



## Perspectives on Microfinance in Africa

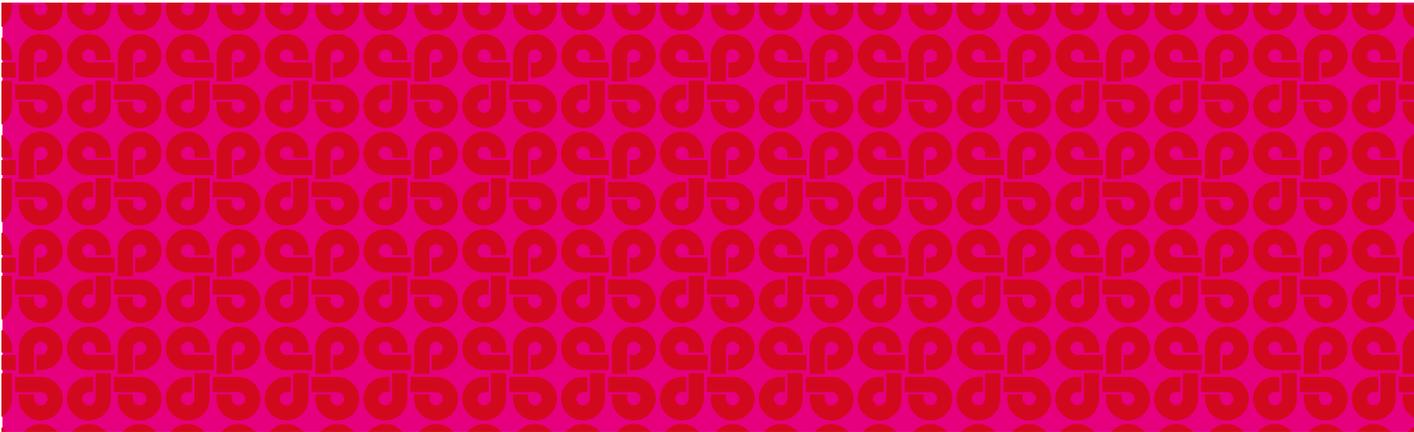
Presenting our latest investment in Africa: MicroLoan Foundation Zambia

Unaudited semi-annual report as at 30 September 2021

*Rapport semestriel non révisé au 30 septembre 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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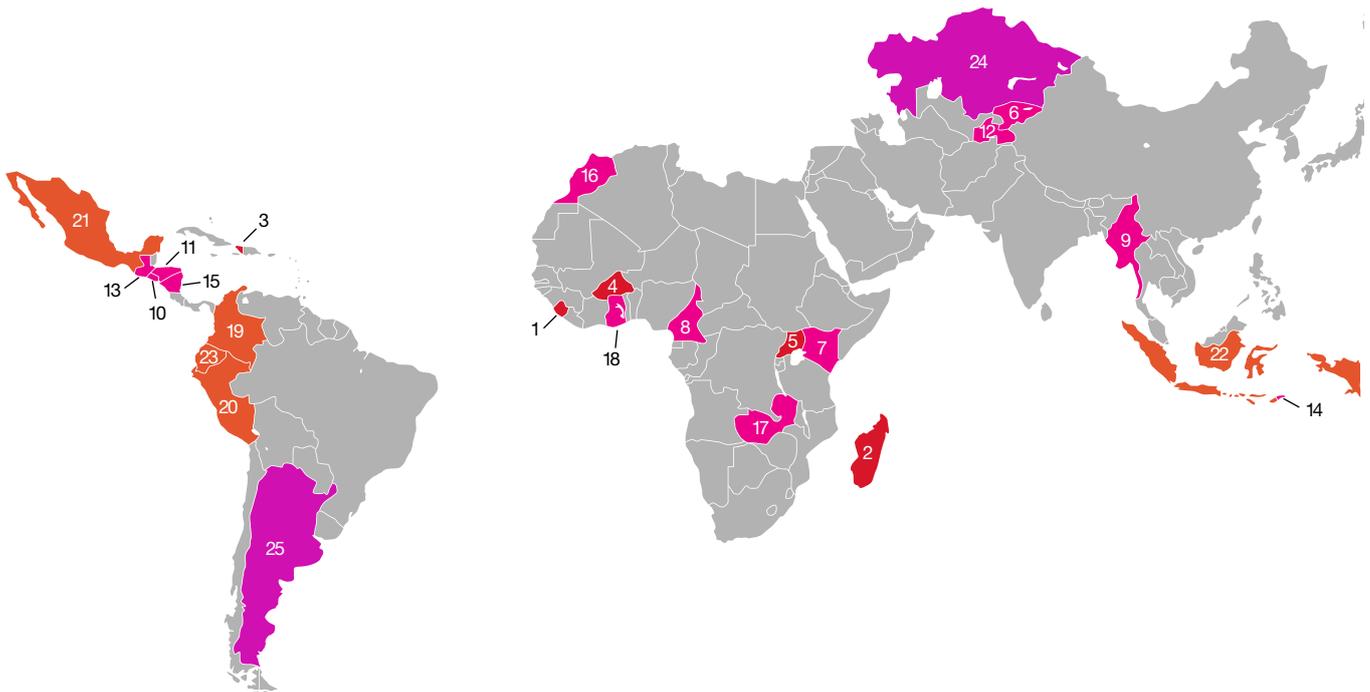
## LMDF in figures // en chiffres

30 September 2021 // 30 septembre 2021

<b>EUR 32.5 million</b> Investments in microfinance	<b>70%</b> Women
<b>49</b> Microfinance institutions financed directly	<b>15,597</b> Employees of partner MFIs
<b>1</b> Regional fund	<b>69,083</b> Micro-entrepreneurs financed by LMDF
<b>26</b> Countries	<b>1,303</b> Number of university students financed
<b>1</b> Service provider	<b>53%</b> Micro-loans for services and small trade
<b>40%</b> Latin America	<b>23%</b> Agricultural activities
<b>26%</b> Sub-Saharan and North Africa	<b>6%</b> Production and crafts
<b>32%</b> Southeast and Central Asia	<b>18%</b> Other uses
<b>2%</b> Developed countries	<b>EUR 636,925</b> Average exposure per MFI
<b>67%</b> Financing in local currency of MFI country	<b>3.0%</b> Twelve month return Class A shares
<b>2.3 million</b> Micro-entrepreneurs financed by partner MFIs	<b>1.5%</b> Twelve month return Class A <sub>bis</sub> shares
<b>EUR 926 million</b> Total micro-loan portfolio of partner MFIs	<b>2.5%</b> Twelve month return Class B shares
<b>EUR 1,190</b> Average micro-loan	<b>1.2%</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 30<sup>th</sup> June 2021 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



### Low HDI

- 1 Sierra Leone
- 2 Madagascar
- 3 Haiti
- 4 Burkina Faso
- 5 Uganda

### Medium HDI

- 6 Kyrgyz Republic
- 7 Kenya
- 8 Cameroon
- 9 Myanmar
- 10 El Salvador
- 11 Honduras
- 12 Tajikistan
- 13 Guatemala
- 14 East-Timor
- 15 Nicaragua
- 16 Morocco
- 17 Zambia
- 18 Ghana

### High HDI

- 19 Colombia
- 20 Peru
- 21 Mexico
- 22 Indonesia
- 23 Ecuador

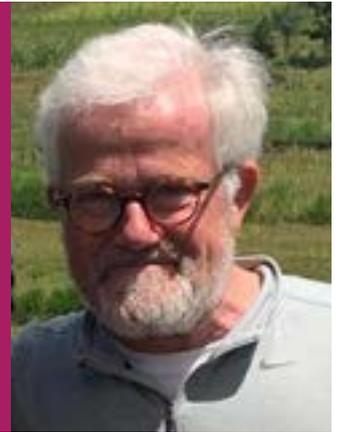
### Very high HDI

- 24 Kazakhstan
- 25 Argentina

Source: LMDF analysis, UNDP

Note: This map does not include investment in regional fund vehicle and hedging service provider for microfinance industry.

# Report of the Board of Directors



There is no other way to look at it – we are now extremely busy! The financial year 2021/22 has begun with strong disbursements and we are pleased to have completed 14 transactions, investing EUR 10.3m in MFIs. Whereas our Risk Committee was meeting monthly in 2020/21, we are now finding that our Investment Committee needs to meet this frequently, in order to meet the demand of MFIs which are entering into a phase of recovery.

This period has also been significant for the progression of the Fund's strategy. Although certain adjustments are still made to support institutions which have felt the impact of COVID-19<sup>1</sup>, we see increasing normalisation in the financial situation of MFIs seeking new financing. We have also been able to develop the Microfinance+ approach focusing on three core areas: small asset finance, agricultural value chain and financing for quality education. We have a promising and developing pipeline in this field.

Risk levels remain elevated compared with the pre-COVID period and currently stand at 1.7% of the portfolio. Nonetheless, two thirds of the provisions stem from Myanmar, where the situation remains extremely delicate: COVID related provisions continue to decrease. Albeit, the spirit of collaboration between lenders which was adopted during the crisis continues, which has facilitated support for institutions based in Myanmar.

Not only has there been a pick-up in investment activity; the Fund industry has also seen an increase in focus on ESG, notably stemming from EU regulation. The Fund is pleased to be listed as an Article 9 Fund under the Sustainable Finance Disclosure Regulation: this shows that

sustainability is a core objective for the Fund. Only 3.6% of funds have elected to have this classification.

With this in mind, I also hope you enjoy reading more about the work conducted by our institutions. The Fund recently opened for investments in Zambia and completed its first transaction with MicroLoan Foundation Zambia. This institution has an impressive social profile, supporting 27,000 rural women, with average loans of just USD 62. Following the investments we have made during this quarter, the Fund's 6 staff based in Luxembourg are now supporting over 69,000 micro-entrepreneurs across the globe.

During these busy times, we have seen our assets increase by 3.9% and are pleased to have received EUR 1.8m in subscriptions. Class C shares have seen a 1.2% increase in value during the period and Class B shares have seen an increase of 2.5%.

The Fund has a strong pipeline and expects that the second half of the year may be even busier than the first half.

## Corporate governance

The **Board of Directors** has selected and retained ADA (Appui au Développement Autonome a.s.b.l.) as the investment adviser to LMDF, to provide the services of identification, evaluation and selection of investment and divestment 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 two 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.

