



Invest in Visions

# IMPACT REPORT 2020

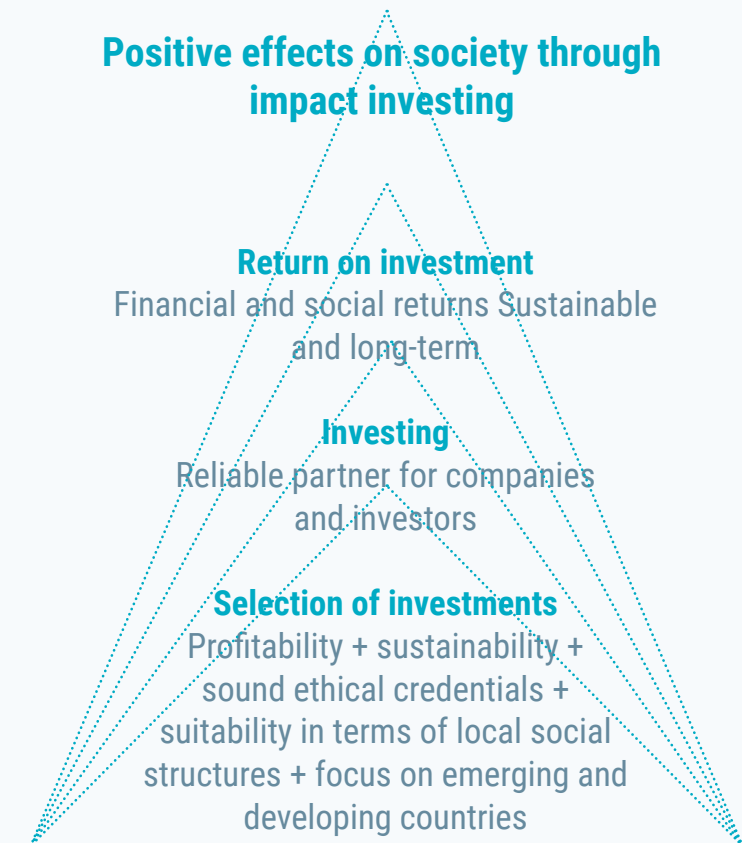
# CORPORATE MISSION

As an impact investor, we are led by our firm conviction that investments can have a positive impact on both societies and businesses.

Our goal is therefore not only to maintain and increase the value of our investors' capital, but also to use it in such a way that it can create a positive impact. This focus on impact is at the heart of our corporate philosophy. For this reason, we invest the capital that is entrusted to us exclusively in impact investments.

Together with our partners, we aim to improve the socio-economic environment of the countries and regions where we make investments in the private sector. In accordance with our internal investment rules, we therefore examine all investments for their financial viability, sustainability, ethical credibility and suitability in regard to the social structures already in place. We focus on those areas where the need is greatest and where we can have the greatest impact: emerging and developing countries.

Since the company was founded, we have remained committed to our goal of making sustainable investments in development support and economic development accessible for as many investors as possible. We see ourselves as a connecting link between two – in some ways very different – worlds: that of our investors and that of the companies which we support. For these companies, we are a reliable partner whom they can trust even during difficult phases – because we are convinced of the purpose of our investments and we see them in the long term.



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### Sustainable Development Goals: the "Decade of Action" has begun

We have only ten years left to realise the United Nation's Sustainable Development Goals (SDGs). Even before the spread of the coronavirus, it was becoming apparent that a number of the Sustainable Development Goals were in danger of not being met due to a lack of finance. Since the outbreak of the pandemic, the task in this respect has become even greater. In addition to the gap in financing that already existed, amounting to 2.5 trillion US dollars per year, there is now a further one-off gap of 1.7 trillion US dollars on account of Covid-19.<sup>1</sup>

The SDGs can only be reached if several trillion dollars of investable capital is diverted every year from non-sustainable investment projects into sustainable ones – in accordance with the maxim "Shifting the Trillions". This is by no means impossible: with worldwide private assets of an estimated 376 trillion US dollars. Even just 1.1 per cent of the total sum would be sufficient to secure the financing of the SDGs. Invest in Visions is committed to ensuring that this plan will succeed – as your "partner of choice for impact investing"!

→ [Find out more about the SDGs](#)



1. OECD (2020). Global Outlook on Financing for Sustainable Development 2021. A New Way to Invest for People and Planet.

# FOREWORD

## Dear Readers!

The year 2020 was completely dominated by the coronavirus pandemic.

Originating in the Chinese city of Wuhan, the novel **coronavirus** SARS-CoV-2 spread across the entire globe within the space of a few weeks and completely disrupted our lives – and it continues to do so today. Social contacts were dramatically reduced, the economy was closed down in parts and families faced additional burdens due to the closure of childcare facilities and schools.

Here at Invest in Visions, we have faced two major challenges in regard to the pandemic: firstly in respect of our impact investments in emerging markets and secondly with regard to the way we work together within the company.

Since the first big wave of Covid-19 in March 2020, the number of people working in our office in Frankfurt has been drastically reduced in order to protect our employees. The majority of our workforce has since been working from home.

The key challenge that we have been facing in the past year as an impact investor focusing on **emerging markets** has been to continue providing support to our partners – microfinance institutions (MFIs) in emerging and developing countries – as well as to the recipients of microcredit loans, while at the same time keeping the financial risks low.

We have succeeded in doing both of these things by staying in close dialogue with our partner MFIs. This is something we are proud of, because this pandemic is affecting people and households with a low income particularly badly – those who even in normal times have great difficulties maintaining a livelihood, have no financial reserves to speak of and are therefore dependant on their day-to-day work. According to recent estimates, there will be up to **163 million "new poor"** in emerging and developing countries, i.e. additional persons who will slip under the poverty threshold of 1.90 US dollars a day on account of the restrictions to economic activity that have



**Edda Schröder**  
Founder and CEO of Invest in Visions  
GmbH



accompanied Covid-19. In this situation, **microloans** and financial inclusion in general play a key role in maintaining income-generating activities and in providing people with a way of temporarily bridging periods of financial difficulty.

The fact that we were able to close the year 2020 on a positive note, despite all the difficulties, was, on the one hand, due to the high motivation of the **IIV Team** and the way its members stuck together through the crisis. During the second half of the year, we expanded the team through the addition of further members working in the areas of Business Development and Portfolio Management. On the other hand, we are grateful to our **investors** for continuing to place their trust in us during these difficult times and for continuing to invest in our funds. The assets under management in our retail fund and our special funds at the end of 2020 amounted to almost **887.5 million euros**. At the same time, despite the difficult situation in 2020, we were able to invest almost as much money as we had done in the previous year, meaning that the **impact** of your investments – with more than 659,000 end borrowers – remained high without interruption.

