



Supporting women-led businesses

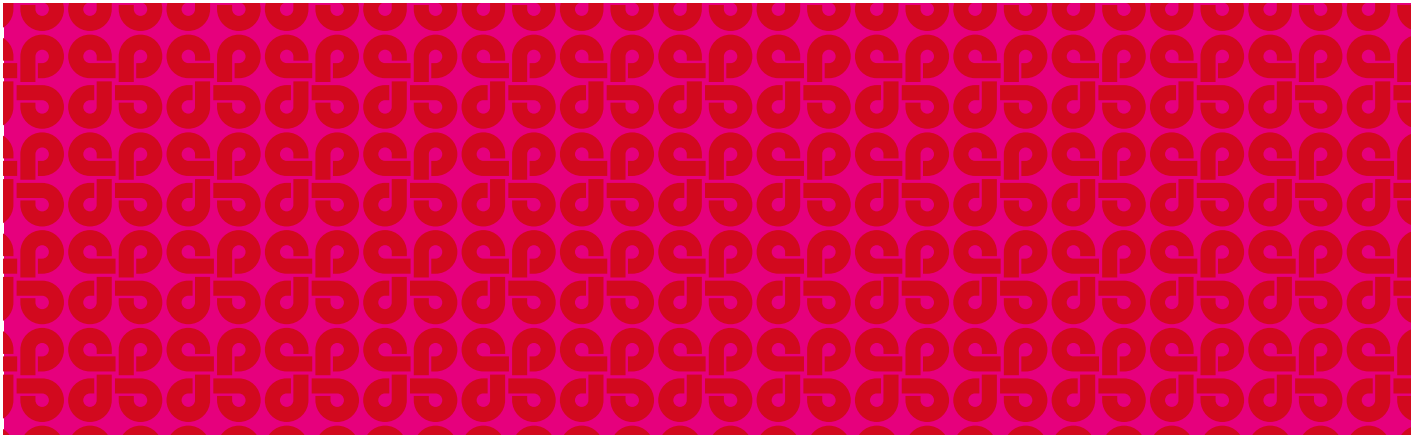
Focus on the MFI Avanza Sólido in Mexico

Audited annual report as at 31 March 2023

Rapport annuel révisé au 31 mars 2023



Luxembourg Microfinance
and Development Fund



In collaboration with



THE GOVERNMENT
OF THE GRAND DUCHY OF LUXEMBOURG
Ministry of Finance

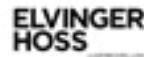
LUXEMBOURG
AID & DEVELOPMENT



BGL
BNP PARIBAS



Raiffeisen
Naturellement ma banque



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

The information presented in this report refers only to the necessary information concerning Investing for Development SICAV and its compartment Luxembourg Microfinance and Development 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:



MICROFINANCE

LMDF rated "A" by:



Principles for
Responsible
Investment

LMDF is included in:



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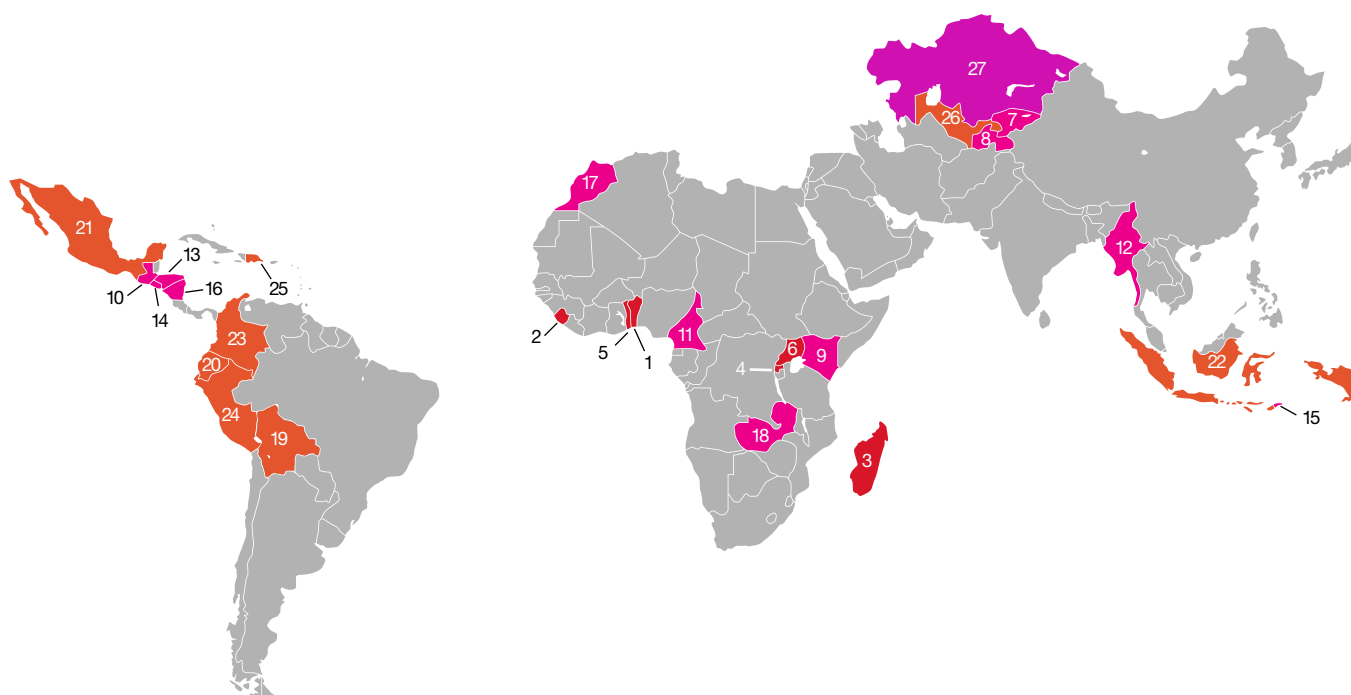
LMDF in figures // en chiffres

31 March 2023 // 31 mars 2023

EUR 46.0 million Investments in microfinance	73% Women
48 Microfinance institutions financed directly	16,307 Employees of partner MFIs
8% Investments in Microfinance Plus in % of portfolio	69,108 Micro-entrepreneurs financed by LMDF
28 Countries	7.5% Investments in Tier 3 MFIs in % of portfolio
1 Service provider	53% Microloans for services and small trade
47% Latin America	26% Agricultural activities
21% Sub-Saharan and North Africa	4% Production and crafts
32% Southeast and Central Asia	17% Other uses
<1% Developed countries	EUR 939,212 Average exposure per MFI
65% Financing in local currency of MFI country	1.6% Twelve month return Class A shares
EUR 1.9 million Micro-entrepreneurs financed by partner MFIs	1.6% Twelve month return Class A _{bis} shares
EUR 1.2 billion Total micro-loan portfolio of partner MFIs	2.6% Twelve month return Class B shares
EUR 1,692 Average microloan	1.6% 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 December 2022 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 Togo
- 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
- 19 Bolivia

High HDI

- 20 Ecuador
- 21 Mexico
- 22 Indonesia
- 23 Colombia
- 24 Peru
- 25 Dominican Republic
- 26 Uzbekistan

Very high HDI

- 27 Kazakhstan

Source: LMDF analysis, UNDP

Note: This map does not include investments in our hedging service provider for microfinance industry.

Report of the Board of Directors



The Board of Directors is pleased to report on its activities during the financial year 2022-23 which began on 1 April 2022 and ended on 31 March 2023.

In February 2022, and due to the de-minimis size limits reached, the Board of Directors selected BIL Manage Invest S.A. as external Alternative Investment Fund Manager (AIFM) to manage the SICAV. Since then, we have been working on formalising the external management and adapt our procedures to this new phase for the Fund. This work is still ongoing but should be concluded soon.

The Fund continues to grow despite the context marked by volatile energy, food and raw material prices, and a sustained raise in interest rates. LMDF saw 21 financing transactions for a total of EUR 16.5m, and the portfolio has grown to EUR 46.0m, a growth of 18.4% during the last twelve months.

These times reaffirm the need for the Fund's investments in emerging microfinance institutions and the central place social impact and the consideration of environmental, social and governance (ESG) factors play in sustainable investments. This report sees the first publication of ESG data conforming to the Article 9 status under the Sustainable Finance Disclosure Regulation (SFDR). SFDR's aim is to bring transparency to sustainable finance and prevent "greenwashing" and we invite all shareholders to look at the standardised disclosure at the end of this report.

The Fund aims for reasonable financial

returns in addition to its social impact. During the financial year, LMDF saw returns of 2.6% for Class B shareholders and 1.6% for Class C.

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 roles are 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 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 is currently undergoing a restructuring to consider the strategic distribution focus of the Sub-Fund.
- 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 and the different Committees do not receive any remuneration as directors, apart from the reimbursement of expenses incurred for Fund related business and approved in advance by the Board.

"Microfinance recognizes that poor people are remarkable reservoirs of energy and knowledge, and that the right blend of capital and support can transform their world." - Muhammad Yunus.

We look forward to working with our shareholders to support MFIs in these times when financing for the poor is sorely needed. As always, we thank you for your unconditional support and invite you to attend the Annual General Meeting on July 3rd, 2023.

The Board of Directors
27 June 2023

Raymond Schadeck
Chairman



Vision

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

Mission

In order to realise its Vision, LMDF

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

Résumé / Zusammenfassung

Le Fonds présente ses activités pour l'année clôturée le 31 mars 2023. Dans un contexte marqué par la volatilité des prix de l'énergie, de l'alimentation et des matières premières, le Fonds a enregistré une forte origination d'investissement comparable à l'exercice précédent. LMDF a déboursé 16,5M€ de nouveaux prêts à des institutions de microfinance (IMF) via 21 transactions au cours d'année écoulée. Cela se compare à 25 investissements pour un total de 20,0M€ réalisés au cours de l'exercice précédent.

Le total des actifs nets de LMDF est passé de 46,3M€ à 51,5M€ (+11.2%). Au cours des douze derniers mois, la VNI par action de Classe C a augmenté de 1,6% et de 2,6% par action de Classe B, une augmentation considérable par rapport aux rendements de fin d'année précédents. Ceci dépasse largement les rendements nets de 0,5% des fonds de dette de microfinance libellés en euros (Symbiotics SMX Euro Index).

La stratégie « Microfinance Plus » adoptée par le Conseil d'administration est centrée sur des modèles de microfinance innovants. Le Fonds a réalisé un investissement supplémentaire au profit du partenaire Norandino au Pérou, axé sur les chaînes de valeur agricoles du nord du pays. L'exposition du Fonds aux MFI+ a été réduite de 8,5 % de l'actif net fin mars 2022 à 6,6 % fin mars 2023. Le LMDF continue de rechercher activement des modèles MFI+ et s'attend à voir de nouvelles transactions à l'avenir.

Le portefeuille total d'investissements en microfinance est passé de 38,9M€ fin mars 2022 à 46,0M€ fin mars 2023, soit une croissance de 18.4% au cours des douze derniers mois. Grâce à l'activité d'investissement, le Fonds a finalement été en mesure de réduire les liquidités de 19,1% de la valeur liquidative à la fin de l'exercice 2021-22 à 11,8% à la fin de l'exercice en cours. Ceci est proche de la liquidité minimale de 10% prescrite dans le Prospectus. Trois ans après le début de Covid-19, les effets de la pandémie sanitaire sont désormais clairement derrière nous.

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 2023 geendete Geschäftsjahr. In einem Umfeld, das von der Volatilität der Energie-, Lebensmittel- und Rohstoffpreise geprägt war, verzeichnete der Fonds eine vergleichbar starke Investitionsaktivität. LMDF hat in den letzten zwölf Monaten in 21 Transaktionen 16,5 Millionen Euro an neuen Krediten an Mikrofinanzinstitutionen (MFIs) ausgezahlt. Dem stehen 25 Investitionen im Gesamtwert von 20,0 Mio. € gegenüber, die im vorangegangenen Geschäftsjahr getätigt wurden.

Das gesamte Nettovermögen von LMDF stieg von 46,3 Mio. € auf 51,5 Mio. € (+11,2 %). In den letzten zwölf Monaten ist der Nettoinventarwert je Anteil der Klasse C um 1,6 % und der Klasse B um 2,6 % gestiegen, ein beträchtlicher Anstieg im Vergleich zu den Renditen zum Jahresende. Diese Performance übertrifft bei weitem die 0,5 % Nettorendite von auf Euro lautenden Mikrofinanz-Fremdkapitalfonds (Symbiotics SMX Euro Index).

Die vom Vorstand verabschiedete Strategie „Microfinance Plus“ setzt auf innovative Mikrofinanzmodelle. Der Fonds tätigte eine zusätzliche Investition für den Partner Norandino in Peru der sich auf landwirtschaftliche Wertschöpfungsketten im Norden des Landes konzentriert. Das Engagement des Fonds in MFI+ wurde von 8,5 % des Nettovermögens Ende März 2022 auf 6,6 % Ende März 2023 reduziert. LMDF sucht weiterhin aktiv nach MFI+-Modellen und erwartet weitere Transaktionen in der Zukunft.

Das gesamte Mikrofinanz-Anlageportfolio stieg von 38,9 Mio. € Ende März 2022 auf 46,0 Mio. € Ende März 2023, was einem Wachstum von 18,4 % in den letzten zwölf Monaten entspricht. Durch die Investitionstätigkeit war der Fonds letztendlich in der Lage, Liquiditäten von 19,1 % des Nettoinventarwerts am Ende des Geschäftsjahres 2021-22 auf 11,8 % am Ende des aktuellen Jahres zu reduzieren. Dies kommt der im Prospekt vorgeschriebenen Mindestliquidität von 10 % nahe. Drei Jahre nach dem Start von Covid-19 liegen die Auswirkungen der Pandemie nun eindeutig hinter uns.

Unsere Arbeit wäre ohne die Unterstützung und Loyalität unserer Aktionäre nicht möglich. Wir möchten diese Gelegenheit nutzen, um unseren aufrichtigen Dank auszusprechen.

Management report on activities



The Luxembourg Microfinance and Development Fund (LMDF or Fund) reports on its activities during the financial year 2022-23 which started on 1 April 2022 and ended on 31 March 2023.

/ Microfinance portfolio growth by 18% and Fund fully invested

In a volatile context marked by volatile energy, food and raw material prices, the Fund saw strong investment origination comparable to the previous financial year. The Fund disbursed EUR 16.5m in new loans to microfinance institutions (MFIs) in 21 transactions during the last twelve months. This compares to 25 investments for a total of EUR 20.0m made during the previous financial year.