“Never be so busy as not to think of others” is a phrase attributed to *Mother Theresa*. We may be busy this year, but, as we work, our thoughts are always on our microentrepreneurs.

We look forward to working with our shareholders during this exciting period.

The Board of Directors  
29 November 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 semestrielles sur la période du 1er avril au 30 septembre 2021.*

*Au cours de la période considérée, les activités d'investissement du fonds ont fortement augmenté à la suite des turbulences de la pandémie de Covid-19 au cours de l'exercice écoulé. Au cours des six premiers mois de l'exercice 2021-2022, le fonds a réalisé un total de 14 investissements pour un montant total de 10,3 millions d'euros en faveur des institutions de microfinance (IMF).*

*La liquidité est restée élevée malgré la forte activité d'investissement du fonds. Ceci est principalement dû au profil de maturité des actifs. Au cours de la période de référence, LMDF a reçu 8,6 millions d'euros en remboursements de la part des IMF. Le LMDF s'attend à ce que l'activité d'investissement se poursuive jusqu'à la fin de l'année et, compte tenu des faibles remboursements, une normalisation du niveau de liquidités en termes d'efficacité financière et de nos objectifs sociaux.*

*Le total du bilan est passé de € 44,0 millions à € 45,7 millions (+ 4,0 %). Au cours des douze derniers mois, la valeur liquidative par action de classe C a augmenté de 1,2 % et de 2,5 % par action de classe B.*

*LMDF et son conseil d'administration ont adopté le développement large de la stratégie microfinance + comme une innovation stratégique majeure, qui se concentre sur des modèles de microfinance innovants dans trois domaines : financement de micro-actifs, chaînes de valeur agricoles et financement d'offres éducatives de qualité. Le Conseil d'administration a approuvé un cadre dans lequel le fonds peut investir jusqu'à 4,5 millions d'euros en volumes de crédit dans ce domaine (c'est-à-dire jusqu'à 10 % de la VNI).*

*Le fonds est dans une phase de forte croissance du portefeuille cette année et nous sommes convaincus que cela découle des besoins des IMF et des micro-entrepreneurs pour surmonter la phase difficile de Covid-19.*

*Notre travail ne serait pas possible sans le soutien et la fidélité de nos actionnaires. Nous tenons donc à vous remercier pour votre confiance.*

Der Fonds präsentiert seine Aktivitäten zum Halbjahr in der Periode vom 1. April bis 30. September 2021.

Im Berichtszeitraum kam es nach den Turbulenzen der Covid-19-Pandemie im vergangenen Geschäftsjahr zu einer starken Zunahme der Anlageaktivitäten des Fonds. In den ersten sechs Monaten des Geschäftsjahres 2021-22 hat der Fonds insgesamt 14 Investitionen in Höhe von 10,3 Mio. € zugunsten von Mikrofinanzinstituten (MFIs) getätigt.

Die Liquidität blieb trotz der starken Investitionstätigkeit des Fonds hoch. Dies ist im Wesentlichen auf das Fälligkeitsprofil der Aktiva zurückzuführen. Während des Referenzzeitraums erhielt LMDF 8,6 Mio. EUR an Rückzahlungen von MFIs. Der LMDF erwartet bis Jahresende eine anhaltend hohe Investitionstätigkeit und angesichts niedriger Rückzahlungen eine Normalisierung des Liquiditätsniveaus im Sinne finanzieller Effizienz und unserer sozialen Ziele.

Die Bilanzsumme stieg von 44,0 Mio. € auf 45,7 Mio. € (+ 4,0%). In den letzten zwölf Monaten ist der NAV pro Aktie der Klasse C um 1,2% und um 2,5% pro Aktie der Klasse B gestiegen.

LMDF und sein Verwaltungsrat haben als wesentliche strategische Neuerung die weite Entwicklung der Microfinanz+ Strategie verabschiedet, die sich auf innovative Mikrofinanzmodelle in drei Themenbereichen konzentriert: Finanzierung von Kleinstaktiva, landwirtschaftliche Wertschöpfungsketten und Finanzierung qualitativer Bildungsangebote. Der Verwaltungsrat genehmigte einen Rahmen, in dem der Fonds bis zu 4,5 Mio. € in Kreditvolumina in diesem Bereich investieren kann (d.h. bis zu 10 % der NAV).

Der Fonds befindet sich in diesem Jahr in einer Phase starken Portfoliowachstums, und wir sind überzeugt, dass dies den Bedürfnissen von MFIs und Kleinstunternehmern entspringt die schwierige Covid-19 Phase zu überwinden.

Ohne die Unterstützung und Treue der Aktionäre wäre unsere Arbeit nicht möglich. Deshalb bedanken wir für uns für Ihr Vertrauen herzlich.

# Management report on activities



The Luxembourg Microfinance and Development Fund (LMDF or Fund) reports on its activities during the financial period which started on 1 April 2021 and ended on 30 September 2021.

## **/ Investment activities exceed pre-COVID levels**

The period saw a strong return of the investment activities of the Fund after the interruptions during the Covid-19 pandemic in the previous financial year. During the first six months of the financial year 2021-22, the Fund made a total of 14 investments amounting to EUR 10.3m towards microfinance institutions (MFIs). This compares to EUR 2.0m disbursed to two MFIs during the same period in the previous financial year and EUR 4.0m disbursed in the same period in the financial year 2019-20 preceding Covid-19.

The Fund made several large transactions with new and existing MFIs in Cameroon (ACEP), Indonesia (KOMIDA), El Salvador (Óptima) and Ecuador (Insotec). But overall, LMDF remained focused on its mission to finance small Tier 2s and emerging Tier 3s. Including the larger transactions, the average financing amount is EUR 730,000, significantly below the EUR 2.4m average investee exposure of microfinance debt funds (according to the 2020 Symbiotics MIV Survey). The Fund's investment in MLF Zambia featured in this report illustrates the impact small but mission driven MFIs can realise.

This level of activity is a continuation of the strategy proposed by the investment adviser, ADA, and approved by the Fund's Board of Directors in October 2020 and which was updated in March 2021 for the current financial year. LMDF continues to operate under a small number of adjusted risk parameters, mainly in relation to the classification of restructured

loans due to Covid-19 and the capitalisation covenants to reflect the reality of losses increasingly reflected in the equity of MFIs.

The Board of Directors also decided to slightly increase the average tenor of loans granted to MFIs to allow good partners more time to translate the Fund's loans into microcredits and to render the Fund's investment activity more efficiently. Whereas the typical financing of LMDF was for 3 years, the Fund is now aiming at raising the maturity up to 4 years with an adapted amortisation schedule. In view of the increase to the number of countries being listed as a Monitored Jurisdiction by FATF (see Note 10 for details) the Board suggested to review exposure limits in a few selected countries to reflect a smaller investment universe.

Excess liquidity (Graph 2) remains high despite the strong investment activity of the Fund. This is mainly due to the maturity profile of investments. During the reporting period, LMDF received EUR 8.6m in repayments from MFIs. Repayments are not distributed equally over the financial year and the Fund is expecting less than EUR 5.5m in remaining repayments until the end of the financial year in March 2022. The Fund expects investment activities to remain high and hence to see a normalisation of liquidity levels by the end of the financial year.

## **/ Development of the Microfinance + strategy**

The Microfinance + strategy adopted by the Board of Directors is focused on innovative microfinance models in three thematic areas: Small asset finance, agricultural value chain and financing for quality education. The Board of Directors approved a framework under which the Fund can invest up to EUR 4.5m in senior debt in this area (or about 10% of NAV).

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

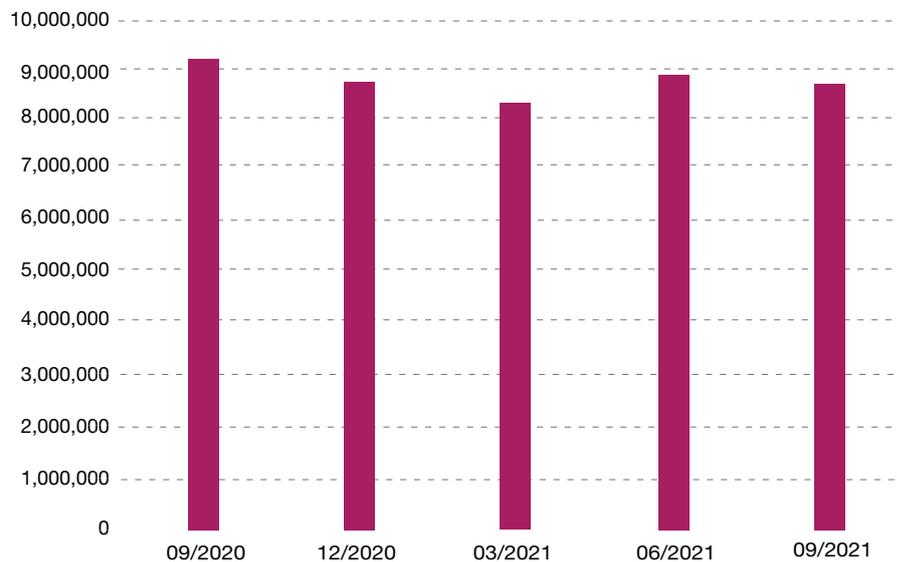


\* Investment in regional fund vehicle and hedging service provider for microfinance industry.

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

Source: LMDf analysis as at 30/09/2021. Human Development Index 2020 by UNDP.

GRAPH 2:  
CAPITAL AVAILABLE FOR INVESTMENT (in EUR)



Source: LMDf analysis.

The Fund believes that Microfinance + will lead to a differentiation of the investment portfolio over time with a stronger linkage between the financing provided and specific sustainable development objectives.

The Fund is pursuing multiple Microfinance + transactions but has not made any new investment during the reporting period.