Our Impact Report for this year consists, as it did last year, of two parts in the sense of an integrated report that also includes our annual business report. In the **Company Report**, we report on developments, activities and financial performance indicators in regard to Invest in Visions GmbH. In the **Portfolio Report**, on the other hand, we provide information on all the key aspects relating to our funds, our investments in emerging markets and the impact that we have been able to achieve there. As always, we also present our most important target countries and a selection of microfinance institutions in a series of special portraits.

Many thanks for placing your trust in us – we hope that you continue to stay safe and healthy!

*Edda Schröder*



In October of last year, the founder and managing director of Invest in Visions GmbH was voted **"Woman of the Year"** by Germany's largest career network for empowerment and equal opportunities for women in the financial sector. The title was awarded to Ms Schröder for the commitment she has shown to women in the Global South. "In addition to her dedication to women's causes, Schröder also stands out with her particular achievements in business" the judges explained, giving reasons for their choice.

Schröder is considered to be a pioneer in the field of microfinance. Take a look at the award winner's reaction.

▷ [\*\*Edda Schröder is awarded the „Fondsfrauen Award“ 2020\*\*](#)

Impact Report 2020

# COMPANY REPORT



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Invest in Visions GmbH

# FINANCIAL PERFORMANCE INDICATORS<sup>1</sup>

## Excerpt from Balance Sheet (in EUR)<sup>2</sup>

	2020	2019
<b>Total assets</b>	5,191,906.43	5,182,947.57

## Excerpt from Profit & Loss Statement (in EUR)<sup>3</sup>

	2020	2019
<b>Net revenue</b>	5,480,739.66	4,955,086.63
<b>Administrative expenses</b>	2,504,092.64	2,042,108.52
<b>Personnel expenses</b>	1,430,205.60	1,259,168.33
<b>Other expenses</b>	1,073,887.04	782,940.19
<b>EBIT<sup>4</sup></b>	2,930,572.84	2,870,839.46
<b>Taxes</b>	935,954.05	911,611.84
<b>Annual net profit</b>	1,994,618.79	1,959,227.62

Cost Income Ratio<sup>3</sup>

69.0 %

Return on Income<sup>3</sup>

21.4 %

EBIT<sup>3</sup>

31.3 %

AUM per employee<sup>5</sup>

38.15 Mio. EUR

Number of employees<sup>1</sup>

23

AUM

2020 EUR 877.48 million  
2019 EUR 823.03 million

+ 6.62 %

EBIT

2020 EUR 2.93 million  
2019 EUR 2.87 million

+ 2.08 %

1. As of 31.12.2020. 2. Data based on the preliminary financial statements for 2020, as of March 2021. 3. Change in the basis for calculation in comparison to 2019. 4. Earnings from regular business activities before investments and taxes 5. Assets under Management (managed assets) as of 31.12.2020 compared to EUR 45.75 million in the previous year

## Our Responsibility

# SUSTAINABILITY STRATEGY AND PERFORMANCE

A key part of the comprehensive sustainability strategy of Invest in Visions GmbH is our internal sustainability management. As well as carrying out impact-oriented investments in emerging and developing countries, we also implement our concept of sustainability within the company itself. In concrete terms, this means that, as well as having transparent communications and ensuring diversity and flexibility within the team, we also measure our impact on the environment, disclose this and aim to reduce this in the long term.

## Employees

### Number



23 employees

### International Team



From 8 different countries  
39 % with a migrant background

### Part-time employees



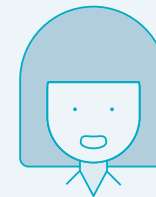
64 %

### Continuous Professional Development



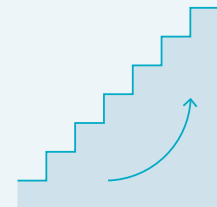
34.4 hours  
per employee

### Percentage of women



61 % (14 women)

### Growth



+28 %





Invest in Visions GmbH

# SUSTAINABILITY PERFORMANCE

In the year 2020, we were severely restricted on account of the coronavirus pandemic, not only with regard to our business activities but also in terms of our external communications and the way we worked within the company. This was a year shaped by drastically reduced travel activities and restricted operational contact with our business partners and within our team. These circumstances had an effect on our figures, for example regarding our direct and indirect greenhouse emissions. A comparison of these with the figures for the previous year is therefore only of limited relevance. You can see the changes relative to the figures for the previous year in brackets.

1. All emissions caused by travel by train, public transport and private car (11 %) are offset.

2. We offset the emissions we cause on the basis of the actual impact on the environment calculated in accordance with the rates issued by the Federal Environment Agency (Methodology 3.1 on the determination of environmental costs, dated Dec 2020)

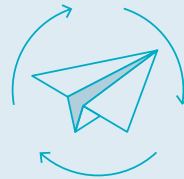
## Commute to work<sup>1</sup>



52 % by bike / walking  
37 % by train / public transport

SDG 11

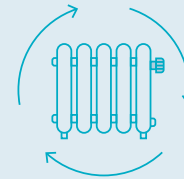
## Paper consumption



approximately  
6,000 sheets (-66 %)  
100 % recycled paper

SDG 12

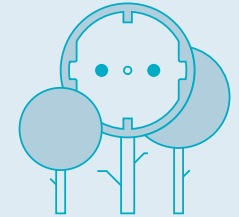
## Energy used for heating



18,381 kWh (-16 %)  
Natural gas, offset at 100 %<sup>2</sup>

SDG 13

## Electricity usage



8,438 kWh (+/-0 %)  
100 % green electricity  
(Polarstern)

SDG 7

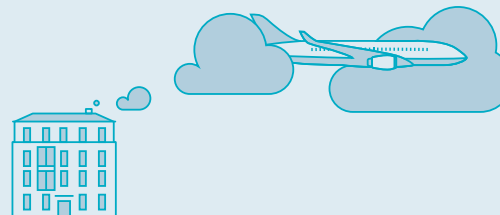
## Kilometres travelled



25,286.28 km (-84 %)  
Offset at 100 %<sup>2</sup>

SDG 13

## CO2 emissions



10.84 t CO2 (-73 %)  
Offset at 100 %<sup>2</sup> | Breakdown: commute to work: 22 % | energy and water: 34 % | travel: 44 %

SDG 13

## Sustainable partnerships



Long-term cooperation with sustainable partners  
(e.g. with Triodos Bank)

## 7 AFFORDABLE AND CLEAN ENERGY



## 11 SUSTAINABLE CITIES AND COMMUNITIES



## 12 RESPONSIBLE CONSUMPTION AND PRODUCTION



## 13 CLIMATE ACTION



## Digital Event "Time to Discuss"

# IMPACT INVESTING – WILL THE CRISIS BECOME AN OPPORTUNITY?



Due to the coronavirus pandemic, we were unfortunately not able to run our annual series of events entitled "Impact Investing – Time to Discuss" in the usual face-to-face format. We therefore issued an invitation to a virtual panel discussion on 16 September 2020 on the subject of "Impact Investing – Will the crisis become an opportunity?". Facilitated by panel host Christian Preiser, editor-in-chief of the German business magazine "Markt und Mittelstand", the 68 participants and three speakers discussed the following key questions: How has the Covid-19 pandemic affected the financial markets and impact investing in particular? Will the crisis become a catalyst for sustainable investment, or will it rather slow down developments in this area?