The Fund made some large transactions, for example to the MFI Arnur, Kazakhstan (EUR 2.5m, please refer specifically to the risk report on the exposure to this MFI), COAC 4 de Octubre, Ecuador (EUR 1.6m) or Avanza Sólido, Mexico (EUR 1.5m). Many of the larger transactions reflect LMDF's desire to maintain relationships with the fastest growing MFIs in its portfolio, often partners for many years. Including the larger transactions, the average exposure per MFI amounts to EUR 939k, very substantially below the USD 2.8m average investee exposure of microfinance debt funds (according to the 2021 TAMEO PAIF survey). Yet the Fund has seen a large increase in average exposure per MFI from EUR 793k end of March 2022 to the current levels, representing an increase in 18%.

LMDF's total microfinance investment portfolio grew to EUR 46.0m from EUR 38.9m end of March 2022, a growth of 18.4%. As a result of the investment activity, the Fund was finally able to reduce liquid assets from 19.1% of NAV end of the financial year 2021-22 to 11.8% end of the current financial year. This is close to the minimum liquidity of 10% prescribed in the Prospectus. Three years after its start, the effects of Covid-19 are now clearly behind us.

/ Strong inflows and some outflows in a new interest rate environment

The Fund's NAV has continued its steady growth and LMDF closes the financial year with a NAV 11.2% higher compared to the previous year-end. The Fund has seen strong subscriptions of EUR 6.6m, including a large transaction from an institutional investor. The Fund has also seen a marked increase in redemptions totalling EUR 2.5m. In the Fund's opinion, these are largely driven by a smaller group of shareholders changing their investment strategies as yields on low-risk assets have recovered.

/ Development of the "Microfinance Plus" strategy

The "Microfinance Plus" strategy adopted by the Board of Directors is focused on innovative microfinance models. During the reporting year, the Fund's investment in the Kenyan company M-KOPA, providing pay-as-you-go financing to households for off-grid energy, matured. M-KOPA has evolved significantly since LMDF first invested in 2020 and is now attracting large financing amounts. The Fund's role as a financier of emerging MFI is now no longer pertinent and the financing was not renewed.

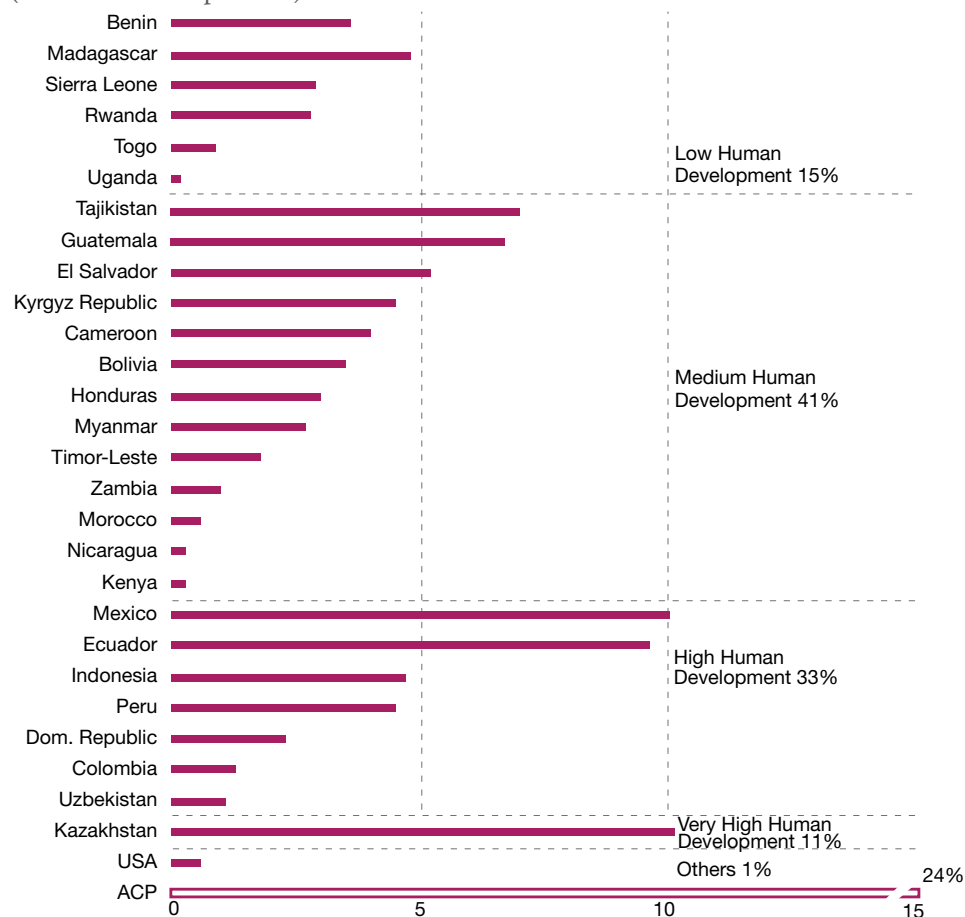
The Fund only made one additional MFI+ investment with the partner Norandino in Peru, focused on agricultural value chains in the North of the country.

Therefore, the Fund's exposure to MFI+ reduced from 8.5% of net assets end of March 2022 to 6.6% end of March 2023 while the Fund continues to actively look for MFI+ models and expects to see new transactions in the future.

/ Good financial performance in a challenging context

The Fund has improved its financial results significantly, with total income (net of swaps) growing 18.8% to EUR 3.4m. Net income grew considerably with the result of operations

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

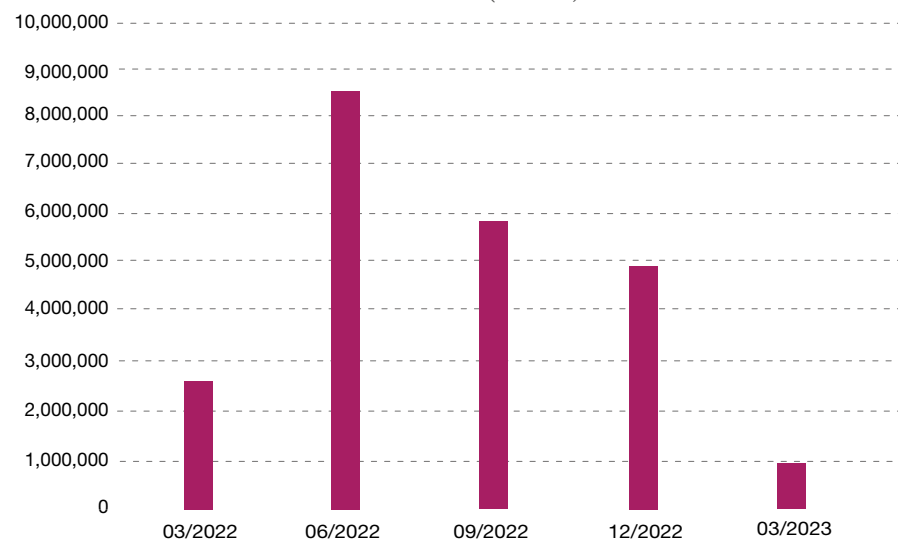


* Investment in regional fund vehicle and hedging service provider for microfinance industry.

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

Source: LMDF analysis as at 31/03/2023. Human Development Index 2021 by UNDP.

GRAPH 2:
CAPITAL AVAILABLE FOR INVESTMENT (in EUR)



Source: LMDF analysis.

increasing from EUR 670k to EUR 1.077m, an increase of 61%.

Operational costs have increased (+6.5%) but less than the overall growth of NAV (+11.2%), leading to increased efficiency with the Total Expense Ratio (TER) decreasing from 2.7% to 2.6% year-on-year.

As a result, the NAV per Class C share grew by 1.6% and by 2.6% per Class B share, a considerable increase over the previous year-end returns. The performance of the LMDF share classes significantly outperforms the 0.5% net returns of microfinance debt funds denominated in Euro (measured by the Symbiotics SMX Euro Index – Graph 6).

/ Outlook

The current environment is marked by inflation, high energy prices, rising food insecurity and geopolitical tensions. So far, the microfinance sector and many developing countries have proven to be resilient. Concerns around the impacts of the war in Ukraine on the microfinance sector in Central Asia have not materialised, again the sector in the region has proven to be resilient.

We are also witnessing a very rapid change in interest rate environments in Europe and the United States. Given that our loans to MFIs are mostly provided in local currencies (57% of the total portfolio), and therefore in local interest rates

often considerably higher than Euro or U.S. dollar rates, impacts are muted so far. But the move in interest rate will influence the return expectations of some investors and are likely to increase financing costs for MFIs over time. This comes at a moment when MFI balance sheets, particularly solvency levels, are still impacted by the losses caused by Covid-19.

We should neither forget that this polycrisis is taking the largest toll on the poor and most vulnerable. The World Bank now estimates that global poverty has risen by at least 77m people in the category of the poorest (those living with less than USD 2.15 per day) with comparable impacts on other low-income households. We continue to strongly believe that microfinance has a role to play in such an environment as a reliable financial support system.

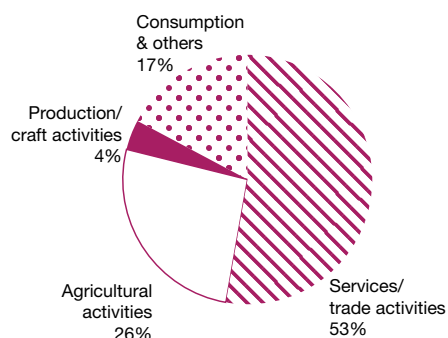
Our work would not be possible without the strong support of shareholders, and I would like to conclude by thanking all shareholders very much for their trust and commitment.

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

Yours faithfully,

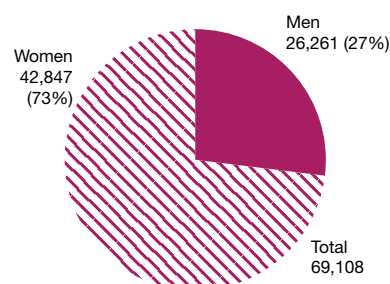
Kaspar Wansleben
Executive Director

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



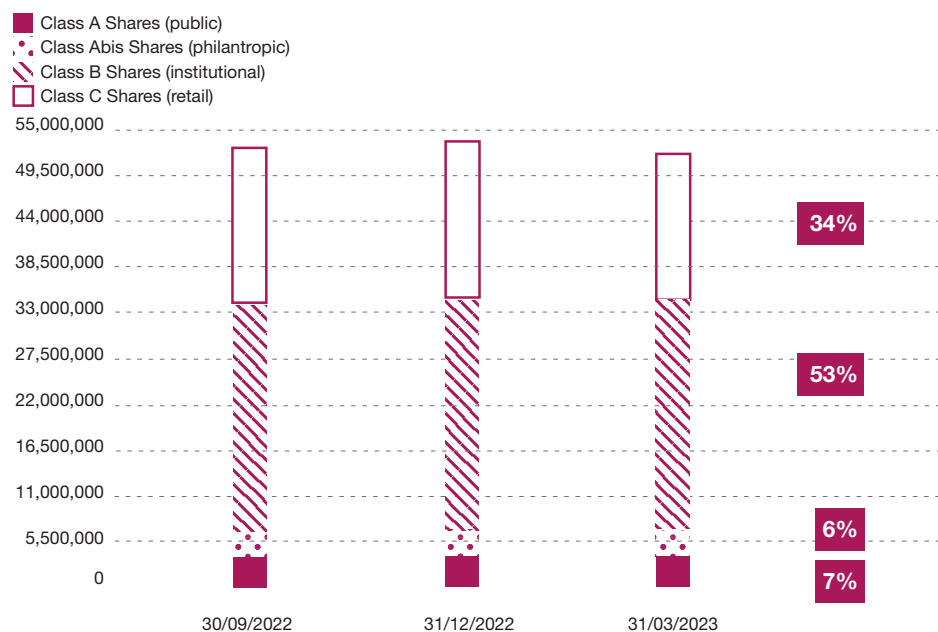
Source: LMDF analysis of weighted average data provided by partner MFIs as at 31/12/2022

GRAPH 4:
ACTIVE MICRO-ENTREPRENEURS FINANCED BY LMDF



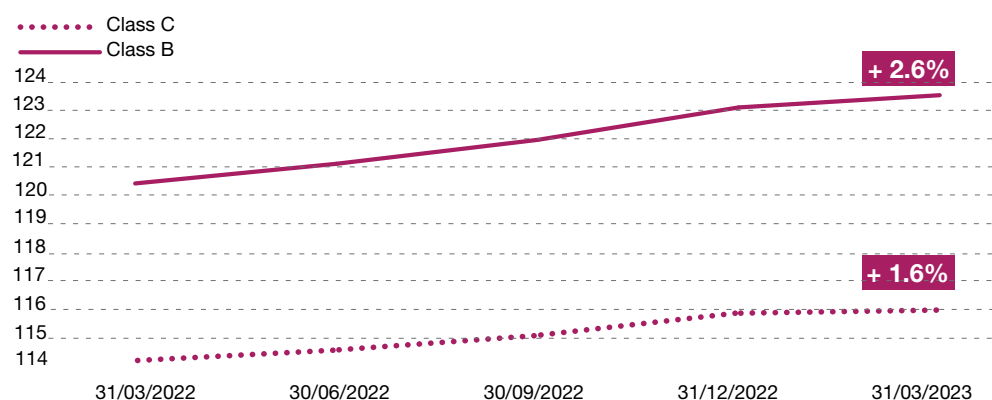
Source: LMDF analysis of weighted average data provided by partner MFIs as at 31/12/2022

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



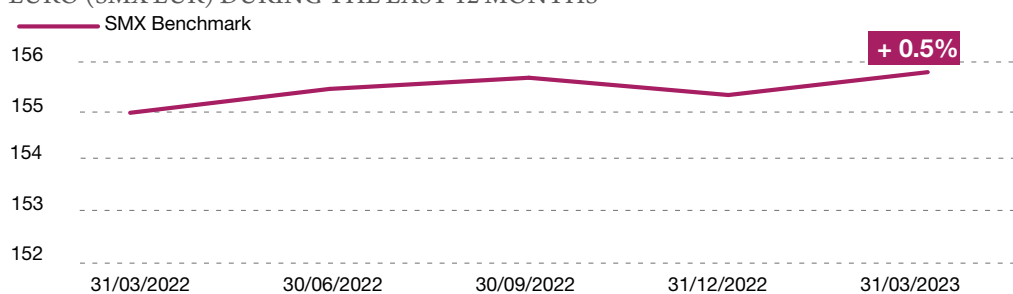
Source: LMDF analysis

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 - EURO (SMX EUR) DURING THE LAST 12 MONTHS



Source: Tameo

Risk report on activities



For the year 2022/23, the Risk Committee was convened 3 times, mainly to take action on workout cases and to discuss the evolution of geopolitical, economic, and environmental risks that directly or indirectly influence the Fund. Although credit risk is the main focus for the Committee, their remit also includes market, operational, country, liquidity, distribution, regulatory, and ESG risks.