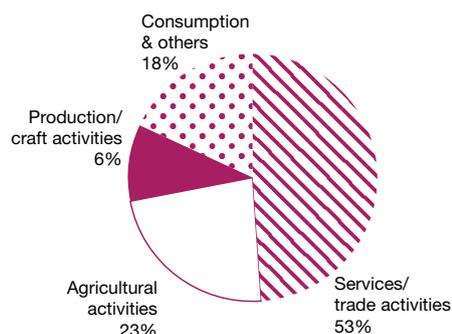
**/ Continued positive financial performance**

LMDF's total net assets increased from EUR 44.0m to EUR 45.7m (+3.9%). The Fund's financial key performance indicators remain stable. The interest rate difference between Euro and U.S. dollar rates (Graph 8) increased slightly and led to an increase in hedging costs. The Fund's operating costs during the reporting period increased to 2.8% total expense ratio (compared to 2.1% during the previous financial year). The increase includes several one-off items and is expected to decrease in the coming months.

The credit risks faced by the Fund did not require substantial additional provisions during the reporting period.

Over the last twelve months, the Net Asset Value (NAV) per Class C share increased by 1.2% and by 2.5% per Class B share. The performance of the LMDF share classes is comparable to the 1.7% return of microfinance

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



Source: LMDF analysis of weighted average data provided by partner MFIs as at 30/06/2021

debt funds denominated in Euros (measured by the Symbiotics SMX Euro Index – Graph 6).

**/ Outlook**

Reporting on the different risks faced by the Fund is now included in a separate report from the Fund's Risk Manager to the shareholders. This includes an update on the work the Fund is doing to comply with the provisions of the EU Sustainable Finance Disclosure Regulation where LMDF is categorised as an "Article 9 Fund".

The Fund is in a strong growth phase this year and we are convinced that this responds to the needs of MFIs and micro-entrepreneurs to overcome the difficult Covid-19 period. Our work would not be possible without the strong support of shareholders, and I would like to conclude by thanking all shareholders very much for their trust and commitment.

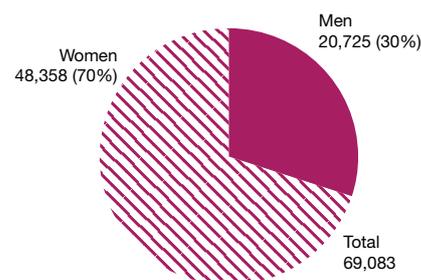
As always, we look forward to receiving your thoughts and comments.

Yours faithfully,

Kaspar Wansleben

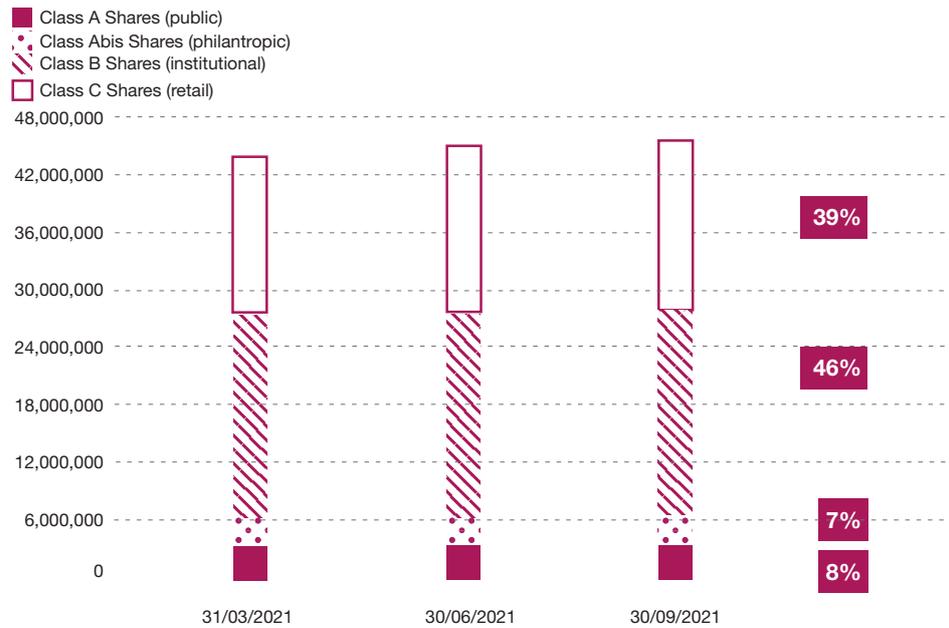
Executive Director  
(kaspar@lmdf.lu)

GRAPH 4:  
ACTIVE MICRO-ENTREPRENEURS FINANCED BY LMDF



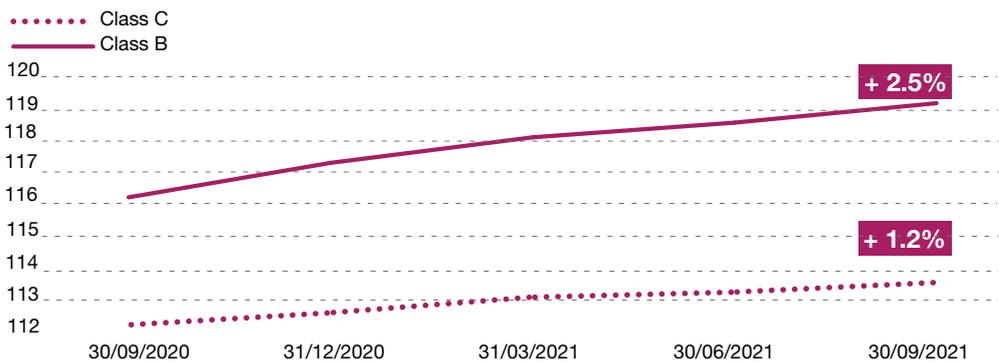
Source: LMDF analysis of weighted average data provided by partner MFIs as at 30/06/2021

GRAPH 5:  
NET ASSET VALUE BY SHARE CLASS (in EUR million)



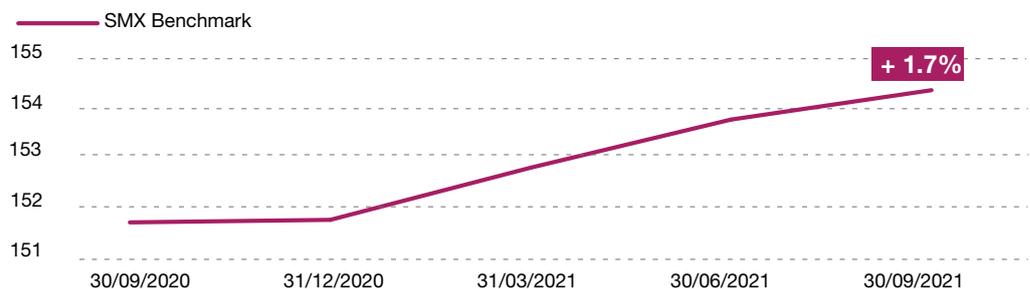
Source: LMDf analysis

GRAPH 6:  
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

# Risk report on activities



The Fund's Risk Committee oversees the various risk which the Fund faces. Following a very busy year in 2020/21, during which the Committee was convened 7 times, principally to take action on COVID related agreements, the first half of 2021/22 has not required such a quantity of decisions and the Committee has been convened twice. While COVID still remains very much on the Committee's agenda, the Committee has also taken the opportunity to monitor and discuss the Fund's recovery strategy, review cyber-security risks, discuss ESG matters and focus on the money-laundering risks faced by the Fund.

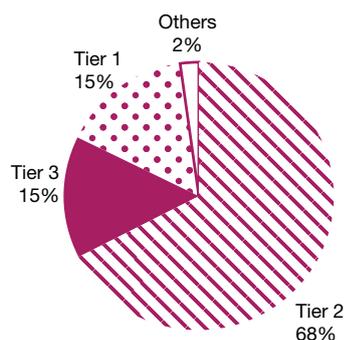
## - Credit risks

The Fund's risk management bodies continue to closely monitor credit risk, which remains elevated. Although COVID related risks are now decreasing, provisions related to the situation in Myanmar have increased, resulting in a minimal decrease of EUR 11k in impairments since 31<sup>st</sup> March 2021. At present impairments stand at EUR 532k, of which two thirds result from the situation in Myanmar.

The two Myanmar institutions constitute the main risk entities for the Fund. Both are subject to enhanced monitoring and intercreditor groups have been formed to ascertain the best lender approach to these positions, although the situation remains highly volatile. The other two high risk positions result from COVID: the Uganda Microcredit Foundation is also subject to extended intercreditor negotiations, while Adel Microcréditos has been granted a bi-lateral loan extension and has been following its new prepayment schedule. The other cases which are subject to impairment are not considered to be high risk: in the majority of cases, restructuring arrangements have already been agreed among creditors and progress with the negotiated payment schedules is promising.

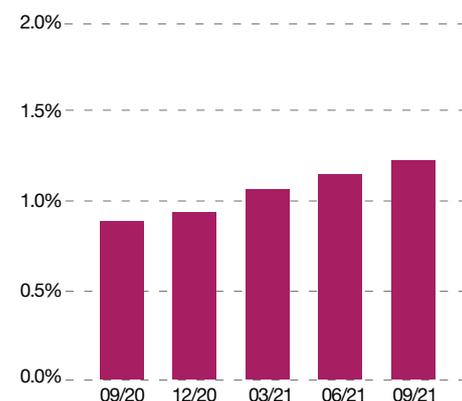
Following COVID challenges, an agreement was reached with ECLOF receive a partial repayment in full and final settlement of its liabilities. This agreement resulted in a loss of EUR 69k during the semester. Other COVID affected cases including IDH, Illumina and EBO were able to repay in full during the half

GRAPH 7:  
DISTRIBUTION OF MFIS BY TIER IN  
LMDF'S PORTFOLIO (% OF PTF)



Source: LMDF analysis as at 30/09/2021

GRAPH 8:  
DIFFERENCE BETWEEN EUR AND USD  
INTEREST RATE (3 MONTH LIBOR)



Source: US Department of the Treasury and European Central Bank



*Zambia has a high level of poverty with a national average poverty rate of 54% and a rural poverty rate of 77% // MLF, Zambia*

year or shortly thereafter, demonstrating the effectiveness of COVID support measures. 71% of the Fund's assets were invested in microfinance as of 30th September 2021, these higher levels of liquidity have helped mitigate credit risk during periods heavily impacted by COVID, but as risk levels related to COVID reduce, the Fund is now looking to grow its portfolio and reduce its liquidity levels. The Fund has 49 institutions in its portfolio and an average exposure of 1.4% of net assets to each MFI, meaning that diversification levels remain high.