In the beginning, the participants were given the chance to provide their own opinions on these questions using an online survey. A large majority (73 percent) said that they

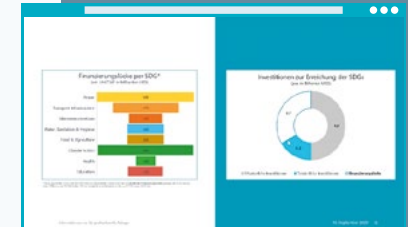
saw the coronavirus crisis as an opportunity for the issue of sustainability. Furthermore, 43 percent of those who took part stated that they already choose 50 percent of their investments in accordance with sustainable criteria.

In her introduction, Edda Schröder highlighted the effects of the coronavirus pandemic in the countries in which Invest in Visions invests through its managed funds. Not only have economic activities been affected by the restrictions – the virus has above all had an impact on a range of social spheres. As a result of the restrictions, the achievement of the SDGs is now being held up in many areas. Increased dedication is therefore required, including in the area of private-sector investments.

In the keynote presentations which followed, the speakers focused on various different areas. Lawyer Dr Christian Waigel, who is a specialist in capital market law and bank supervisory/regulatory issues, gave a presentation on the challenges that the sustainable orientation of the EU financial markets will bring for investors. Silke Stremmlau, member of the executive board of the Hannoversche Kassen and member of the federal government's Sustainable Business Council, offered an investor's view on the feasibility in terms of the implementation of ESG factors. Lisa Fiedler, who is Director of Corporate Development and Sustainability at VAUDE, reported on the way sustainability can be put into practice along the entire supply chain in a company with worldwide operations.

The closing discussion, by contrast, started with a survey among the participants with 56 percent saying they felt that sustainability had only a short-term negative impact on a company's financial returns. 44 percent believed it had no adverse effect at all. Following that, Edda Schröder and the panellists talked about the specific challenges that the EU's new regulatory requirements will present and the measures that are required to achieve greater sustainability. The speakers all agreed: from now on sustainability needs to be taken into consideration at all times.

➤ [Watch the recording of our event "Time to Discuss 2020".](#)



In the year 2020 we held three online presentations in which Edda Schröder and Dr Carlos De las Salas Vega talked to investors about the current developments in the coronavirus pandemic and their effects on the field of microfinance. This gave us the opportunity to keep our investors up to date, in particular with regard to the measures that we had introduced. As it was not possible to hold any face-to-face events due to the coronavirus pandemic. Edda Schröder took part in several digital events and gave a number of interviews. You can find further details [here](#).

## Solid Collaboration as Equals

## PARTNERS &amp; MEMBERSHIPS

## Partners

In order to be able to carry out our work with good results for all parties involved, long-term and dependable partnerships are essential. In addition to the existing collaborations that we have with our long-standing partners, we also cultivate strong partnerships through our membership in various associations and initiatives. This gives us the opportunity to discuss current issues and develop joint approaches with other players in the field of sustainable financial products.




Partner für  
Kirche + Caritas  
Einfach gut für Ihre Werte.



## Signed Standards

In addition to the "Principles for Responsible Investment", on the compliance with which we have been reporting for some years now, we recently signed the "Operating Principles for Impact Management". These were introduced in 2019 as a market standard for the field of Impact Investing. They provide a framework for investors in order to ensure the specific integration of impact-related factors throughout the investment process. They comprise nine principles, and we will report on their implementation at Invest in Visions on an annual basis.



Signatory of:



## Memberships

In addition to those mentioned in the previous year, we have added the following memberships: **Fondsfrauen** is a career network for women working in the German investment funds sector and was set up in 2015. Last year, they presented the award "Woman of the Year" to Edda Schröder. We also recently became a member of the Corporate Responsibility Interface Centre (CRIC) e.V., an association that aims to promote ethical standards and sustainability in the field of cash investments. We plan to cooperate with them to participate in events in the course of the coming year.

Within the context of our previously existing memberships, we continue to be actively involved. For example, we have representatives involved in the **Bundesinitiative Impact Investing**, focusing on the areas of "Impact Measurement and Impact Management" and "Development Finance". Within the **Federal Association for Alternative Investments** we participate in the panel of experts for "Sustainable Finance & ESG".

We support the **Alliance for Climate and Development** so that we can engage in dialogue with other players in the field on improving ways to offset the emissions generated by our activities.



Impact Report 2020

# PORTFOLIO REPORT



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## Invest in Visions

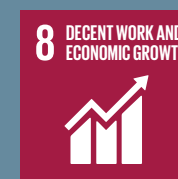
# THE IMPORTANCE OF MICROLOANS AND FINANCIAL INCLUSION DURING THE CORONAVIRUS PANDEMIC

Last year, Covid-19 spread across the whole world within the space of a few weeks. The people who are suffering the most from the effects of the virus are those who were already in a weak and disadvantaged position.

As a result of the coronavirus, the number of people living in **extreme poverty** rose again for the first time in almost 25 years, i.e. the number of people who have to live on less than 1.90 US dollars a day or 700 US dollars a year. According to the most recent calculations in January 2021, the pandemic already created between 119 million and 124 million "new poor" in the course of 2020. This year, it is expected that their numbers could grow further to between 143 million and 163 million.<sup>1</sup>

People with a low income are being particularly hard hit by the crisis because they have very little in the way of reserves that they can fall back on. At the same time, through the **ever-present nature of the virus** and the universal implementation of countermeasures, their most important coping strategies are being taken away from them. When crops fail in one local area or someone loses their job due to sickness, etc. it is usually possible that family members or friends can make up for the loss in income by working additional hours themselves and sending money to help the affected person through the difficult period. This is no longer possible as every person and every place has been affected by the restrictions to the same extent. Social security systems that would be able to cushion the effects do not exist in most countries of the Global South.

Just as poverty, **inequality** within the countries in emerging markets is also increasing again, as the International Monetary Fund (IMF) stated in its calculations in October 2020.<sup>2</sup> This is because workers employed in low-income sectors very rarely have the option of working from home compared to people in high-income jobs. This means that a greater percentage of low-income workers are also losing their jobs.



