

INVEST
IN 
VISIONS

IMPACT
REPORT
2022



INVEST IN VISIONS 2022 AT A GLANCE



EUR 1.05 billion
managed assets



9
currencies



invested in
33
countries



EUR 316.4 million
new loans acquired

INVEST IN VISIONS



620,738
sub-borrowers



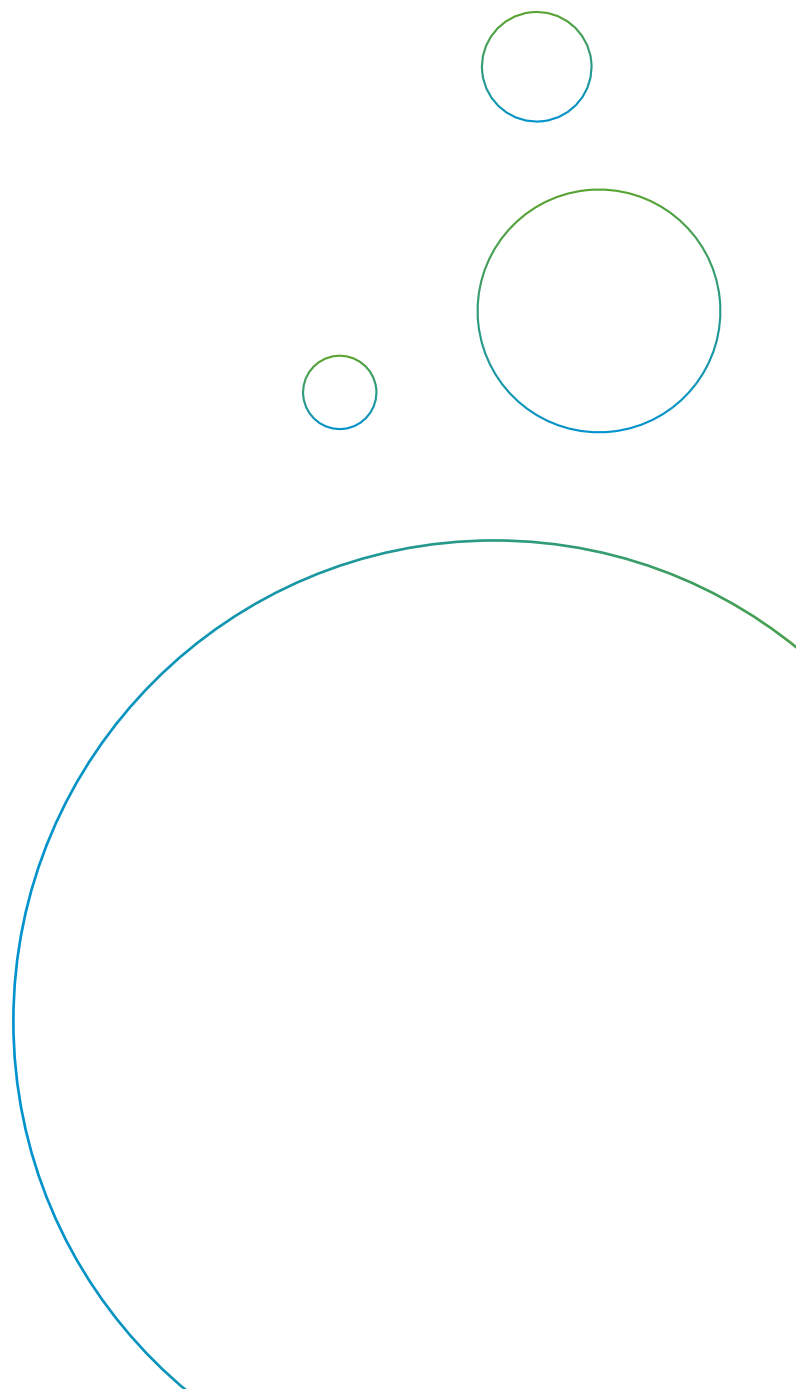
80 %
of the sub-borrowers
reached are women



99
refinanced
financial institutions

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FOREWORD

Dear Reader,

Climate change and rising global poverty are the two greatest challenges currently facing humanity. While the limit of 1.5 degrees of global warming compared to the pre-industrial era as agreed in Paris is likely to be exceeded very soon¹, poverty in the world has risen again for the first time since the 1990s in the wake of the Corona pandemic. In 2020 alone, the incomes of 70 million people worldwide fell below the extreme poverty line of USD 2.15 per day. More than three billion people currently have to live on less than USD 6.85 per day – the average of the national poverty lines of upper-middle income countries.²

Those most affected are people in developing and emerging countries. Socially sustainable investments that create development and resilience through income gains and economic growth in the Global South are therefore more important today than ever. This includes the granting of micro loans, which enables low-income people to improve their economic lives by starting or expanding a business, or to obtain loans for necessary expenses – loans that traditional banks often deny them due to a lack of collateral.

