



# Taking a gender lens to LMDF

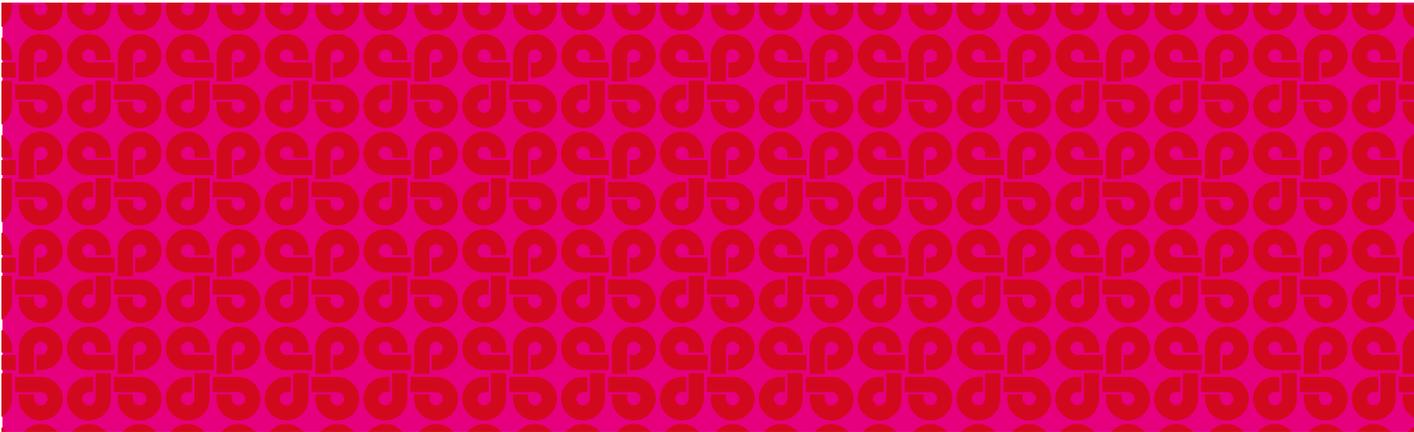
The importance of supporting women

Audited annual report as at 31 March 2022

*Rapport annuel révisé au 31 mars 2022*



Luxembourg Microfinance  
and Development Fund



In collaboration with



THE GOVERNMENT  
OF THE GRAND DUCHY OF LUXEMBOURG  
Ministry of Finance

LUXEMBOURG  
AID & DEVELOPMENT



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 Fund (LMDF), the compartment Forestry and Climate Change Fund (FCCF) is not included in this report.

**ISIN Codes / Codes ISIN**

**Class C shares: LU0456967404**

**Class B shares: LU0456966935**

LMDF obtained the:



LMDF rated "A" by:



LMDF is included in:



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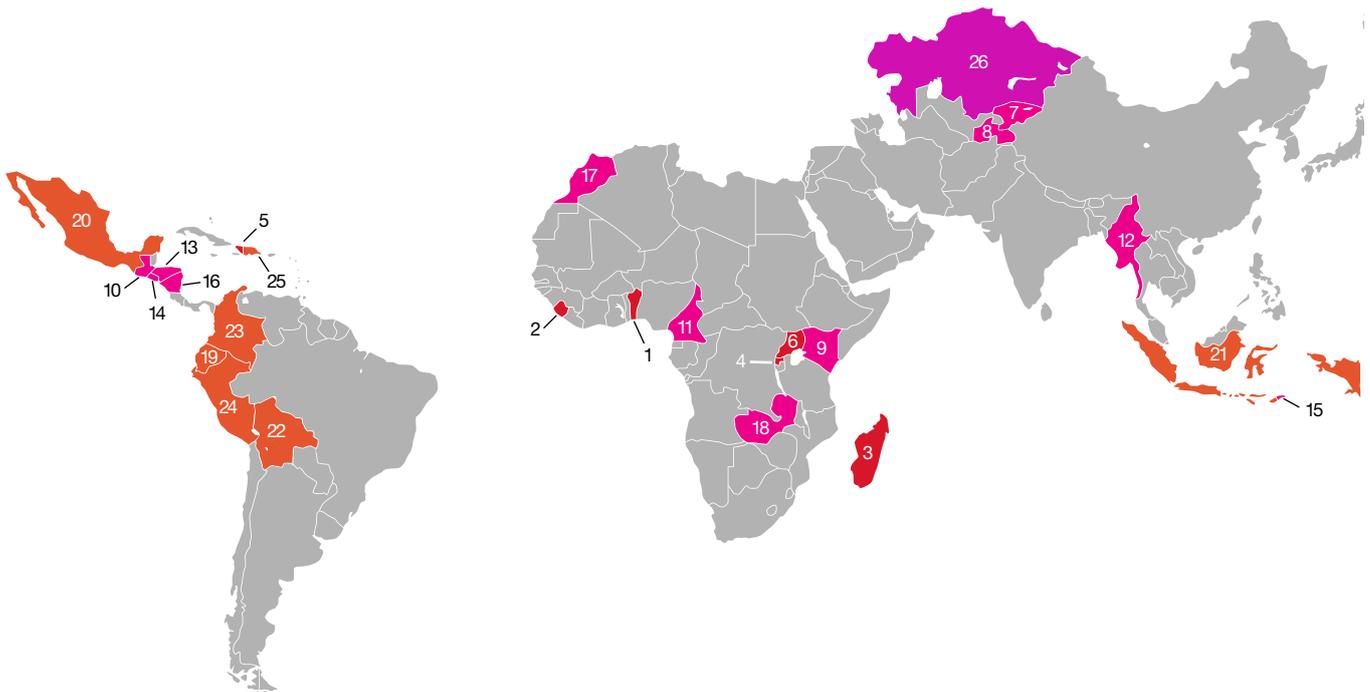
## LMDF in figures // en chiffres

31 March 2022 // 31 mars 2022

<b>EUR 38.9 million</b> Investments in microfinance	<b>65%</b> Women
<b>50</b> Microfinance institutions financed directly	<b>16,954</b> Employees of partner MFIs
<b>8.5%</b> Investments in Microfinance Plus in % of NAV	<b>75,495</b> Micro-entrepreneurs financed by LMDF
<b>26</b> Countries	<b>10.5%</b> Investments in Tier 3 MFIs in % of NAV
<b>1</b> Service provider	<b>53%</b> Micro-loans for services and small trade
<b>43%</b> Latin America	<b>23%</b> Agricultural activities
<b>26%</b> Sub-Saharan and North Africa	<b>6%</b> Production and crafts
<b>30%</b> Southeast and Central Asia	<b>18%</b> Other uses
<b>1%</b> Developed countries	<b>EUR 793,500</b> Average exposure per MFI
<b>64%</b> Financing in local currency of MFI country	<b>1.0%</b> Twelve month return Class A shares
<b>EUR 2.6 million</b> Micro-entrepreneurs financed by partner MFIs	<b>1.0%</b> Twelve month return Class A <sub>bis</sub> shares
<b>EUR 1.1 billion</b> Total micro-loan portfolio of partner MFIs	<b>2.0%</b> Twelve month return Class B shares
<b>EUR 1,280</b> Average micro-loan	<b>1.0%</b> Twelve month return Class C shares

Note: The figures stated in this section of the report relating to information received from microfinance institutions are as at 31<sup>st</sup> December 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 Benin
- 2 Sierra Leone
- 3 Madagascar
- 4 Rwanda
- 5 Haiti
- 6 Uganda

### Medium HDI

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

### High HDI

- 19 Ecuador
- 20 Mexico
- 21 Indonesia
- 22 Bolivia
- 23 Colombia
- 24 Peru
- 25 Dominican Republic

### Very high HDI

- 26 Kazakhstan

Source: LMDF analysis, UNDP

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

# Report of the Board of Directors



It took some time for action to return post-COVID<sup>1</sup>, but this year we have made record disbursements. We have completed 25 transactions totalling EUR 20m and our portfolio has grown to its largest ever size of EUR 38.9m. The Investment Committee have had to meet 7 times this year to keep up with the demand for investment.

This is also a time of change for our organisation. This continued growth has led to our combined funds exceeding the de minimis AIFM regulatory threshold after year end. The Fund is now preparing to work with an external AIFM to enter into this new growth phase.

Yet this comes in a sobering context. COVID had been a substantial setback to poverty alleviation, with 97 million individuals pushed into poverty as a result of the disease in 2020 alone. On top of this, we are also seeing geopolitical tensions having a substantial humanitarian impact which is also demonstrated through inflationary pressure. In Myanmar, the crisis is increasing the vulnerability of poor populations. The crisis in the Ukraine will have spill over effects, that are as yet hard to calculate, but again disproportionately affect the vulnerable in society. These global tensions mean that provisions stand at 1.6% of the portfolio and are still heightened compared with the pre-COVID environment. It is also notable that women are often at the forefront of the economic burden caused by these crises and consequently we have taken a gender lens to our investments in this report.

These times reaffirm the need for the Fund's investments in emerging microfinance institutions. The Fund has a strong pipeline of transactions and anticipates that 2022/23 will be a similarly busy

year for the Investment Committee. The Fund will also continue to develop its focus on innovative "Microfinance Plus" models in the three thematic areas of small asset finance, agricultural value chain and financing for quality education.

The environment also highlights the need for social responsibility. The Fund is pleased to be listed as an "Article 9 Fund" under the Sustainable Finance Disclosure Regulation and holds sustainability as a core objective. With these objectives in mind, it is important to note that the Fund now reaches over 75,000 microentrepreneurs with 60% of investments in low and medium HDI countries.

Our shareholders have enabled us to have this significant outreach, and we are pleased to have seen our assets increase by 5.2% over the year. This growth has also come with solid financial performance and Class C shares have seen a 1.0% increase in value during the period and Class B shares have seen an increase of 2.0%.

## Corporate governance

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

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

- The **Investment Committee**, which currently has eight members, is authorised, within the



*The Fund now reaches over 75,000 microentrepreneurs with 60% of investments in low and medium HDI countries // LMDF*

limits of the investment policy and objectives of the sub-Fund as defined by the Board of Directors, to decide upon the acquisition or disposal of investments on the basis of a proposal by the Investment Adviser, and to take all other decisions relating to the management of the sub-Fund's portfolio.

- **The Risk Committee**, which has five members, provides direction, advice and oversight with regard to LMDF's risk management and reporting framework, including risk policies, processes and controls.
- **The Marketing Committee**, which has four members, oversees the Fund's marketing strategy including the development of the shareholder base.
- **The Employment Committee**, which has three members, reviews the objectives, performance and remuneration of management.
- **The Appointments Committee**, which has three members, assists the Board in ensuring that its composition is aligned with the objectives of the Fund.

The Board has resolved that membership of the above Committees may be open to non-directors. The members of the Board do not

receive any remuneration as directors, apart from the reimbursement of expenses incurred for Fund business and approved in advance by the Board.

The Maison de la Microfinance recently received a visit from both the Minister for Development Cooperation and Humanitarian Affairs, Franz Fayot, and the Minister of Finance, Yuriko Backes. Both ministers noted the significance of microfinance as an instrument for empowerment and the interconnectivity of the globe, but Backes concluded with words from former US Treasury Secretary Henry Morgenthau "Prosperity, like peace, is indivisible." This seems especially pertinent in the increasingly volatile global context.

We look forward to working with our shareholders to support MFIs in this time when financing for the poor is sorely needed. As Natalie Portman said: "Microcredit is about giving hope!"