"Financial Inclusion" helps to achieve these SDGs

1. [Updated estimates of the impact of COVID-19 on global poverty: Looking back at 2020 and the outlook for 2021 \(worldbank.org\)](https://www.worldbank.org/en/news/press-release/2021/01/20/covid-19-global-poverty)

2. [How COVID-19 Will Increase Inequality in Emerging Markets and Developing Economies – IMF Blog](https://www.imf.org/en/Blogs/Articles/2020/10/27/how-covid-19-will-increase-inequality-in-emerging-markets-and-developing-economies)

## Invest in Visions

# THE IMPORTANCE OF MICROLOANS AND FINANCIAL INCLUSION DURING THE CORONAVIRUS PANDEMIC

The International Labour Organisation (ILO) estimates that 8.8 percent of all working hours were lost in 2020, which is equivalent to the loss of 255 million full-time jobs. The losses were and are particularly severe in those countries that are classified by the World Bank as lower-middle income countries.<sup>3</sup>

**Micro-enterprises represent a significant factor in the job markets in emerging markets.**

They constitute the largest portion of the total number of companies (usually between 85 and 95 percent) and provide between 30 and 50 percent of all the jobs created by the private sector.<sup>4</sup> Under these circumstances, it is hugely important to provide support to micro-enterprises and to ensure, through the provision of loans, that they can stay in existence and continue to fulfil their role for the job market and for the people of the Global South.

This is precisely what we do at Invest in Visions with the **microfinance funds that we manage**, and we continued our mission throughout 2020 despite the challenges that the pandemic presented – in particular in those countries with lower-middle income levels, where the loss of jobs and income was especially great (see [page 17](#) for more on this subject).

You can find out how we dealt with the situation in the second part of our 2020 Impact Report.



The target countries of the microfinance funds managed by Invest in Visions reacted to the spread of the coronavirus by introducing hygiene regulations similar to those issued in Europe. In the picture you can see a customer and an employee of the Georgian microfinance institution Georgian Credit.

In the summer of 2020, we conducted an extensive interview with the managing director of GeoCredit, Dr Giorgi Naskidashvili, on the impact of the coronavirus pandemic on the MFI's business operations and customers. You can read the interview [here](#).

3. ILO Monitor: COVID-19 and the world of work. Seventh Edition (25. January 2021). 4. On this subject, please refer to [SME Finance Forum. 2019 MSME Economic Indicators Database](#)

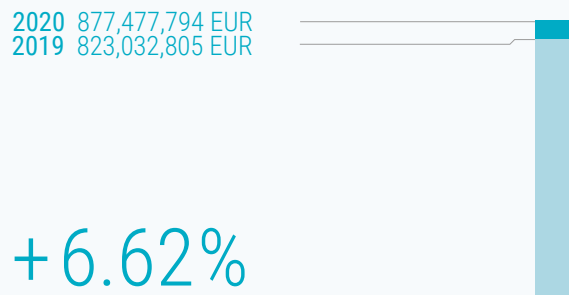
Sustainable Growth

# PORTFOLIO DEVELOPMENT

## Assets under Management

In the past year, the microfinance funds that we manage once again recorded growth. On 31 December 2020, Invest in Visions' Assets Under Management amounted to a total of 877.5 million euros. This is equivalent to an increase of 6.6 percent compared to the previous year (823 million euros).

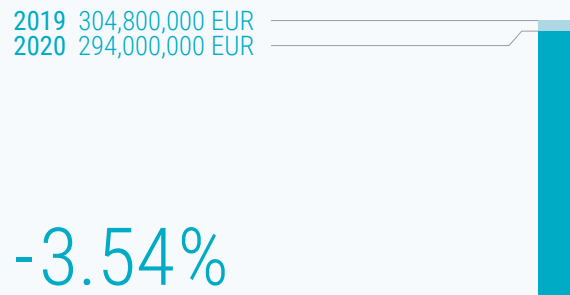
### Assets under Management (AUM)



## Investment Ratio and Newly Issued Loans

In order to continue to keep the risk of loan defaults low, our Portfolio Management team applied a restrained approach with regard to granting new loans, especially in the months April to June. For this reason, the investment ratio temporarily decreased to around 70 percent in June. The dedication and hard work of the team meant that we nevertheless succeeded in granting about 294 million euros in unsecured loans to MFIs in the course of the year, and managed to bring the investment ratio back up to approx. 76 percent by the end of 2020.

### Newly Issued Loans



**Dr. Carlos De las Salas Vega**  
Chief Investment Officer

"Despite the difficult framework conditions, we were able to issue almost as many loans in 2020 as we had done in 2019, thereby fulfilling our social mission as an impact investor. This was only made possible through the huge effort put in by all those involved in Portfolio Management. I would like to express my great appreciation to the whole team for all their hard work."

## Sustainable Growth

## PORTFOLIO DEVELOPMENT

**Diversification of our portfolio**

The positions in Ecuador (see [page 20](#)) and Sri Lanka of the funds that we manage were significantly reduced on account of risk-related considerations. By contrast, there has been a stronger focus on India. During the course of 2020, five new Indian MFIs were added to the portfolio and India's share in terms of country diversification increased to 11 percent. In the meantime, India has become the target country with the largest proportion in our fund portfolio (see also [page 19](#)). On the other hand, no new loans were disbursed to MFIs in Egypt, as the country's central bank has made a good deal of liquidity available to the national financial institutions at more attractive conditions. We decided against granting new loans to MFIs in Zambia because the risk there has risen considerably due to the coronavirus pandemic.

In 2021 we plan to once again increase the number of countries where our managed funds are invested. There are already definite plans for investments in Costa Rica and Columbia as new target countries.

**Dealing with MFIs in the coronavirus crisis**

The coronavirus pandemic meant that all players in the microfinance sector faced major challenges in 2020, first and foremost the end borrowers, but also the MFIs. As an impact investor, we continue to believe that we had and still have a duty to provide support to our partners and to supply financing to MFIs that are generally healthy, following an exhaustive assessment of the risks involved.

For those MFIs that were experiencing liquidity problems on account of the partial withdrawal of capital contributions from private customers or because of state-authorised payment moratoria, we set up our processes in a way that was as cost effective as possible for the institutions. For this purpose, we signed a declaration of intent together with other fund managers as early as the summer of 2020. You can read the wording of the declaration [here](#).



Artisan and craftsman **Félix Zenón Salazar** is a satisfied customer of Banco FIE in Bolivia. This financial institution concentrates on the micro- and small enterprise sector with a strong focus on suburban and rural areas and low-income sections of the population. Félix has been a customer of Banco FIE since 2014 and has already made use of three loans. These loans enabled him to expand his workshop and take on more work. He reports with pride that he has been able to give his children access to education. His eldest daughter will soon be completing a degree in Medicine.