Research shows: Micro lending has positive impacts on business profits and household incomes, as well as important macroeconomic effects. For example, recent studies show that micro loans can increase a household's income by 20 to 40 percent. However, microcredit also benefits those who are not themselves sub-borrowers. For example, when lending stopped in India in 2010, rural wages generally fell by 5 to 9 percent. The two researchers who studied this case concluded: „Despite the low loan amount, microfinance can have significant impacts on rural economies.“ Read more about this on pages 32-33.



In addition, as every year, this Impact Report provides you with information on our key financial metrics, our sustainability performance as a company, the performance of the portfolios we manage, and their social reach and impact. The assets we manage have continued to grow over the past year thanks to the support of investors, surpassing the EUR 1 billion mark in the second quarter of 2022. At the same time, we invested over 316 million euros in unsecuritized loan receivables in 2022 and reached more than 620,000 sub-borrowers by the end of 2022. We hope to continue maintaining the broad social reach of our investments expressed in these figures this year. To this end, we expanded once again our team over the past year.

The focus of this Impact Report is on the social impact of the investments we make as part of our portfolio management activities.



Sincerely,

Edda Schröder

Managing Director and Founder
of Invest in Visions GmbH

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INVEST IN VISIONS GMBH

KEY FINANCIAL FIGURES AS OF 31/12/2022

Extract balance sheet (in EUR)

	2022	2021
Balance sheet total	5,525,707.88	4,019,647.97

Extract from the income statement (in EUR)

	2022	2021
Net turnover	7,169,808.69	6,138,282.81

General administrative expenses	3,527,015.17	3,141,588.78
Personnel expenses	2,470,856.92	2,073,940.70
Other administrative expenses	1,056,158.25	1,067,648.08

EBIT¹	3,589,797.63	2,956,250.06
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Taxes on income and earnings	1,148,441.17	944,979.92
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Net profit for the year	2,440,921.46	2,010,835.14
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Cost Income Ratio

70.4%

Return on Income

20.8%

EBIT - Margin

30.6%

AuM per employee

EUR 39.2 million

Number of employees

27

Assets under Management (AuM)

2022 EUR 1.05 billion
2021 EUR 959.45 million

+9.97%

EBIT

2022 EUR 3.59 million
2021 EUR 2.95 million

+17.83%

¹ EBIT („Earnings before interest and taxes“) is a key figure that indicates the corporate profit that arises from ordinary business activities.