The Board of Directors  
20 June 2022

Raymond Schadeck  
Chairman

<sup>1</sup> COVID refers to Severe acute respiratory syndrome coronavirus 2. It is also referred to as COVID-19, 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 pour l'exercice clos le 31 mars 2022. LMDF a connu une année solide après la perturbation de l'activité d'investissement causée par Covid au cours de l'exercice 2020-21. Au cours des douze derniers mois, le Fonds a réalisé 25 investissements pour un total de 20,0 millions d'euros dans des institutions de microfinance (IMF). En comparaison, 9,4 millions d'euros ont été investis l'année précédant Covid (2019-20). Cela est dû à la forte demande des institutions de microfinance et à l'amélioration de l'organisation du Fonds.

Grâce à ses investissements, LMDF a pu réduire considérablement l'excès de liquidité qui s'était accumulé lors des perturbations de financement pendant la pandémie. Cela a conduit à une normalisation du niveau de liquidité avec des effets positifs sur les objectifs financiers et sociaux du Fonds.

Le total des actifs nets de LMDF est passé de 44,0 millions d'euros à 46,3 millions d'euros (+5,2 %). Au cours des douze derniers mois, la valeur nette d'inventaire (VNI) par action de la Classe C a augmenté de 1,0 % et de 2,0 % pour la Classe B.

Le conseil d'administration du Fonds a encouragé l'équipe de gestion à poursuivre le développement du domaine « Microfinance Plus » en tant qu'innovation stratégique importante. La « Microfinance Plus » porte sur des modèles de microfinance innovants dans les domaines du financement des micro-actifs, des chaînes de valeur agricoles et du financement d'offres éducatives qualitatives. A la fin de l'année, l'exposition du Fonds à ces domaines représentait 8,5 % de l'actif net total.

Du côté des risques, 2021/22 a été une année plus calme que l'année précédente. Toutefois, le Fonds reste exposé à des risques accrus liés au portefeuille au Myanmar et, plus récemment, aux développements en Asie centrale. Les IMF concernées font l'objet d'une surveillance accrue tant en ce qui concerne le risque de crédit que les risques réglementaires et de sanctions.

Notre travail ne serait pas possible sans le soutien et la fidélité de nos actionnaires. Nous aimerions profiter de cette occasion pour exprimer nos sincères remerciements.

*Der Fonds präsentiert seine Aktivitäten für das am 31. März 2022 geendete Geschäftsjahr. LMDF verzeichnete nach den im Geschäftsjahr 2020-21 durch Covid verursachten Störungen der Investitionstätigkeit ein starkes Jahr. In den vergangenen zwölf Monaten hat der Fonds 25 Investitionen in Höhe von insgesamt 20,0 Mio. EUR in Mikrofinanzinstitutionen (MFIs) getätigt. Im Vergleich dazu wurden im Jahr vor Covid (2019-20) 9,4 Mio. EUR investiert. Dies ist auf die starke Nachfrage Seitens der Mikrofinanzinstitutionen und die verbesserte Organisation des Fonds zurückzuführen.*

*Durch Investitionstätigkeit konnte LMDF die überschüssige Liquidität stark reduzieren, die sich während der Finanzierungsunterbrechungen während der Pandemie aufgebaut hatte. Dies führt zu einer Normalisierung des Liquiditätsniveaus mit positiven Effekten auf die finanziellen und sozialen Ziele des Fonds.*

*Das gesamte Nettovermögen von LMDF stieg von 44,0 Mio. EUR auf 46,3 Mio. EUR (+5,2%). In den letzten zwölf Monaten ist der Nettoinventarwert (NAV) je Anteil der Klasse C um 1,0% und je Anteil der Klasse B um 2,0% gestiegen.*

*Der Verwaltungsrat des Fonds bestärkte das Management die Entwicklung des „Mikrofinanz Plus“ Bereichs als wichtige strategische Innovation weiterzuführen. Bei „Mikrofinanz Plus“ geht es um innovative Mikrofinanzmodelle in den Bereichen: Mikro-Asset-Finanzierung, landwirtschaftliche Wertschöpfungsketten und die Finanzierung qualitativer Bildungsangebote. Zum Jahresende belief sich das Engagement des Fonds in diesen Bereichen auf 8,5% des gesamten Nettovermögens.*

*Auf der Risikoseite war 2021/22 ein ruhigeres Jahr als das Vorjahr. Dennoch ist der Fonds weiterhin erhöhten Risiken ausgesetzt, die sich aus dem Portfolio in Myanmar und in jüngerer Zeit aus den Entwicklungen in Zentralasien ergeben. Die betroffenen MFIs unterliegen sowohl hinsichtlich des Kreditrisikos als auch hinsichtlich der Regulativen- und Sanktionsrisiken einer verstärkten Aufsicht.*

*Ohne die Unterstützung und Treue der Aktionäre wäre unsere Arbeit nicht möglich. Dafür bedanken wir für uns an dieser Stelle sehr herzlich.*

# Management report on activities



The Luxembourg Microfinance and Development Fund (LMDF or Fund) reports on its activities during the financial year which started on 1 April 2021 and ended on 31 March 2022.

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

The year saw a strong return of the investment activities of the Fund after the interruptions during the Covid-19 pandemic during the financial year 2020-21. During the last twelve months, the Fund made a total of 25 investments amounting to EUR 20.0m towards microfinance institutions (MFIs). This compares to EUR 9.4m disbursed during the financial year 2019-20 preceding Covid-19. It is indicative of a strong demand from microfinance institutions overcoming the disruptions caused by Covid-19 and the Fund's operational capacity to respond to the increase in demand.

The Fund made several large transactions with new and existing MFIs in Cameroon (ACEP), Indonesia (KOMIDA), El Salvador (Óptima) and Ecuador (INSOTEC, FACES and COAC 4 de Octubre). But overall, LMDF remained focused on its mission to finance small Tier 2s and emerging Tier 3s. Including the larger transactions, the average exposure per MFI amounts to EUR 794k, very substantially below the USD 2.8m average investee exposure of microfinance debt funds (according to the 2021 TAMEO PAIF survey).

As a result of the investment activity, the Fund was able to substantially reduce the excess liquidity which was built up during the interruptions to the financing flows during the Covid-19 pandemic. Graph 2 illustrates the strong reduction in excess liquidity (the non-invested assets above the 10% minimum liquid assets defined in the Fund's Prospectus) to below EUR 3m.

The Board of Directors reviewed the Fund's strategy in March 2021 and March 2022 with an interim review conducted in September 2021.

The frequency of discussions is indicative of the close attention LMDF's investment strategy has received in a period of increased uncertainty. The last review conducted in March 2022 discussed uncertainties related to the increase in the number of countries inscribed by the Financial Action Task Force (FATF) list of jurisdictions under increased monitoring due to deficiencies in regimes to counter money laundering, terrorism finance and proliferation finance. Per its policies, LMDF does not invest in countries included in the FATF list (Note 10 details the concerned countries) which leads to limitations of its investment universe.

Other uncertainties are over the impact of the war in Ukraine on countries in Central Asia with historically strong links to Russia and the extent of remaining exposures of MFIs to Covid-19 related losses. The Board considers these uncertainties to not pose fundamental challenges to the Fund's strategy in the coming year.

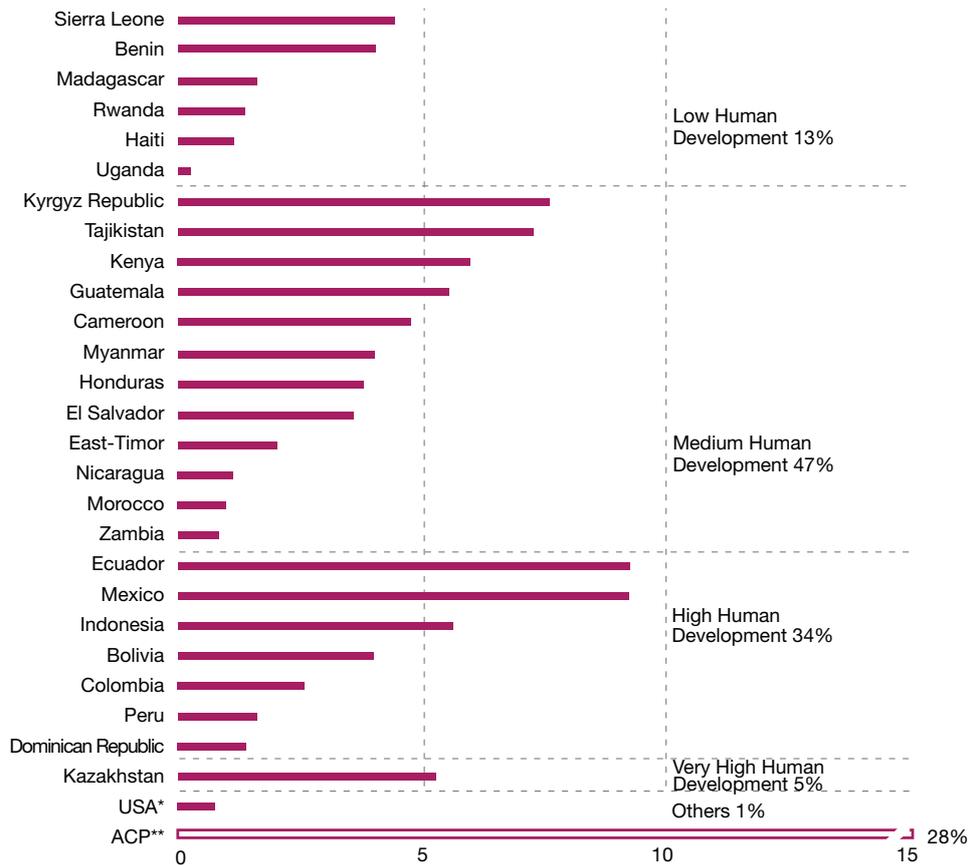
## **/ Development of the "Microfinance Plus" strategy**

The "Microfinance Plus" 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 10% of the Net Asset Value (NAV) in this area, only in senior debt instruments and mainly focused on Tier 2 institutions having reached financial sustainability. As at year-end the Fund's exposure in these areas amounted to 8.5% of total net assets.

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

During the financial year, the Fund made one

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

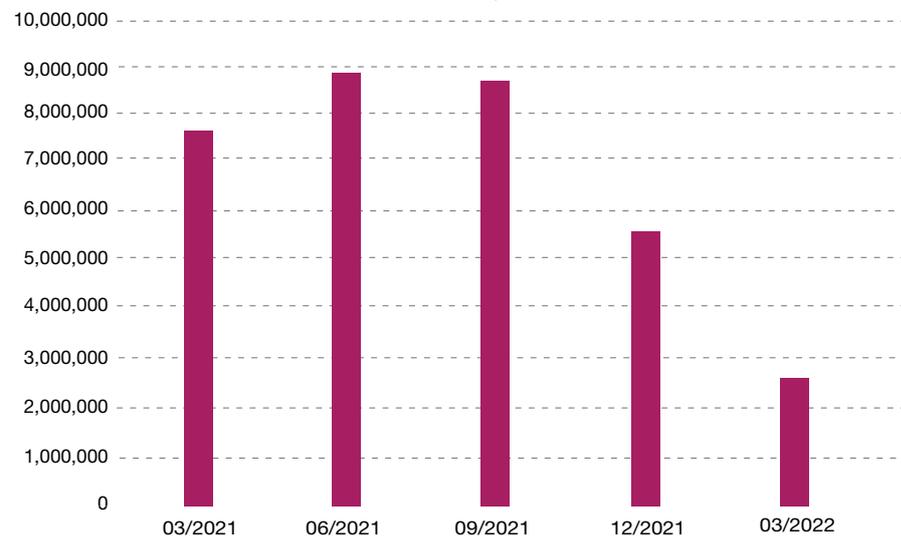


\* Investment in regional fund vehicle and hedging service provider for microfinance industry.

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

Source: LMDF analysis as at 31/03/2022. Human Development Index 2020 by UNDP.