During the year, the Fund navigated through different disruptions and global events that have heightened risks within a volatile environment. In Myanmar, the prevailing socio-political crisis and the unstable regulatory environment have continued over the year resulting in negative impacts to investments in the country. In East Africa, the severe drought had negative effects on farming and food production and severely affected those holdings working with rural and less resilient communities. The invasion of Russia in the Ukraine and more generally the significant high inflation and consequently high interest rates and higher

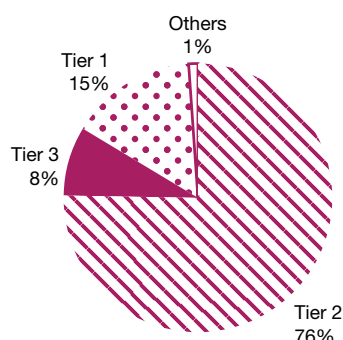
funding costs have increased uncertainty but with limited impacts on the Fund holdings up to date.

- Credit risks

The Fund's risk management bodies monitor credit risk closely. The indicator which measures the outstanding investments in Microfinance institutions which are categorised by the internal credit rating methodology as either medium or high risk has decreased from the elevated levels seen during the COVID period at 8.3% of net assets to 3.4% of net assets at the end of this fiscal year. The majority of risks, however, continue to stem from a combination of climate change, armed political conflicts, and rising inflation. The provisions recognised for the year related to credit risks accounted for a net variation of EUR 77k, resulting in a total level of provisions of EUR 671k, equivalent to 1.3% of net assets.

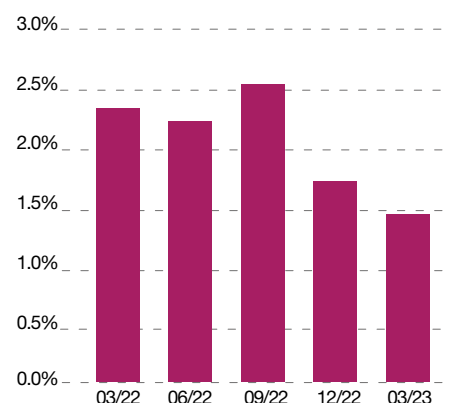
Provisions related to the situation in Myanmar have increased from EUR 353k

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



Source: LMDF analysis as at 31/03/2023

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



Source: US Department of the Treasury and European Central Bank

at year end 2021/22 to EUR 565k at the end of March 2023. These constitute 84% 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. Although both institutions remain well capitalised and solvent, both institutions face security concerns and limited foreign currency flows resulting in negative portfolio growth and significant write-offs. The other high risk position is the Uganda Microcredit Foundation in Uganda, which has been subject to extended intercreditor negotiations and its loan has undergone a lengthy restructuring.

In relation to Central Asia, the Fund has cancelled all the provisions previously booked as the holdings in the region have returned to business as usual with good overall performance and positive business outlook, and no liquidity concerns materialised. In Kenya, due to severe droughts, the Fund provisioned EUR 7k in relation to one MFI which has requested a one-year extension of the waiver of the portfolio quality covenant.

To diversify its credit risks, the Fund invests pursuant to the principle of risk spreading and diversification, in particular by limiting its exposure to no more than 5.0% of the net assets with a specific MFI. As of the end of the year, the Fund remains highly diversified, with 49 institutions receiving financing and an average exposure of 1.8% of net assets to each investee. As a measure of credit risk diversification, the Fund monitors the Top 5 counterparty exposure as a percentage of net assets, which accounts for 19% at the end of this fiscal year compared to 19% end of last year, reflecting a stable trend of counterparty concentration.

During the year, the Fund made a large transaction with an institution which with the subsequent accrual of loan interests and the depreciation of the EUR resulted in a breach of the limit exposure in September 2022. As a result, the Fund's Board of Directors

conducted an investigation, defined the most viable action plan and resolved the breach by reducing the exposure below the threshold of 5.0% of net assets in December 2022. The corresponding report was filed with the CSSF, including a detailed analysis identifying the operational controls and processes which were later implemented to avoid any exposure breach in the future.

- Country risk

At year end, LMDF was invested in 28 countries, with an average exposure of 3.2% of net assets compared to 3.1% in the previous year. As a measure of country risk diversification, the Fund monitors the Top 5 countries exposure as a percentage of net assets, which accounts for 37% at the end of this fiscal year compared to 33% end of last year, reflecting a latest trend of higher country concentration but within acceptable levels as per Risk profile of the Fund. The highest Fund exposures are to Kazakhstan and Mexico, which constitute 17.9% of total net assets.

The exposure towards countries which are classified as High Risk or Monitored Jurisdictions by the Financial Action Task Force (the entity evaluating money laundering and terrorist financing risks) or included in the list of Monitored Jurisdictions by the EU is listed in a detailed Note 11. This number continues to decrease and now constitutes 3.1% of total net assets. After considering the impairments in Myanmar, the exposure to the country amounts to EUR 1.2m (or 2.4% of total net assets) and the position is subject to close monitoring, reflecting the current challenges in the geography.

- Currency risk

LMDF has a conservative approach to currency risk and adopts a rigorous hedging policy. As local currency disbursements are preferred to mitigate investee FX risk, the Fund will hedge these positions by using Cross Currency Swaps or Forward contracts. As at 31st March 2023, the Market value of Cross Currency Swaps stands at USD -0.5m



and EUR -0.5m for Forwards, both compensated by the appreciation of the investment portfolio. The Fund's hedging covers a diverse portfolio of 20 currencies plus the Euro. The largest exposure remains the U.S. dollar portfolio which amounts to EUR 14.3m or 28% of the Fund's total net assets; this constitutes a similar level compared to 31% for the financial year 2021/22.

- 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 investments within the meaning of the aforementioned regulation. Prospectus updates were made accordingly in June 2021 and December 2021. The latest version of the Sub-Fund's Prospectus has been approved as of May 2023 by the CSSF. Additional disclosures on ESG risk are also available on the Fund's website. The section of "SFDR" in this report gives further information on these disclosures.

During the year, the intense drought in East Africa severely affected the MFIs in the country, especially those operating in rural areas. In particular, the MFI Yehu (Kenya) reported since last summer covenant

breaches due to the significant deterioration of its portfolio quality. To address these risks, the institution has done significant efforts to maintain the cohesion of its group lending methodology to deliver specific support to its clients while improving its credit and ESG policies. These ESG policies include a plan to implement further support for mitigation and adaptation efforts to climate change in the region.

- Liquidity Risks

The Fund has reduced its liquidity levels over the course of the year towards its 10% target, reaching 11.8% of net assets as of 2022/23 year-end. Within the new market environment of higher EUR and USD interest rates and the consequential return expectations of some investors, the liquidity risk of the Fund, from its liabilities has risen. To monitor this risk, the Fund follows closely the evolution of shares redemptions and subscriptions in every quarter to ensure liquidity levels remain appropriate.

We look forward to receiving your thoughts and comments.

Alejandro Vazquez Ortega
Head of Risk

1 Focus on Mexico

Economic Strengthening of Women

The United Mexican States covers a vast area (1,972,550 km²) and a large population of over 126 million people.

The country has witnessed a robust Human Development Index (HDI) evolution over the past 30 years, nonetheless the GNI progression has stagnated. Poverty remains a multidimension phenomenon: extreme poverty has declined over the past 25 years, still poverty head count is slightly higher than the regional peers.¹ Income disparities between and within Mexican states are significant, where the household disposable income in northern regions can be three times higher than southern one.²

Additionally, while education is widespread, access to basic health services, especially for vulnerable women, remain a challenge that has been further exacerbated by the impact of the COVID-19 pandemic.

Income disparities between and within Mexican states are significant, where the household disposable income in northern regions can be three times higher than southern one.²

In light of the disparity faced in the country, LMDF has defined a specific strategy that strives to direct its intervention to those microfinance institutions mainly located in the most vulnerable and poverty affected regions as Chiapas and Oaxaca.

Since 2018, we have disbursed a total MXN

145m (approx. EUR 6.5m) to three different institutions:

- **SOFIPA:** The MFI was created in 2004 as a savings and credit cooperative by the initiative of a group of young entrepreneurs engaged on the fight against unemployment and youth migration to the USA. Besides financing, they also offer services like life insurance, financial education sessions and various initiatives towards communities;
- **CONSERVA:** This MFI focuses on displaced indigenous women affected by the armed conflict in the Selva Locandona area, in Chiapas.
- **Avanza Sólido:** For over 12 years, the institution has specialised in granting microcredits to rural and urban clients with a specific focus on women. As a microfinance institution, Avanza Sólido also promotes responsible and inclusive finance through non-financial services.

In this edition of our annual report, we decided to present the microfinance institution Avanza Sólido in more detail and interviewed the Chairman of the MFI, Mr Oscar Cruz Torres.

¹ IMF

² OECD

2 4 Questions to

Oscar Cruz Torres, Chairman of Avanza

Sólido in Mexico



Could you briefly introduce us to Avanza Sólido and the context of financial inclusion in which it is operating?

We are a microfinance institution with a gender focus specialised in granting microcredits for rural and urban areas. For over 12 years, we have worked to promote responsible and inclusive finance through our non-financial services, to impact women and their families by strengthening skills to reduce inequality gaps.

[...] 90.5% of the companies in Chiapas are micro and small companies, which face a series of obstacles to access financing, such as the lack of guarantees, ignorance of the procedures and requirements to access credit.

Chiapas is one of the poorest states in Mexico, facing a context of poor financial inclusion that limits the economic and social development of its inhabitants. In the business sphere, 90.5% of the companies in Chiapas are micro and small companies, which face a series of obstacles to access financing, such as the lack of guarantees, ignorance of the procedures and requirements to access credit. In addition, many of these companies are located in rural areas, which makes it even more difficult for them to access financial services.

Given this situation, various strategies have been implemented to promote financial inclusion in Chiapas. One of them is the opening of branches in rural areas, which

has allowed greater access to financial services for the population. In addition, microcredit programs have been promoted for local entrepreneurs and training in financial education has been provided as well.

Also, we have innovated in the measurement of the integral growth of our clients, through the implementation of the tool known as "Semáforo Avanzamos Contigo" which is a methodology emanating from the "Fundación Paraguaya". This allows us to know the multidimensional poverty of our clients and accompany them in their process of overcoming poverty.

Most of your clients are women in rural areas. What motivated you to work so intensively with them and what financial and non-financial products do you offer?

Our main motivation was to witness the many challenges they face. Most of our portfolio is composed of women from the southeast of Mexico. These areas concentrate the highest density in the state of Chiapas, where 85% of households are headed by women with an average of 3 children. Among its main challenges are gender violence and the lack of access to a professional education that is reflected in the level of schooling that are around secondary education. Most of them



Avanza Sólido has different programs benefitting their clients to strengthen the economy of women and their families // LMDF

have are on average 35 to 45 years old, the reason why they also face unemployment with a probability rate of more than 51% not to be hired in a formal job. The main reason to undertake is the need and this determines that your source of income comes from your own business. A large part of this portfolio is also categorised as unique because they had the need to boost their business but the difficulty in accessing formal banking prevented them from having access to traditional financial products.

Our financial products are oriented towards the fulfilment of our social mission, strengthening the economic autonomy of women, through three products: individual credit, group credit and a house improvement credit.

Additionally, within our non-financial products we have the “Avanza tu Salud” program which is dedicated to health, the Economic Strengthening of Women and Avanza Verde which promotes care for the environment and its link to food health.

Could you explain how the “Economic Strengthening

of Women” and “Avanza tu Salud” programs work?

The Women's Economic Strengthening Program was created with the objective of strengthening the economy of women and their families, through training and digitalisation of their enterprises. This program is composed of the following axes:

Financial Education Talks: A training mechanism that seeks to promote the economic development of women through the acquisition of management knowledge and financial skills. We also have “Social Ambassadors” within indigenous communities we rely on, to support us in translating into the mother tongue.

Digitisation Seminars: These seminars are composed of three synchronous editions and have as objective to reduce the inequality gap in digital issues. These are developed consecutively once a year. The first edition is focused on creating a business image, on basic finance and marketing. The second one focuses on the management of business social networks and the use of payment gateways. The last one seeks to be the last impulse so that our clients can make the transition to the world of digital commerce,

focusing on the use of digital design tools, creation of a digital strategy and online sales platform. These trainings are given by women and each seminar includes at least one talk on the prevention of gender violence.

For us, the "Avanza tu Salud" program is a comprehensive program designed to promote the prevention of non-contagious diseases and improve access to medical care in remote communities. Our objective is to guarantee a better quality of life in the communities and this program allows us to offer preventive health services.

One of the main strategies implemented by this program are the medical units, which consist of health professionals who travel to remote and difficult-to-reach communities with a medical team. These units provide general consultations, dental consultations and basic medicines, glucose and blood pressure measurement. In addition, they inform about the prevention of degenerative diseases and good eating habits.

[...] alliances are made to provide free medical study campaigns, giving residents the opportunity to perform specialised check-ups and detect possible diseases at an early stage.

In addition, alliances are made to provide free medical study campaigns, giving residents the opportunity to perform specialised check-ups and detect possible diseases at an early stage.

The program also focuses on sexual health through the promotion of contraception to contribute to family planning and prevent unwanted pregnancies. Through information campaigns and free distribution of contraceptive methods, we seek to empower women so that they can make informed decisions about their reproductive health.

We also recognise the value of maternal health. This is why we provide training and support to traditional midwives, fostering the integration of their knowledge and skills with modern medical practices. In this way, we seek to ensure that pregnant women in remote communities have access to quality and safe prenatal care.

What are the development goals of your institution for the next few years?

We wish to expand our geographic reach to more low-income rural and urban communities that face difficulties in accessing financial services by establishing new branches. This strengthens the digitisation of our services to improve operational efficiency, expand access to financial services, make the processes of request and management more efficient, and offer a better customer experience to provide more services adapted to the needs of customers. This contributes to the strengthening of the impact and effectiveness of the company in the microfinance sector.

In terms of social impact, our objective is to continue innovating through our non-financial products to continue to tackle the challenges arising from the context of multidimensional poverty in which we operate. We consider the empowerment of women, investment in health and the implementation of environmental adaptation and mitigation strategies as central axes of our actions, promoting the development of rural communities and advancing towards a more sustainable world.