INVEST IN VISIONS GMBH

THE TEAM

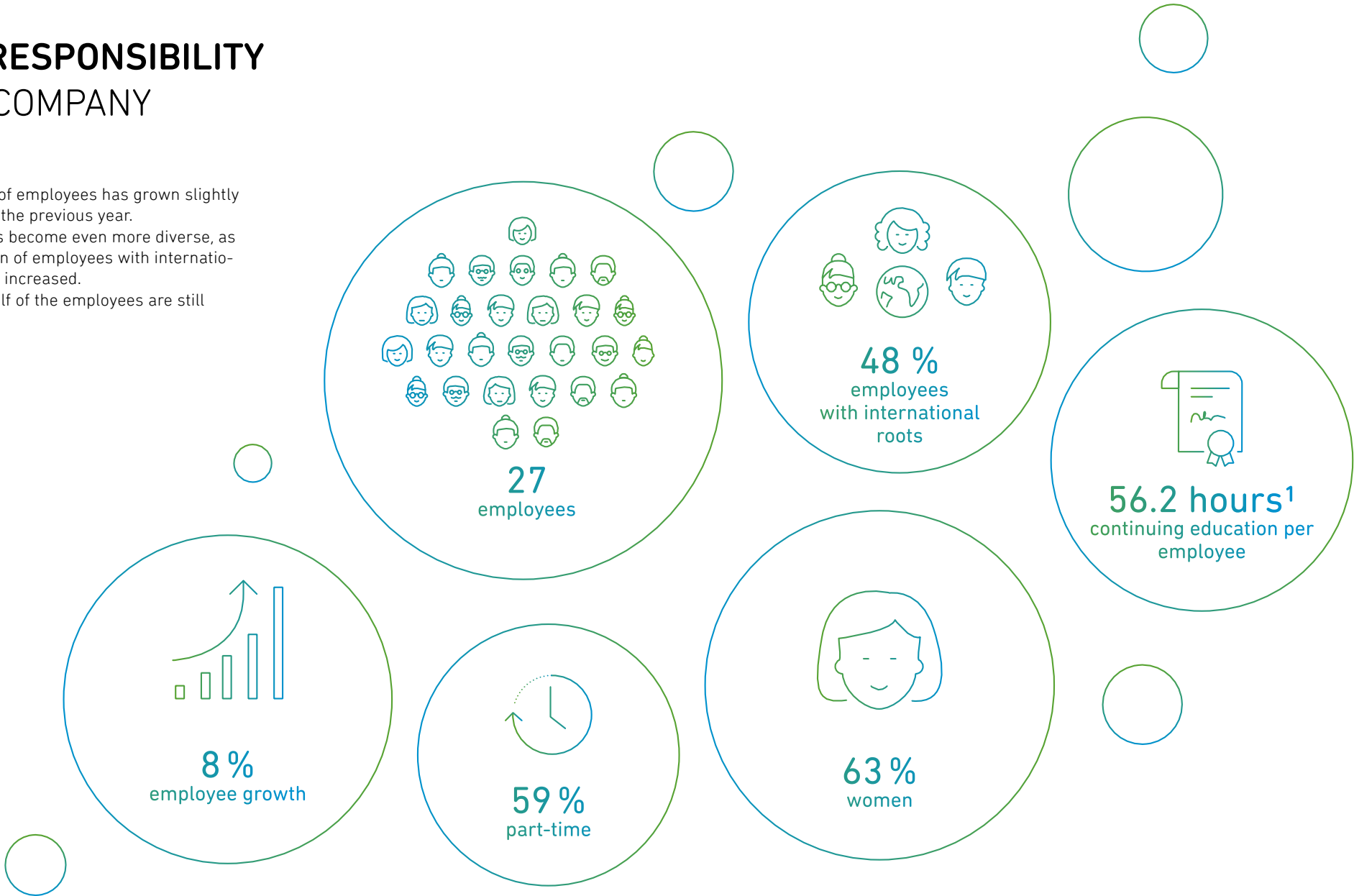


The Invest in Visions team is convinced that financial products should not only generate an attractive return, but also have a sustainable positive impact on people and the environment. That is why it specialises in impact-oriented investments and builds bridges between investors and promising projects on a daily basis. With enthusiasm and passion, we seek out investment ideas that have the potential to create a livable and future-oriented world. Our employees are the most important asset in realising this vision. Therefore, the team is made up of motivated people who want to realise their full potential in a sustainability-oriented environment.

The picture was taken during our company offsite in Eltville in September 2022.

OUR RESPONSIBILITY AS A COMPANY

The number of employees has grown slightly compared to the previous year.
The team has become even more diverse, as the proportion of employees with international roots has increased.
More than half of the employees are still female.



1 This includes individual and combined training for our staff. The average amount of work per employee is calculated.

OUR RESPONSIBILITY

SUSTAINABILITY PERFORMANCE

Our sustainability performance was largely influenced by the gradual end of the Corona measures and the extensive return to normal business operations. For example, travel has increased sharply, which was the main contributor to the rise in CO₂ emissions. Overall, our CO₂ emissions increased by about 27 tonnes compared to the previous year. At the same time, the heating energy consumed decreased by 30 per cent.

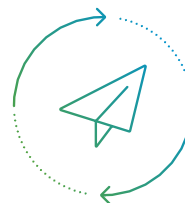
We continue to offset CO₂ emissions caused by travel as well as all emissions caused by trains, public transport and cars on the way to work.

commute to work¹



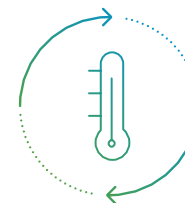
39 % Bicycle/walking
48 % Train / public transport¹

paper usage



≈ 22,561 sheets
100 % recycled paper

heating energy



11,427.33 kWh
Natural gas, 100 % offset²

power consumption



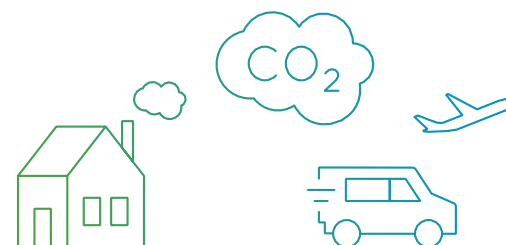
8,138 kWh
100 % green electricity
(Polarstern)

travel kilometres



171,028.87 km
100 % compensated²

CO₂ emissions



36.81 t CO₂ 100 % compensated²
of which: 12 % commute / 6 % energy and water /
82 % travel

sustainable partnerships



long-term cooperation
with sustainable partners

¹ All emissions caused by trains, public transport and cars are compensated accordingly.