Worldwide Impact

# REGIONAL DISTRIBUTION OF OUR INVESTMENTS



## Worldwide Impact

## REGIONAL DISTRIBUTION OF OUR INVESTMENTS

	Percentage of the IIV portfolio without liquid funds		Income categories	Number of MFIs	Financial inclusion <sup>1</sup>	Population <sup>2</sup>	Per-capita income <sup>3</sup>	Gini coefficient <sup>4</sup>
India	11.04%		↘ lower-middle	7	80%	1,366.4 million.	2,120 USD	37.8
Uzbekistan	10.46%		↘ lower-middle	2	37%	33.0 million.	1,800 USD	–
Ecuador	9.46%		↗ upper-middle	10	51%	17.4 million.	6,090 USD	45.4
El Salvador	7.15%		↘ lower-middle	4	30%	6.5 million.	4,000 USD	38.6
Mexico	7.15%		↗ upper-middle	4	37%	127.6 million.	9,480 USD	45.4
Mongolia	5.86%		↘ lower-middle	3	93%	3.2 million.	3,790 USD	32.7
Cambodia	4.94%		↘ lower-middle	3	22%	16.5 million.	1,530 USD	–
Kyrgyzstan	4.57%		↘ lower-middle	5	40%	6.4 million.	1,240 USD	27.7
Tajikistan	4.17%		↓ low	4	47%	9.3 million.	1,030 USD	34.0
Georgia	3.80%		↗ upper-middle	4	61%	4.0 million.	4,780 USD	36.4
Peru	3.49%		↗ upper-middle	2	43%	32.5 million.	6,740 USD	42.8
Bosnia-Herzegovina	3.04%		↗ upper-middle	3	59%	3.3 million.	6,170 USD	33.0
Bolivia	2.42%		↘ lower-middle	2	54%	11.5 million.	3,520 USD	42.2
Albania	2.42%		↗ upper-middle	2	40%	2.9 million.	5,220 USD	33.2
Kazakhstan	1.99%		↗ upper-middle	1	59%	18.6 million.	8,820 USD	–
PR China	1.96%		↗ upper-middle	1	80%	1,433.8 million.	10,410 USD	38.5
Kosovo	1.96%		↗ upper-middle	4	52%	1.8 million.	4,640 USD	–
Sri Lanka	1.84%		↘ lower-middle	1	74%	21.3 million.	4,020 USD	39.8
Armenia	1.78%		↗ upper-middle	4	48%	3.0 million.	4,680 USD	34.4
Belarus	1.51%		↗ upper-middle	1	81%	9.5 million.	6,290 USD	–
Nicaragua	1.49%		↘ lower-middle	4	31%	6.5 million.	1,890 USD	46.2
Panama	1.42%		↑ high	2	46%	4.2 million.	14,950 USD	49.2
Moldova	1.17%		↗ upper-middle	2	44%	4.0 million.	4,590 USD	25.7
Kenya	1.10%		↘ lower-middle	2	82%	52.6 million.	1,750 USD	40.8
Myanmar	1.09%		↘ lower-middle	3	26%	54.0 million.	1,390 USD	30.7
Paraguay	0.72%		↗ upper-middle	1	49%	7.0 million.	5,520 USD	46.2
Guatemala	0.62%		↗ upper-middle	1	44%	17.6 million.	4,610 USD	–
Indonesia	0.61%		↗ upper-middle	2	49%	270.6 million.	4,050 USD	39.0
Pakistan	0.25%		↘ lower-middle	1	21%	216.6 million.	1,410 USD	33.5
Haiti	0.19%		↘ lower-middle	1	33%	11.3 million.	1,330 USD	41.1
East Timor	0.12%		↘ lower-middle	1	–	1.3 million.	2,020 USD	28.7
Chile	0.12%		↑ high	1	74%	19.0 million.	15,010 USD	44.4
Ghana	0.05%		↘ lower-middle	1	58%	30.4 million.	2,220 USD	43.5
Azerbaijan	0.02%		↗ upper-middle	1	29%	10.0 million.	4,480 USD	–

## Annual per-capita income by comparison



## Asset allocation according to income category

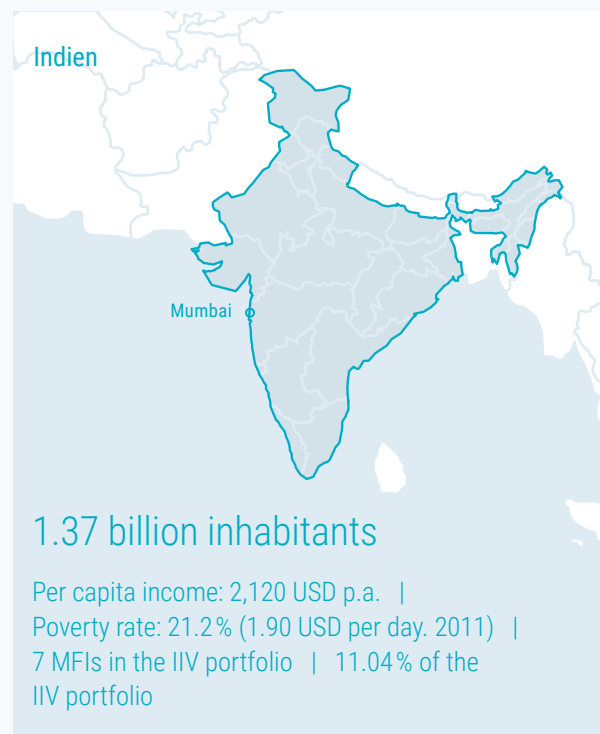
- **1.55% (2 countries)**  
high income ↑  
>12,535 USD
- **41.71% (16 countries)**  
upper-middle income ↗  
4,046–12,535 USD
- **52.58% (15 countries)**  
lower-middle income ↘  
1,036–4,045 USD
- **4.17% (1 country)**  
low income ↓  
<1,036 USD

1. The data refers to the percentage of adult inhabitants who have access to financial services. The data comes from: Asli Demircigüç-Kunt et al., The Global Findex Database 2017. Measuring Financial Inclusion and the Fintech Revolution, Washington D.C.: International Bank for Reconstruction and Development/World Bank 2018 2. Source: UNDP Human Development Index [http://hdr.undp.org/sites/default/files/2020\\_statistical\\_annex\\_all.xlsx](http://hdr.undp.org/sites/default/files/2020_statistical_annex_all.xlsx) 3. p. a. (2019) 4. The Gini coefficient shows how equally or unequally wealth and income are distributed within a particular region or country. 0 represents the most equal distribution whereas 100 indicates the most unequal distribution.

## Country Report

# INDIA — A STRICTLY REGULATED GROWTH MARKET

Over the course of last year, India replaced Ecuador as the country in the IIV portfolio with the largest volume of investment. In terms of our country diversification, India's percentage has risen from 1.21 percent in the previous year to a new level of 11.04 percent.