GRAPH 2:  
CAPITAL AVAILABLE FOR INVESTMENT (in EUR)



Source: LMDF analysis.

additional investment in agricultural value chains. LMDF provided a senior loan to the institution IDEPRO in Bolivia to develop seven specific value chains (such as quinoa for example). IDEPRO's work is to strengthen the production capacity and quality of smallholders through longer tenor loans for equipment and improved agricultural techniques.

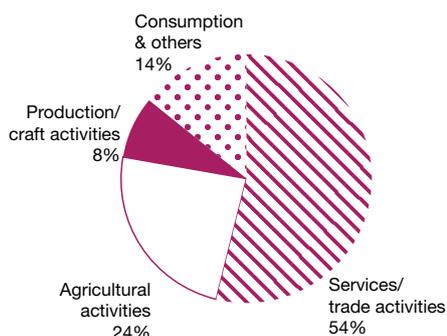
**/ Continued positive financial performance**

LMDF's total net assets increased from EUR 44.0m to EUR 46.3m (+5.2%). The Fund's financial key performance indicators have remained stable with the important exception of the rising interest rate difference between Euro and U.S. dollar rates (Graph 8) which leads to an increase in hedging costs. The Fund's operating costs during the reporting year increased to 2.7% 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 NAV per Class C share increased by 1.0% and by 2.0% per Class B share. The performance of the LMDF share classes is comparable to the 1.4% return of microfinance debt funds denominated in Euros (measured by the Symbiotics SMX Euro Index – Graph 6).

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



Source: LMDF analysis of weighted average data provided by partner MFIs as at 31/12/2021

**/ 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 of its portfolio, a trend likely to continue into the next financial year on the back of strong expected inflows from new and existing shareholders. We are convinced that this allows us to respond to the needs of MFIs and micro-entrepreneurs to overcome the difficult Covid-19 period and face an uncertain global environment.

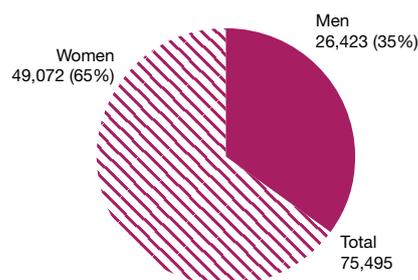
Our work would not be possible without the strong support of shareholders, and I would like to conclude by thanking all shareholders very much for their trust and commitment.

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

Yours faithfully,

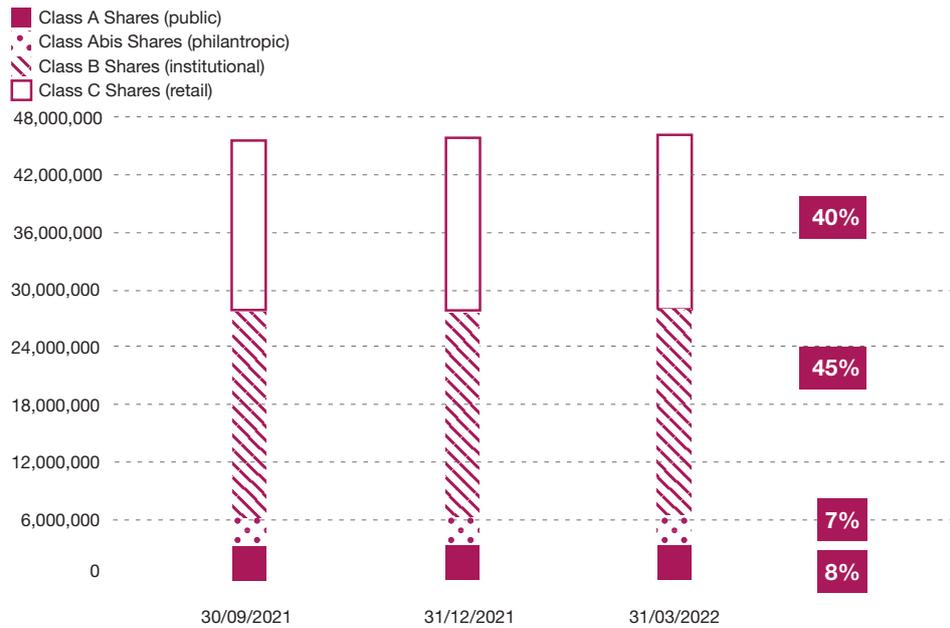
Kaspar Wansleben  
Executive Director

GRAPH 4:  
ACTIVE MICRO-ENTREPRENEURS FINANCED BY LMDF



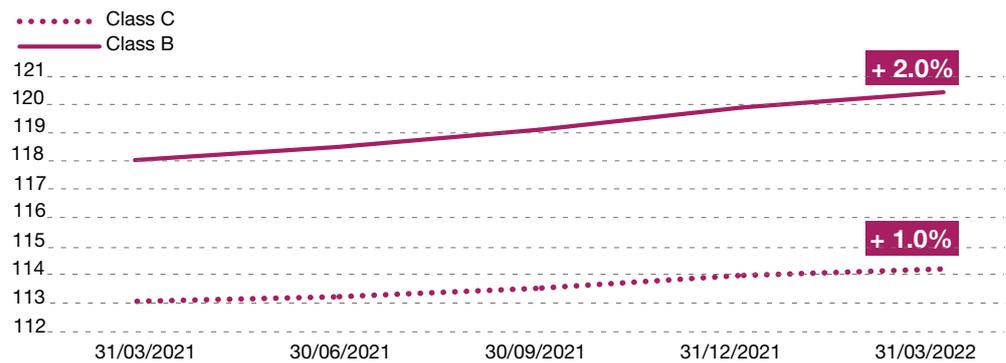
Source: LMDF analysis of weighted average data provided by partner MFIs as at 31/12/2021

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



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

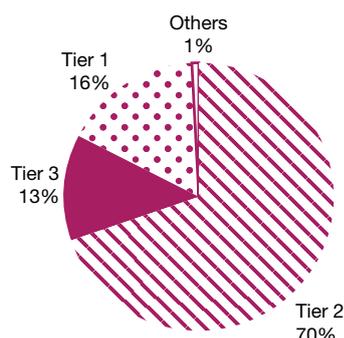


The Fund's Risk Committee oversees the various risks which the Fund faces. Following a very busy year in 2020/21, during which the Committee was convened 7 times, principally to take action on COVID-related agreements, 2021/22 has been a quieter year. Nonetheless, the Fund continues to face heightened risks; these arise from the portfolio in Myanmar, and, more recently, from the developments in Russia and the Ukraine and their impact on Central Asian holdings. While credit risk is the main focus for the Committee, their remit also includes market, operational, country, liquidity, distribution, regulatory, ESG and AML risks. AML risks and sanctions monitoring have been a particular concentration since the Russian invasion, but to date, these have had limited impacts on the Fund.

## - Credit risks

The Fund's risk management bodies continue to monitor credit risk closely, which remains elevated compared with the pre-COVID climate. The majority of risks, however, no longer stem from COVID, but instead have their origin in heightened geo-political tensions.

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

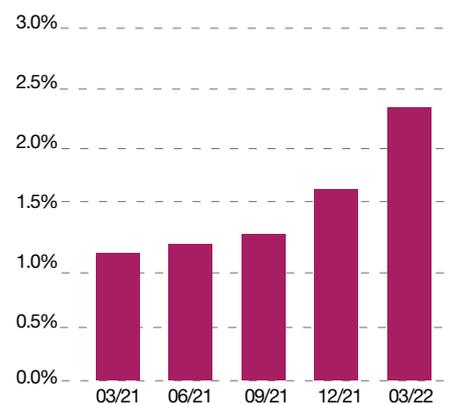


Source: LMDF analysis as at 31/03/2022

Provisions related to the situation in Myanmar have increased substantially over the course of the year, from EUR 188k at year end 2020/21 to EUR 353k at the end of 2021/22. These constitute 59% of the Fund's total outstanding provisions. In both of the Fund's holdings in Myanmar, intercreditor groups have been formed and creditors agreements are in place.

The other high risk position results from COVID: the Uganda Microcredit Foundation has been subject to extended intercreditor negotiations and its loan has now undergone a lengthy restructuring. Following COVID-related challenges, an agreement was also reached with ECLOF in Colombia to receive a partial repayment in full and final settlement of its liabilities. This agreement resulted in a loss of EUR 69k in the first half of the year. Although there are still several COVID-related provisions in the portfolio, these are not considered to be high risk. In these cases, restructuring arrangements have already been agreed among creditors and progress with the negotiated payment schedules is promising.

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



Source: US Department of the Treasury and European Central Bank

There are also increased risks stemming from Central Asia with EUR 45.5k in provisions on positions in the region. In two instances, the Fund has been part of creditors groups focused on supporting the institutions during these uncertain times. Institutions in the region are subject to enhanced monitoring from both a credit and AML risk perspective.

The Fund has steadily reduced its liquidity levels over the course of the year: at year end 84% of the portfolio was invested in microfinance as opposed to 30<sup>th</sup> September 2021 when 71% of assets were invested in microfinance. The high levels of liquidity have supported risk mitigation during periods heavily impacted by COVID, but as risk levels related to COVID continue to reduce, the Fund has focused on disbursements and bringing down its liquidity levels. Nonetheless, the Fund remains highly diversified, with 50 institutions receiving financing and an average exposure of 1.7% net assets to each MFI.

#### **- Currency risk**

The Fund has a conservative approach to currency risk; 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 31<sup>st</sup> March 2022 is valued at EUR 376k for the cross-currency swaps and EUR -1.3m for forwards. The Fund's hedging covers a diverse portfolio of 21 currencies plus the Euro. The largest exposure remains the U.S. dollar portfolio which amounts to EUR 14.3m or 31% of the Fund's total net assets; this constitutes a considerable increase from 2020/21 year end when USD portfolio accounted for 25.2% of total net assets and results from an increased portfolio size.

#### **- Country risks**

At year end, 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. This number continues to decrease and now constitutes 6.3% of total net assets. All assets in Central Asia are also now treated with a high AML risk categorisation with enhanced monitoring conducted accordingly.

Following impairments in Myanmar, the exposure to the country amounts to EUR 1.6m (or 3.4% of total net assets) and the position is subject to close monitoring, reflecting the current challenges in the geography. The Central Asian region is also subject to enhanced monitoring and constitutes 16.9% of net assets, with investments disbursed in the Kyrgyz Republic (6.4% of NAV), Tajikistan (6.1% of NAV) and Kazakhstan (4.4% of NAV).

The highest Fund exposures are to Ecuador and Mexico, which both constitute 7.7% of total net assets. The concentration of assets in the largest 5 countries has remained stable since end of 2020/21 at 33%.

#### **- 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 December 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 the coming year 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.

Apricot Wilson  
Head of Risk

# 1 Taking a gender lens to LMDF

## The importance of supporting women

Since 2009, LMDF has worked with over 450,000 microentrepreneurs of whom approximately 317,000 are female. The reason for this focus is simple: across the globe women have remained disproportionately excluded from financial services.