**- Currency risk**

The Fund has a conservative approach to currency risk which has helped to mitigate volatility during the COVID period; although disbursements in local currency are preferred in order to mitigate investee FX risk, the Fund adopts a rigorous hedging policy. The Fund's hedge portfolio as at 30th September 2021 is valued at EUR 877k for the cross-currency swaps and - EUR 716k for forwards. The Fund's hedging covers a diverse portfolio of 20 currencies plus the Euro. The largest exposure remains the U.S. dollar portfolio which amounts to EUR 11.4m, or 24.9% of the Fund's total net assets; this constitutes a slight decrease from 2020/21 year end when USD portfolio accounted for 25.2% of total net assets., following the Fund's preference for local currency disbursements.

**- Country risks**

At the end of September, LMDF is invested in 26 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. 8.5% of total net assets are held in countries included in such lists.

Following impairments in Myanmar, the exposure to the country amounts to EUR 1.9m (or 4.1% of total net assets) and the position is subject to close monitoring reflecting the current challenges in the geography.

The Fund's largest exposure is to the Kyrgyz Republic, accounting for 7.2% of total net assets. The five most significant countries account for 30.8% of the portfolio, a fractional reduction from 32% at the end of 2020/21.

**- ESG Risks**

The Fund has elected to be classified under article 9 of Regulation (EU) 2019/2088 on sustainability-related disclosures (SFDR): this means that it has an objective of making sustainable investment within the meaning of the aforementioned regulation. Prospectus updates were made accordingly in June 2021 and additional disclosures on ESG risk are also available on the Fund's website. The Fund will be making further changes to its reporting information in accordance with Level 2 SFDR requirements.

There were no material adverse ESG events in the reporting period.

We look forward to receiving your thoughts and comments.

Yours faithfully,

Apricot Wilson

Head of Risk  
(apricot@lmdf.lu)

# 1 Microfinance in Africa

By Olivia Fechner, Regional Manager for Africa



*Olivia has been based in Nairobi, Kenya since 2018. She is the Investment Officer and Regional Manager for Africa for the NGO ADA. Olivia has worked with the NGO since 2013 and, since a few years, specialises in the African microfinance sector, notably in East Africa in countries such as Kenya, Uganda, Madagascar and Ghana. For this edition, Olivia shared with us her observations regarding the development and impact of digitisation on the African continent.*

## Technology and financial inclusion

The impact of technology on financial inclusion is accelerating and transforming the sector, whether through the emergence of new players or through its consequences for traditional MFIs.

While the growing role of technology can be seen around the world, it is even stronger in Africa. The financial inclusion gap being wider on this continent (only 32% of adults had a bank account in 2018) there is more room in the market for the entry of innovative actors. In addition, Africa is characterised by a young population (60% of Africans are under the age of 25). These "digital natives" represent great potential for the development of digital products and services.

**In Sub-Saharan Africa, 21% of adults had a mobile money account in 2018, a higher rate than in all other regions of the world.**

Until recently, the most significant impact of fintech has been in the payments industry. The development of mobile money has thus given everyone access to digital payment solutions that do not require a smartphone or a bank account. In Sub-Saharan Africa, 21%

of adults had a mobile money account in 2018, a higher rate than in all other regions of the world. The role of technology in financial inclusion goes beyond this and there is a growing number of FinTechs intervening in other segments and developing solutions for credit scoring, customer interfaces or the digitisation of credit procedures. The enthusiasm for technologies lies in the idea that their use will improve financial inclusion, by reducing the risk and cost associated with certain populations excluded from the financial sector and / or by improving the efficiency and quality of proposed services.

**The enthusiasm for technologies lies in the idea that their use will improve financial inclusion, by reducing the risks and costs associated [...]**

Across the continent, new technology-based business models are proliferating and targeting segments that are still underserved, with strong promises of financial inclusion and very ambitious growth prospects.

At the same time, MFIs are making digitisation one of their priorities and are looking to work with fintechs to digitize their internal procedures (more efficiency for MFIs, faster and more efficient service for customers) and improve the customer experience (development of customer interfaces, access to online accounts, launch of digital loans, etc.).

However, while the use of technology has undeniably enabled FinTechs and MFIs to offer faster service, its impact on costs has yet to be demonstrated. Contrary to the promises of a reduction in financial expenses often announced, it is rare to see an organisation reducing the cost of its services following the implementation of technological

solutions. We note in particular the appearance of "digital lenders" which offer extremely easy and fast access to credit (sometimes instantaneous), which are also much more expensive than traditional MFIs. This is often linked to strong liquidity needs to make continuous and expensive investments in technology as well as to a different shareholder profile, ready to invest in innovative and risky business models and aiming for a profitability often higher than traditional microfinance. One of the challenges for the coming years is the regulation of this sector and the implementation of a customer protection policy. As the sector matures, costs should gradually reduce.

**One of the challenges for the coming years is the regulation of this sector, the implementation of a customer protection policy [...]**

Across Africa, we are also seeing the arrival of innovative credit analysis methods. While the traditional MFI methodology (a field visit allowing cash flow to be replenished) is recognised and proven, it is also expensive, in particular for small loans or for targeting clients in very rural areas. New models are emerging using credit scoring in order to reduce, on the one hand, the cost of analysis, but also the risk associated with certain segments, in particular when they integrate information that is difficult to collect without technology (use of satellite imagery to analyse the soil, historical data on the level of rainfall in the region, etc.). These models are based on a set of assumptions and weights that must be adjusted over several credit cycles for it

to be predictive. Today, many players do not yet have the necessary perspective to demonstrate the success of the model. We also observe the emergence of the PAYG (pay-as-you-go) methodology which is based on a very light credit analysis (essentially a KYC), but which allows, thanks to technology (connectivity of objects and mobile money) financing without collateral in very rural areas, via daily micropayments.

**New models are emerging using credit scoring in order to reduce, on the one hand, the cost of analysis, but also the risk associated with certain segments [...]**

This new use of technology is also impacting the organisation of institutions by giving more and more importance to new functions: data analytics, business intelligence but also call centres (often an integral part of the credit process and sometimes reachable 24/7). The risks have also evolved: there are fewer risks associated with physical cash management, which has become non-existent in some African countries following the appearance of mobile money, while the challenges of cybersecurity are becoming more and more important and new forms of fraud are being organised by cyber hackers taking control of customer accounts.

## 2 Focus on Zambia

### A country marked by high poverty levels

LMDF aims to contribute to poverty reduction by supporting organisations that empower people and stimulate entrepreneurship, that have a particular focus on the most excluded such as women, rural populations and young people. When the Fund decides to invest in a new country, these criteria are at the heart of the investment decision.

**Zambia has a population of 19.1m of which 56% are living in rural areas and 60% of the population is under 25 years of age.**

In July 2021, LMDF made its first investment in Zambia, a landlocked country at the crossroads of Central, Southern and Eastern Africa. The country has a population of 19.1m of which 56% are living in rural areas (Worldometer). Zambia has a quite young population with 60% of its inhabitants being under 25 years of age.

The country has an HDI of 0.584 which places it as a Medium HDI country. In 2015, 58% of Zambians lived on USD 1.9 a day or even less. This is an extremely high level of poverty, and explains why LMDF has an important role to play by contributing to poverty reduction. According to the World Bank, the national average poverty rate is of 54%, with a rural poverty rate of 77%.

The country shows a high potential for financial inclusion, as less than half of the population is banked. However, Zambia has laid out its first 5-year plan for financial inclusion, a promising sign of increased focus on the issue among authorities. Rural areas of the country are, as in many other African countries, less included in the formal

financial system. While in 2015, the level of financial inclusion stood at 70% in urban areas, it only stood at 50% in rural ones. More than 40% of Zambian adults have no access to quality financial products, and about 60% of those who have such access, do not use it, according to Zambia's National Financial Inclusion Strategy.

If we look at gender equality, there is still a lot of work to be done. According to UN Women, female participation in society remains an uphill battle with only 17% seats in parliament occupied by women and only 7% of elected seats in deliberative bodies of local government.

Regarding education, Zambia has achieved near universal primary school completion levels. According to UNICEF, for children in the early years, the coverage of care, learning and education services remains persistently low. Overall, girls continue to be at a disadvantage with a large number of them dropping out in the upper primary and secondary grades, and poor levels of transition to junior secondary and senior secondary schooling levels.

**The country has a high level of poverty with a national average poverty rate of 54% and a rural poverty rate of 77%.**

With the aim of supporting the country and its population with its development, LMDF made its first investment in the country and disbursed approximately EUR 315.000 to the MicroLoan Foundation Zambia (MLF-Z).



Zambia has a population of 19.1m of which 56% are living in rural areas and 66% are under 24 years // MLF, Zambia

# 3 MicroLoan Foundation Zambia

A strong social mission towards women in the poorest communities

MicroLoan Foundation Zambia (MLF-Z) first started operating in the Eastern province of Zambia in 2008 and has since steadily expanded its footprint to the Southern and Northern provinces of the country.

MLF-Z has a mission to reach out to women in the poorest communities in Zambia to enable them to access financing for small businesses. Typically, MLF-Z clients live in poor communities in rural parts of the country. Often these areas have a very weak infrastructure, requiring the organisation to take considerable efforts to physically meet their clients. One particular challenge is the location of agencies in rural areas. Loan officers and trainers often travel on motorbikes to meet with community leaders and identify the women who are most in need and who have the potential to run a business.

These women then form groups and attend 8 training sessions to learn about business principles, like how to budget and make modest profits. The women then receive loans and also are helped to open a savings account. This helps them to cope with unpredictable situations, such as crop failure or family illness.

**MLF-Z has a mission to reach out to women in the poorest communities in Zambia to enable them to access financing for small businesses.**

In 2007, MLF-Z switched to mobile money. 100 % of the disbursements and 80% of the repayments are cashless. This allows for easy repayment, without needing to travel to the agencies. This also helps to reduce costs for the MFI. As not every community lives in an area with access to the internet,



100% of female clients



27,000 clients



USD 62 average disbursed loan



15% of clients are <25y



14 branches in the country



100% of clients are located in rural areas



the institution decided to start developing an USSD solution to expand the reach of their products.

These efforts support the MFI's clients in terms of food security, improving their housing conditions, having better access to healthcare and providing an education for their children.