With a population of 1.37 billion (2019), this South Asian country is an important growth market for microfinance. Yet at the same time, the Indian microfinance market is strictly regulated by the state authorities. For example, India's central bank, the Reserve Bank of India (RBI) requires every microfinance institution (MFI) to implement a code of conduct and a system for training and monitoring their field representatives. Furthermore, the RBI has set up self-regulatory organisations (SROs) that monitor the way the MFIs work. One of these SROs, the Microfinance Institutions Network (MFIN), is responsible for ensuring compliance with the Code of Responsible Lending. All the MFIs that we refinance in India are members of the MFIN.

According to estimates from the World Bank, the percentage of people in India who live in extreme poverty went down from 21.6 percent, last measured in 2011, to 13.4 percent in 2015.<sup>1</sup> However, the pandemic and the decisive action taken in response to it by the Indian government, with one of the world's strictest lockdowns during the first wave, hit the micro-, small and medium-sized enterprise (MSME) sector especially hard. With 170 million Indians already surviving on less than 1.90 US dollars a day, the coronavirus crisis has caused the risk of slipping into extreme poverty to increase dramatically for those who had already escaped that fate.

Microcredit loans can make an important contribution in this situation by providing support to micro-enterprises, which constitute 99.5 percent of the total number of MSMEs in India. The microfinance sector in India also has a number of other features that have proven to be successful during the early phase. For example, microcredit loans there are almost exclusively income-generating loans.<sup>2</sup> The average sum lent (making reference to the Indian MFIs in the IIV fund portfolio) is around 250 US dollars and there is a strong focus on women: more than 90 percent of the loans granted are given to groups of women or individual women – such as weaver Devi (see portrait on the right).

„The loan [from Asirvad] helped me to set up a shop and I have been successfully running my business. My income aids in paying off my children's education fee. buying raw materials for my business and additionally. I have purchased a vehicle too.“



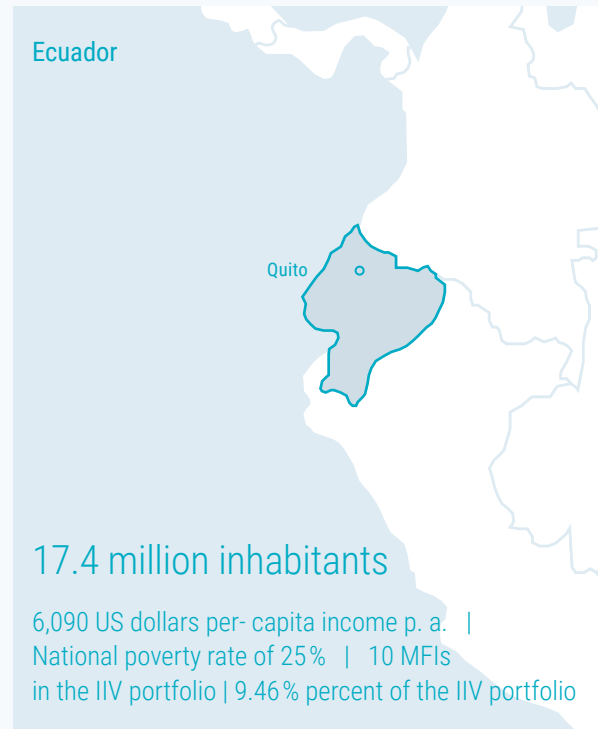
When **weaver Devi** wanted to open her own weaving business six years ago, she turned to the MFI Asirvad Micro Finance Ltd. (Asirvad). Getting a microcredit loan meant that she could purchase her first loom and set up her own business. With the regular income she earns from her weaving business, she can pay the school fees for her children and purchase new raw materials. More recently, she has even been able to purchase a vehicle. Devi is still a customer of Asirvad today. Devi is very grateful to the MFI and is keen to emphasise the fact that she has never missed any of her instalments.

1. On this point, please refer to World Bank (2018) Poverty and Shared Prosperity Report 2018: Piecing together the Poverty Puzzle, Washington D.C., page 29 et seq. 2. See [page 25](#) on the sectoral distribution of IIV's assets.

## Country Report

## ECUADOR — RESILIENCE IN CRISIS

Of all the countries in Latin America, Ecuador has been hit especially hard by COVID-19. In the course of 2020, of a total population of approx. 17.4 million, official figures state that there were more than 241,000 infections and more than 14,600 deaths associated with a coronavirus infection.



The spread of the virus has also had a huge economic impact on the country, which is to a large extent dependant on oil exports. In the course of the pandemic, the decline in crude oil prices initially continued. Prices had already been falling dramatically since the end of 2019 due to a price-cutting war between Saudi Arabia and Russia. Various rating agencies therefore decided to downgrade the credit rating of the country in April of last year. As a precautionary measure, the percentage assigned to Ecuador in terms of the [country diversification](#) of the funds managed by IIV was gradually reduced over the course of last year from 13.35 percent to 9.46 percent.

Both the economy of Ecuador as a whole and the country's microfinance institutions proved to be extremely resilient. Crude oil prices have stabilised and, after the GDP had shrunk by 11 percent in 2020, a significant increase in domestic demand is expected in the course of 2021. In September, the country's credit rating reverted to its former level. The MFIs also remained stable, meaning that the funds that we manage did not report any loan defaults.

Despite the reduction in the percentage of our total funds that is invested in Ecuador, it is still one of our most important target countries. At the end of 2020, there were 10 microfinance institutions in the IIV fund portfolio. The social reach of these MFIs is huge: together they reach more than 1.6 million end borrowers, with 48 percent of these being women.

Microfinance will also play an important role in Ecuador's future. As in the other countries in Latin America, inequality is rife, although the situation is not quite as extreme as it is in Panama (see [page 22](#)). Microcredits and financial inclusion can help to reduce this inequality, at least in part, by providing support to micro-entrepreneurs.



**Victoria Chávez**, a restaurant owner from Quito, is a long-standing customer of Banco Solidario, one of Ecuador's largest microfinance institutions (262,100 borrowers as of the end of 2020), which was founded as far back as 1996. Victoria got her first loan from Banco Solidario more than eleven years ago. With the money she borrowed, she was able to set up her own restaurant. Before this, she had only a simple street stall – today her restaurant can seat up to 50 guests. Victoria Chávez has a number of full-time employees.



Working together for development and client protection

# OUR PARTNER INSTITUTIONS

## 88 Refinanced Microfinance Institutions

By the end of 2020, Invest in Visions GmbH was supporting 88 micro-finance institutions (MFIs) in 34 countries on behalf of the funds that the company manages. In comparison with the previous year, there were eight fewer MFIs. For one, it was not as easy to accept new MFIs into the portfolio on account of the travel restrictions introduced due to the coronavirus pandemic. Furthermore, in some cases MFIs were rather reserved in agreeing to new loans as they first wanted to get a better idea of the impact that the coronavirus pandemic was going to have.

