bethel Actions (COMUBA)		-	(18,449)
Empresa para el apoyo y desarrollo de la micro y pequeña empresa urbana y rural (MICREDITO) S.A.		-	(13,664)
Tugende Ltd		-	(12,000)
Oportunidad Microfinanciera Latinoamericana OMLA, S.A.		-	(9,931)
Microcredit Company Bailyk Finance		-	(8,653)
<b>Total</b>		<b>(543,227)</b>	<b>(536,416)</b>
<b>Net variation of impairments</b>			<b>(6,811)</b>

Written-off Microfinance loans		Realised gain/loss	
Microfinance institution	Accrued interest written-off	31/03/2021	31/03/2020
Asusu SA		-	(12,396)
Oportunidad Microfinanciera OMLA, S.A.		(4,192)	-
<b>Total Written-off</b>		<b>(4,192)</b>	<b>(12,396)</b>

## 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	187,500
Investment related fees to the investment advisor	121,985
Audit fees	24,943
Administration fees	16,601
Custodian fees	14,828
Wages and salaries	6,134
Transfer agency fees	4,997
VAT services fees	4,423
Custodian fees on forward	4,262
Domiciliation fees	2,690
Representation fees	2,490
Transaction related fees due to the administrator	1,600
Information technology expenses	1,252
Other fees	800
<b>Total</b>	<b>394,503</b>

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

Post & Communication	30,541
Rent fees	29,479
CSSF annual fee	5,500
VAT services	3,931
Rating & Labelling	3,839
Other cost	1,961
Fundsquare fee	370
Membership fees	63
<b>Total</b>	<b>75,685</b>

As at the reporting date, receivables and other assets consisted in the following (in EUR):

Deposit for MFX Access	170,184
Other receivable	14,156
CSSF fees	4,800
<b>Total</b>	<b>189,140</b>



LAPO employs a total of 325 people, of which 111 are credit agents, in 29 branches across the country // LAPO, Sierra Leone

## NOTE 8

### ASSET – LIABILITY RISK MITIGATION

The Fund grants loans with maturities from 2 – 5 years to microfinance institutions. On 19<sup>th</sup> 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 9

### TOTAL EXPENSE RATIO

Average net asset value during the year (in EUR)	43,235,850
Total expenses for the year (in EUR)	996,628
Debit interests on bank account	(80,346)
VAT receivable	(22,695)
<b>Total expenses for the TER calculations net of negative interest and VAT</b>	<b>893,587</b>

**Total expense ratio (annualised)**

**2.1%**

## NOTE 10 POSITIONS IN MONITORED JURISDICTIONS

The Fund's portfolio includes financial instruments issued by MFIs operating in Burkina Faso, Morocco, Nicaragua, Ghana, Myanmar and Uganda. All these countries are currently listed as Monitored Jurisdictions by the Financial Action Task Force ("FATF"). These financial instruments are therefore considered as high-risk instruments from a money laundering and terrorist financing perspective by the Fund, with additional measures taken accordingly. All financial instruments were issued and acquired by the Fund before FATF's decision to consider these territories as Monitored Jurisdictions. Generally, the Fund does not invest in jurisdictions which are either Monitored or Subject to a Call for Action by FATF.

The below table lists the geographical exposure to such countries.

Geographical classification	Amount (in EUR)	% of total net assets
Myanmar	2,462,694	5.6%
Uganda	1,275,086	2.9%
Nicaragua	960,214	2.2%
Ghana	709,906	1.6%
Morocco	405,467	0.9%
Burkina Faso	312,810	0.7%
<b>Total</b>	<b>6,126,177</b>	<b>13.9%</b>