**The MicroLoan Foundation supports over 27,000 women across the country with an average loan of EUR 62.**

But the impact goes much further. Women's business help villages and communities to prosper economically and socially. Once the businesses grow, women tend to employ other women in their community, helping

them to have a stable income and, in turn, to provide what is needed to support the needs of their own families.

By helping women to help themselves, MLF-Z believes that their work is having a lasting impact on the lives of women, children and families in Zambia. It is important to note that it takes time to break out of the cycle of poverty, but MLF-Z helps clients to take their first steps on this journey.

The MicroLoan Foundation supports over 27,000 women across the country with an average loan of EUR 62.

## 4 Four questions to

Jack Ngoma, CEO of MLF Zambia



### Could you briefly describe your organisation, its vision and mission?

MicroLoan Foundation is a social microfinance organisation which provides small business loans, basic business training and ongoing mentoring to support women in the rural communities and informal sectors in sub-Saharan Africa.

We work with the mandate of helping the poorest rural women to transform their lives by lifting themselves and their families out of poverty by creating small sustainable businesses.

Our vision is a world where all those living in poverty have the opportunity to build better lives for themselves and their families. To achieve our vision, we aim to provide women living in poverty with the tools and skills to enable them to work their own way out of poverty.

**We work with the mandate of helping the poorest rural women to transform their lives by lifting themselves and their families out of poverty by creating small sustainable businesses.**

MLF-Z is guided by the following values:

- **Far-reaching** - Many women are stuck in poverty, struggling to support themselves and their families. We find and help them so they can build a sustainable life, irrespective of background and belief.

- **Attentive** - We respect and listen to all, especially the individuals we help, as they know what they need.
- **Small** - We discover the point where a small intervention can make the biggest impact – we can take a chance with someone if it is small.
- **Consistent** - We do what is right with conviction, sensitivity, enthusiasm and inventiveness.
- **Open** - We are open and honest about success and failure, use time and funds effectively, value teamwork and accept there is always a better way.

### This is the first investment LMDF has made in Zambia. Please could you tell us more about the challenges that women face in the country and how MicroLoan Foundation Zambia supports them?

Of the 3.8 million financially excluded adults in Zambia, a disproportionate number are poor women living in rural areas. Reasons for this include limited access to financial services in remote areas, having insufficient funds to open an account, high account fees, a lack of trust in the formal financial system



*MLF Zambia aims to provide women living in poverty with the tools and skills to enable them to work their own way out of poverty // MLE, Zambia*

and low levels of financial literacy. In addition to that, women-led businesses largely operate in the informal sector where access to finance and other business support structures are limited.

**Of the 3.8 million financially excluded adults in Zambia, a disproportionate number are poor women living in rural areas.**

MicroLoan Zambia has a dedicated front line team who addresses these issues by working closely with communities to promote, identify, train and provide small loans to women entrepreneurs. Our loan products, savings approach and training programme are designed to meet the needs of clients. This is done through thorough assessment and client involvement so that products are tailored to the needs of clients.

MicroLoan’s model is designed to be accessible and affordable for the poorest women who live far away from formal financial services, many of whom have had little education and own no assets. Since our inception in 2008, over 280,000 poor women in rural sub-Saharan Africa have taken part in our livelihoods programme, empowering them to work their own way out of poverty.

## Could you give us an overview of the loans you propose? What about non-financial offers, do you offer trainings?

MicroLoan Zambia prides itself in the provision of small loans and facilitation of savings as summarised below;

- **Product Type:** Business Loan
- **Loan Term:** 4 and 6 months
- **Fees:** n/a
- **Interest (on-going clients):**  
4 months - 5.1%  
6 months - 5%
- **Savings:** Voluntary - 2% of loan amount

Besides loans and savings, MicroLoan provides financial literacy and basic business training among clients. Field staff cover relevant topics such as; budgeting, cost, pricing and profit, setting savings goals, market research and business planning.

## What about the future? Which are areas you wish to develop and how will the partnership with LMDF contribute to reaching your target?

As highlighted in our 5-year Strategic Business Plan, MicroLoan Zambia intends to grow from the current 27,000 to 80,000 clients and increase the loan portfolio to over USD 5m.

This growth projection comes with the intention to leverage on technology. MLF-Z intends to invest in digital transformation that will be designed to meet the needs of clients by resolving their current challenges.

MicroLoan has already started the process of designing a mobile-based saving platform that has increased security features for clients' money.

Our institution is also piloting an agriculture loan product to be introduced in the future, among other products. Results so far have indicated that there is need for the product to be upscaled.

More product diversification will include the following:

- **Individual loans** - To cater for individuals who have graduated from groups and are financially able to stand on their own
- **Education loans** -To enable clients who may want convenient loans to pay for their childrens' school fees
- **Top up loans** - For clients who may want to add more money when they have reason to do so

Pilot tests are normally conducted to ascertain the suitability of products before full implementation.

**MLF-Z intends to invest in digital transformation that will be designed to meet the needs of clients by resolving their current challenges.**

The partnership with LMDF will help to meet operational costs for the aforementioned processes and enable the institution to increase outreach to underserved communities in Zambia.



MLF is piloting an agriculture loan product // MLF, Zambia

# 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

Ernstine Kornelis (from 15/07/2021)

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

Michel Haas

Independent

Patrick Losch

Marie-Anne Marx (until 15/07/2021)

Development Cooperation Department,  
Ministry of Foreign and European Affairs (MAEE)  
ADA - Appui au Développement Autonome

Michel Maquil

Independent

Natalia Oskian

Raoul Stefanetti

Belair House

Monica Tiuba

Independent

Dzemaal Tomic

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

Kaspar Wansleben

Executive Director

#### Investment Committee LMDF\*

##### Comité d'investissement LMDF

Raoul Stefanetti - Belair House, Committee Chair

Anne Contreras - Independent

Gilles Franck - ADA

Michel Haas - Ministry of Finance

Thomas Lammar - MAEE (until 15/07/2021)

Paul Weber - MAEE (from 15/07/2021)

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

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

Michel Haas - Ministry of Finance, Committee Chair

Raymond Schadeck - Independent

Dzemaal Tomic - BCEE

#### Marketing Committee

##### Comité de marketing

Natalia Oskian - Independent, Committee Chair

Viviane Clauss - BdL

Didier Richter - BIL

Patrick Bilbault - Independent

#### Appointments Committee

##### Comité de nomination

Marie-Anne Marx - MAEE, Committee Chair (until 15/07/2021)

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

Banque et Caisse d'Épargne de l'État

1, place de Metz  
L-2954 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

# Unaudited financial statements

## *Etats financiers non révisés*

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

as at 30 September 2021 // au 30 septembre 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>		181,375
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>		259,547
Loan agreements with microfinance institutions <i>Contrats de prêt avec des institutions de microfinance</i>	6, 10	30,834,434
Cash and savings at banks <i>Avoirs et épargne en banques</i>		13,625,920
Unrealised appreciation on swap contracts <i>Plus-value non réalisée sur contrat de swap</i>	5	877,118
Income receivable on portfolio <i>A recevoir sur le portefeuille</i>		791,100
Interest receivable on bank accounts and term deposits <i>Intérêts à recevoir sur avoirs en banque et dépôts à terme</i>		188
VAT receivable <i>TVA à recevoir</i>		55,572
Other receivable and assets <i>Autres actifs</i>	7	174,148
<b>Total assets</b> <b>Somme d'actifs</b>		<b>46,799,402</b>



Liabilities – Passif	Notes	EUR
Unrealised appreciation on forward foreign exchange contracts <i>Plus-value non réalisée sur contrats de change à terme</i>	5	716,179
Accrued expenses <i>Provision pour frais à payer</i>	7	345,307
<b>Total liabilities</b> <b>Somme des passifs</b>		<b>1,061,486</b>
<b>Net assets at the end of the period</b> <b>Actifs nets à la fin de la période</b>		<b>45,737,917</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>		27.41
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>		26.18
B Class shares outstanding <i>Nombre d'actions en circulation de la Classe B</i>		179,008.526
Net asset value per B Class share <i>Valeur nette d'inventaire par action de la Classe B</i>		119.45
C Class shares outstanding <i>Nombre d'actions en circulation de la Classe C</i>		156,026.718
Net asset value per C Class share <i>Valeur nette d'inventaire par action de la Classe C</i>		113.55

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

from 1 April 2021 to 30 September 2021  
du 1<sup>er</sup> avril 2021 au 30 septembre 2021

Income – Revenus	Notes	EUR
Interest on microfinance loan agreements <i>Intérêts sur contrats de prêt en microfinance</i>		1,794,917
Net interest paid on swap contracts <i>Intérêts nets payés sur contrat swaps</i>		(484,509)
<b>Net interest on microfinance loan agreements</b> <b><i>Intérêts nets sur contrats de prêts en microfinance</i></b>		<b>1,310,408</b>
Commissions on microfinance loan agreements <i>Commissions sur contrats de prêts microfinance</i>		71,334
Other income <i>Autres revenus</i>		22,942
<b>Total income</b> <b><i>Somme des revenus</i></b>		<b>1,404,684</b>
Expenses – Frais		
Advisory fees <i>Frais du conseiller en investissement</i>	3	219,572
Salary and wages of the fund management <i>Charges salariales de gestion du fonds</i>	3, 12	280,971
Custodian fees <i>Commission de la banque dépositaire</i>		32,691
Central administration costs <i>Frais de l'administration centrale</i>		26,368
Bank charges and other fees <i>Frais bancaires et charges liées</i>		10,087
Interest on bank accounts and term deposits <i>Intérêts bancaires et dépôts à termes</i>		52,934
Transaction fees <i>Frais de transaction</i>		1,150
Audit fees <i>Frais de révision</i>		18,736
Travel and representation fees <i>Frais de voyage et de représentation</i>		3,829
Rent & Information technology fees <i>Loyer et frais informatiques</i>		17,263
Other administrative costs <i>Autres charges administratives</i>	7	25,190
<b>Total expenses</b> <b><i>Total des frais</i></b>		<b>688,791</b>
<b>Net investment income</b> <b><i>Résultat net d'investissement</i></b>		<b>715,893</b>