**Since 2009, LMDF has worked with over 450,000 microentrepreneurs of whom approximately 317,000 are female.**

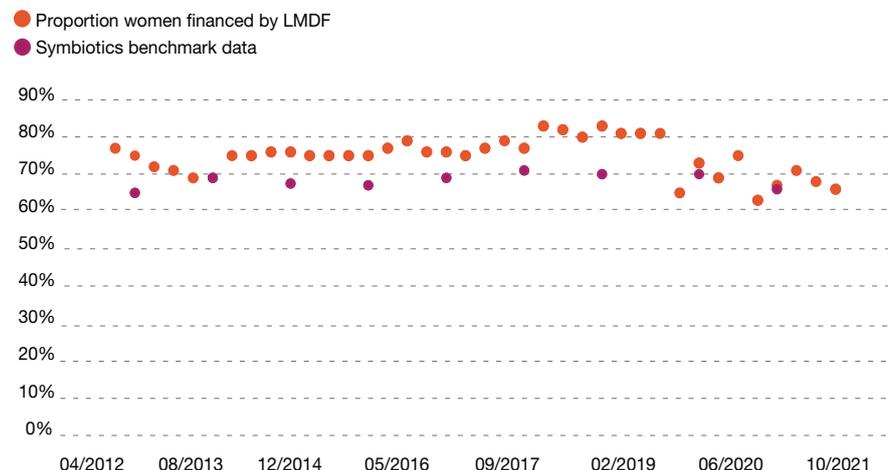
There is a persistent gender gap in account ownership, with only 65% of women having accounts at financial institutions versus 72% men.<sup>1</sup> This gap is wider in developing economies, and the gap has actually widened in Sub-Saharan Africa over the past decade.<sup>2</sup> The challenges faced by women have been accentuated by the COVID crisis, with women being disproportionately represented in informal employment in developing countries and female dominated industries suffering particularly during the pandemic.<sup>3</sup> During the COVID crisis, women

have been more susceptible to layoffs and job cuts, and have also had limited alternatives for generating income.<sup>4</sup>

The challenges women perceive are highlighted by 60 Decibels data, which show that women across the globe have higher levels of concern related to COVID than men. Women have been more concerned about the burden of repayment, with 24% viewing it as worse since the pandemic compared with 13% men. The vulnerability of women compared with men has even been reflected in food consumption with 7% more women noting decreases in food consumption during the pandemic than men.

Given this vulnerability, supporting women in the aftermath of the pandemic is particularly important. Financing women has always been renowned for its significant ripple effects it can have on families and communities. When women work, they invest 90% of their income back into their families, compared with 35% for men.<sup>5</sup>

GRAPH 9:  
GENDER EXPOSURE: LMDF VS BENCHMARK



Source: LMDF and Symbiotics data.



*Across the globe women have remained disproportionately excluded from financial services // LMDF*

The investments that women make in food, healthcare, home improvement and schooling for themselves and their children are notable.<sup>6</sup>

**The investments that women make in food, healthcare, home improvement and schooling for themselves and their children are notable.**

Despite this focus and the need to support women, the proportion of the portfolio invested in female entrepreneurs has been declining. It peaked at 82% in 2018, but has declined from 72% at the beginning of the COVID crisis in 2020 to 65% today.

The Fund has analysed why these changes have occurred and has found that there are several contributing factors:

- The Fund has worked with several institutions which have purely focused on female entrepreneurship during its history. These institutions

have been among LMDF's more successful partners, and have grown to a point where they are now able to receive financing from other parties at highly competitive rates and have now left the LMDF portfolio

- The exposure to East Asia, and Myanmar, in particular, has come down, and this has been an area where there were previously a number of strongly female focused MFIs

It is promising to note that the average proportion of women supported by institutions has remained relatively stable. The difference only appears to stem from larger female focused institutions leaving the portfolio. However outreach should not be the only way to consider the gender exposure of a portfolio. The Fund looks to work with institutions that have integrated a gender lens throughout their operations.

This has led us to consider what

measures institutions take to ensure that women are supported. We have examined our portfolio under a gender lens. The 2X challenge, a global initiative to encourage the mobilisation of capital to support opportunities for women in developing countries, recommends using four criteria to examine companies (or in the case of the Fund, its portfolio companies). If any one of these criteria is met, than an investment may be classed as 2X eligible.

Entrepreneurship is the most challenging area to analyse. In many instances, there are indirect shareholdings which makes it difficult to calculate the share of female ownership. In other instances, the shareholding or membership may be so diverse and change so frequently that it makes limited sense. Data is also limited on the number of business which were founded by women. This means the score on this area is relatively low, with just 16% fulfilling this category, although this may well be an underestimate due to lack of data.

Leadership is a much more promising area

**71% of institutions were able to comply with either the share of women in senior management or board requirements.**

for the Fund. 71% of institutions were able to comply with either the share of women in senior management or board requirements. On average, 27% of Boards were composed of women and 30% of senior management teams. However, the proportion of female CEOs remains very limited, constituting just 14% of the portfolio. In fact, the portfolio contains more MFIs with an entirely male Board of Directors than it does institutions with a female CEO. Interestingly, all but one of the institutions which is led by a woman are based in Asia.

Employment could not be fully evaluated

because no quality indicators are adopted in the Fund's due diligence process. Nonetheless, over half of the institutions employ more than 40% female staff and on average female staff constitute 44% of employees. It would, however, be very helpful to gather further data which allows the Fund to examine the quality of employment provided and to assess measures which are taken to ensure equality in the work place.

**“Giving people microcredit is a very strong instrument of empowerment... It can change the lives of people bottom up.”**

In terms of consumption, although only 14% of portfolio MFIs explicitly state that they have a female focused vision and mission, 67% of institutions provide products which disproportionately benefit women.

It is promising to see that all the institutions in the LMDF portfolio have adopted some form of gender lens. It is even more promising to note that over two thirds fit with more than one of the 2X criteria.

In a recent visit to the Maison de la Microfinance, Franz Fayot, Minister of the Economy noted that “Giving people microcredit is a very strong instrument of empowerment... It can change the lives of people bottom up.” The steps that institutions take to ensure that they have a gendered approach are supporting this empowerment.

<sup>1</sup> UNCTAD

<sup>2</sup> UNCTAD

<sup>3</sup> UN Women

<sup>4</sup> UN Women

<sup>5</sup> UN.org

<sup>6</sup> World Economic Forum

ILLUSTRATION 1  
2X CHALLENGE CRITERIA

		Criteria	Threshold
		DIRECT CRITERIA	1
	OR		
			1B. Business founded by a woman Yes/No
	OR		
2	Leadership		2A. Share of women in senior management 20-30%
			OR
			2B. Share of women on the Board or IC Yes/No
	OR		
3	Employment		3A. Share of women in the workforce 30-50%
			AND
			3B. One "quality" indicator beyond compliance Yes/No
	OR		
4	Consumption		4. Product or service specifically or disproportionately benefit women Yes/No

Source: 2X Challenge

Table 1  
ASSESSMENT OF LMDF'S PORTFOLIO ACCORDING TO 2X CHALLENGE CRITERIA

	Entrepreneurship	Leadership	Employment*	Consumption	Overall eligibility
Africa	19%	72%	50%	75%	100%
Asia	36%	81%	45%	63%	100%
Latin America & Caribbean	5%	65%	55%	65%	100%
<b>Total Portfolio</b>	<b>16%</b>	<b>71%</b>	<b>51%</b>	<b>67%</b>	<b>100%</b>

\* As the quality indicator could not be assessed, only the share of women in the workforce has been evaluated (which is not a full reflection of the 2X criteria). Source: LMDF data.

## 2 Interview with...

Zhanna B. Zhakupova, CEO of ACF in Kazakhstan



### How did you come to work in microfinance?

I found my way to microfinance a long time ago. I actually graduated from a medical university and started to work as a pharmacist. In 1991, I started to look for different opportunities and I decided to enter the International Business School in Almaty, in Kazakhstan, from which I graduated with an MBA degree. There, I was also in a special group preparing people on how to run a business. We studied economics, pricing and accounting.

When I graduated, I came across Mercy Corps, which is the founder of our MFI, the Asian Credit Fund LLC (ACF). It is a non-governmental organisational with headquarters in the United States. They had started a business lending program in Kazakhstan dedicated to micro and small businesses. I was interested in this project and I decided to become a loan officer. This allowed me to know more about businesses and to talk to clients to learn more about how their enterprises worked. I found this very interesting.

Later in 2001, Mercy Corps decided to provide financing to create a local institution to provide technical assistance in Kazakhstan and I was nominated for a manger position.

To start with, we were a non-commercial institution which after only five years became a commercial one looking and started to look for equity investors.

### Is the financial sector gender balanced in Kazakhstan or is there still some way to go?

I think that the financial sector is still male dominated. Although the Kazakh government requires equality, if you see women in high positions, you will note that they will be extremely highly qualified, and this is something that is really expected from them. It is not easy for women to reach such positions if they only have standard studies.

**“Gender equality should not be about reaching a certain number of female executive positions within organisations [...]”**

I believe that women should have exactly the same chances as men. Gender equality should not be about reaching a certain number of female executive positions within organisations, it has to be because they are qualified and dedicated to what they do. Women can achieve exactly the same as men, if not more, because women have always tended to go the extra mile to achieve what they want.

### What is the gender balance within ACF and what kind of services do you provide to clients?

In the executive management bodies we have around 40% women and 60% men, and our staff counts 66% of women.



Our clients are mainly located in underserved rural areas with 63% of female clients.

**In the executive management bodies we have around 40% women and 60% men, and our staff counts 66% of women.**

Beyond traditional finance, we provide services to micro and small businesses for development, like training in financial literacy, consulting and other community development services.

**The Central Asian region has faced several challenges in recent years. How has this affected your clients, particularly women, and what has ACF's response been?**

The pandemic has certainly had a negative impact on our clients, both SMEs and ordinary rural households. It included a loss of jobs or incomes accompanied by high inflation for all segments of the population.

In total, 7,000 clients (25% of the total base) found themselves in a difficult situation. However, it is safe to say that about 80% of customers have felt in some way the negative impact of the pandemic. The latest survey showed that, after the end of the lockdown, 83% of ACF clients had no savings left. ACF took the following measures to support

its customers during the severe restrictions imposed to stop the spread of the COVID-19:

- Payment deferrals and grace periods
- Nominal interest rates reduced
- Micro loan terms extended
- Late fees and penalties were waived
- A call-centre was established for customer support in this period of uncertainty
- WhatsApp chatbot was developed to expedite communication with clients
- Improved cash-in terminals and new features on ACF's website to facilitate payments
- Cashless disbursements
- Special offers with lower interest rates for SMEs aimed at increasing access to finance for people from rural areas

ACF and our clients were hardly affected by the January events as the major unrest and robberies happened in Almaty and the west of the country. ACF does not perform lending operations in this area. Some small indirect inconveniences happened of course. We had to stop operations for two weeks, the cash supply was low, etc., but looking at the big picture, not much has changed.

The impact from the war in the Ukraine is difficult to assess at the moment. Kazakhstan is not directly involved in the war. The biggest impact on the lives of ordinary people comes from inflation, increases in food prices and other basic goods, but this does not only seem to be the result of the war.

## 3 Case study

### Alternativa, Centro de Investigación Social y Educación Popular, Peru

#### Promoting local development by improving living conditions for the poor

The NGO « Alternativa, Centro de Investigación Social y Educación Popular » (Alternativa) was founded in 1982 with the purpose of promoting local development by improving living conditions for the poor.

**Among its more than 3,000 clients, 90% are women.**

The Fund finances the NGO's microfinance operations, but the organisation is aware that a holistic approach needs to be taken to improve conditions. Alternativa offers a very wide range of projects in the zones where it operates (emotional intelligence training, sexual education, training for parents, entrepreneurial skills, capacity building, health workshops/campaigns, women's rights, microfinance). The target population is mainly women, youth and children. Among its more than 3,000 clients, 90% are women.

The institution states that one of its key objectives is to "Generate development opportunities for people, prioritising women entrepreneurs, through their financial, productive and solidarity-based inclusion, with a gender and rights-based approach, linked to territorial economic development".