In our portfolio you will find the entire spectrum of MFIs: non-banking financial institutions (NBFIs), banks with a microfinance portfolio, non-governmental organisations (NGOs) and cooperative banks. Together they provide services for the various different customer segments, from micro-entrepreneurs to small and medium-sized entrepreneurs. Many of them also offer other financial products, e.g. savings accounts, current accounts or insurance

MFIs by Category (number)



## 3 Advisors



In the year 2020, we continued to receive support and guidance in all stages of the investment process from our three advisors: Incofin (Belgium), Developing World Markets (USA) and Agents for Impact (Germany). We collaborate with them to select suitable microfinance institutions for our portfolio, which can demonstrate both a focus on social issues and a sustainable business model.

## Our Investment Strategy

The investment strategy behind Invest in Visions' activities requires that environmental and social standards be applied when choosing investments (standards-based screening). This includes, for example, the requirement that the selected MFIs must commit in writing to be bound by the core labour standards of the International Labour Organisation (ILO) and the Client Protection Principles – a set of principles for customer protection in the field of microfinance. In cases where we collaborate with other investment companies within the context of syndicated loans, these companies must be signatories to the United Nations "Principles for Responsible Investment".

## New Our Cooperation with CERISE



In order to enhance the sustainable orientation of Invest in Visions and to measure the impact of our activities, we will in future be working with the organisation [CERISE](#). CERISE has been delivering pioneering work in the field of social impact management since the year 1998. CERISE works with players from the areas of inclusive finance, social business and impact investing to develop publicly accessible social standards and evaluation tools. This also involves close collaboration with the [Social Performance Task Force \(SPTF\)](#), an international umbrella organisation working in the area of financial inclusion that campaigns for the harmonisation of evaluation standards and the promotion of social impact management.

## MFI Portrait

## HAMKORBANK IN UZBEKISTAN

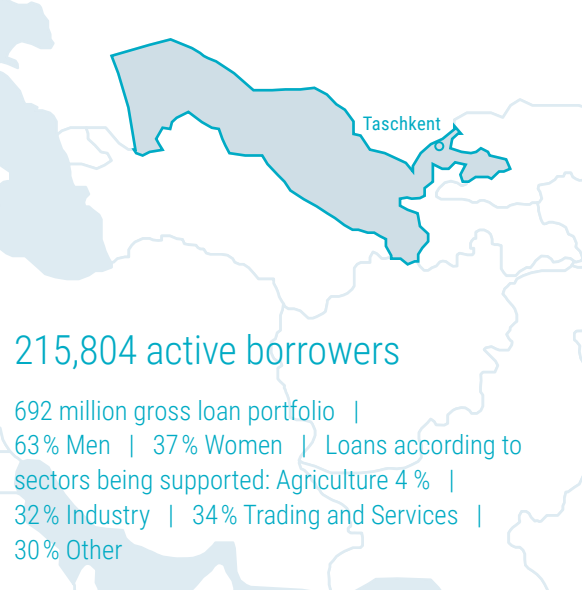
At the end of 2020, with an investment volume of almost 10.5 percent, Uzbekistan occupied second place after India in terms of the country diversification of our managed funds. Prior to the spread of the coronavirus, a marked increase in investments, increased agricultural production and intensified construction activity were

speeding up the growth of Uzbekistan's GDP. However, this development came to an abrupt halt with the spread of Covid-19. According to the World Bank, the growth of the GDP fell from 5.6 percent in 2019 to a figure expected to be between approx. 0.4 and 0.8 percent in 2020.<sup>1</sup>

The arrival of the pandemic has meant that Uzbekistan is currently having to deal with its biggest economic crisis since the country gained independence from the Soviet Union, and this is also accompanied by a huge rise in unemployment. In the second quarter of last year, this increased from 9 to 15 percent. In order to reduce unemployment again, in addition to public economic stimulus programmes, it will be necessary to support entrepreneurs through the granting of loans by private financial institutions, as is done by Hamkorbank, for example.

Hamkorbank is the largest private bank in Uzbekistan. It was founded in 1991 and had a gross loan portfolio of almost 700 million US dollars by the end of 2020. It uses this to provide services to more than 215,000 borrowers who mostly belong to the micro-entrepreneur segment. Hamkorbank is able to achieve this large social reach on account of its strong regional presence, which enables the bank to provide loans to borrowers across the whole country.

## Hamkorbank Uzbekistan (head office in Taschkent)



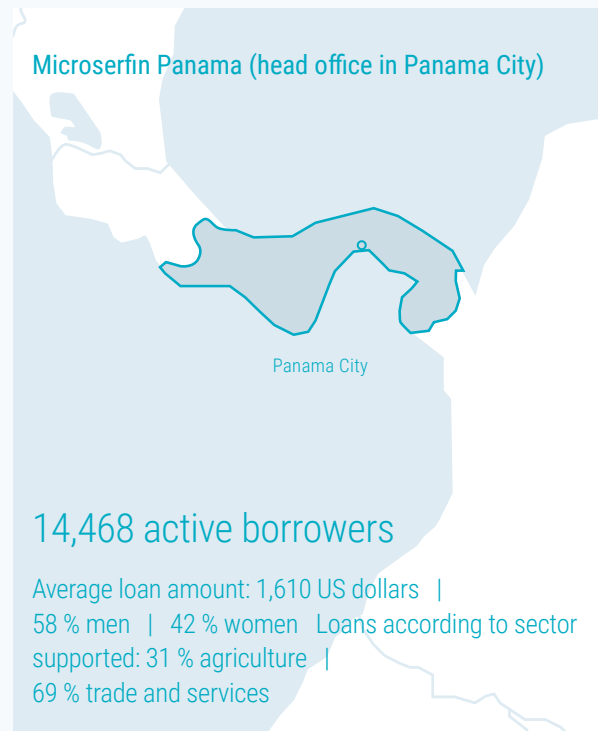
**Umida Sultanova** has been cultivating both flowers and grapes for winemaking for many years now. In 2019 she received a loan for the equivalent of 8,000 euros from Hamkorbank with a repayment term of three years. In order to avoid possible debt overload, with all the associated negative social effects this might have, Hamkorbank carefully examined Umida's capacity to make the repayments prior to issuing the loan. The loan was of great importance for the further development of Umida's business. It allowed her to purchase the equipment required for a greenhouse and to hire additional staff.

1. Please refer to: Uzbekistan Overview ([worldbank.org](https://www.worldbank.org)). Last viewed on 22.03.2021.

## MFI Portrait

# MICROSERFIN PANAMA

In the years leading up to the coronavirus pandemic, Panama had one of the highest levels of economic growth worldwide. The average per-capita income (PCI) in 2019 was 14,950 US dollars, which meant that Panama was classified as a "country with an upper-middle level of income".



However, this average value hides the huge amount of inequality that prevails in Panama when it comes to access to economic resources. There is no target country of our managed microfinance funds with a higher level of income inequality.<sup>1</sup> The national poverty rate for 2019 remained at approx. 20 percent and more than half of all adult Panameños (54 percent) have no access to the services provided by traditional financial institutions.