² We compensate our emissions based on the actual environmental impact according to the cost rates of the German Federal Environment Agency (Methodological Convention 3.1 for the Determination of Environmental Costs as of 12/2020). We offset our emissions by donating to atmosfair, <https://www.atmosfair.de/en>

PARTNERSHIPS & MEMBERSHIPS

RELIABLE COOPERATION AT EYE LEVEL

PARTNERSHIPS

In order to provide our financial services in the best possible way, we rely on long-term partnerships. Through trustful cooperation at eye level, we want to achieve the best results for investors, business partners and, above all, for the sub-borrowers.

HANSAINVEST

DKM Partner für
Kirche + Caritas
Einfach gut für Ihre Werte.

SIGNED STANDARDS

Invest in Visions signed the UN Principles for Responsible Investing in 2017. Since then, we report annually on their implementation. In early 2021, Invest in Visions signed the Operating Principles for Impact Management. Recently, we published a second statement on the implementation of these standards in our business processes. Our first statement was verified by Bluemark.¹ We have also signed the European Transparency Code: With the European Transparency Logo for Sustainability Funds, Invest in Visions as a financial portfolio manager commits to providing accurate, adequate and timely information that enables interested parties to understand the sustainable investment approaches and methods of the respective fund.²



Operating Principles for
Impact Management

Signatory of:

PRI Principles for
Responsible
Investment

MEMBERSHIPS

We maintain strong partnerships through our memberships in associations and initiatives. This ensures, among other things, that we stay up to date on legal and business organisation issues. In addition, through them we can represent our interests, especially in the area of sustainable financial products. By providing our own information and through an ongoing exchange within the network, all partners benefit equally.

Allianz für
Entwicklung
und Klima



BAI
Diversifikation zählt.

Bundesinitiative
**IMPACT
INVESTING**

CRIC
VEREIN ZUR FÖRDERUNG VON ETHIK UND
NACHHALTIGKEIT BEI DER BELANLAG

**FONDS
FRAUEN**
EMPOWERING
WOMEN IN FINANCE

FNG
FORUM NACHHALTIGE GELDLAGEN

Ö21 ökofinanz-21 e.V.
Netzwerk für nachhaltige
Vermögensberatung®

PAIF
Data
Smart
2023

¹ Further information: <https://www.investinvisions.com/de/impact/opim.html>

² Detailed information on the European Transparency Code can be found at www.eurosif.org. Information about the sustainable investment policy and its implementation of Invest in Visions GmbH can be found here. The Transparency Code is managed by Eurosif, an independent organisation. The European SRI Transparency Logo represents the fund manager's commitment as described above. It is not to be understood as an endorsement of any particular company, organisation or individual.

PREVIEW: WHITE PAPER ON DIVERSIFICATION EFFECTS OF MICROFINANCE FUNDS

The detachment (or uncorrelatedness) of microfinance funds from other asset classes and their portfolio-optimising diversification effect have been emphasised by the providers of these products for years. However, there is little scientific evidence for this thesis so far. In a final thesis in business administration at the Cologne University of Applied Sciences (Technische Hochschule Köln), Leon Ceurstemont dealt with the diversification effects of microfinance funds. The results will soon be published in a white paper. Read more about this.

Nearly twenty years after the rise of the microfinance sector, the asset class is no longer only popular with impact investors. More and more investors are following the trend of wanting to create a positive benefit with their private investment decisions. In addition, the sector was considered to be detached from other markets in its early years, which made the asset class particularly suitable for diversifying traditional portfolios.¹

However, it is questionable whether these previously diagnosed characteristics are still valid. After all, markets have changed considerably over the past two decades and the microfinance sector has also evolved.

An empirical study has now shown that the diversification potential is still there and microfinance funds can improve the overall performance of a portfolio of traditional investments. It is true that the expected return decreased with an increasing admixture of impact products, but to a lesser extent than the risk taken. In other words: By adding microfinance funds to their portfolio of traditional investments, investors can achieve significantly higher returns with the same fluctuation risk.