Net realised gain/(loss) <i>Bénéfice/(perte) net(te)</i>	Notes	EUR
On investments <i>Sur investissements</i>	6	(68,905)
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		204,935
On forward foreign currency transactions <i>Sur transactions en devises</i>		(560,584)
<b>Realised result</b> <i>Bénéfice/(perte) net(te) réalisé(e)</i>		<b>(424,554)</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	10,875
Variation of valuation of equity investments <i>Variation de la valorisation des investissements en capital</i>		15,564
Variation due to changes in the foreign exchange rate <i>Variation due à l'évolution du taux de change</i>		828,188
<b>Total variation on investment portfolio</b> <i>Variation totale sur portefeuille d'investissements</i>		<b>854,627</b>
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		(859,586)
On cross-currency swap contracts <i>Sur contrats de swap de taux et change à terme</i>		1,272
<b>Unrealised result</b> <i>Bénéfice/(perte) net(te) non réalisé(e)</i>		<b>(3,687)</b>
<b>Result of operations</b> <i>Résultat net des opérations</i>		<b>287,655</b>
Subscriptions <i>Souscriptions</i>		1,841,863
Redemptions <i>Rachats</i>		(431,653)
<b>Total changes in net assets</b> <i>Variation globale de la valeur nette d'inventaire</i>		<b>1,697,865</b>
<b>Total net assets at the beginning of the year</b> <i>Valeur nette d'inventaire au début de l'année</i>		<b>44,040,052</b>
<b>Total net assets at the end of the period</b> <i>Valeur nette d'inventaire à la fin de la période</i>		<b>45,737,917</b>

### // 3 Statistical information Informations statistiques

as at 30 September 2021 // au 30 septembre 2021

Total net assets – Actifs nets		EUR
As at 30/09/2021 <i>Au 30/09/2021</i>		45,737,917
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 period <i>Émises durant la période</i>		-
Redeemed during the period <i>Rachetées durant la période</i>		-
Outstanding at the end of the period <i>À la fin de la période</i>		131,347.257
Net asset value per A Class share <i>Valeur nette d'inventaire par action de la Classe A</i>		
As at 30/09/2021 <i>Au 30/09/2021</i>		27.41
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 period <i>Émises durant la période</i>		-
Redeemed during the period <i>Rachetées durant la période</i>		-
Outstanding at the end of the period <i>À la fin de la période</i>		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 30/09/2021 <i>Au 30/09/2021</i>		26.18

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>	178,774.243
Issued during the period <i>Émises durant la période</i>	664.283
Redeemed during the period <i>Rachetées durant la période</i>	(430.000)
Outstanding at the end of the period <i>À la fin de la période</i>	179,008.526

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

As at 30/09/2021 <i>Au 30/09/2021</i>	119.45
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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>	143,808.248
Issued during the period <i>Émises durant la période</i>	15,584.074
Redeemed during the period <i>Rachetées durant the period</i>	(3,365.604)
Outstanding at the end of the period <i>À la fin de la période</i>	156,026.718

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

As at 30/09/2021 <i>Au 30/09/2021</i>	113.55
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## // 4 Statement of investments and other net assets État du portefeuille-titres et autres actifs nets

as at 30 September 2021 // au 30 septembre 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	310,076	181,375	0.4%
<b>Shares (and equity-type securities) in microfinance institutions and service providers</b>							
MFX Solutions LLC		USA	N/A	USD	187,090	259,547	0.6%
<b>Loan agreements with microfinance institutions</b>							
Koperasi Mitra Dhuafa "KOMIDA"		Indonesia	10/01/2025	IDR	34,000,000,000	2,104,325	4.6%
Agence de Crédit Pour l'Entreprise Privée (ACEP) Cameroun SA		Cameroon	10/10/2024	XAF	1,200,000,000	1,817,837	4.0%
M-Kopa Holdings Ltd		Kenya	11/07/2022	USD	1,700,000	1,496,721	3.3%
Óptima Servicios Financieros, S.A. DE C.V.		El Salvador	10/04/2025	USD	1,500,000	1,335,806	2.9%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	10/07/2023	USD	1,400,000	1,230,808	2.7%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		Mexico	10/04/2025	MXN	25,000,000	1,129,831	2.5%
Alliance for Microfinance Myanmar limited	6, 10	Myanmar	10/01/2022	MMK	2,500,000,000	1,098,143	2.4%
Microfinance Company Salym Finance		Kyrgyz Republic	10/10/2022	USD	1,200,000	1,077,575	2.4%
Micro-credit company Bailyk Finance LLC		Kyrgyz Republic	10/04/2025	USD	1,200,000	1,070,486	2.3%
Cooperativa de Ahorro y Crédito 4 de Octubre		Ecuador	11/04/2022	USD	1,000,000	897,564	2.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		Honduras	10/01/2024	HNL	24,000,000	886,887	1.9%
Moris Rasik Foundation		East-Timor	10/04/2025	USD	850,000	763,272	1.7%
Advans MFI Myanmar Company Limited	6, 10	Myanmar	10/01/2023	EUR	1,000,000	760,097	1.7%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		Mexico	10/01/2024	MXN	15,000,000	651,392	1.4%
Financiación Amiga S.A.S.		Colombia	10/10/2023	COP	2,579,373,200	643,712	1.4%
Cooperativa de Ahorro y Crédito Norandino LTDA		Peru	10/01/2022	PEN	2,475,000	528,681	1.2%
MFO Arnur Credit LLP		Kazakhstan	11/04/2022	KZT	240,000,000	527,611	1.2%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		Mexico	11/07/2022	MXN	12,000,000	520,884	1.1%
Société d'Investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		Madagascar	10/01/2024	EUR	500,000	506,833	1.1%
Asociación para el Desarrollo Integral de San Antonio Ilotenango		Guatemala	10/07/2025	USD	580,000	507,880	1.1%
LAPO Microfinance Company Limited		Sierra Leone	10/04/2024	USD	550,000	499,655	1.1%
Consultores de Servicios Varios SA de CV SOFOM ENR		Mexico	10/04/2022	MXN	11,000,000	495,201	1.1%
ACTB Savings and Loans LTD		Sierra Leone	10/10/2024	SLL	5,857,000,000	491,516	1.1%
Action pour la coopération avec la microentreprise S.A. ACME	10	Haiti	10/04/2022	HTG	48,000,000	460,731	1.0%
Bimas Kenya Ltd		Kenya	10/10/2022	KES	55,000,000	462,641	1.0%
Yehu Microfinance Services Limited		Kenya	10/01/2024	KES	57,000,000	462,771	1.0%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		Ecuador	11/10/2021	USD	500,000	448,989	1.0%
ACTB Savings and Loans LTD		Sierra Leone	10/06/2024	SLL	5,100,000,000	446,403	1.0%
Asociación de desarrollo integral Cuenca del Lago de Atitlán - ADICLA		Guatemala	11/04/2022	GTQ	3,750,000	443,160	1.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		Honduras	10/01/2024	HNL	12,000,000	443,444	1.0%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	10/01/2023	USD	500,000	439,475	1.0%
Limited Liability Microcredit Company "Universal Credit"		Kyrgyz Republic	10/07/2024	KGS	39,650,000	409,694	0.9%
Attadamoune Micro-Finance	10	Morocco	10/01/2024	EUR	400,000	405,467	0.9%
Cooperativa de Ahorro y Crédito Norandino LTDA		Peru	10/04/2024	PEN	1,800,000	392,359	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
LLC Micro Credit Organization "OXUS"		Kyrgyz Republic	11/07/2022	USD	400,000	358,777	0.8%
Microloan Foundation Zambia Limited		Zambia	10/07/2023	ZMW	6,140,000	334,436	0.7%
LLP Microfinance Organization "BEREKE"	6	Kazakhstan	11/07/2023	KZT	160,000,000	328,091	0.7%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/01/2024	USD	360,000	315,538	0.7%
ACEP-Burkina SA	10	Burkina Faso	31/01/2023	XOF	200,000,000	313,091	0.7%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/04/2023	TJS	3,200,000	267,972	0.6%
Micréditoya Microfinanciera S.A.S.		Colombia	10/04/2024	COP	1,100,000,000	267,256	0.6%
LLC Micro Credit Organization "OXUS"		Kyrgyz Republic	10/10/2024	USD	300,000	266,533	0.6%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/01/2024	TJS	3,200,000	255,267	0.6%
LLP Microfinance Organization "BEREKE"	6	Kazakhstan	10/01/2023	KZT	120,000,000	248,876	0.5%
LAPO Microfinance Company Limited		Sierra Leone	11/10/2021	USD	270,000	243,014	0.5%
Asociación Arariwa Para La Promoción Técnico Cultural Andina	6	Peru	11/10/2021	PEN	1,100,000	231,383	0.5%
Bimas Kenya Ltd		Kenya	11/07/2022	KES	27,500,000	222,681	0.5%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	11/10/2021	USD	250,000	224,495	0.5%
Microcredit Organization "FURUZ"		Tajikistan	10/04/2024	TJS	2,605,900	203,141	0.4%
EBO Cooperative Savings & Credit Society LTD	10	Uganda	11/10/2021	UGX	710,333,334	189,114	0.4%
ONG Vahatra		Madagascar	10/01/2024	MGA	800,000,000	180,668	0.4%
Baobab Microfinance Company Limited		Ghana	11/10/2021	GHS	1,050,000	169,445	0.4%
Microcredit Organization "FURUZ"		Tajikistan	11/04/2022	EUR	150,000	154,685	0.3%
Alternativa Centro De Investigación Social y Educación Popular		Peru	10/01/2023	PEN	675,000	144,490	0.3%
Financiación Amiga S.A.S.		Colombia	11/04/2022	COP	576,000,000	138,195	0.3%
Uganda Microcredit Foundation Limited	6, 10	Uganda	11/10/2021	UGX	750,000,000	117,530	0.3%
Fundenuse, S.A.	10	Nicaragua	10/10/2021	USD	125,000	111,988	0.2%
MFO Arnur Credit LLP		Kazakhstan	10/01/2023	KZT	50,000,000	105,017	0.2%
"Trust-Union" Micro-credit Company		Kyrgyz Republic	08/10/2021	USD	112,500	101,256	0.2%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		Guatemala	11/04/2022	USD	112,000	100,806	0.2%
La Sociedad Cooperativa PADECOMSMCREDITO de RL de CV		El Salvador	10/01/2022	USD	90,000	79,061	0.2%
Adel Microcréditos S.A. de C.V.	6	Honduras	11/01/2021	HNL	3,075,000	73,506	0.2%
Ilumina Soluciones Financieras S.A.	6	Argentina	11/10/2021	USD	42,800	38,574	0.1%
<b>Sub-total</b>						<b>32,483,172</b>	<b>71.0%</b>
<b>Net accrued interest on swap contract</b>						<b>(377,502)</b>	<b>(0.7)%</b>
<b>Sub-total</b>						<b>32,145,670</b>	<b>70.3%</b>
<b>Cash at banks, term deposits and savings accounts</b>						<b>13,625,920</b>	<b>29.8%</b>
<b>Other net assets / liabilities</b>						<b>(33,673)</b>	<b>(0.1)%</b>
<b>Total net assets</b>						<b>45,737,917</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 30 September 2021 /  
*Exposition agrégée par contrepartie au 30 septembre 2021*