Therefore, with regard to Panama, the following applies: making it possible for people to take up income-generating activities and mitigate the problems of their everyday lives through financial inclusion and by giving them access to loans is more important than ever. For this reason, the microfinance institution Microserfin: Soluciones de Microfinanzas S.A. was accepted into the IIV fund portfolio for the first time last year. This MFI with head office in Panama City has been issuing microcredit loans since as far back as 1987 and uses its own methodology to measure the poverty level of its customers in an exemplary and precise manner. In 2019, 85 percent of Microserfin's borrowers fell into the category "very poor", "poor" or "vulnerable".<sup>2</sup> The MFI also strives, in particular, to continually increase the percentage of women and people from rural areas in its customer base. Especially in rural areas, where primarily indigenous communities and people of African descent live, poverty is widespread.

A further plus point of the MFI in social terms: since 2019, Microserfin has also been offering its customers voluntary health insurance. Further insurance options are planned for in the future.



**Roberto Gómez Morán** has been involved in agriculture since his youth. It has been his dream for many years to set up a sustainable farm. In 2015, Microserfin gave him an initial loan of 500 US dollars to realise his dream. According to Roberto, this loan was the decisive building block that allowed him to start transforming a little farm into his current sustainable agrotourism business "La Prometida". Since then he has received five further loans from Microserfin, which he has used to make improvements to the quality of his products. At "La Prometida", Roberto cultivates orchids and keeps poultry, cattle and bees. In addition to this, he grows yuccas, maize, pigeon peas, bananas, annato bushes and coffee. Even outside of his business, Roberto campaigns for the more widespread use of sustainable practices. His farm provides full-time employment to his six brothers and, in the high season, also to his neighbours.

1. Please refer to the Gini coefficients for the individual countries on [page 18](#). 2. For the precise classification and categorisation of borrowers by the "Fundación BBVA Microfinanzas", to which Microserfin belongs, see page 140 [of the Impact Report BBVA Microfinanzas](#).

## Impact Measurement

**OUR SOCIAL REACH****34** countries

Through its managed funds, Invest in Visions had investments in 34 countries at the end of 2020, e.g. India, Ecuador and Uzbekistan. The investments were channelled into countries where the annual per-capita income amounts to an average of 4,350 US dollars, which is significantly lower than that of the OECD countries

 see diagram [page 17](#)

**659,360** end borrowers reached

With our loans, we were able to provide support to well over a half a million micro- and small business men and women and their families by the end of last year.<sup>1</sup> Supposing an average household size of four persons, this means that more than 2.5 million persons were able to benefit from this support. This number has increased in comparison to the previous year (592,442). This is partly due to the fact that we have refinanced more microfinance institutions that grant relatively small loans to their end borrowers. These microfinance institutions are based in India, Indonesia and Pakistan, for example, and in some cases have an average loan amount of just 160 US dollars. The number of end borrowers increased due to the small sums involved.

**294** million euros of new loans granted in the course of 2020

In the year 2020, we granted new loans with a total value of 294 million euros to microfinance institutions in emerging and developing countries. This represents a reduction of 3.54 percent in comparison to the previous year (305 million euros). On account of the travel restrictions, it was more difficult for us to add new microfinance institutions to the portfolio. After having carried out fewer transactions between April and May 2020, we then intensified our collaboration with those long-standing partner MFIs who were already in our portfolio.

**1,105** USD average loan amount per borrower

The aim of microcredit is to support people living on a low income. However, there are few microfinance institutions with the capacity to measure the level of poverty of their customers in a precise way. As a substitute indicator for the extent of social reach, we use the average loan amount per end borrower. It is commonly assumed that the lower this value, the poorer the respective end borrowers.

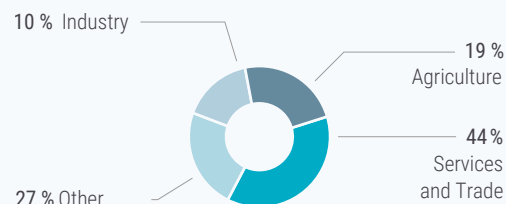
1. The microfinance institutions report to us the number of active borrowers in their overall loan portfolio. The number of micro- and small entrepreneurs who are financed through the funds managed by Invest in Visions is calculated as the percentage that these funds contribute to the loan portfolio of the respective MFI via their investment.



## Impact Measurement

# AN OVERVIEW OF OUR CUSTOMERS

## Operations Supported



With our loans, we primarily support the income-generating business operations of micro and small entrepreneurs. Similar to 2019, the largest part of the portfolio accounted for "Services and Trade", which was well ahead of agricultural activities and industrial production. The two latter categories slightly increased in comparison to the previous year. In the context of "financial inclusion", the category "Other" can mean various things: necessary expenses for repairs to housing, medical care, school fees for children, or social commitments such as weddings and funerals.

## Gender of end borrowers



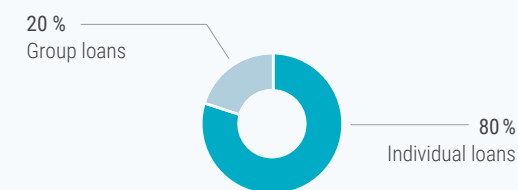
In many of the countries in which we invest, women are being disadvantaged in legal, social and financial terms. When the financial position of women is strengthened, it automatically helps them to improve their social status too. We therefore aspire to offer particular support to women. This is reflected in the figures on the gender of our end customers, which we have calculated as a weighted figure for the entire IIV portfolio.

## Distribution: urban/rural



In the rural regions of the countries in which Invest in Visions had invested by means of managed funds at the end of 2020, poverty is in most cases rooted in societal structures. Many people therefore move into the towns and cities to find work and earn a living. Yet their position there is scarcely any better. We aim to help people in both situations – in the rural areas and in the towns and cities. The IIV portfolio is therefore relatively well-balanced in terms of the location of the borrowers, with a slight tendency in favour of borrowers living in rural areas. In comparison to the previous year, the percentage of borrowers who live in rural areas increased slightly (in 2019 the figure was 51 percent).<sup>1</sup>

## Type of loans granted



In the early days of the microfinance movement, group loans – where the various members of the group acted as guarantors for one another – were the norm. With the further spread of microcredit in the urban environment, where people live more anonymously than they do in rural areas, this has changed. Moreover, group loans mean a greater amount of administrative effort for the MFIs. Even though we continue to include MFIs in our portfolio who predominantly issue group loans (in India, in particular, this percentage is very high), the IIV portfolio reflects the general trend in microfinance towards individual loans. Despite this, the percentage of these loans has increased slightly from the previous year (in 2019 they made up 18 percent of loans)<sup>2</sup>

1. This figure is based partially on projections as data on the location of the borrowers was not available for all MFIs. 2. This figure is based partially on projections.

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