Translated to English by LMDF



Our aim is to expand our geographic reach to more low-income rural and urban communities // Avanza Sólido

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 (until 31/08/2022)

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

Geneviève Hengen (from 21/09/2022)

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

Michel Haas (until 31/12/2022)

Ministry of Finance

Christina Pinto (from 16/03/2023)

Ministry of Finance

Patrick Losch

ADA - Appui au Développement Autonome

Michel Maquil

Independent

Natalia Oskian

Independent

Olivier Goemans

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

Anne Contreras - Independent

Louis de Muyser - MAEE (from 21/10/2022)

Gilles Franck - ADA

Jürgen Hammer - SPTF

Michel Haas - Ministry of Finance (until 31/12/2022)

Christina Pinto - Ministry of Finance (from 16/03/2023)

Olivier Goemans - BIL

Paul Weber - MAEE (until 21/10/2022)

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 (until 15/08/2022)

Alejandro Vazquez Ortega - Head of Risk (from 15/09/2022)

Employment Committee // Comité d'emploi

Michel Haas - Ministry of Finance, Committee Chair (until 31/12/2022)

Christina Pinto - Ministry of Finance (from 16/03/2023)

Raymond Schadeck - Independent

Dzemaal Tomic - BCEE

Appointments Committee

Comité de nomination

Ernstine Kornelis - MAEE, Committee Chair (until 31/08/2022)

Geneviève Hengen - MAEE (from 21/09/2022)

Michel Haas - Ministry of Finance (until 31/12/2022)

Christina Pinto - Ministry of Finance (from 16/03/2023)

Raymond Schadeck - Independent

*A separate investment committee has been constituted for FCCF.

Investment adviser

Conseiller en investissement

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

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 Audit S.à r.l.
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

Listing // Listing

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

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

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

Identity numbers // Code d'identité

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

Microfinance expertise ^(until 11/2022) // Expertise en microfinance ^(au 11/2022)

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

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

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 of the réviseur d'entreprises agréé

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 2023, 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 2023 and of the result 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 the 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

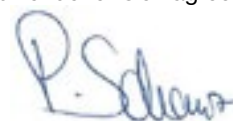
detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 (except for the sub-fund(s) where a decision or an intention to close exists) 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, 27 June 2023

KPMG Audit S.à r.l.
Cabinet de révision agréé



Pia Schanz
Partner

Audited financial statements

Etats financiers révisés

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

as at 31 March 2023 // au 31 mars 2023

Assets – Actif	Notes	EUR
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>		293,449
Loan agreements with microfinance institutions <i>Contrats de prêt avec des institutions de microfinance</i>	6, 11	44,103,866
Cash and savings at banks <i>Avoirs et épargne en banques</i>		5,333,136
Unrealised appreciation on swap contracts <i>Plus-value non réalisée sur contrat de swap</i>	5	607,478
Income receivable on portfolio <i>A recevoir sur le portefeuille</i>		982,829
Interest receivable on bank accounts and term deposits <i>Intérêts à recevoir sur avoirs en banque et dépôts à terme</i>		1,631
Receivables from funds posted as guarantee or collateral to FX hedging providers <i>Avoirs déposés en tant que garantie au fournisseurs de couverture de change</i>	5	1,016,090
VAT receivable <i>TVA à recevoir</i>		38,993
Other receivables and assets <i>Autres actifs</i>	8	14,689
Total assets Somme d'actifs		52,392,161



47% of our microfinance portfolio is dedicated to Central and Latin America // LMDF

Liabilities – Passif	Notes	EUR
Accrued expenses <i>Provision pour frais à payer</i>	8	338,312
Unrealised depreciation on forward foreign exchange contracts <i>Moins-value non réalisée sur contrats de change à terme</i>	5	547,427
Total liabilities Somme des passifs		885,739
Net assets at the end of the year Actifs nets à la fin de l'année		51,506,422
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>		28.01
A _{bis} Class shares outstanding <i>Nombre d'actions en circulation de la Classe A_{bis}</i>		116,052.936
Net asset value per A _{bis} Class share <i>Valeur nette d'inventaire par action de la Classe A_{bis}</i>		26.75
B Class shares outstanding <i>Nombre d'actions en circulation de la Classe B</i>		220,406.541
Net asset value per B Class share <i>Valeur nette d'inventaire par action de la Classe B</i>		123.87
C Class shares outstanding <i>Nombre d'actions en circulation de la Classe C</i>		150,162.412
Net asset value per C Class share <i>Valeur nette d'inventaire par action de la Classe C</i>		116.01

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

from 1 April 2022 to 31 March 2023

du 1^{er} avril 2022 au 31 mars 2023

Income – Revenus	Notes	EUR
Interest on microfinance loan agreements <i>Intérêts sur contrats de prêt en microfinance</i>		4,762,991
Net interest paid on swap contracts <i>Intérêts nets payés sur contrat swaps</i>		(1,493,850)
Net interest on microfinance loan agreements <i>Intérêts nets sur contrats de prêts en microfinance</i>		3,269,141
Commissions on microfinance loan agreements <i>Commissions sur contrats de prêts microfinance</i>		127,232
Interest on bank accounts and term deposits <i>Commissions sur contrats de prêts microfinance</i>		25,423
Other income <i>Autres revenus</i>		12,046
Total income <i>Somme des revenus</i>		3,433,842
Expenses – Frais		
Advisory fees <i>Frais du conseiller en investissement</i>	3	642,070
Salary and wages of the fund management <i>Charges salariales de gestion du fonds</i>	3, 13	350,188
Custodian fees <i>Commission de la banque dépositaire</i>		58,952
Central administration costs <i>Frais de l'administration centrale</i>		58,111
Bank charges and other fees <i>Frais bancaires et charges liées</i>		21,302
Transaction fees <i>Frais de transaction</i>		1,249
Audit fees <i>Frais de révision</i>		32,594
Legal fees <i>Frais légaux</i>		39,841
Travel and representation fees <i>Frais de voyage et de représentation</i>		19,175
Rent & Information technology fees <i>Loyer et frais informatiques</i>		75,364
Other administrative costs <i>Autres charges administratives</i>	8	43,409
Total expenses <i>Total des frais</i>	10	1,342,256
Net investment income <i>Résultat net d'investissement</i>		2,091,586

Net realised gain/(loss) <i>Bénéfice/(perte) net(te)</i>	Notes	EUR
On investments <i>Sur investissements</i>	7	(131,650)
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		(2,385,604)
On forward foreign currency transactions <i>Sur transactions en devises</i>		213,666
Realised result <i>Bénéfice/(perte) net(te) réalisé(e)</i>		(2,303,588)
Net variation of the unrealised gain/(loss) <i>Variation de la plus-value/(moins-value) nette non réalisée</i>		
On investment portfolio / <i>Sur portefeuille d'investissements</i>		
Variation of impairment on microfinance loans <i>Variation de provisions sur prêts microfinance</i>	6	(77,459)
Variation of valuation of equity investments <i>Variation de la valorisation des investissements en capital</i>		119,466
Variation due to changes in the foreign exchange rate <i>Variation due à l'évolution du taux de change</i>		233,306
Total variation on investment portfolio <i>Variation totale sur portefeuille d'investissements</i>		275,313
On forward foreign exchange contracts <i>Sur contrats de change à terme</i>		782,477
On cross-currency swap contracts <i>Sur contrats de swap de taux et change à terme</i>		231,220
Unrealised result <i>Bénéfice/(perte) net(te) non réalisé(e)</i>		1,289,010
Result of operations <i>Résultat net des opérations</i>		1,077,008
Subscriptions <i>Souscriptions</i>		6,570,889
Redemptions <i>Rachats</i>		(2,472,265)
Total changes in net assets <i>Variation globale de la valeur nette d'inventaire</i>		5,175,632
Total net assets at the beginning of the year <i>Valeur nette d'inventaire au début de l'année</i>		46,330,790
Total net assets at the end of the year <i>Valeur nette d'inventaire à la fin de l'année</i>		51,506,422

// 3 Statistical information Informations statistiques

as at 31 March 2023 // au 31 mars 2023

Total net assets – Actifs nets EUR

As at 31/03/2023	51,506,422
Au 31/03/2023	

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

Outstanding at the beginning of the year	131,347.257
Au début de l'année	
Issued during the year	-
Émises durant l'année	
Redeemed during the year	-
Rachetées durant l'année	
Outstanding at the end of the year	131,347.257
À la fin de l'année	

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

As at 31/03/2023	28.01
Au 31/03/2023	

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

Outstanding at the beginning of the year	116,052.936
Au début de l'année	
Issued during the year	-
Émises durant l'année	
Redeemed during the year	-
Rachetées durant l'année	
Outstanding at the end of the year	116,052.936
À la fin de l'année	

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

As at 31/03/2023	26.75
Au 31/03/2023	

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>	177,341.098
Issued during the year <i>Émises durant l'année</i>	47,506.040
Redeemed during the year <i>Rachetées durant l'année</i>	(4,440.597)
Outstanding at the end of the year <i>À la fin de l'année</i>	220,406.541

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

As at 31/03/2023 <i>Au 31/03/2023</i>	123.87
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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>	159,631.856
Issued during the year <i>Émises durant l'année</i>	7,223.768
Redeemed during the year <i>Rachetées durant l'année</i>	(16,693.212)
Outstanding at the end of the year <i>À la fin de l'année</i>	150,162.412

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

As at 31/03/2023 <i>Au 31/03/2023</i>	116.01
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// 4 Statement of investments and other net assets État du portefeuille-titres et autres actifs nets

as at 31 March 2023 // au 31 mars 2023

Instrument // Microfinance institution	Notes	Country	Maturity	Currency	Quantity // Nominal value	Total value (in EUR)*	% of NAV
Financial instruments not admitted to an official stock-exchange listing nor dealt in on another regulated market							
Shares (and equity-type securities) in microfinance institutions and service providers							
MFX Solutions LLC		USA	0	USD	187,090	293,449	0.6%
Loan agreements with microfinance institutions							
MFO Arnur Credit LLP		Kazakhstan	10/10/2025	KZT	1,172,000,000	2,480,524	4.8%
Koperasi Simpan Pinjam Mitra Dhuafa "KOMIDA"		Indonesia	10/01/2025	IDR	34,000,000,000	2,141,267	4.2%
Agence de Crédit pour l'Entreprise Privée (ACEP) Cameroun SA		Cameroon	10/10/2024	XAF	1,200,000,000	1,857,848	3.6%
Cooperativa de Ahorro y Crédito 4 de Octubre		Ecuador	10/04/2026	USD	1,750,000	1,668,463	3.2%
IDEPRO Desarrollo Empresarial Institución Financiera de Desarrollo (IDEPRO IFD)		Bolivia	10/10/2024	USD	1,690,000	1,612,014	3.1%
L'Association pour la Promotion de l'Epargne-Crédit à Base Communautaire - BETHESDA		Benin	10/04/2025	XOF	1,000,000,000	1,595,894	3.1%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		Mexico	08/01/2027	MXN	30,000,000	1,529,916	3.0%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		Ecuador	10/10/2024	USD	1,500,000	1,434,866	2.8%
Óptima Servicios Financieros, S.A. DE C.V.		El Salvador	10/04/2025	USD	1,500,000	1,428,270	2.8%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		Mexico	10/04/2025	MXN	25,000,000	1,365,693	2.7%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		Ecuador	10/07/2023	USD	1,400,000	1,312,044	2.6%
Cooperativa de Ahorro y Crédito Norandino LTDA		Peru	09/01/2026	PEN	5,100,000	1,259,704	2.5%
Société d'Investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		Madagascar	08/01/2027	EUR	1,200,000	1,205,800	2.3%
Micro-credit company Bailyk Finance LLC		Kyrgyz Republic	10/04/2025	USD	1,200,000	1,147,310	2.2%
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"		Tajikistan	10/01/2024	TJS	11,300,000	987,034	1.9%
Microfinance Organization "Asian Credit Fund" Limited Liability Company		Kazakhstan	10/10/2024	KZT	442,900,000	975,862	1.9%
La Sociedad Cooperativa PADECOMSMCREDITO de RL de CV		El Salvador	08/10/2027	USD	1,000,000	955,069	1.9%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		Guatemala	09/07/2027	USD	1,000,000	935,640	1.8%
Microfinance Organization "Asian Credit Fund" Limited Liability Company		Kazakhstan	10/04/2025	EUR	900,000	925,800	1.8%
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"		Tajikistan	10/01/2024	EUR	870,000	878,700	1.7%
Moris Rasik Foundation		Timor-Leste	10/04/2025	USD	850,000	810,287	1.6%
Consultores de Servicios Varios SA de CV SOFOM ENR		Mexico	10/04/2026	MXN	13,000,000	712,060	1.4%
Asociación Hondureña para el Desarrollo de Servicios Técnicos y Financieros (AHSETFIN)		Honduras	09/04/2027	HNL	18,000,000	686,654	1.3%
Coopérative des Membres Unis Bethel Actions		Benin	10/10/2025	XOF	400,000,000	627,654	1.2%
Asociación de Desarrollo Integral Cuenca del Lago de Atitlán - ADICLA		Guatemala	10/04/2025	GTQ	5,000,000	623,760	1.2%
Advans MFI Myanmar Company Limited	6, 11	Myanmar	10/01/2023	EUR	898,576	622,713	1.2%
Alliance for Microfinance Myanmar limited	6, 11	Myanmar	15/11/2025	EUR	906,097	617,052	1.2%
Consultores de Servicios Varios SA de CV SOFOM ENR		Mexico	10/04/2026	MXN	11,000,000	599,565	1.2%
VisionFund República Dominicana SAS		Dominican Republic	10/10/2024	DOP	31,800,000	567,247	1.1%
Asociación para el Desarrollo Integral de San Antonio Ilotenango		Guatemala	10/07/2025	USD	580,000	542,078	1.1%
Asociación para el Desarrollo Integral de San Antonio Ilotenango		Guatemala	10/07/2025	USD	569,000	531,797	1.0%
LAPO Microfinance Company Limited		Sierra Leone	10/04/2024	USD	550,000	527,931	1.0%
Umutanguha Finance Company (UFC) PLC		Rwanda	10/04/2025	RWF	578,296,000	519,180	1.0%
Microcredit Organization "FURUZ"	6	Tajikistan	09/01/2026	EUR	500,000	505,833	1.0%