Aggregated exposure to	Notes	Amount (EUR)	% of total net assets
Koperasi Mitra Dhuafa - KOMIDA		2,104,325	4.6%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		1,894,778	4.1%
Agence de Crédit Pour l'Entreprise Privée (ACEP) Cameroun SA		1,817,837	4.0%
M-Kopa Holdings Ltd		1,496,721	3.3%
Óptima Servicios Financieros, S.A. DE C.V.		1,335,806	2.9%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		1,330,331	2.9%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		1,172,276	2.6%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		1,129,831	2.5%
Alliance for Microfinance Myanmar limited	6, 10	1,098,143	2.4%
Microfinance Company Salym Finance		1,077,575	2.4%
Micro-credit company Bailyk Finance LLC		1,070,486	2.3%
ACTB Savings and Loans LTD		937,919	2.1%
Cooperativa de Ahorro y Crédito Norandino LTDA		921,040	2.0%
Cooperativa de Ahorro y Crédito 4 de Octubre		897,564	2.0%
LLC Micro Credit Organization "OXUS" Tajikistan		838,777	1.8%
Financiación Amiga S.A.S.		781,907	1.7%
Moris Rasik Foundation		763,272	1.7%
Advans MFI Myanmar Company Limited	6, 10	760,097	1.7%
LAPO Microfinance Company Limited		742,669	1.6%
Bimas Kenya Ltd		685,322	1.5%
MFO Arnur Credit LLP		632,628	1.4%
LLC Micro Credit Organization "OXUS" Kyrgyz Republic		625,310	1.4%
LLP Microfinance Organization "BEREKE"	6	576,967	1.3%
Asociación para el Desarrollo Integral de San Antonio Ilontenango		507,880	1.1%
Société d'Investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		506,833	1.1%
Consultores de Servicios Varios SA de CV SOFOM ENR		495,201	1.1%
Yehu Microfinance Services Limited		462,771	1.0%
Action pour la coopération avec la microentreprise S.A. ACME	10	460,731	1.0%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		448,989	1.0%
Asociación de desarrollo integral Cuenca del Lago de Atitlán - ADICLA		443,160	1.0%
Limited Liability Microcredit Company "Universal Credit"		409,694	0.9%
Attadamoune Micro-Finance	10	405,467	0.9%
Financiera Fundeser S.A.	10	399,513	0.9%
Microcredit Organization "FURUZ"		357,826	0.8%
Microloan Foundation Zambia Limited		334,436	0.7%
ACEP-Burkina SA	10	313,091	0.7%
Micréditoya Microfinanciera S.A.S.		267,256	0.6%
MFX Solutions LLC		259,547	0.6%
Asociación Arariwa Para La Promoción Técnico Cultural Andina	6	231,383	0.5%
EBO Cooperative Savings & Credit Society LTD	10	189,114	0.4%
Higher Education Finance Fund LP		181,375	0.4%
ONG Vahatra		180,668	0.4%

The accompanying notes form an integral part of this report.

Aggregated exposure to	Notes	Amount EUR	% of total net assets
Baobab Microfinance Company Limited		169,445	0.4%
Alternativa Centro De Investigación Social y Educación Popular		144,490	0.3%
Uganda Microcredit Foundation Limited	6, 10	117,530	0.3%
Fundenuse, S.A.	10	111,988	0.2%
"Trust-Union" Micro-credit Company		101,256	0.2%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		100,806	0.2%
La Sociedad Cooperativa PADECOMSMCREDITO de RL de CV		79,061	0.2%
Adel Microcréditos S.A. de C.V.	6	73,506	0.2%
Ilumina Soluciones Financieras S.A.	6	38,574	0.1%
<b>Total Portfolio</b>		<b>32,483,172</b>	<b>71.0%</b>
<b>Average exposure by microfinance institution</b>		<b>636,925</b>	<b>1.4%</b>

/ Geographical breakdown of microfinance investments as at 30 September 2021  
*Répartition géographique des investissements en microfinance au 30 septembre 2021*

Geographical classification	Notes	Amount (EUR)	% of total net assets
Kyrgyz Republic		3,284,321	7.2%
Ecuador		3,241,331	7.1%
Mexico		2,797,308	6.1%
Kenya		2,644,814	5.8%
Indonesia		2,104,325	4.6%
Myanmar	10	1,858,240	4.1%
Cameroon		1,817,837	4.0%
Sierra Leone		1,680,588	3.7%
El Salvador		1,414,867	3.1%
Honduras		1,403,837	3.1%
Peru		1,296,913	2.8%
Kazakhstan		1,209,595	2.6%
Tajikistan		1,196,603	2.6%
Guatemala		1,051,846	2.3%
Colombia		1,049,163	2.3%
East-Timor		763,272	1.7%
Madagascar		687,501	1.5%
Nicaragua	10	511,501	1.1%
Haiti	10	460,731	1.0%
USA		440,922	1.0%
Morocco	10	405,467	0.9%
Zambia		334,436	0.7%
Burkina Faso	10	313,091	0.7%
Uganda	10	306,644	0.7%
Ghana		169,445	0.4%
Argentina		38,574	0.1%
<b>Total Portfolio</b>		<b>32,483,172</b>	<b>71.0%</b>
<b>Average exposure by country</b>		<b>1,249,353</b>	<b>2.7%</b>



**/Breakdown of microfinance investments by currency as at 30 September 2021**  
*Répartition des investissements en microfinance par devise au 30 septembre 2021*

Geographical classification	Amount (EUR)	% of total net assets
United States Dollar	12,448,708	27.2%
Mexican Peso	2,797,308	6.1%
Indonesian Rupiah	2,104,325	4.6%
Euro	1,827,082	4.0%
Central African CFA Franc	1,817,837	4.0%
Honduras Lempira	1,403,837	3.1%
Peruvian Nuevo Sol	1,296,913	2.8%
Kazakhstani Tenge	1,209,595	2.6%
Kenyan Shilling	1,148,093	2.5%
Myanmar Kyat	1,098,143	2.4%
Colombian Peso	1,049,163	2.3%
Sierra Leonean Leone	937,919	2.1%
Tajikistani Somoni	726,380	1.6%
Haitian Gourde	460,731	1.0%
Guatemalan Quetzal	443,160	1.0%
Kyrgyzstani Som	409,694	0.9%
Zambian Kwacha	334,436	0.7%
West African CFA Franc	313,091	0.7%
Ugandan Shilling	306,644	0.7%
Madagascar Ariary	180,668	0.4%
Ghanaian Cedi	169,445	0.4%
<b>Total Portfolio</b>	<b>32,483,172</b>	<b>71.0%</b>
<b>Average exposure by currency</b>	<b>1,546,818</b>	<b>3.4%</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 30/09/2021 <i>VNI/action au 30/09/2021</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>	Initial subscription price <i>Prix de souscription initial</i>
Class A shares <i>Actions de la Classe A</i>	27.41	27.30	26.26	25.00
Class A <sub>bis</sub> shares* <i>Actions de la Classe A<sub>bis</sub>*</i>	26.18	26.07	25.67	25.00
Class B shares <i>Actions de la Classe B</i>	119.45	118.38	115.68	100.00
Class C shares <i>Actions de la Classe C</i>	113.55	113.09	111.94	100.00

	Performance financial period 01/04 -30/09/2021 <i>Rendement de la période 01/04 -30/09/2021</i>	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 since inception <i>Rendement depuis lancement</i>
Class A shares <i>Actions de la Classe A</i>	0.4%	4.0%	(1.6)%	9.6%
Class A <sub>bis</sub> shares* <i>Actions de la Classe A<sub>bis</sub>*</i>	0.4%	1.6%	0.4%	4.7%
Class B shares <i>Actions de la Classe B</i>	0.9%	2.3%	1.0%	19.5%
Class C shares <i>Actions de la Classe C</i>	0.4%	1.0%	0.8%	13.6%
<b>Total net assets (EUR) <i>Actifs nets</i></b>	<b>45,737,917</b>	<b>44,040,052</b>	<b>40,850,593</b>	
<b>Growth in total net assets <i>Croissance des actifs nets</i></b>	<b>3.9%</b>	<b>7.8%</b>	<b>7.6%</b>	

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

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

as at 30 September 2021 // au 30 septembre 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 30 September 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



*Women-led businesses largely operate in the informal sector where access to finance and other business support structures are limited // MLF, Zambia*