This is why, in its activities, it goes far beyond the granting of loans for the development of entrepreneurial activities. Alternativa also focuses on:

- **Health:** they recently carried out a study on the effects of cancer in women entrepreneurs and a subsequent plan on the importance of health care, offering intervention campaigns for the screening of two of the most frequent types of cancer (cervical and breast cancer).
- **Education:** creating the School for Women Entrepreneurs "Supérate Mujer", with the aim of improving the structure and development of training for women entrepreneurs contributing to empowerment.
- **Gender-based violence:** Alternativa has implemented a project aimed at allowing women to fully exercise their right to a life free from gender-based violence.



*"Supérate Mujer" is a school for female entrepreneurs which aims to contribute to their empowerment through training // Alternativa, Peru*

# Statutory information

## Organisation

### Registered Office // Domicile

39, rue Glesener  
L-1631 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

Development Cooperation Department,

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

Ministry of Foreign and European Affairs (MAEE)

Michel Maquil

ADA - Appui au Développement Autonome

Natalia Oskian

Independent

Raoul Stefanetti (until 16/12/2021)

Belair House

Olivier Goemans\* (from 7/02/2022)

Banque Internationale à Luxembourg (BIL)

Monica Tiuba

Independent

Dzemaal Tomic

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

Kaspar Wansleben

Executive Director

#### Investment Committee LMDF\*\*

##### Comité d'investissement LMDF

Raoul Stefanetti - Belair House, Committee Chair (until 16/12/2021)

Anne Contreras - Independent

Gilles Franck - ADA

Jürgen Hammer - SPTF (from 7/02/2022)

Michel Haas - Ministry of Finance

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

Olivier Goemans - BIL (from 7/02/2022)

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

Ernstine Kornelis - MAEE, Committee Chair (from 15/07/2021)

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

Michel Haas - Ministry of Finance

Raymond Schadeck - Independent

\*Pending non-objection from the CSSF. \*\*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

**Depository and Paying Agent**

**Banque dépositaire et agent de paiement**

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

**Auditors // Réviseur d'entreprises agréé**

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

**Distributors // Distributeurs**

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

Banque Raiffeisen s.c.

4, rue Léon Laval  
L-3372 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**

MFX Solutions, Inc.  
1050 17<sup>th</sup> St. NW, Suite 550  
Washington DC, 20036  
United States of America

**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

**Administrative Agent, Registrar and Transfer Agent**

**Administration centrale et agent de transfert**

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

**Legal Advisers // Conseiller légal**

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

BGL BNP Paribas S.A.

50, avenue J.F. Kennedy  
L-2951 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

**Identity numbers // Code d'identité**

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

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

# Report of the réviseur d'entreprises agréé

## Rapport du réviseur d'entreprises agréé



To the Shareholders of  
Investing for Development SICAV  
Luxembourg Microfinance and Development Fund  
39, rue Glesener  
L-1631 Luxembourg

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Luxembourg Microfinance and Development Fund (“the Sub-Fund”), a sub-fund of Investing for Development SICAV (“the Fund”), which comprise the statement of net assets and the statement of investments and other net assets as at 31 March 2022 and the statement of operations and the statement of changes in net assets for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Luxembourg Microfinance and Development Fund as at 31 March 2022, and of the results of its operations and changes in its net assets for the year then ended in accordance with Luxembourg legal and regulatory requirements relating to the preparation and presentation of the financial statements.

#### Basis for opinion

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

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

#### Emphasis of matter

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

#### Other information

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

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

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

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

The Board of Directors of the Fund is responsible for

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors of the Fund.
- Conclude on the appropriateness of the Board of Directors of the Fund's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's or any of its sub-funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report of the "réviseur d'entreprises agréé" to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report of the "réviseur d'entreprises agréé". However, future events or conditions may cause the Fund or any of its sub-funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Luxembourg, 20 June 2022

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



Pia Schanz

# Audited financial statements

## *Etats financiers révisés*

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

as at 31 March 2022 // au 31 mars 2022

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>		37,953
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>		259,485
Loan agreements with microfinance institutions <i>Contrats de prêt avec des institutions de microfinance</i>	6, 10	37,285,994
Cash and savings at banks <i>Avoirs et épargne en banques</i>		8,840,576
Unrealised appreciation on swap contracts <i>Plus-value non réalisée sur contrat de swap</i>	5	376,257
Income receivable on portfolio <i>A recevoir sur le portefeuille</i>		933,021
VAT receivable <i>TVA à recevoir</i>		53,792
Other receivables and assets <i>Autres actifs</i>	7	183,027
<b>Total assets</b> <b>Somme d'actifs</b>		<b>47,970,105</b>



Liabilities – <i>Passif</i>	Notes	EUR
Unrealised depreciation on forward foreign exchange contracts <i>Moins-value non réalisée sur contrats de change à terme</i>	5	1,329,904
Accrued expenses <i>Provision pour frais à payer</i>	7	309,296
Interest payable on bank accounts and term deposits <i>Intérêts à payer sur avoirs en banque et dépôts à terme</i>		115
<b>Total liabilities</b> <b><i>Somme des passifs</i></b>		<b>1,639,315</b>
<b>Net assets at the end of the year</b> <b><i>Actifs nets à la fin de l'année</i></b>		<b>46,330,790</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>		27.58
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>		26.33
B Class shares outstanding <i>Nombre d'actions en circulation de la Classe B</i>		177,341.098
Net asset value per B Class share <i>Valeur nette d'inventaire par action de la Classe B</i>		120.77
C Class shares outstanding <i>Nombre d'actions en circulation de la Classe C</i>		159,631.856
Net asset value per C Class share <i>Valeur nette d'inventaire par action de la Classe C</i>		114.23

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

from 1 April 2021 to 31 March 2022  
du 1<sup>er</sup> avril 2021 au 31 mars 2022

Income – Revenus	Notes	EUR
Interest on microfinance loan agreements <i>Intérêts sur contrats de prêt en microfinance</i>		3,770,546
Net interest paid on swap contracts <i>Intérêts nets payés sur contrat swaps</i>		(1,036,530)
<b>Net interest on microfinance loan agreements <i>Intérêts nets sur contrats de prêts en microfinance</i></b>		<b>2,734,016</b>
Commissions on microfinance loan agreements <i>Commissions sur contrats de prêts microfinance</i>		140,198
Other income <i>Autres revenus</i>		15,967
<b>Total income <i>Somme des revenus</i></b>		<b>2,890,181</b>
Expenses – Frais		
Advisory fees <i>Frais du conseiller en investissement</i>	3	488,976
Salary and wages of the fund management <i>Charges salariales de gestion du fonds</i>	3, 12	465,272
Custodian fees <i>Commission de la banque dépositaire</i>		65,567
Central administration costs <i>Frais de l'administration centrale</i>		55,104
Bank charges and other fees <i>Frais bancaires et charges liées</i>		20,880
Interest on bank accounts and term deposits <i>Intérêts bancaires et dépôts à termes</i>		94,299
Transaction fees <i>Frais de transaction</i>		2,150
Audit fees <i>Frais de révision</i>		32,486
Legal fees <i>Frais légaux</i>		735
Travel and representation fees <i>Frais de voyage et de représentation</i>		22,881
Rent & Information technology fees <i>Loyer et frais informatiques</i>		64,918
Other administrative costs <i>Autres charges administratives</i>	7	41,177
<b>Total expenses <i>Total des frais</i></b>		<b>1,354,440</b>
<b>Net investment income <i>Résultat net d'investissement</i></b>		<b>1,535,741</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>		(317,539)
On forward foreign currency transactions <i>Sur transactions en devises</i>		(544,954)
<b>Realised result</b> <b><i>Bénéfice/(perte) net(te) réalisé(e)</i></b>		<b>(931,398)</b>
<b>Net variation of the unrealised gain/(loss)</b> <b><i>Variation de la plus-value/(moins-value) nette non réalisée</i></b>		
<i>On investment portfolio / Sur portefeuille d'investissements</i>		
Variation of impairment on microfinance loans <i>Variation de provisions sur prêts microfinance</i>	6	(50,592)
Variation of valuation of equity investments <i>Variation de la valorisation des investissements en capital</i>		4,627
Variation due to changes in the foreign exchange rate <i>Variation due à l'évolution du taux de change</i>		2,084,226
<b>Total variation on investment portfolio</b> <b><i>Variation totale sur portefeuille d'investissements</i></b>		<b>2,038,261</b>
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		(1,473,312)
On cross-currency swap contracts <i>Sur contrats de swap de taux et change à terme</i>		(499,589)
<b>Unrealised result</b> <b><i>Bénéfice/(perte) net(te) non réalisé(e)</i></b>		<b>65,360</b>
<b>Result of operations</b> <b><i>Résultat net des opérations</i></b>		<b>669,703</b>
Subscriptions <i>Souscriptions</i>		2,369,439
Redemptions <i>Rachats</i>		(748,404)
<b>Total changes in net assets</b> <b><i>Variation globale de la valeur nette d'inventaire</i></b>		<b>2,290,738</b>
<b>Total net assets at the beginning of the year</b> <b><i>Valeur nette d'inventaire au début de l'année</i></b>		<b>44,040,052</b>
<b>Total net assets at the end of the year</b> <b><i>Valeur nette d'inventaire à la fin de l'année</i></b>		<b>46,330,790</b>

### // 3 Statistical information Informations statistiques

as at 31 March 2022 // au 31 mars 2022

<b>Total net assets – Actifs nets</b>		<b>EUR</b>
As at 31/03/2022		46,330,790
<i>Au 31/03/2022</i>		
<b>Number of A Class shares – Nombre d'actions de la Classe A en circulation</b>		
Outstanding at the beginning of the year		131,347.257
<i>Au début de l'année</i>		
Issued during the year		-
<i>Émises durant l'année</i>		
Redeemed during the year		-
<i>Rachetées durant l'année</i>		
Outstanding at the end of the year		131,347.257
<i>À la fin de l'année</i>		
<b>Net asset value per A Class share</b>		
<i>Valeur nette d'inventaire par action de la Classe A</i>		
As at 31/03/2022		27.58
<i>Au 31/03/2022</i>		
<b>Number of A<sub>bis</sub> Class shares – Nombre d'actions de la Classe A<sub>bis</sub> en circulation</b>		
Outstanding at the beginning of the year		116,052.936
<i>Au début de l'année</i>		
Issued during the year		-
<i>Émises durant l'année</i>		
Redeemed during the year		-
<i>Rachetées durant l'année</i>		
Outstanding at the end of the year		116,052.936
<i>À la fin de l'année</i>		
<b>Net asset value per A<sub>bis</sub> Class share</b>		
<i>Valeur nette d'inventaire par action de la Classe A<sub>bis</sub></i>		
As at 31/03/2022		26.33
<i>Au 31/03/2022</i>		

**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 year <i>Émises durant l'année</i>	831.717
Redeemed during the year <i>Rachetées durant l'année</i>	(2,264.862)
Outstanding at the end of the year <i>À la fin de l'année</i>	<u>177,341.098</u>

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

As at 31/03/2022 <i>Au 31/03/2022</i>	120.77
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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 year <i>Émises durant l'année</i>	20,046.421
Redeemed during the year <i>Rachetées durant l'année</i>	(4,222.813)
Outstanding at the end of the year <i>À la fin de l'année</i>	<u>159,631.856</u>