Instrument // Microfinance institution	Notes	Country	Maturity	Currency	Quantity // Nominal value	Total value (in EUR)*	% of NAV
VisionFund República Dominicana SAS		Dominican Republic	09/10/2026	DOP	28,935,000	504,202	1.0%
Renesans Mikromoliya Tashkiloti LLC		Uzbekistan	10/01/2025	UZS	5,900,000,000	501,300	1.0%
Umutanguha Finance Company (UFC) PLC		Rwanda	10/10/2025	RWF	541,100,000	485,137	0.9%
Asociación de Desarrollo Integral Cuenca del Lago de Atitlán - ADICLA		Guatemala	10/04/2025	GTQ	3,750,000	468,262	0.9%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		Honduras	10/01/2024	HNL	12,000,000	462,876	0.9%
Cooperativa de Ahorro y Crédito Norandino LTDA		Peru	10/04/2024	PEN	1,800,000	462,524	0.9%
Limited Liability Microcredit Company "Universal Credit"		Kyrgyz Republic	10/07/2024	KGS	39,650,000	435,641	0.9%
Association Assilassimé Solidarité		Togo	10/10/2025	XOF	262,000,000	418,804	0.8%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		Mexico	10/01/2024	MXN	7,500,000	395,053	0.8%
Société d'Investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		Madagascar	10/01/2024	EUR	375,000	380,000	0.7%
Asociación Arariwa para la Promoción Técnico Cultural Andina		Peru	10/07/2024	PEN	1,450,000	364,251	0.7%
UNI2 Microcrédito S.A.S.		Colombia	10/10/2023	COP	1,719,582,133	359,123	0.7%
LAPO Microfinance Company Limited		Sierra Leone	10/10/2024	USD	327,000	313,879	0.6%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/04/2023	TJS	3,200,000	296,873	0.6%
Attadamoune Micro-Finance	6, 11	Morocco	10/01/2024	EUR	300,000	286,900	0.6%
LLC Micro Credit Organization "OXUS"	6	Kyrgyz Republic	10/10/2024	USD	300,000	285,984	0.6%
Microloan Foundation Zambia Limited		Zambia	10/07/2023	ZMW	6,140,000	284,645	0.6%
ACTB Savings and Loans LTD		Sierra Leone	10/10/2024	SLE	5,857,000	272,488	0.5%
Inkunga Finance Limited		Rwanda	10/07/2024	RWF	307,000,000	266,070	0.5%
LLP Microfinance Organization "BEREKE"	6	Kazakhstan	11/07/2023	KZT	120,000,000	252,093	0.5%
Microcredit Organization "FURUZ"	6	Tajikistan	10/04/2024	TJS	2,605,900	241,379	0.5%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		Honduras	10/01/2024	HNL	6,000,000	231,438	0.5%
Micreditoya Microfinanciera S.A.S.		Colombia	10/04/2024	COP	1,100,000,000	231,285	0.5%
ACTB Savings and Loans LTD		Sierra Leone	10/06/2024	SLE	5,100,000	231,029	0.5%
LLC Micro Credit Organization "OXUS"	6	Kyrgyz Republic	07/10/2023	USD	240,000	224,922	0.4%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/01/2024	USD	180,000	168,231	0.3%
Microloan Foundation Zambia Limited		Zambia	10/10/2024	ZMW	3,440,000	163,462	0.3%
Financiera Fundeser S.A.	6	Nicaragua	12/11/2023	USD	150,216	143,848	0.3%
LLC Micro Credit Organization "OXUS"		Tajikistan	10/01/2024	TJS	1,600,000	141,165	0.3%
Yehu Microfinance Services Limited	6	Kenya	10/01/2024	KES	19,000,000	129,710	0.3%
Uganda Microcredit Foundation Limited	6, 11	Uganda	31/12/2025	UGX	643,412,415	74,978	0.2%
ONG Vahatra		Madagascar	10/01/2024	MGA	266,666,666	58,851	0.1%
Sub-total						46,021,381	89.4%
Net accrued interest on loans						(5,040)	0.0%
Net accrued interest on swap contracts						(636,197)	(1.2)%
Sub-total						45,380,144	88.1%
Cash at banks, term deposits and savings accounts						5,333,136	10.4%
Receivables from funds posted as guarantee or collateral to FX hedging providers	5					1,016,090	2.0%
Other net assets / liabilities						(222,948)	(0.4)%
Total net assets						51,506,422	100.0%

*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 2023 /
Exposition agrégée par contrepartie au 31 mars 2023

Aggregated exposure to	Notes	Total value (EUR)*	% of total net assets
MFO Arnur Credit LLP		2,480,524	4.8%
Koperasi Simpan Pinjam Mitra Dhuafa "KOMIDA"		2,141,267	4.2%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.		1,924,968	3.7%
Microfinance Organization "Asian Credit Fund" Limited Liability Company		1,901,662	3.7%
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"		1,865,734	3.6%
Agence de Crédit pour l'Entreprise Privée (ACEP) Cameroun SA		1,857,848	3.6%
Cooperativa de Ahorro y Crédito Norandino LTDA		1,722,228	3.3%
Cooperativa de Ahorro y Crédito 4 de Octubre		1,668,463	3.2%
IDEPRO Desarrollo Empresarial Institución Financiera De Desarrollo (IDEPRO IFD)		1,612,014	3.1%
L'Association pour la Promotion de l'Épargne-Crédit à Base Communautaire - BETHESDA		1,595,894	3.1%
Société d'Investissement pour la Promotion des Entreprises à Madagascar SIPEM Banque		1,585,800	3.1%
Fundación de Apoyo Comunitario y Social del Ecuador "FACES"		1,434,866	2.8%
Óptima Servicios Financieros, S.A. DE C.V.		1,428,270	2.8%
SOFIPA Corporation, a S.A.P.I. de C.V. SOFOM E.N.R.		1,365,693	2.7%
El Instituto de Investigaciones Socio-económicas y Tecnológicas INSOTEC		1,312,044	2.5%
Consultores de Servicios Varios SA de CV SOFOM ENR		1,311,625	2.5%
Micro-credit company Bailyk Finance LLC		1,147,310	2.2%
Asociación de Desarrollo Integral Cuenca del Lago de Atitlán - ADICLA		1,092,022	2.1%
Asociación para el Desarrollo Integral de San Antonio Ilontenango		1,073,876	2.1%
VisionFund República Dominicana SAS		1,071,449	2.1%
Umutanguha Finance Company (UFC) PLC		1,004,317	1.9%
La Sociedad Cooperativa PADECOMSMCREDITO de RL de CV		955,069	1.9%
Cooperativa Integral de Ahorro y Crédito "Red de Fondos Comunitarios"		935,640	1.8%
LAPO Microfinance Company Limited		841,810	1.6%
Moris Rasik Foundation		810,287	1.6%
Microcredit Organization "FURUZ"	6	747,212	1.5%
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras		694,313	1.3%
Asociación Hondureña para el Desarrollo de Servicios Técnicos y Financieros (AHSETFIN)		686,654	1.3%
Coopérative des Membres Unis Bethel Actions		627,654	1.2%
Advans MFI Myanmar Company Limited	6, 11	622,713	1.2%
Alliance for Microfinance Myanmar Limited	6, 11	617,052	1.2%
LLC Micro Credit Organization "OXUS" TJ		606,269	1.2%
LLC Micro Credit Organization "OXUS" KG	6	510,906	1.0%
ACTB Savings and Loans LTD		503,517	1.0%
Renesans Mikromoliya Tashkiloti LLC		501,300	1.0%
Microloan Foundation Zambia Limited		448,108	0.9%
Limited Liability Microcredit Company "Universal Credit"		435,641	0.8%
Association Assilassimé Solidarité		418,804	0.8%
Asociación Arariwa para la Promoción Técnico Cultural Andina		364,251	0.7%
UNI2 Microcrédito S.A.S.		359,123	0.7%
MFx Solutions LLC		293,449	0.6%
Attadamoune Micro-Finance	6, 11	286,900	0.6%

Aggregated exposure to	Notes	Total value EUR*	% of total net assets
Inkunga Finance Limited		266,070	0.5%
LLP Microfinance Organization "BEREKE"	6	252,093	0.5%
Micreditoya Microfinanciera S.A.S.		231,285	0.4%
Financiera Fundeser S.A.	6	143,848	0.3%
Yehu Microfinance Services Limited	6	129,710	0.3%
Uganda Microcredit Foundation Limited	6, 11	74,978	0.1%
ONG Vahatra		58,851	0.1%
Total Portfolio		46,021,381	89.4%
Average exposure by microfinance institution		939,212	1.8%

*Totals may vary slightly due to rounding.

/ Geographical breakdown of microfinance investments as at 31 March 2023 Répartition géographique des investissements en microfinance au 31 mars 2023

Geographical classification	Notes	Total value (EUR)*	% of total net assets*
Kazakhstan		4,634,280	9.0%
Mexico		4,602,286	8.9%
Ecuador		4,415,372	8.6%
Tajikistan		3,219,216	6.3%
Guatemala		3,101,538	6.0%
El Salvador		2,383,339	4.6%
Benin		2,223,548	4.3%
Indonesia		2,141,267	4.2%
Kyrgyz Republic		2,093,856	4.1%
Peru		2,086,480	4.1%
Cameroon		1,857,848	3.6%
Madagascar		1,644,651	3.2%
Bolivia		1,612,014	3.1%
Honduras		1,380,967	2.7%
Sierra Leone		1,345,327	2.6%
Rwanda		1,270,387	2.5%
Myanmar	11	1,239,766	2.4%
Dominican Republic		1,071,449	2.1%
Timor-Leste		810,287	1.6%
Colombia		590,408	1.1%
Uzbekistan		501,300	1.0%
Zambia		448,108	0.9%
Togo		418,804	0.8%
United States		293,449	0.6%
Morocco	11	286,900	0.6%
Nicaragua		143,848	0.3%
Kenya		129,710	0.3%
Uganda	101	74,978	0.1%
Total Portfolio		46,021,381	89.4%
Average exposure by country		1,643,621	3.2%

*Totals may vary slightly due to rounding.



85% of households in Chiapas are headed by women with an average of 3 children // Avanza Sólido

/Breakdown of microfinance investments by currency as at 31 March 2023
Répartition des investissements en microfinance par devise au 31 mars 2023

Geographical classification	Total value (EUR)*	% of total net assets
United States Dollar	14,336,082	27.8%
Euro	5,422,799	10.5%
Mexican Peso	4,602,286	8.9%
Kazakhstani Tenge	3,708,480	7.2%
West African CFA Franc	2,642,352	5.1%
Indonesian Rupiah	2,141,267	4.2%
Peruvian Sol	2,086,480	4.1%
Central African CFA Franc	1,857,848	3.6%
Tajikistani Somoni	1,666,451	3.2%
Honduras Lempira	1,380,967	2.7%
Rwandan Franc	1,270,387	2.5%
Guatemalan Quetzal	1,092,022	2.1%
Dominican Peso	1,071,449	2.1%
Colombian Peso	590,408	1.1%
Sierra Leonean Leone	503,517	1.0%
Uzbekistani Som	501,300	1.0%
Zambian Kwacha	448,108	0.9%
Kyrgyzstani Som	435,641	0.8%
Kenyan Shilling	129,710	0.3%
Ugandan Shilling	74,978	0.1%
Madagascar Ariary	58,851	0.1%
Total Portfolio	46,021,381	89.4%

*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 en EUR	NAV/share as at 31/03/2023 VNI/action au 31/03/2023	NAV/share as at 31/03/2022 VNI/action au 31/03/2022	NAV/share as at 31/03/2021 VNI/action au 31/03/2021	Initial subscription price Prix de souscription initial
Class A shares Actions de la Classe A	28.01	27.58	27.30	25.00
Class A _{bis} shares* Actions de la Classe A _{bis} *	26.75	26.33	26.07	25.00
Class B shares Actions de la Classe B	123.87	120.77	118.38	100.00
Class C shares Actions de la Classe C	116.01	114.23	113.09	100.00

	Performance financial year 2022 - 23 Rendement financier de l'année 2022 - 23	Performance financial year 2021 - 22 Rendement de l'année 2021 - 22	Performance financial year 2020 - 21 Rendement de l'année 2020 - 21	Performance since inception Rendement depuis lancement
Class A shares Actions de la Classe A	1.6%	1.0%	4%	12.0%
Class A _{bis} shares* Actions de la Classe A _{bis} *	1.6%	1.0%	1.6%	7.0%*
Class B shares Actions de la Classe B	2.6%	2.0%	2.3%	23.9%
Class C shares Actions de la Classe C	1.6%	1.0%	1.0%	16.0%

Total net assets (EUR) Actifs nets	51,506,422	46,330,790	44,040,052	
Growth in total net assets Croissance des actifs nets	11.2%	5.2%	7.8%	

*Class A_{bis} 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 2023 // au 31 mars 2023

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 2023, the SICAV had two Sub-Funds, the Forestry and Climate Change Fund and the Luxembourg Microfinance and Development Fund.

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

/ B Structure of the LMDF

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

The Fund may issue four classes of shares, namely Class A shares, Class A_{bis} shares, Class B shares

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

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

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

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

/ C Investment Objective

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

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

/ D Dividends

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

NOTE 2 SHARES

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

Class A shares:

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

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

Class A_{bis} shares:

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

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

Class B shares:

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

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

Class C shares:

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

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



Alliances are made to provide free medical study campaigns, giving residents the opportunity to perform specialised check-ups // Avanza Sólido

NOTE 3 ADVISORY FEES AND MANAGEMENT/ TEAM REMUNERATION

/ A Advisory fees

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

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

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

Total investment advisory and portfolio related fees amount, for the year ended on 31 March 2023, to EUR 642,070 or 1.2% (annualised) of the average net asset value of the SICAV. Of the total investment advisory fees, EUR 91,320 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 2022 until 31 March 2023, the remuneration of the Management and Support Team amounted to 0.7% of the average net asset value of the SICAV. Total remuneration paid to the investment adviser(s), and the Management and Support Team amounted to 1.9% 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

Receivables from funds posted as guarantee or collateral to FX hedging providers totals EUR 1,016,090 of which EUR 740,000 to BCEE and EUR 276,090 to MFX.