**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 period ended on 30 September 2021, to EUR 219,572 or 1.0% (annualised) of the average net asset value of the SICAV. Of the total investment advisory fees, EUR 24,569 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 2021 until 30 September 2021, the remuneration of the Management and Support Team amounted to 1.2% 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 2.2% 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)
Avanza Sólido	EUR	441,719	MXN	12,000,000	11/07/2022	BCEE	(62,178)	29,049
Avanza Sólido	EUR	33,052	MXN	897,900	11/07/2022	BCEE	(3,004)	N/A
Avanza Sólido	EUR	34,424	MXN	907,700	10/01/2022	BCEE	(3,124)	N/A
Conserva	EUR	28,829	MXN	838,750	08/10/2021	BCEE	(6,356)	N/A
Conserva	EUR	369,601	MXN	11,000,000	11/04/2022	BCEE	(92,304)	14,822
MFO Amur Credit LLP	EUR	87,869	KZT	50,000,000	10/01/2023	MFX	(13,344)	14,585
M-Kopa Holdings Ltd	EUR	1,525,175	USD	1,700,000	11/07/2022	BCEE	58,520	10,267
Conserva	EUR	28,028	MXN	834,170	11/04/2022	BCEE	(5,897)	N/A
Avanza Sólido	EUR	45,585	MXN	1,156,250	10/01/2022	BCEE	(2,214)	N/A
Avanza Sólido	EUR	281,060	MXN	7,500,000	10/01/2023	BCEE	(33,876)	18,578
Avanza Sólido	EUR	42,862	MXN	1,143,750	10/01/2023	BCEE	(1,550)	N/A
Avanza Sólido	EUR	20,633	MXN	565,625	10/07/2023	BCEE	(697)	N/A
Avanza Sólido	EUR	265,781	MXN	7,500,000	10/01/2024	BCEE	(49,155)	33,688
Avanza Sólido	EUR	20,377	MXN	575,000	10/01/2024	BCEE	(694)	N/A
Avanza Sólido	EUR	43,730	MXN	1,137,500	11/07/2022	BCEE	(1,767)	N/A
SOFIPA Corporation	EUR	80,383	MXN	1,989,583	08/10/2021	BCEE	(3,082)	N/A
SOFIPA Corporation	EUR	74,439	MXN	1,895,833	08/04/2022	BCEE	(2,792)	N/A
SOFIPA Corporation	EUR	73,254	MXN	1,927,083	10/10/2022	BCEE	(2,714)	N/A
SOFIPA Corporation	EUR	67,420	MXN	1,906,250	10/10/2023	BCEE	(2,560)	N/A
SOFIPA Corporation	EUR	69,654	MXN	1,895,833	11/04/2023	BCEE	(2,922)	N/A
SOFIPA Corporation	EUR	862,629	MXN	25,000,000	02/04/2024	BCEE	(187,156)	149,012
USD portfolio	EUR	5,946,144	USD	7,100,000	12/10/2021	BCEE	(179,298)	1,510
KOMIDA	EUR	112,727	IDR	2,052,986,111	10/01/2022	BCEE	(9,742)	N/A
KOMIDA	EUR	106,111	IDR	1,986,402,778	08/07/2022	BCEE	(10,214)	N/A
KOMIDA	EUR	106,997	IDR	2,064,083,333	10/01/2023	BCEE	(11,672)	N/A
KOMIDA	EUR	98,683	IDR	2,008,597,222	10/07/2023	BCEE	(15,015)	N/A
KOMIDA	EUR	806,988	IDR	17,000,000,000	10/01/2024	BCEE	(217,750)	136,473
KOMIDA	EUR	46,224	IDR	1,009,847,222	10/07/2024	BCEE	(9,229)	N/A
KOMIDA	EUR	747,417	IDR	17,000,000,000	10/01/2025	BCEE	(277,320)	196,048
KOMIDA	EUR	96,928	IDR	2,041,888,889	10/01/2024	BCEE	(16,837)	N/A
KOMIDA	EUR	44,887	IDR	1,020,944,444	10/01/2025	BCEE	(10,433)	N/A
ACEP-Burkina SA	EUR	296,204	XOF	200,000,000	10/01/2022	MFX	(6,410)	4,019
USD portfolio	EUR	5,459,607	USD	6,500,000	10/01/2022	BCEE	(148,192)	12,211
AMC	EUR	104,499	HNL	3,075,000	10/06/2022	MFX	(5,621)	4,046
FURUZ	EUR	79,750	TJS	1,302,950	11/04/2023	MFX	(19,421)	17,457
FURUZ	EUR	69,280	TJS	1,302,950	10/04/2024	MFX	(29,891)	27,968
<b>Sub-total</b>							<b>(1,385,911)</b>	<b>669,733</b>
<b>Total</b>								<b>(716,179)</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 Covid-19, 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, many of the COVID-related provisions seen in the financial year 2020/21 have now been reversed, and the positions are no longer considered impaired, on the basis of improvements in the operating position of an institution and confirmation of its 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 COVID concerns will remain in place for some time, and the data used for this report is the information available as of 30/09/2021.

#### Specific cases

The outlook in Myanmar remains highly uncertain. Both institutions based there are subject to enhanced monitoring and creditors groups are in place. Given the uncertainty, both positions are classified as High Risk and valued using the liquidation scenario methodology. The other two high risk cases pertain to institutions affected by COVID, as indicated above. The EBO Cooperative Savings and Credit Society LTD and Illumina Soluciones Financieras S.A. positions both have minimal provisions because maturity occurred very shortly after financial period's end.

Following discussions with one institution impacted by COVID, ECLOF Colombia, SAS, it was decided that exiting the position with a haircut was preferable to a restructuring arrangement. This has resulted in a loss on the position of EUR 68,905.

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

Outstanding impairments on microfinance loans			Provisions
Microfinance institution	High risk	30/09/2021	31/03/2021
Advans MFI Myanmar Company Limited	yes	(253,000)	(74,000)
Alliance for Microfinance Myanmar limited	yes	(100,265)	(43,761)
Uganda Microcredit Foundation Limited	yes	(83,726)	(60,946)
Adel Microcréditos S.A. de C.V.	yes	(37,551)	(76,164)
Financiera Fundeser S.A.		(32,872)	(95,603)
LLP Microfinance Organization "BEREKE"		(14,170)	(12,473)
Asociación Arariwa para la Promoción Técnico Cultural Andina		(10,558)	0

Outstanding impairments on microfinance loans (continued)			Provisions	
Microfinance institution	High risk	30/09/2021	31/03/2021	
EBO Cooperative Savings & Credit Society LTD		(172)	(82,461)	
Ilumina Soluciones Financieras S.A.		(37)	(9,105)	
ECLOF Colombia SAS			(88,018)	
Instituto para el Desarrollo Hondureño			(697)	
<b>Total</b>		<b>(532,352)</b>	<b>(543,227)</b>	
<b>Net variation of impairments</b>			<b>10,875</b>	

Written-off Microfinance loans		Realised gain/loss	
Microfinance institution	Accrued interest written-off	30/09/2021	31/03/2021
ECLOF Colombia SAS		(68,905)	-
Oportunidad Microfinanciera OMLA, S.A.		-	(4,192)
<b>Total Written-off</b>		<b>(68,905)</b>	<b>(4,192)</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	106,214
Investment related fees to the investment advisor	99,906
Wages and salaries	72,099
Audit fees	21,105
Administration fees	16,797
Custodian fees	12,790
Custodian fees on forward	5,866
Domiciliation fees	3,040
Transfer agency fees	2,920
Information technology expenses	1,349
Representation fees	1,150
Transaction related fees due to the administrator	1,150
Other fees	500
VAT services fees	420
<b>Total</b>	<b>345,307</b>

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

Rent fees	11,270
Rating & Labelling	3,290
CSSF annual fee	3,200
Membership fees	3,047
Post & Communication	1,695
VAT services	1,486
Other cost	1,202
<b>Total</b>	<b>25,190</b>

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

Deposit for MFX Access	172,548
CSSF fees	1,600
<b>Total</b>	<b>174,148</b>



*MLF-Z has a mission to reach out to women in the poorest communities // MLF, Zambia*

## 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)	45,460,907
Total expenses for the period (in EUR)	688,791
Debit interests on bank account	(52,934)
VAT receivable	(6,976)
<b>Total expenses for the TER calculations net of negative interest and VAT</b>	<b>628,881</b>

**Total expense ratio (annualised)**

**2.8%**

## NOTE 10 POSITIONS IN MONITORED JURISDICTIONS

The Fund's portfolio includes financial instruments issued by MFIs operating in Burkina Faso, Morocco, Nicaragua, 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	1,858,240	4.1%
Nicaragua	511,501	1.1%
Haiti	460,731	1.0%
Morocco	405,467	0.9%
Burkina Faso	313,091	0.7%
Uganda	306,644	0.7%
<b>Total</b>	<b>3,855,674</b>	<b>8.5%</b>

## NOTE 11 FOREIGN EXCHANGE RATES

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

1 EUR	4,418.41	COP	Colombian Peso
1 EUR	7.01	GHS	Ghanaian Cedi
1 EUR	8.97	GTQ	Guatemala Quetzal
1 EUR	27.92	HNL	Honduras Lempira
1 EUR	113.65	HTG	Haitian Gourde
1 EUR	16,589.62	IDR	Indonesian Rupiah
1 EUR	128.08	KES	Kenyan Shilling
1 EUR	98.32	KGS	Kyrgyzstan Som
1 EUR	494.01	KZT	Kazakhstani Tenge
1 EUR	4,604.52	MGA	Madagascar Ariary
1 EUR	2,169.26	MMK	Myanmar Kyat
1 EUR	23.81	MXN	Mexican Peso
1 EUR	4.79	PEN	Peruvian Sol
1 EUR	12,265.61	SLL	Sierra Leonean Leone
1 EUR	13.14	TJS	Tajikistani Somoni
1 EUR	4,120.60	UGX	Ugandan Shilling
1 EUR	1.16	USD	United States Dollar
1 EUR	663.44	XAF	Central African CFA Franc
1 EUR	660.91	XOF	West African CFA Franc
1 EUR	19.42	ZMW	Zambian Kwacha

## NOTE 12

### STAFF

During the reporting period ended on 30 September 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 Board of Directors decided on a target time allocation of 80% of the working time of staff to the Luxembourg Microfinance and Development Fund.

The table only considers the bonus allocated to the Luxembourg Microfinance and Development Fund. In accordance with CSSF Circular 10/437 some employees are considered as key employees. Key employees receive at least 50% of their bonus in shares blocked during a three-year vesting period.

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

	Performance period		
	2018/19	2019/20	2020/21
Share-based bonus (number of shares)	205.347	-	499.810
Shares blocked until	30/06/2022	-	30/06/2024
Cash-based bonus (in EUR)	7,397	-	2,391

## NOTE 13

### COMMITMENTS

#### / A Commitments of shareholders to subscribe shares

As at the reporting date, the Fund has concluded a subscription agreement with an outstanding commitment to subscribe Class B Shares for a total amount of EUR 5 million.

#### / 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 2021 and 30<sup>th</sup> September 2021, no share transactions with directors were carried out.

**NOTE 16**  
**SUBSEQUENT EVENTS BETWEEN THE YEAR END UNTIL 29 NOVEMBER 2021**

During the reporting period, there were no subsequent events to report.

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