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

As at 31/03/2022 <i>Au 31/03/2022</i>	114.23
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## // 4 Statement of investments and other net assets État du portefeuille-titres et autres actifs nets

as at 31 March 2022 // au 31 mars 2022

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	142,203	37,953	0.1%
<b>Shares (and equity-type securities) in microfinance institutions and service providers</b>							
MFX Solutions LLC		USA	N/A	USD	187,090	259,485	0.6%
<b>Loan agreements with microfinance institutions</b>							
Koperasi Mitra Dhuafa "KOMIDA"		Indonesia	10/01/2025	IDR	34,000,000,000	2,181,863	4.7%
Agence de Crédit pour l'Entreprise Privée (ACEP) Cameroun SA		Cameroon	10/10/2024	XAF	1,200,000,000	1,847,715	4.0%
L'Association pour la Promotion de l'Épargne-Crédit à Base Communautaire - BETHESDA		Benin	10/04/2025	XOF	1,000,000,000	1,570,749	3.4%
M-Kopa Holdings Ltd		Kenya	11/07/2022	USD	1,700,000	1,558,231	3.4%
IDEPRO Desarrollo Empresarial Institución Financiera de Desarrollo		Bolivia	10/10/2024	USD	1,690,000	1,556,026	3.4%
Óptima Servicios Financieros, S.A. DE C.V.		El Salvador	10/04/2025	USD	1,500,000	1,394,643	3.0%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		Ecuador	10/10/2024	USD	1,500,000	1,382,180	3.0%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	10/07/2023	USD	1,400,000	1,281,153	2.8%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		Mexico	10/04/2025	MXN	25,000,000	1,207,143	2.6%
Micro-credit company Bailyk Finance LLC		Kyrgyz Republic	10/04/2025	USD	1,200,000	1,119,578	2.4%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		Honduras	10/01/2024	HNL	24,000,000	905,944	2.0%
Microfinance Organization "Asian Credit Fund" Limited Liability Company		Kazakhstan	10/10/2024	KZT	442,900,000	902,376	2.0%
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"		Tajikistan	10/01/2024	EUR	870,000	876,960	1.9%
Microfinance Company Salym Finance		Kyrgyz Republic	10/10/2022	USD	900,000	841,616	1.8%
Alliance for Microfinance Myanmar limited	6, 10	Myanmar	01/04/2022	EUR	1,092,700	814,062	1.8%
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"		Tajikistan	10/01/2024	TJS	11,300,000	800,047	1.7%
Moris Rasik Foundation		East-Timor	10/04/2025	USD	850,000	791,210	1.7%
Advans MFI Myanmar Company Limited	6, 10	Myanmar	10/01/2023	EUR	898,576	745,818	1.6%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		Mexico	10/01/2024	MXN	15,000,000	698,377	1.5%
Financiación Amiga S.A.S.		Colombia	10/10/2023	COP	2,579,373,200	652,947	1.4%
Consultores de Servicios Varios SA de CV SOFOM ENR		Mexico	10/04/2026	MXN	13,000,000	585,736	1.3%
Asociación de desarrollo integral Cuenca del Lago de Atitlán - ADICLA		Guatemala	10/04/2025	GTQ	5,000,000	585,253	1.3%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		Mexico	11/07/2022	MXN	12,000,000	558,461	1.2%
VisionFund Republica Dominicana SAS		Dominican Republic	10/10/2024	DOP	31,800,000	543,150	1.2%
Umutanguha Finance Company (UFC) PLC		Rwanda	10/04/2025	RWF	578,296,000	533,812	1.2%
Consultores de Servicios Varios SA de CV SOFOM ENR		Mexico	10/04/2022	MXN	11,000,000	531,143	1.2%
Asociación para el Desarrollo Integral de San Antonio Ilotenango		Guatemala	10/07/2025	USD	580,000	529,316	1.1%
Asociación para el Desarrollo Integral de San Antonio Ilotenango		Guatemala	10/07/2025	USD	569,000	519,277	1.1%
LAPO Microfinance Company Limited		Sierra Leone	10/04/2024	USD	550,000	515,502	1.1%
Société d'investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		Madagascar	10/01/2024	EUR	500,000	506,667	1.1%
MFO Arnur Credit LLP		Kazakhstan	11/04/2022	KZT	240,000,000	497,212	1.1%
ACTB Savings and Loans LTD		Sierra Leone	10/10/2024	SLL	5,857,000,000	488,462	1.1%
Cooperativa de Ahorro y Crédito 4 de Octubre		Ecuador	11/04/2022	USD	500,000	467,350	1.0%
Asociación de desarrollo integral Cuenca del Lago de Atitlán - ADICLA		Guatemala	11/04/2022	GTQ	3,750,000	464,689	1.0%

Instrument // Microfinance institution	Note	Country	Maturity	Currency	Quantity // Nominal value	Total value (in EUR)	% of NAV
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	10/01/2023	USD	500,000	457,554	1.0%
Cooperativa de Ahorro y Crédito Norandino LTDA		Peru	10/04/2024	PEN	1,800,000	457,251	1.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		Honduras	10/01/2024	HNL	12,000,000	452,972	1.0%
Limited Liability Microcredit Company "Universal Credit"		Kyrgyz Republic	10/07/2024	KGS	39,650,000	446,368	1.0%
Action pour la coopération avec la microentreprise S.A. ACME	10	Haiti	10/04/2022	HTG	48,000,000	443,675	1.0%
Financiera Fundeser S.A.	6, 10	Nicaragua	12/12/2018	USD	488,491	439,736	1.0%
ACTB Savings and Loans LTD		Sierra Leone	10/06/2024	SLL	5,100,000,000	413,906	0.9%
Attadamoune Micro-Finance	6, 10	Morocco	10/01/2024	EUR	400,000	386,133	0.8%
LLC Micro Credit Organization "OXUS"	6	Tajikistan	10/01/2024	USD	360,000	328,540	0.7%
Microloan Foundation Zambia Limited		Zambia	10/07/2023	ZMW	6,140,000	325,613	0.7%
LLP Microfinance Organization "BEREKE"	6	Kazakhstan	11/07/2022	KZT	160,000,000	309,023	0.7%
Yehu Microfinance Services Limited		Kenya	10/01/2024	KES	38,000,000	308,488	0.7%
LAPO Microfinance Company Limited		Sierra Leone	10/10/2024	USD	327,000	301,199	0.7%
Micréditoya Microfinanciera S.A.S.		Colombia	10/04/2024	COP	1,100,000,000	280,342	0.6%
LLC Micro Credit Organization "OXUS"		Kyrgyz Republic	11/07/2022	USD	300,000	275,903	0.6%
LLC Micro Credit Organization "OXUS"		Kyrgyz Republic	10/10/2024	USD	300,000	263,075	0.6%
LLC Micro Credit Organization "OXUS"	6	Tajikistan	10/04/2023	TJS	3,200,000	244,065	0.5%
LLP Microfinance Organization "BEREKE"	6	Kazakhstan	10/01/2022	KZT	120,000,000	236,297	0.5%
LLC Micro Credit Organization "OXUS"	6	Tajikistan	10/01/2024	TJS	3,200,000	232,110	0.5%
Bimas Kenya Ltd		Kenya	10/10/2022	KES	27,500,000	231,421	0.5%
Bimas Kenya Ltd		Kenya	11/07/2022	KES	27,500,000	222,675	0.5%
Microcredit Organization "FURUZ"	6	Tajikistan	10/04/2024	TJS	2,605,900	189,956	0.4%
Alternativa Centro De Investigación Social y Educación Popular		Peru	10/01/2023	PEN	675,000	167,396	0.4%
Microcredit Organization "FURUZ"	6	Tajikistan	11/04/2022	EUR	150,000	151,658	0.3%
ONG Vahatra		Madagascar	10/01/2024	MGA	533,333,333	123,337	0.3%
Adel Microcréditos S.A. de C.V.	6	Honduras	11/01/2021	HNL	3,075,000	115,273	0.3%
Uganda Microcredit Foundation Limited	6, 10	Uganda	11/10/2021	UGX	745,825,000	100,954	0.2%
MFO Arnur Credit LLP		Kazakhstan	10/01/2023	KZT	50,000,000	98,924	0.2%
Financiación Amiga S.A.S.		Colombia	11/04/2022	COP	288,000,000	73,070	0.2%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		Guatemala	11/04/2022	USD	56,000	52,488	0.1%
<b>Sub-total</b>						<b>38,881,508</b>	<b>84.0%</b>
<b>Net accrued interest on swap contracts</b>						<b>(365,055)</b>	<b>(0.8)%</b>
<b>Sub-total</b>						<b>38,516,453</b>	<b>83.1%</b>
<b>Cash at banks, term deposits and savings accounts</b>						<b>8,840,576</b>	<b>19.1%</b>
<b>Other net assets / liabilities</b>						<b>(1,026,239)</b>	<b>(2.2)%</b>
<b>Total net assets</b>						<b>46,330,790</b>	<b>100.0%</b>

\*Totals may vary slightly due to rounding.

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

/ Total exposure per counterparty as at 31 March 2022 /  
*Exposition agrégée par contrepartie au 31 mars 2022*

Aggregated exposure to	Notes	Total value (EUR)*	% of total net assets
Koperasi Simpan Pinjam Mitra Dhuafa "KOMIDA"		2,181,863	4.7%
Agence de crédit pour L'entreprise privée (ACEP) Cameroun SA		1,847,715	4.0%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		1,738,707	3.8%
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"		1,677,007	3.6%
L'Association pour la Promotion de l'Épargne-Crédit à Base Communautaire - BETHESDA		1,570,749	3.4%
M-Kopa Holdings Ltd		1,558,231	3.4%
IDEPRO Dessarrollo Empresarial Institución Financiera De Desarrollo		1,556,026	3.4%
Óptima Servicios Financieros, S.A. DE C.V.		1,394,643	3.0%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		1,382,180	3.0%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		1,358,916	2.9%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		1,256,838	2.7%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		1,207,143	2.6%
Micro-credit company Bailyk Finance LLC		1,119,578	2.4%
Consultores de Servicios Varios SA de CV SOFOM ENR		1,116,879	2.4%
Asociación de desarrollo integral Cuenca del Lago de Atitlán - ADICLA		1,049,942	2.3%
Asociación para el Desarrollo Integral de San Antonio Iltonenango		1,048,593	2.3%
Microfinance Organization "Asian Credit Fund" Limited Liability Company		902,376	1.9%
ACTB Savings and Loans LTD		902,368	1.9%
Microfinance Company Salym Finance		841,616	1.8%
LAPO Microfinance Company Limited		816,701	1.8%
Alliance for Microfinance Myanmar limited	6, 10	814,062	1.8%
LLC Micro Credit Organization "OXUS" Tajikistan	6	804,715	1.7%
Moris Rasik Foundation		791,210	1.7%
Advans MFI Myanmar Company Limited	6, 10	745,818	1.6%
Financiación Amiga S.A.S.		726,017	1.6%
MFO Arnur Credit LLP		596,136	1.3%
LLP Microfinance Organization "BEREKE"	6	545,320	1.2%
VisionFund Republica Dominicana SAS		543,150	1.2%
LLC Micro Credit Organization "OXUS" Kyrgyz Republic	6	538,978	1.2%
Umutanguha Finance Company (UFC) PLC		533,812	1.2%
Société d'investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		506,667	1.1%
Cooperativa de Ahorro y Crédito 4 de Octubre		467,350	1.0%
Cooperativa de Ahorro y Crédito Norandino LTDA		457,251	1.0%
Bimas Kenya Ltd		454,096	1.0%
Limited Liability Microcredit Company "Universal Credit"		446,368	1.0%
Action pour la coopération avec la microentreprise S.A. ACME	10	443,675	1.0%
Financiera Fundeser S.A.	6, 10	439,736	0.9%
Attadamoune Micro-Finance	6, 10	386,133	0.8%
Microcredit Organization "FURUZ"	6	341,614	0.7%
Microloan Foundation Zambia Limited		325,613	0.7%
Yehu Microfinance Services Limited		308,488	0.7%
Micreditoya Microfinanciera S.A.S.		280,342	0.6%

Aggregated exposure to	Notes	Total value EUR*	% of total net assets
MFX Solutions LLC		259,485	0.6%
Alternativa Centro de Investigación Social y Educación Popular		167,396	0.4%
ONG Vahatra		123,337	0.3%
Adel Microcréditos S.A. de C.V.	6	115,273	0.2%
Uganda Microcredit Foundation Limited	6, 10	100,954	0.2%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		52,488	0.1%
Higher Education Finance Fund LP		37,953	0.1%
<b>Total Portfolio</b>		<b>38,881,508</b>	<b>83.9%</b>
<b>Average exposure by microfinance institution</b>		<b>793,500</b>	<b>1.7%</b>

\*Totals may vary slightly due to rounding.