/ A Swap contracts

The Fund aims to provide, whenever feasible, loans to microfinance institutions in local currency. During the reporting year, 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)*
Micreditoya Microfinanciera S.A.S.	1,100,000,000	COP	EUR	13.50% p.a.	7.99% p.a.	10/04/2024	MFX	41,868
UNI2 Microcrédito S.A.S.	1,719,582,133	COP	EUR	12.00% p.a.	6.72% p.a.	10/10/2023	MFX	57,941
VisionFund República Dominicana SAS	28,935,000	DOP	EUR	14.50% p.a.	6.60% p.a.	09/10/2026	MFX	7,727
VisionFund República Dominicana SAS	31,800,000	DOP	EUR	13.50% p.a.	6.80% p.a.	10/10/2024	MFX	(34,460)
Asociación de Desarrollo Integral Cuenca del Lago de Atitlán - ADICLA	3,750,000	GTQ	EUR	12.00% p.a.	6.55% p.a.	10/04/2025	MFX	6,059
Asociación 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	1,573
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras	12,000,000	HNL	EUR	14.00% p.a.	5.71% p.a.	10/01/2024	MFX	(43,172)
Proyectos e Iniciativas Locales para el Autodesarrollo Regional de Honduras	6,000,000	HNL	EUR	14.00% p.a.	7.52% p.a.	10/01/2024	MFX	(13,240)
Asociación Hondureña para el Desarrollo de Servicios Técnicos y Financieros (AHSETFIN)	18,000,000	HNL	EUR	14.50% p.a.	8.00% p.a.	09/04/2027	MFX	11,906
Yehu Microfinance Services Limited	19,000,000	KES	EUR	17.50% p.a.	5.52% p.a.	10/01/2024	MFX	13,470
Limited Liability Microcredit Company "Universal Credit"	39,650,000	KGS	EUR	19.80% p.a.	7.05% p.a.	10/07/2024	MFX	(21,255)
LLP Microfinance Organization "BEREKE"	120,000,000	KZT	EUR	18.00% p.a.	6.62% p.a.	10/07/2023	MFX	(10,239)
MFO Arnur Credit LLP	1,172,000,000	KZT	EUR	21.50% p.a.	4.30% p.a.	10/10/2025	MFX	123,288
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	10,153
ONG Vahatra	266,666,667	MGA	EUR	17.50% p.a.	6.20% p.a.	10/01/2024	MFX	2,349
Cooperativa de Ahorro y Crédito Norandino LTDA	1,800,000	PEN	EUR	10.50% p.a.	6.68% p.a.	10/04/2024	MFX	(51,536)
Asociación Arariwa para la Promoción Técnico Cultural Andina	1,450,000	PEN	EUR	12.00% p.a.	5.13% p.a.	10/07/2024	MFX	12,445
Cooperativa de Ahorro y Crédito Norandino LTDA	5,100,000	PEN	EUR	11.00% p.a.	6.13% p.a.	09/01/2026	MFX	13,712
Umutanguha Finance Company (UFC) PLC	578,296,000	RWF	EUR	15.46% p.a.	5.35% p.a.	10/04/2025	MFX	23,350
Umutanguha Finance Company (UFC) PLC	541,100,000	RWF	EUR	14.90% p.a.	5.50% p.a.	10/10/2025	MFX	47,405
Inkunga Finance Limited	307,000,000	RWF	EUR	16.50% p.a.	5.62% p.a.	10/07/2024	MFX	36,448
ACTB Savings and Loans LTD	5,100,000	SLE	EUR	21.90% p.a.	5.75% p.a.	10/06/2024	MFX	192,669
ACTB Savings and Loans LTD	5,857,000	SLE	EUR	20.30% p.a.	5.42% p.a.	10/10/2024	MFX	237,059
LLC Micro Credit Organization "OXUS"	1,600,000	TJS	EUR	21.10% p.a.	6.09% p.a.	10/01/2024	MFX	(19,464)
LLC Micro Credit Organization "OXUS"	3,200,000	TJS	EUR	21.10% p.a.	5.85% p.a.	10/04/2023	MFX	(32,383)
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	(77,436)
Renesans Mikromoliya Tashkiloti LLC	5,900,000,000	UZS	EUR	25.00% p.a.	8.80% p.a.	10/01/2025	MFX	19,507
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	29,167
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	812
Association Assilassimé Solidarité	262,000,000	XOF	EUR	10.10% p.a.	5.60% p.a.	10/10/2025	MFX	213
Coopérative des Membres Unis Bethel Actions	400,000,000	XOF	EUR	8.95% p.a.	5.48% p.a.	10/10/2025	MFX	325
Microloan Foundation Zambia Limited	6,140,000	ZMW	EUR	30.00% p.a.	7.98% p.a.	10/07/2023	MFX	(18,584)
Microloan Foundation Zambia Limited	3,440,000	ZMW	EUR	30.00% p.a.	7.30% p.a.	10/10/2024	MFX	39,801
Total								607,478

*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	20,633	MXN	565,625	10/07/2023	BCEE	(7,690)	N/A
Avanza Sólido	EUR	265,781	MXN	7,500,000	10/01/2024	BCEE	(116,528)	11,540
Avanza Sólido	EUR	20,377	MXN	575,000	10/01/2024	BCEE	(7,512)	N/A
Avanza Sólido	EUR	329,759	MXN	7,500,000	10/01/2025	BCEE	(52,550)	48,150
Avanza Sólido	EUR	313,154	MXN	7,500,000	09/01/2026	BCEE	(69,155)	64,590
Avanza Sólido	EUR	594,143	MXN	15,000,000	08/01/2027	BCEE	(170,475)	160,951
Conserva	EUR	114,546	MXN	3,250,000	10/04/2025	BCEE	(51,121)	21,530
Conserva	EUR	98,133	MXN	2,750,000	10/04/2025	BCEE	(42,047)	18,699
Conserva	EUR	110,848	MXN	3,250,000	10/10/2025	BCEE	(54,820)	25,723
Conserva	EUR	94,749	MXN	2,750,000	10/10/2025	BCEE	(45,431)	22,401
Conserva	EUR	214,900	MXN	6,500,000	10/04/2026	BCEE	(116,434)	59,003
Conserva	EUR	182,124	MXN	5,500,000	10/04/2026	BCEE	(98,236)	52,618
FURUZ	EUR	79,750	TJS	1,302,950	11/04/2023	MFX	(30,059)	344
FURUZ	EUR	69,280	TJS	1,302,950	10/04/2024	MFX	(40,528)	11,393
KOMIDA	EUR	98,683	IDR	2,008,597,222	10/07/2023	BCEE	(23,818)	N/A
KOMIDA	EUR	806,988	IDR	17,000,000,000	10/01/2024	BCEE	(236,402)	46,749
KOMIDA	EUR	96,928	IDR	2,041,888,889	10/01/2024	BCEE	(26,455)	N/A
KOMIDA	EUR	46,224	IDR	1,009,847,222	10/07/2024	BCEE	(14,272)	N/A
KOMIDA	EUR	747,417	IDR	17,000,000,000	10/01/2025	BCEE	(295,972)	106,534
KOMIDA	EUR	44,887	IDR	1,020,944,444	10/01/2025	BCEE	(15,761)	N/A
SOFIPA Corporation	EUR	69,654	MXN	1,895,833	11/04/2023	BCEE	(26,858)	N/A
SOFIPA Corporation	EUR	67,420	MXN	1,906,250	10/10/2023	BCEE	(25,365)	N/A
SOFIPA Corporation	EUR	862,629	MXN	25,000,000	02/04/2024	BCEE	(411,734)	59,930
USD portfolio	EUR	614,395	USD	650,000	11/04/2023	BCEE	16,199	438
USD portfolio	EUR	1,955,536	USD	2,080,000	10/07/2023	BCEE	41,309	12,103
USD portfolio	EUR	5,113,337	USD	5,150,000	10/10/2023	BCEE	373,783	65,749
USD portfolio	EUR	7,925,373	USD	8,519,000	10/01/2024	BCEE	85,321	126,739
Sub-total							(1,462,611)	915,184
Total								(547,427)

*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 different regional, national and international context in which the institutions operate. 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 cashflows, 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

Most of the MFI's in the portfolio have fully recovered from the impact caused by Covid-19 and the related provisions have now been fully reversed on the basis of the recovery, with the exception of Uganda Microcredit Foundation Limited. The case of Uganda Microcredit Foundation Limited continues to be considered very high risk following substantial challenges relating not only to COVID but also aggravated due to the severe drought observed in rural Uganda over the summer of 2022. The investment with this institution, is therefore valued according to an estimate of liquidation proceeds related to its financial instruments.

Impact of severe droughts in Kenya

The severe drought in Kenya observed during the summer of 2022 (the worst since 1980 according to Oxfam) has affected the MFIs in the country. These institutions have been subject to enhanced monitoring, in particular Yehu Micro Fin Serv. Ltd which has reported a significant deterioration of its portfolio and, although quality of portfolio has stabilised, has requested a waiver to extend, until end of 2023, the resolution of the related covenant breaches reflected in the valuation of this institution.

Impact of the Russian invasion of the Ukraine

Although the Fund has no direct exposures to Ukraine nor Russia, the Fund has closely followed developments in the region and its impact in Central Asia. Two institutions, Oxus and Furuz, requested extension agreements as additional liquidity support at the beginning of the conflict. After a stabilisation period, this two institutions have terminated the extensions agreements and have returned to business as usual with no covenant breaches and no liquidity concerns ever materialised. Both institutions remain with a good overall performance and positive business outlook; hence no longer considered in the risk category and reflected in their valuations.

Myanmar uncertainty

The outlook for Myanmar remains highly unclear. Both institutions based in Myanmar 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	Risk category	31/03/2023	31/03/2022
Alliance for Microfinance Myanmar Limited	High Risk	(289,045)	(278,639)
Advans MFI Myanmar Company Limited	High Risk	(275,863)	(152,758)
Uganda Microcredit Foundation Limited	High Risk	(81,879)	(85,998)

Outstanding impairments on microfinance loans (continued)			Provisions
Microfinance institution	Risk category	31/03/2023	31/03/2022
Attadamoune Micro-Finance		(17,100)	(19,200)
Yehu MicroFin Serv Ltd		(7,390)	0
LLC Micro Credit Organization "OXUS"		0	(20,489)
Microcredit Organization "FURUZ"		0	(11,486)
LLP Microfinance Organization "BEREKE"		0	(13,588)
Financiera Fundeser S.A.		0	(10,535)
Adel Microcréditos S.A. de C.V.		0	(1,126)
Total*		(671,277)	(593,819)
Net variation of impairments			(77,459)

*Totals may vary slightly due to rounding.

NOTE 7

NET REALISED GAIN/(LOSS) ON INVESTMENTS

A loss of EUR 131,650 was realised during the year in relation to the equity holding in the Higher Education Finance Fund LP ("HEFF"). The limited liability partnership ended on 09/11/2022.

NOTE 8

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	135,620
Investment related fees to the investment advisor	114,394
Audit fees	27,500
Administration fees	18,307
Custodian fees	12,752
Transfer agency fees	9,602
Custodian fees on forward	6,828
Domiciliation fees	3,140
Other fees	2,964
Representation fees	2,905
VAT services fees	1,960
Information technology expenses	1,800
Transaction related fees due to the administrator	538
Total	338,312

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

Other costs	22,032
Post & Communication	9,117
CSSF annual fee	5,150
Membership fees	5,015
VAT services	2,096
Total	43,409



In Chiapas, women have a probability rate of more than 51% not to be hired in a formal job // Avanza Sólido

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

CCSS	9,011
CSSF	5,550
Other receivable	128
Total	14,689

NOTE 9

ASSET – LIABILITY RISK MITIGATION

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

NOTE 10

TOTAL EXPENSE RATIO

Average net asset value during the year (in EUR)	52,089,068
Total expenses for the year (in EUR)	1,342,256
Debit interest on bank account	0

Total expenses for the TER calculations net of negative interest and VAT **1,342,256**

Total expense ratio (annualised) **2.6%**

NOTE 11

POSITIONS IN HIGH RISK OR MONITORED JURISDICTIONS

The Fund's portfolio includes financial instruments issued by MFIs operating in Morocco, Myanmar and Uganda. All these countries are currently listed as either High Risk or Monitored Jurisdictions by the Financial Action Task Force ("FATF") or as High Risk third country by the European Commission. 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 or European Commission decision to consider these territories as Monitored Jurisdictions or High-Risk third countries. Generally, the Fund does not invest in jurisdictions which are either Monitored or subject to a Call for Action by FATF or classified as High Risk third country by the European Commission. The below table lists the geographical exposure to such countries.

Country	Amount (in EUR)	% of total net assets
Myanmar (High Risk Jurisdiction)	1,239,766	2.4%
Morocco (EU list only)	286,900	0.6%
Uganda	74,978	0.1%
Total	1,601,644	3.1%

NOTE 12

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 =	5,062.81	COP	Colombian Peso
1 EUR =	59.68	DOP	Dominican Peso
1 EUR =	8.48	GTQ	Guatemalan Quetzal
1 EUR =	26.73	HNL	Honduras Lempira
1 EUR =	16,293.05	IDR	Indonesian Rupiah
1 EUR =	143.97	KES	Kenyan Shilling
1 EUR =	95.02	KGS	Kyrgyzstani Som
1 EUR =	495.05	KZT	Kazakhstani Tenge
1 EUR =	4,707.42	MGA	Madagascar Ariary
1 EUR =	19.62	MXN	Mexican Peso
1 EUR =	4.09	PEN	Peruvian Sol
1 EUR =	1,196.14	RWF	Rwandan Franc
1 EUR =	23.58	SLE	Sierra Leonean Leone
1 EUR =	11.87	TJS	Tajikistani Somoni
1 EUR =	4,101.91	UGX	Ugandan Shilling
1 EUR =	1.09	USD	United States Dollar
1 EUR =	12,423.26	UZS	Uzbekistani Som
1 EUR =	666.58	XAF	Central African CFA Franc
1 EUR =	656.31	XOF	West African CFA Franc
1 EUR =	23.01	ZMW	Zambian Kwacha

*The SLE is the currency of Sierra Leone as of 1 July 2022 and is a redenomination of the old leone (SLL) at a rate of SLL 1,000 to SLE 1.

NOTE 13

STAFF

The SICAV employed three full-time staff, one part-time staff member plus one consultant at the reporting year ended on 31 March 2023. 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 or at the registered office of the Fund.

During the reporting year, 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		
	2019/20	2020/21	2021/22
Share-based bonus (number of shares)	-	499.810	371.174
Shares blocked until	-	30/06/2024	30/06/2025
Cash-based bonus (in EUR)	-	2,391	7,467

NOTE 14

COMMITMENTS

/ A Commitments of shareholders to subscribe shares

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

/ B Commitments of the Fund to invest

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

NOTE 15

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 16

SHARE TRANSACTIONS OF DIRECTORS

Between the 1st April 2022 and 31st March 2023, a share subscription in Class C with one director for an amount of EUR 4,000 was carried out as well as a redemption by one director for 182.640 Class B shares.

NOTE 17

SUBSEQUENT EVENTS BETWEEN THE PERIOD END UNTIL 27 JUNE 2023

The Sub-Fund's Prospectus has been approved as of May 2023 by the CSSF to comply with the Sustainable Finance Disclosure Regulation, notably the inclusion of mandatory pre-contractual disclosures.