## NOTE 11 FOREIGN EXCHANGE RATES

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

1 EUR =	108.10	ARS	Argentine Peso
1 EUR =	4,319.57	COP	Colombian Peso
1 EUR =	6.80	GHS	Ghanaian Cedi
1 EUR =	9.06	GTQ	Guatemalan Quetzal
1 EUR =	28.26	HNL	Honduras Lempira
1 EUR =	93.78	HTG	Haitian Gourde
1 EUR =	17,069.73	IDR	Indonesian Rupiah
1 EUR =	128.51	KES	Kenyan Shilling
1 EUR =	99.68	KGS	Kyrgyzstani som
1 EUR =	500.29	KZT	Kazakhstani Tenge
1 EUR =	4,462.49	MGA	Malagasy ariary
1 EUR =	1,656.73	MMK	Myanmar Kyat
1 EUR =	24.05	MXN	Mexican Peso
1 EUR =	41.01	NIO	Nicaraguan Cordoba
1 EUR =	4.42	PEN	Peruvian Nuevo Sol
1 EUR =	12,028.66	SLL	Sierra Leonean leone
1 EUR =	13.40	TJS	Tajikistani Somoni
1 EUR =	4,307.11	UGX	Ugandan Shilling
1 EUR =	1.18	USD	United States Dollar
1 EUR =	660.96	XOF	West African CFA Franc

## NOTE 12

### STAFF

During the reporting year ended on 31 March 2021, the SICAV employed five full-time staff and one part-time staff member. The Fund's Board of Directors adopted a Remuneration Policy for the fixed and variable remuneration of the Fund's staff, and which is available for public consultation on the website [www.lmdf.lu](http://www.lmdf.lu) or at the registered office of the Fund.

During the reporting period, the Fund transitioned from a target time allocation of the working time of staff to the Luxembourg Microfinance and Development Fund of 60% to a target time allocation of 80%. This change was made on 1<sup>st</sup> October 2020 on the basis of the increasing maturity of the FCCF sub-fund and the fact that a local team of consultants are also engaged on the FCCF project.

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. No bonuses were paid in the year 2019/20 in view of the Covid-19 situation and the challenges faced by our partner MFIs.

The share-based bonus relates to Class B Shares only.

	Performance period		
	2017/18	2018/19	2019/20
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	-

## 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**

Between the 1<sup>st</sup> April 2020 and 31<sup>st</sup> March 2021, no share transactions with directors were carried out.

## **NOTE 16**

### **SUBSEQUENT EVENTS BETWEEN THE YEAR END UNTIL 15 JUNE 2021**

On the 7<sup>th</sup> May, the Fund received COP 639,000,000 to close two debt instruments with ECLOF Colombia with an outstanding notional amount of COP 950,500,000, generating a loss from these instruments of COP 311,500,000 (EUR 82,728). A loss provision of EUR 88,018 was already booked for this positions in the financial statements of 31/03/2021.

The Fund is in the process of completing a Prospectus change in accordance with EU Regulation 2019/2088 which considers sustainability-related disclosures in the financial services sector (the “SFDR”). None of the changes is material in nature, but details are provided below:

#### **1. Clarification of Section 2 “Investment Objectives of the Sub-Fund”**

The Board has decided to clarify inter alia that:

LMDF’s objective is to make sustainable investments within the meaning of article 9 of SFDR

- (i) The proportion of assets invested in microfinance institutions is carefully monitored and reporting is regularly provided so as to monitor the social performance of LMDF ;
- (ii) No index has been designated to measure the sustainable investment objective of LMDF since existing index are not appropriate to LMDF’s investment model.

#### **2. Insertion of Section 14.8 “Integration and Impact of Sustainability Risk”**

The Board has further decided to insert a new Section 14.8 “Integration and Impact of Sustainability Risk” which: Describes the sustainability risks to which LMDF may be subject

- (i) Details how the relevant sustainability risks are taken into account in the investment decision process;
- (i) Clarifies that those sustainability risks are not anticipated to have a material negative impact on the financial returns of LMDF, although certain risk factors, such as governance, may have a substantial effect on individual assets.



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