### / Geographical breakdown of microfinance investments as at 31 March 2022 Répartition géographique des investissements en microfinance au 31 mars 2022

Geographical classification	Notes	Total value (EUR)*	% of total net assets*
Ecuador		3,588,237	7.7%
Mexico		3,580,860	7.7%
Kyrgyz Republic		2,946,540	6.4%
Tajikistan		2,823,336	6.1%
Kenya		2,320,815	5.0%
Indonesia		2,181,863	4.7%
Guatemala		2,151,023	4.6%
Kazakhstan		2,043,832	4.4%
Cameroon		1,847,715	4.0%
Sierra Leone		1,719,069	3.7%
Benin		1,570,749	3.4%
Myanmar	10	1,559,880	3.4%
Bolivia		1,556,026	3.4%
Honduras		1,474,189	3.2%
El Salvador		1,394,643	3.0%
Colombia		1,006,359	2.2%
East-Timor		791,210	1.7%
Madagascar		630,004	1.4%
Peru		624,647	1.3%
Dominican Republic		543,150	1.2%
Rwanda		533,812	1.2%
Haiti	10	443,675	1.0%
Nicaragua	10	439,736	0.9%
Morocco	10	386,133	0.8%
Zambia		325,613	0.7%
USA		297,438	0.6%
Uganda	10	100,954	0.2%
<b>Total Portfolio</b>		<b>38,881,508</b>	<b>83.9%</b>
<b>Average exposure by country</b>		<b>1,440,056</b>	<b>3.1%</b>

\*Totals may vary slightly due to rounding.



Investments made by women in healthcare, food, home improvement and schooling for themselves and their children are notable // LMDF

**/Breakdown of microfinance investments by currency as at 31 March 2022**  
*Répartition des investissements en microfinance par devise au 31 mars 2022*

Geographical classification	Total value (EUR)*	% of total net assets
United States Dollar	14,372,015	31.0%
Mexican Peso	3,580,860	7.7%
Euro	3,481,298	7.5%
Indonesian Rupiah	2,181,863	4.7%
Kazakhstani Tenge	2,043,832	4.4%
Central African CFA Franc	1,847,715	4.0%
West African CFA Franc	1,570,749	3.4%
Honduras Lempira	1,474,189	3.2%
Tajikistani Somoni	1,466,178	3.2%
Guatemalan Quetzal	1,049,942	2.3%
Colombian Peso	1,006,359	2.2%
Sierra Leonean Leone	902,368	1.9%
Kenyan Shilling	762,584	1.6%
Peruvian Sol	624,647	1.3%
Dominican Peso	543,150	1.2%
Rwandan Franc	533,812	1.2%
Kyrgyzstani Som	446,368	1.0%
Haitian Gourde	443,675	1.0%
Zambian Kwacha	325,613	0.7%
Madagascar Ariary	123,337	0.3%
Ugandan Shilling	100,954	0.2%
<b>Total Portfolio</b>	<b>38,881,508</b>	<b>83.9%</b>
<b>Average exposure by currency</b>	<b>1,851,500</b>	<b>4.0%</b>

\*Totals may vary slightly due to rounding.

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

in EUR <i>en EUR</i>	NAV/share as at 31/03/2022 <i>VNI/action au 31/03/2022</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>	27.58	27.30	26.26	25.00
Class A <sub>bis</sub> shares* <i>Actions de la Classe A<sub>bis</sub>*</i>	26.33	26.07	25.67	25.00
Class B shares <i>Actions de la Classe B</i>	120.77	118.38	115.68	100.00
Class C shares <i>Actions de la Classe C</i>	114.23	113.09	111.94	100.00

	Performance financial year 2021 - 22 <i>Rendement de l'année 2021 - 22</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>	1.0%	4.0%	(1.6)%	10.3%
Class A <sub>bis</sub> shares* <i>Actions de la Classe A<sub>bis</sub>*</i>	1.0%	1.6%	0.4%	5.3%
Class B shares <i>Actions de la Classe B</i>	2.0%	2.3%	1.0%	20.8%
Class C shares <i>Actions de la Classe C</i>	1.0%	1.0%	0.8%	14.2%

<b>Total net assets (EUR)</b> <i>Actifs nets</i>	<b>46,330,790</b>	<b>44,040,052</b>	<b>40,850,593</b>
<b>Growth in total net assets</b> <i>Croissance des actifs nets</i>	<b>5.2%</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 audited financial statements *Notes aux états financiers révisés*

as at 31 March 2022 // au 31 mars 2022

### GENERAL INFORMATION

#### / A Structure of the SICAV

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

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

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

The SICAV is an umbrella fund and as such may operate separate Sub-Funds, each of which is represented by one or more classes of shares (each, a "Class"). The Sub-Funds are distinguished by their specific investment policy or any other specific features. As at 31 March 2022, 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 objective of the Fund is to make sustainable investment within the meaning of article 9 of Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (the "SFD Regulation"). The Fund aims at contributing to the alleviation of poverty in developing countries through the provision of permanent and adapted financial services to marginalised communities and individuals. The Fund invests in promising microfinance institutions ("MFIs") that have a positive social impact so that these institutions reach financial autonomy. In pursuance of its objectives, the Fund may invest in MFIs, in networks or associations of MFIs, in regional funds, in microfinance investment vehicles ("MIVs") and in other microfinance-related products.

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

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

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### / A Presentation of Financial Statements

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

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

### / B Valuation of Financial Instruments

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

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

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

acquired the capital participation;

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

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

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

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

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

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

### / C Allocation of Net Asset Value Among Share Classes

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

impairment risk on microfinance, shows a profit.

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

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

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

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

#### **Microfinance Impairment Risk**

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

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

#### **/ D Dividends**

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

#### **NOTE 2 SHARES**

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

#### **Class A shares:**

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

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

#### **Class A<sub>bis</sub> shares:**

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

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

#### **Class B shares:**

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

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

#### **Class C shares:**

Class C shares are reserved for subscription for private individuals and private non-profit organisations. Class C shares entitle their holders to avoid under certain conditions risks emanating from impairment of the microfinance investments of the Sub-Fund which will be covered by Class A shares and Class A<sub>bis</sub> shares.

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



**NOTE 3  
ADVISORY FEES AND MANAGEMENT/  
TEAM REMUNERATION**

**/ A Advisory fees**

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

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

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

Total investment advisory and portfolio related fees amount, for the period ended on 31 March 2022, to EUR 488,976 or 1.1% (annualised) of the average net asset value of the SICAV. Of the total investment advisory fees, EUR 59,641 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 31 March 2022, the remuneration of the Management and Support Team amounted to 1.0% 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 2.1% 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.

## NOTE 5

### FORWARD FOREIGN EXCHANGE AND SWAP CONTRACTS

#### / A Swap contracts

The Fund aims to provide, whenever feasible, loans to microfinance institutions in local currency. During the reporting period, the Fund hedged loan instruments using cross-currency swaps, which allow the Fund to significantly reduce the foreign currency risk associated with assets held in foreign currencies. The sole counterparty to all Swap contracts is MFX Solutions Inc ("MFX").

SWAP contracts								
In relation to loan agreement with	Notional outstanding	Paying currency	Receiving currency	Paying Leg	Receiving Leg	Maturity Date	Counterparty	Unrealised appre. / (depre.), (in EUR)*
Financiación Amiga S.A.S.	288,000,000	COP	EUR	12.50% p.a.	5.70% p.a.	11/04/2022	MFX	12,767
Financiación Amiga S.A.S.	2,579,373,200	COP	EUR	12.00% p.a.	6.72% p.a.	10/10/2023	MFX	(21,154)
Micréditoya Microfinanciera S.A.S.	1,100,000,000	COP	EUR	13.50% p.a.	7.99% p.a.	10/04/2024	MFX	(4,217)
VisionFund Republica Dominicana SAS	31,800,000	DOP	EUR	13.50% p.a.	6.80% p.a.	10/10/2024	MFX	(21,157)
Asociación de desarrollo integral Cuenca del Lago de Atitlán - ADICLA	3,750,000	GTQ	EUR	12.50% p.a.	5.50% p.a.	11/04/2022	MFX	(9,051)
Asociacion de desarrollo integral Cuenca del Lago de Atitlán - ADICLA	5,000,000	GTQ	EUR	12.00% p.a.	6.42% p.a.	10/04/2025	MFX	6,842
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras	24,000,000	HNL	EUR	14.00% p.a.	5.71% p.a.	10/01/2024	MFX	(67,135)
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras	12,000,000	HNL	EUR	14.00% p.a.	7.52% p.a.	10/01/2024	MFX	(16,875)
Action pour la coopération avec la microentreprise S.A. ACME	48,000,000	HTG	EUR	18.90% p.a.	6.01% p.a.	10/04/2022	MFX	192,828
Bimas Kenya Limited	27,500,000	KES	EUR	16.30% p.a.	6.25% p.a.	11/07/2022	MFX	25,057
Bimas Kenya Limited	27,500,000	KES	EUR	16.10% p.a.	6.05% p.a.	10/10/2022	MFX	23,352
Yehu Microfinance Services Limited	38,000,000	KES	EUR	17.50% p.a.	5.52% p.a.	10/01/2024	MFX	(6,064)
Limited Liability Microcredit Company "Universal Credit"	39,650,000	KGS	EUR	19.80% p.a.	7.05% p.a.	10/07/2024	MFX	(31,531)
MFO "Arnur Credit" LLP	240,000,000	KZT	EUR	17.90% p.a.	6.20% p.a.	11/04/2022	MFX	105,355
LLP Microfinance Organization "BEREKE"	160,000,000	KZT	EUR	18.00% p.a.	6.62% p.a.	10/07/2023	MFX	4,185
Microfinance Organization "Asian Credit Fund" Limited Liability Company	442,900,000	KZT	EUR	19.00% p.a.	6.60% p.a.	10/10/2024	MFX	59,528
ONG Vahatra	533,333,333	MGA	EUR	17.50% p.a.	6.20% p.a.	10/01/2024	MFX	(725)
Alternativa, Centro de Investigación social y Educación popular	675,000	PEN	EUR	11.35% p.a.	6.05% p.a.	10/01/2023	MFX	17,432
Cooperativa de Ahorro y Crédito Norandino LTDA	1,800,000	PEN	EUR	10.50% p.a.	6.68% p.a.	10/04/2024	MFX	(46,515)
Umutanguha Finance Company (UFC) PLC	578,296,000	RWF	EUR	15.46% p.a.	5.35% p.a.	10/04/2025	MFX	(4,171)
ACTB Savings and Loans LTD	5,100,000,000	SLL	EUR	21.90% p.a.	5.75% p.a.	10/06/2024	MFX	21,236
ACTB Savings and Loans LTD	5,857,000,000	SLL	EUR	20.30% p.a.	5.42% p.a.	10/10/2024	MFX	40,180
LLC Micro Credit Organization "OXUS"	3,200,000	TJS	EUR	21.10% p.a.	6.09% p.a.	10/01/2024	MFX	9,043
LLC Micro Credit Organization "OXUS"	3,200,000	TJS	EUR	21.10% p.a.	5.85% p.a.	10/04/2023	MFX	15,589
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"	11,300,000	TJS	EUR	16.40% p.a.	4.54% p.a.	10/01/2024	MFX	91,964
Agence de Crédit pour l'Entreprise Privée (ACEP) Cameroun SA	1,200,000,000	XAF	EUR	6.70% p.a.	4.31% p.a.	10/10/2024	MFX	38,986
L'Association pour la Promotion de l'Epargne-Crédit à Base Communautaire - BETHESDA	1,000,000,000	XOF	EUR	9.92% p.a.	5.50% p.a.	10/04/2025	MFX	(2,500)
Microloan Foundation Zambia Limited	6,140,000	ZMW	EUR	30.00% p.a.	7.98% p.a.	10/07/2023	MFX	(56,992)
<b>Total</b>								<b>376,257</b>

\*Totals may vary slightly due to rounding.