In February 2022, and due to the de-minimis size limit, the Board of Directors appointed BIL Manage Invest S.A. (BMI) as external Alternative Investment Fund Manager (AIFM). In May 2023, BMI received license approval from the CSSF to manage Microfinance Funds and therefore, onboarding of the AIFM and the formalisation of procedures are ongoing.

In May 2023, the Sub-Fund posted an extra cash as guarantee to MFX Solutions Inc. of EUR 150k, to cover for the required levels resulting from the increase of the notional portfolio of hedging instruments above the USD 20m limit. With these additional access fees, the Sub-Fund increased its limit of up to USD 25m of notional exposures on the hedging instruments with MFX Solutions Inc.

Sustainability-related disclosures

Informations relatives à la durabilité

Periodic disclosure for the financial products referred to in Article 9, paragraphs 1 to 4a, of Regulation (EU) 2019/2088 and Article 5, first paragraph, of Regulation (EU) 2020/852

Product name: Investing for Development SICAV –Luxembourg Microfinance and Development Fund
Legal entity identifier: 549300HPOC2R0U7FV725

Sustainable investment means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

Sustainable Investment Objective

Did this financial product have a sustainable investment objective?

☒ Yes

☐ No

☐ it made sustainable investments with an environmental objective: ___%

☐ it promoted Environmental/Social (E/S) characteristics and while it did not have as its objective a sustainable investment, it had a proportion of ___% of sustainable investments

☐ in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy

☐ in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy

☐ with a social objective

☒ It made sustainable investments with a social objective: 80 %

☐ It promoted E/S characteristics, but did not make any sustainable investments



To what extent was the sustainable investment objective of this financial product met?

The Sub-Fund invested in promising microfinance institutions (“MFIs”) that have a positive social impact so that these institutions reach financial autonomy.

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

The Sub-Fund aimed 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 Sub-Fund facilitates access to responsible finance by building sustainable links between investors, microfinance institutions and ultimate beneficiaries.

To realise its vision, the Sub-Fund pursued the following objectives:

- 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 and is accountable for reaching both social and financial objectives, and transparent in its reporting.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852 establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

Principal adverse impacts are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.

The list includes the investments constituting the **greatest proportion of investments** of the financial product during the reference period which is 2022.

During the year 2022, the Sub-Fund invested in the developing countries of Africa, Asia and Latin America, keeping a diversified approach. The average exposure per MFI and the average micro-loan lent in EUR show a higher figure compared to last year mostly due to the impact of inflation on the global economy. In line with its strategy, the Sub-Fund served a larger share of women and rural clients, while the portion of customers clients under 25 years old have been assessed and reported for the first time this year.

The Sub-Fund does not pursue an environmental objective as defined in Article 9 of EU Regulation 2020/852.

The Sub-Fund's investment strategy is still not aligned with any reference benchmark.

● How did the sustainability indicators perform?

The Sub-Fund strives to provide tailor-made and innovative solutions to emerging MFIs, and deliberately focuses on niche activities, activities where the potential needs of MFIs are large, but the current supply is scarce.

The key performance indicators used to measure the attainment of the sustainable investment objective are presented in the table below .

Metric	March 2023	March 2022
Microfinance institutions financed directly	48	50
Investments in microfinance plus as % of NAV	8%	9%
Number of countries of operation	28	26
Share of investments in Latin America	47%	43%
Share of investments in Sub-Saharan and North Africa	21%	26%
Share of investments in Southeast and Central Asia	32%	30%
Share of investments in Developed countries	<1%	1%
Share of financing in local currency	65%	64%
Average exposure per MFI (EUR)	939,212	793,500
Share of investments in very high HDI countries	9%	3%
Share of investments in high HDI countries	27%	20%
Share of investments in medium HDI countries	38%	48%
Share of investments in low HDI countries	13%	11%
Average micro-loan (EUR)	1,692	1,280
Percentage of female clients	73%	65%
Percentage of rural clients	57%	43%
Employees of partner MFIs	16,307	16,954
Micro-entrepreneurs financed by the Sub-Fund	69,108	75,495
Youth microenterprises financed (clients under 25 years of age)	1,990	NA
Investments in Tier 3 MFIs in % of NAV	8%	11%
Micro-loans for services and small trade	53%	53%
Agricultural activities	26%	23%
Production and crafts	4%	6%
Other uses	17%	18%
Twelve month return Class A shares	1.6%	1.0%
Twelve month return Class A _{BIS} shares	1.6%	1.0%
Twelve month return Class B shares	2.6%	2.0%
Twelve month return Class C shares	1.6%	1.0%

Source: LMDF annual report, ADA compilers

The indicators, presented initially in the pre-contractual disclosure template, were not assessed for this specific reporting period due to some challenges encountered in the data collection process: lending methodology disaggregated data by borrower and Loan disbursed by GNI/per capita during the period. To serve the spirit of the regulation in determining the impact of FMPs, the Sub-Fund is making efforts to work with data providers to calculate or estimate those indicators.

The data in the table of metrics above are collected, verified and reported by the Sub-Fund advisor and the Sub-Fund staff and have not been subjected to an assurance by an auditor or a review by a third party.

The performance reported is the result of the Sub-Fund investment strategy.

● ...and compared to previous periods?

The sustainability indicators have been adjusted in light of the introduction of the SFDR Delegated Regulations, and this is the first year that the sub-fund reports on certain indicators. Data for 2022 are not fully available, and performance comparison will only be available with the 2024 annual report.

● How did the sustainable investments not cause significant harm to any sustainable investment objective?

During 2022, the Sub-Fund strived to identify and monitor investments' negative impact on sustainable investment objectives.

Key potential sustainability risks are monitored, via appropriate due diligence conducted during the investment process, through, among others, the ALINUS (an abridged version of Cerise's SPI social performance audit tool) and presented to the Investment Committee.

The Sub-Fund has also adopted an exclusion list to ensure no significant harm is caused through its financing.

How were the indicators for adverse impacts on sustainability factors taken into account?

During 2022, all investments have been screened against adverse impacts and data on negative screening is either collected at the investee level by the advisor or from public sources. When data were unavailable, reputable proxy sources and clear calculation methods, as explained in the appendix: a qualitative explanation for each PAI-indicator and its calculation method, were utilised.

The PAI-indicators taken into account were:

Table 1

Indicator 1	Greenhouse gas (GHG) emissions (Scope 1, 2, 3 and Total)
Indicator 2	Carbon footprint
Indicator 3	GHG intensity of investee companies
Indicator 5	Share of non-renewable energy consumption and production
Indicator 7	Activities negatively affecting biodiversity-sensitive areas
Indicator 9	Hazardous waste ratio
Indicator 10	Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
Indicator 11	Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
Indicator 13	Board gender diversity
Indicator 14	Exposure to controversial weapons (antipersonnel mines, cluster munitions, chemical weapons and biological weapons)

Table 3

Indicator 5	Lack of grievance/complaints handling mechanisms related to employee matters
Indicator 6	Insufficient whistle-blower protection

Were sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights? Details:

The Sub-Fund strived to ensure alignment with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights and invested in formal MFIs, often regulated.

All investments made in 2022 were subjected to due diligence (both desk and onsite when feasible, a process that included a review of the labour relations and working practices of the organisation, including written human resources policies protecting employees and creating a safe working environment, transparent communication and equal opportunities and effective feedback mechanisms. Client rights were verified by reviewing the institution's approach towards fair and respectful treatment of clients in line with the internal code of conduct that is expected to spell out the organizational standards of professional conduct and values.

Considering the small size and initial stage of development of the investees in the Sub-Fund portfolio, a small portion of the investee lack of a fully formalized process to ensure full compliance with the guidelines. Nevertheless, it is considered acceptable that a small portion of the portfolio is in the process of implementing and enhancing certain practices as prescribed in the UNGC and by the OECD Guidelines.

Should a breach occur after investing, the Sub-Fund commits to engage with the investee to remediate the breach or assesses whether divestment is required.



How did this financial product consider principal adverse impacts on sustainability factors?

The Sub-Fund collected and reported PAI data to the best of its ability and, when applicable, by collecting data directly from microfinance institutions (MFI) or using reputable and recognized data providers and proxy data sources. Nevertheless, we note that PAIs are challenging to collect from microfinance institutions operating in developing countries. Since the regulatory and industry standardisation around the methodologies and tools used to perform PAIs assessment is evolving and in order to serve the spirit of the regulation in determining the impact of MFIs, efforts are being made to work with the MFIs and/or data providers as the case may be to calculate or estimate the exposure of the MFI's underlying portfolio for the following PAIs. Despite the reservation raised above, some MFIs might be in position to report on the following PAIs as presented on a case-by-case basis.

In an effort to provide more clarity around the figures reported in the PAI tables below, a table providing explanations of the rationale and details on the calculations used to determine the specific PAIs has been added as an annex to this document.

Table 1 - Statement on principal adverse impacts of investment decisions on sustainability factors

			Metric	FY 2022 Impact recorded	Data Coverage
Climate and other environment-related indicators					
Greenhouse gas	1. GHG emissions	Scope 1 GHG emissions	tCO2e	440	96%
		Scope 2 GHG emissions	tCO2e	69	88%
		Scope 3 GHG emissions	tCO2e	10,369	90%
		Total GHG emissions	tCO2e	10,879	91%
	2. Carbon footprint		tCO2e/Meur	11	91%
	3. GHG intensity of investee companies		tCO2e/Meur	579	83%
	4. Exposure to companies active in the fossil fuel sector		%	N.A.*	N.A.
	5. Share of non-renewable energy consumption and production		%	60%	99%
	6. Energy consumption intensity per high impact climate sector		%	N.A.	N.A.
	Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas			N.A.

		Metric	FY 2022 Impact recorded	Data Coverage
Water	8. Emissions to water	t/Meur	N.A.	N.A.
Waste	9. Hazardous waste ratio	t/Meur	0.0003	65%

Indicators for social and employee matters, respect for human rights, anti-corruption and anti-bribery matters

Social and employment matters	10. Violations of UN global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	%	0%	92%
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	%	10%	92%
	12. Unadjusted gender pay gap	%	N.A.	N.A.
	13. Board gender diversity	%	34%	96%
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	%	0%	98%

Table 3 - Additional indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

		Metric	FY 2022 Impact recorded	Data Coverage
Social and employee matters				
Social and employee matters	5. Lack of grievance/complaints handling mechanisms related to employee matters	%	17%	90%
	6. Insufficient whistle-blower protection	%	36%	90%

tCO2e: in tonnes of CO2 equivalent emissions // Meur: in millions of euros // GWh: Gigawatt hours // t: tonnes //

%: percentage // N.A.: Not applicable

* See Appendix: Qualitative explanation for each PAI-indicator and its calculation method

Asset allocation
describes the share of
investments in specific
assets.

To comply with the EU
Taxonomy, the criteria
for **fossil gas** include
limitations on emissions
and switching to fully
renewable power or
low-carbon fuels by the
end of 2035. For
nuclear energy, the
criteria include
comprehensive safety
and waste management
rules.

Enabling activities
directly enable other
activities to make a
substantial contribution
to an environmental
objective.



What were the top investments of this financial product?

Largest investments	Country	Sector	% of net assets
MFO Arnur Credit LLP	Kazakhstan	Microfinance	5%
Koperasi Simpan Pinjam Mitra Dhuafa "KOMIDA"	Indonesia	Microfinance	4%
Avanza Sólido S.A. DE C.V. SOFOM E.N.R.	Mexico	Microfinance	4%
Microfinance Organization "Asian Credit Fund" Limited Liability Company	Kazakhstan	Microfinance	4%
Closed Joint Stock Company Microcredit Deposit Organization "HUMO"	Tajikistan	Microfinance	4%
Agence de Crédit pour l'Entreprise Privée (ACEP) Cameroun SA	Cameroon	Microfinance	4%
Cooperativa de Ahorro y Crédito Norandino LTDA	Peru	Microfinance	3%
Cooperativa de Ahorro y Crédito 4 de Octubre	Ecuador	Microfinance	3%
IDEPRO Desarrollo Empresarial Institución Financiera De Desarrollo (IDEPRO IFD)	Bolivia	Microfinance	3%
L'Association pour la Promotion de l'Epargne-Crédit à Base Communautaire - BETHESDA	Benin	Microfinance	3%

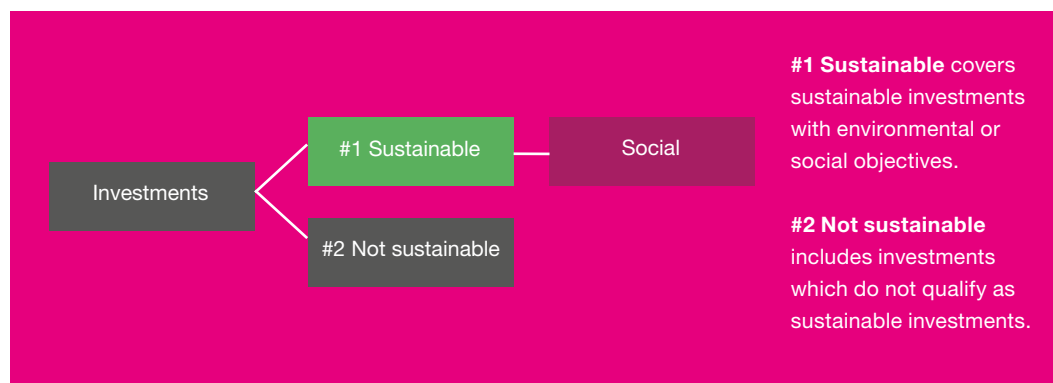
Source: LMDF annual report



What was the proportion of sustainability-related investments?

The Sub-Fund held at least 80% of total net assets in sustainable investments. The non-sustainable investments of the Sub-Fund included a required 10% reserve of liquid assets to honour possible redemption requests received from shareholders on a quarterly basis. The Sub-Fund also held non-sustainable investments in the form of derivatives used for risk management or hedging purposes, principally to manage foreign exchange risks.

What was the asset allocation?



Transitional activities are economic activities for which low-carbon alternatives are not yet available and that have greenhouse gas emission levels corresponding to the best performance.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies

- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.

- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

● In which economic sectors were the investments made?

The investments made throughout the year 2022 were only directed to support the expansion of microfinance activities of the investee and thus are all classified as microfinance sector.



● To what extent were sustainable investments with an environmental objective aligned with the EU Taxonomy?

Not applicable as the sub-fund has a social sustainable investment strategy and does not pursue environmental objectives, for which EU Taxonomy has been defined.