## / 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	(98,961)	10,367
Avanza Sólido	EUR	33,052	MXN	897,900	11/07/2022	BCEE	(6,676)	N/A
Conserva	EUR	369,601	MXN	11,000,000	11/04/2022	BCEE	(126,022)	845
MFO Arnur Credit LLP	EUR	87,869	KZT	50,000,000	10/01/2023	MFX	(7,556)	8,901
M-Kopa Holdings Ltd	EUR	1,525,175	USD	1,700,000	11/07/2022	BCEE	(2,503)	3,687
Conserva	EUR	28,028	MXN	834,170	11/04/2022	BCEE	(9,505)	N/A
Avanza Sólido	EUR	281,060	MXN	7,500,000	10/01/2023	BCEE	(56,865)	11,338
Avanza Sólido	EUR	42,862	MXN	1,143,750	10/01/2023	BCEE	(5,575)	N/A
Avanza Sólido	EUR	20,633	MXN	565,625	10/07/2023	BCEE	(2,327)	N/A
Avanza Sólido	EUR	265,781	MXN	7,500,000	10/01/2024	BCEE	(72,144)	26,319
Avanza Sólido	EUR	20,377	MXN	575,000	10/01/2024	BCEE	(2,044)	N/A
Avanza Sólido	EUR	43,730	MXN	1,137,500	11/07/2022	BCEE	(6,418)	N/A
SOFIPA Corporation	EUR	74,439	MXN	1,895,833	08/04/2022	BCEE	(10,910)	N/A
SOFIPA Corporation	EUR	73,254	MXN	1,927,083	10/10/2022	BCEE	(10,241)	N/A
SOFIPA Corporation	EUR	67,420	MXN	1,906,250	10/10/2023	BCEE	(6,976)	N/A
SOFIPA Corporation	EUR	69,654	MXN	1,895,833	11/04/2023	BCEE	(8,902)	N/A
SOFIPA Corporation	EUR	862,629	MXN	25,000,000	02/04/2024	BCEE	(263,787)	119,372
KOMIDA	EUR	106,111	IDR	1,986,402,778	08/07/2022	BCEE	(17,343)	N/A
KOMIDA	EUR	106,997	IDR	2,064,083,333	10/01/2023	BCEE	(19,780)	N/A
KOMIDA	EUR	98,683	IDR	2,008,597,222	10/07/2023	BCEE	(23,431)	N/A
KOMIDA	EUR	806,988	IDR	17,000,000,000	10/01/2024	BCEE	(256,185)	106,620
KOMIDA	EUR	46,224	IDR	1,009,847,222	10/07/2024	BCEE	(13,991)	N/A
KOMIDA	EUR	747,417	IDR	17,000,000,000	10/01/2025	BCEE	(315,755)	166,265
KOMIDA	EUR	96,928	IDR	2,041,888,889	10/01/2024	BCEE	(25,960)	N/A
KOMIDA	EUR	44,887	IDR	1,020,944,444	10/01/2025	BCEE	(15,473)	N/A
AMC	EUR	104,499	HNL	3,075,000	10/06/2022	MFX	(8,072)	1,135
FURUZ	EUR	79,750	TJS	1,302,950	11/04/2023	MFX	(10,526)	11,763
FURUZ	EUR	69,280	TJS	1,302,950	10/04/2024	MFX	(20,996)	22,453
USD portfolio	EUR	5,253,303	USD	6,100,000	08/04/2022	BCEE	(228,365)	908
USD portfolio	EUR	8,248,331	USD	9,400,000	11/07/2022	BCEE	(198,829)	21,273
BEREKE	EUR	211,442	KZT	120,000,000	10/01/2023	MFX	(17,577)	26,683
Conserva	EUR	110,848	MXN	3,250,000	10/10/2025	BCEE	(35,586)	35,885
Conserva	EUR	114,546	MXN	3,250,000	10/04/2025	BCEE	(31,888)	32,135
Conserva	EUR	214,900	MXN	6,500,000	10/04/2026	BCEE	(77,968)	78,475
USD portfolio	EUR	301,519	USD	336,430	08/04/2022	BCEE	809	N/A
Sub-total							(2,014,328)	684,424
<b>Total</b>								<b>(1,329,904)</b>

\*Totals may vary slightly due to rounding.

## 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 has also been used in the context of Covid-19 and the Ukraine crisis, where several 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 many MFIs have required support from lenders. In such cases, the Fund may still have limited provisions in place, reflecting rescheduled loan agreements, but there is nothing to indicate that the institutions will not be able to make their rescheduled commitments. In fact, the majority of COVID-related provisions have now been reversed on the basis of improvements in the operating position of an institution and confirmation of its ability to meet liabilities. The case of Uganda Microcredit Foundation Limited does, however, continue to be considered high risk following substantial challenges relating to COVID and has been valued accordingly.

Following discussions with one institution impacted by the health pandemic, 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 in the first half of the financial year.

#### Impact of the Ukraine crisis

The Fund has closely followed developments in the Ukraine and Russia. Although it has no direct exposures to both countries, it is invested in Central Asia. Positions in the region have been subject to enhanced monitoring. Two institutions have requested additional support from creditors through rescheduling agreements, and these requests have been reflected in their valuations.

#### Myanmar uncertainty

The outlook for Myanmar remains highly unclear. 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 table details the variation of unrealised gains and losses related to impaired financial instruments.

Outstanding impairments on microfinance loans		Provisions	
Microfinance institution	High risk	31/03/2022	31/03/2021
Alliance for Microfinance Myanmar Limited	High Risk	(278,639)	(43,761)
Advans MFI Myanmar Company Limited	High Risk	(152,758)	(74,000)
Uganda Microcredit Foundation Limited	High Risk	(85,998)	(60,946)
LLC Micro Credit Organization "OXUS"		(20,489)	0
Attadamoune Micro-Finance		(19,200)	0
LLP Microfinance Organization "BEREKE"		(13,588)	(12,473)
Microcredit Organization "FURUZ"		(11,486)	0

Outstanding impairments on microfinance loans (continued)			Provisions	
Microfinance institution	High risk	31/03/2022	31/03/2021	
Financiera Fundeser S.A.		(10,535)	(95,603)	
Adel Microcréditos S.A. de C.V.		(1,126)	(76,164)	
ECLOF Colombia SAS		0	(88,018)	
EBO Cooperative Savings & Credit Society LTD		0	(82,460)	
Ilumina Soluciones Financieras S.A.		0	(9,105)	
Instituto para el Desarrollo Hondureño		0	(697)	
<b>Total</b>		<b>(593,819)</b>	<b>(543,227)</b>	
<b>Net variation of impairments</b>			<b>(50,592)</b>	

Written-off microfinance loans		Realised gain/loss	
Microfinance institution	Accrued interest written-off	31/03/2022	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	118,745
Investment related fees to the investment advisor	89,199
Audit fees	27,500
Wages and salaries	18,624
Administration fees	16,869
Custodian fees	11,364
Transfer agency fees	7,897
Custodian fees on forward	6,595
Domiciliation fees	4,140
Other fees	2,670
Representation fees	2,103
Information technology expenses	1,750
Transaction related fees due to the administrator	1,000
VAT services fees	840
<b>Total</b>	<b>309,296</b>

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

Rating & Labelling	9,567
Post & Communication	8,859
CSSF annual fee	5,900
Professional fees	5,243
Membership fees	4,962
VAT services	4,867
Other costs	1,409
Fundsquare fee	370
<b>Total</b>	<b>41,177</b>

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

Deposit for MFX Access	179,727
CSSF fees	3,300
<b>Total</b>	<b>183,027</b>



## 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)	45,819,231
Total expenses for the year (in EUR)	1,354,443
Debit interest on bank account	(94,297)
VAT receivable	(11,891)
<b>Total expenses for the TER calculations net of negative interest and VAT</b>	<b>1,248,255</b>
<b>Total expense ratio (annualised)</b>	<b>2.7%</b>

## NOTE 10

### POSITIONS IN MONITORED JURISDICTIONS

The Fund's portfolio includes financial instruments issued by MFIs operating in Haiti, 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	1,559,880	3.4%
Haiti	443,675	1.0%
Nicaragua	439,736	0.9%
Morocco	386,133	0.8%
Uganda	100,954	0.2%
<b>Total</b>	<b>2,930,378</b>	<b>6.3%</b>

## NOTE 11

### FOREIGN EXCHANGE RATES

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

EUR	Amount	ISO Code	Denomination of currency
1 EUR =	4,176.85	COP	Colombian Peso
1 EUR =	61.20	DOP	Dominican Peso
1 EUR =	8.55	GTQ	Guatemalan Quetzal
1 EUR =	27.32	HNL	Honduras Lempira
1 EUR =	117.96	HTG	Haitian Gourde
1 EUR =	15,989.88	IDR	Indonesian Rupiah
1 EUR =	127.97	KES	Kenya Shilling
1 EUR =	92.74	KGS	Kyrgyzstani Som
1 EUR =	523.97	KZT	Kazakhstani Tenge
1 EUR =	4,492.37	MGA	Madagascar Ariary
1 EUR =	1,978.73	MMK	Myanmar Kyat
1 EUR =	22.19	MXN	Mexican Peso
1 EUR =	4.13	PEN	Peruvian Sol
1 EUR =	1,131.72	RWF	Rwandan Franc
1 EUR =	13,153.66	SLL	Sierra Leonean Leone
1 EUR =	14.43	TJS	Tajikistani Somoni
1 EUR =	3,989.39	UGX	Ugandan Shilling
1 EUR =	1.11	USD	United States Dollar
1 EUR =	670.24	XAF	Central African CFA Franc
1 EUR =	654.88	XOF	West African CFA Franc
1 EUR =	20.11	ZMW	Zambian Kwacha

## NOTE 12

### STAFF

The SICAV employed five full-time staff and one part-time staff member for the reporting year ended on 31 March 2022. 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. No bonuses were paid in the year 2019/20 in view of the Covid-19 situation and the challenges faced by our partner MFIs.

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

	Performance period		
	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

The Fund received the financing for the outstanding commitment agreement of EUR 5 million subscription to Class B Shares. Please find further information in Note 16 - Subsequent events.

#### / 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 31<sup>th</sup> March 2022, no share transactions with directors were carried out.

**NOTE 16**  
**SUBSEQUENT EVENTS BETWEEN THE YEAR END UNTIL 20 JUNE 2022**

On 1<sup>st</sup> April 2022, the Fund received EUR 5 million in Class B subscriptions under an agreement with the European Investment Bank.

The receipt of these additional commitments renders it probable that the LMDF Sub-Fund, together with the assets under management of the other Sub-Fund, calculated in accordance with EU Delegated Regulation No 231/2013 exceed EUR 100 million at a forthcoming Valuation Day.

Owing to this evolution, the Fund has submitted amendments to its Prospectus to the CSSF for approval, to comply both with its new regulatory status and with new processes and decision-making procedures which are required following the appointment of an external Alternative Investment Fund Manager.

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