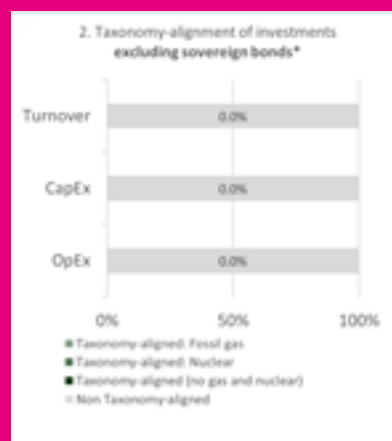
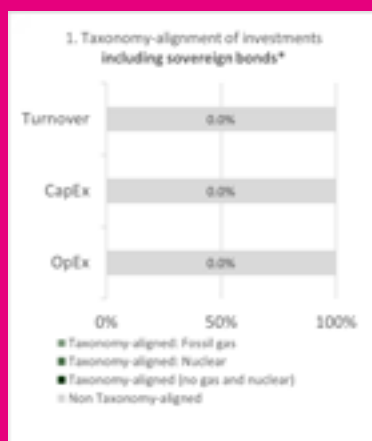
● Did the financial product invest in fossil gas and/or nuclear energy related activities complying with the EU Taxonomy?

☐ Yes:

☐ In fossil gas ☐ In nuclear energy

☒ No

The graphs below show in green the percentage of investments that were aligned with the EU Taxonomy. As there is no appropriate methodology to determine the taxonomy-alignment of sovereign bonds*, the first graph shows the Taxonomy alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy alignment only in relation to the investments of the financial product other than sovereign bonds.



*For the purpose of these graphs, 'sovereign bonds' consist of all sovereign exposures.

Fossil gas and/or nuclear related activities will only comply with the EU Taxonomy where they contribute to limiting climate change ("climate change mitigation") and do no significant harm to any EU Taxonomy objective - see explanatory note in the left hand margin. The full criteria for fossil gas and nuclear energy economic activities that comply with the EU Taxonomy are laid down in Commission Delegated Regulation (EU) 2022/1214.



are sustainable investments with an environmental objective that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

● What was the share of investments made in transitional and enabling activities?

Not applicable as the sub-fund has a social sustainable investment strategy and does not pursue environmental objectives, for which EU Taxonomy has been defined.

● How did the percentage of investments aligned with the EU Taxonomy compare with previous reference periods?

Not applicable as the sub-fund has a social sustainable investment strategy and does not pursue environmental objectives, for which EU Taxonomy has been defined.



What was the share of sustainable investments with an environmental objective that were not aligned with the EU Taxonomy?

Not applicable as the sub-fund has a social sustainable investment strategy and does not pursue environmental objectives, for which EU Taxonomy has been defined.



What was the share of socially sustainable investments?

The Sub-Fund's investments portfolio consists mainly of loans to microfinance institutions, entities which provide financial services to marginalised communities and individuals. Over the year, the share of the portfolio of socially sustainable investments was:

Valuation Day	% of socially sustainable investments (as % of net assets)
31 March 2022	83%
30 June 2022	80%
30 September 2022	87%
31 December 2023	80%
31 March 2023	89%

The Sub-Fund maintained a portfolio of socially sustainable investments between 80% and 89%. At two Valuation Days the share of socially sustainable investments dropped to 80%, mainly due to liquidity received from investors.



What investments were included under “not sustainable”, what was their purpose and were there any minimum environmental or social safeguards?

The Sub-Fund allocated 10% of net assets to liquid assets classed as non-sustainable investments to honour possible redemption requests received from shareholders on a quarterly basis. The Sub-Fund additionally invested in derivative instruments used for risk management and hedging purposes and were not considered sustainable investments.



The Sub-Fund considered minimum environmental or social safeguards in selecting local credit institutions in which the Sub-Fund places liquid assets. This includes the credit institution's commitment towards sustainability, for example, expressed in their membership in the Inspiring More Sustainability (IMS) network, Luxembourg member of CSR Europe or their offering of sustainable investment products.

Reference benchmarks are indexes to measure whether the financial product attains the sustainable objective.



What actions have been taken to attain the sustainable investment objective during the reference period?

The Sub-Fund has ensured that all investments are fully sustainable throughout the year. Specifically, the Sub-Fund did its best to monitor and engage with the portfolio investee through its advisor and ensure that the investee would continuously comply with the sustainable investment objective. The Sub-Fund is working to ensure that sustainable investment objective is always considered when considering new investments.



How did this financial product perform compared to the reference sustainable benchmark?

● How did the reference benchmark differ from a broad market index?

This question does not apply as no reference benchmark has been used for the purpose of attaining the sustainable investment objective.

● How did this financial product perform with regard to the sustainability indicators to determine the alignment of the reference benchmark with the sustainable investment objective?

This question does not apply as no reference benchmark has been used for the purpose of attaining the sustainable investment objective.

● How did this financial product perform compared with the reference benchmark?

This question does not apply as no reference benchmark has been used for the purpose of attaining the sustainable investment objective.

● How did this financial product perform compared with the broad market index?

This question does not apply as no reference benchmark has been used for the purpose of attaining the sustainable investment objective.

Annex A : Qualitative explanation for each PAI indicator and its calculation method

Table 1

PAI 1, 2, 3 is the sum of the total greenhouse gas emissions in tonnes of the microfinance institution (MFI) in the portfolio weighted by the company's most recent available business value calculated in line with the PCAF approach for project finance.

PAI 1 scope 1 is calculated using proxy data and, more specifically, as direct emission of the MFI based on country emission per capita as reported by IEA of the MFI based on country electricity consumption by the MFI total staff and a working hours attrition factor, as well as the Sub-Fund's own emissions.

The emissions are weighted for the LMDF portfolio attribution factor (PCAF method).

PAI 1 scope 2 is calculated using proxy data and, more specifically, as a share of indirect emissions from electricity and heat (MtCO2) as reported by IEA of the MFI based on country electricity consumption by the MFI total staff and a working hours attrition factor. The emissions are weighted for the LMDF portfolio attribution factor (PCAF method). The amount is negligible because MFI just consumes electricity and heating and does not produce it.

PAI 1 scope 3 is calculated using proxy data and, more specifically, as direct emission of the MFI based on country emission per capita as reported by the World Resources Institute's Climate Watch database multiplied by the number of clients and a working hours attrition factor adjusted for an additional attrition factor of 41% based on a review of relevant studies. The result is the adjusted for average outstanding loan balance (CGAP Consensus calculation) / GNI per capita.

The emissions are weighted for the LMDF portfolio attribution factor (PCAF method).

PAI 2 and 3 are calculated per the guidelines provided in Annex 1 Regulation (EU) 2019/2088.

PAI 4 data are unavailable, but the Sub-Fund notes that MFIs do not directly derive revenues from the exploration, mining, extraction, production, processing, storage, refining or distribution in the fossil fuel sector, thus considering the specific PAI not applicable. However, to serve the spirit of the regulation in determining the impact of FMPs, efforts are being made to calculate or estimate the fossil fuel exposure of the MFI's underlying portfolio. All contracts signed by the portfolio investees forbid MFIs from engaging in any activity linked to fossil fuels.

PAI 5 is calculated using proxy data by attributing the renewable energy share in total final energy consumption (TFEC) as reported by the 2022 UN Energy statistics pocketbook to the countries where the investees are located. The share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources weighted for the LMDF portfolio attribution factor (PCAF method).

PAI 6 is non-applicable as MFIs do not classify as high-impact climate sectors.

PAI 7 is the sum of companies in the portfolio that conduct activities in biodiversity-sensitive areas and/or are involved in controversies with serious environmental consequences. The specific indicator has been calculated using a sampling approach (based on location of branches of financed microfinance institutions). The share of loans allocated to the agricultural sector has been recorded for each investee. Investees with more than 40% of loans allocated to agriculture have been identified as specifically higher risk. For each investee, a sample of branches has been identified using a randomised approach, by locating them using the World Database score of Key Biodiversity Area as reported by the Integrated Biodiversity Assessment Tool (IBAT) as an indication for biodiversity sensitive areas. For MFIs with larger exposure to the agricultural sector, 35% of the branches have been checked against KBA scores, and 21% for those with no significant exposure to agriculture. The definition of what constitutes sufficient safeguards to be checked in the due diligence process is ongoing.

PAI 8 is non-applicable as MFIs generate negligible emissions to water. However, to serve the spirit of the regulation in determining the impact of MFIs, efforts are being made to calculate or estimate the MFI's underlying portfolio emissions to water.

PAI 9 is calculated using proxy data using the hazardous waste generated per capita (kg per capita) as reported by UNSD to the countries where the investees are located and the share of clients served. The result has been weighted for the LMDF portfolio attribution factor (PCAF method).

PAI 10 is the sum of the weight of companies in the portfolio that have committed serious violations of the UN Global Compact and or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. The due-diligence process included a review of the organisation's labour relations and working practices, including written human resources policies protecting employees and creating a safe working environment, transparent communication and equal opportunities and effective feedback mechanisms. Discrimination against protected categories and responsible loan collection practices were also verified. MFIs are going monitored with World Check to ensure no serious violations are committed.

PAI 11 is the sum of the portfolio companies' weight that has provided no evidence of a mechanism to monitor compliance with the UN Global Compact and or the Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises. The due-diligence process included a review of the organisation's labour relations and working practices, including written human resources policies protecting employees and creating a safe working environment, transparent communication and equal opportunities and effective feedback mechanisms. Discrimination against protected categories and responsible loan collection practices were also verified. Considering that emerging microfinance institutions may be small in size with limited staff and limited degree of formalized procedures, it is acceptable that a small portion of the portfolio is implementing and enhancing certain practices as prescribed in the UNGC and by the OECD Guidelines.

PAI 12 data are currently not available as the Sub-Fund is today not capable of reporting on the specific indicator, but efforts are being made to calculate or estimate the MFI's underlying portfolio unadjusted gender pay gap in the next reporting period.

PAI 13 is the average ratio between male and female board members in investee companies, expressed as a percentage of all board members.

PAI 14 is the share of investees involved in manufacturing or selling controversial weapons. All investees sign a contract with a clear exclusion list stating that MFI commits to not engage in or provide financing which may support the following activities: Production or trade in ammunition and weapons, military/police equipment or infrastructure.

Table 3

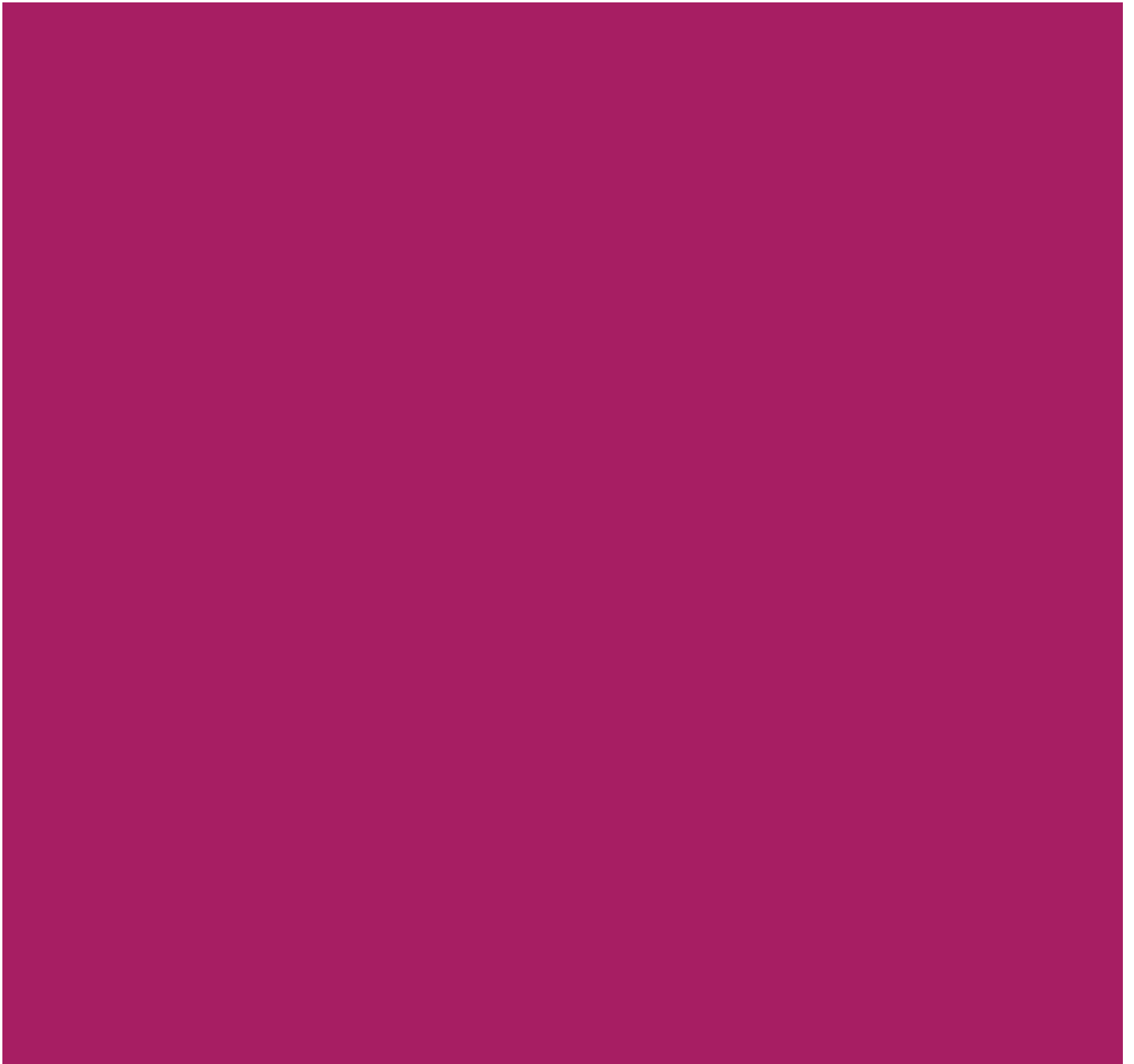
PAI 5 is the lack of grievance/complaints handling mechanisms related to employee matters, and this was verified at the time of the due diligence process and as part of the ongoing monitoring of the MFI. Considering the small size and initial stage of development of the investees in the Sub-Fund portfolio, it is considered acceptable that a small portion of the portfolio is in the process of implementing and enhancing certain practices as prescribed by the specific indicator.

PAI 6 is insufficient whistle-blower protection, which was verified during the due diligence process and as part of the ongoing monitoring of the MFI. Considering the small size and initial stage of development of the investees in the Sub-Fund portfolio, it is considered acceptable that a small portion of the portfolio is in the process of implementing and enhancing certain practices as prescribed by the specific indicator.



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**Luxembourg Microfinance
and Development Fund**

39, rue Glesener /// L-1631 Luxembourg
T.: +352 27 47 35 /// F.: +352 27 47 35 72 /// info@lmdf.lu /// www.lmdf.lu