Leon Ceurstemont

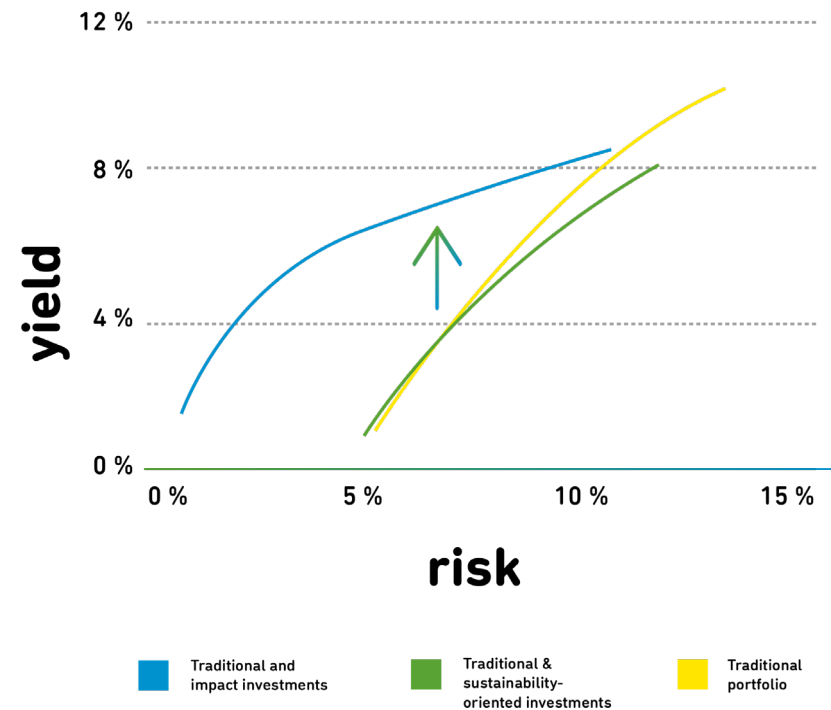
earned his bachelor's degree with the analysis of the diversification potential of microfinance funds at the TH Köln. The thesis was supervised by Prof. Dr. Britta Hachenberg.

¹ Karel Janda / Barbora Svárovská, Investing into Microfinance, in: Journal of Business Economics and Management 11, Nr. 3 (September 2010): 483–510.

These findings are highly relevant for investors who want to achieve social returns with their money in addition to personal financial benefits and who are guided by Markowitz's portfolio theory². Microfinance as an asset class still has the potential to diversify the portfolio and improve the risk-return ratio. Classic sustainability-oriented investments such as the SRI variants of the MSCI World or the MSCI Emerging Markets as well as the Green Bond Index, which are oriented towards ESG or SDG criteria, correlate significantly more strongly with the traditional markets and consequently could not show such an improvement in overall performance in the studies. These findings confirm the early research on the microfinance sector and show that microfinance funds are an attractive investment over a long-term investment horizon, especially for risk-averse investors.

As the figure shows, this is especially true for return fluctuations of 5 to 11 percent. Risk-averse investors can significantly reduce fluctuations by investing more in microfinance funds. Risk-affine investors, on the other hand, are better advised from a purely financial perspective to hold fewer shares in microfinance funds.

PORTFOLIO DIVERSIFICATION WITH MICROFINANCE FUNDS



² <https://studyflix.de/wirtschaft/portfolio-selection-theory-i-444>

SELECTED EVENTS IN 2022



At the **15th annual conference on "Sustainable Investments"** of the Frankfurt School of Finance in September, we contributed to the current debate on the danger of green-washing and the different impact potentials of different asset classes in the field of impact investing with a presentation entitled "Impact Investing - an investment strategy for the financial mainstream?"



A section of our portfolio management team took advantage of the **24th annual conference of the Microfinance Center (MFC)**, which took place in Istanbul in June under the motto "Microfinance Investing Through Uncertainty", to network with other actors in the sector, exchanging perspectives on gender and green finance as well as on challenges such as the financial inclusion of refugees and migrants.



At the beginning of November, the **Fair Finance Week** once again brought together representatives from society, politics, academia and the financial sector to provide impulses for sustainability. On five evenings, experts debated the motto "People will do anything for money - even good!" A lecture by Michael Dittrich, Deputy Secretary General at the German Federal Environment Foundation (Deutsche Bundesstiftung Umwelt), and a subsequent panel discussion with Wiebke Merbeth, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Bettina Bißwanger, financial expert at the Verbraucherzentrale Baden-Württemberg and Julia Dubsclaff, urgewald e.V., addressed, among other issues, whether the sustainable offers from the mainstream are more marketing strategy than they are effective. **You can find the recording here on YouTube (in German).**



In November, we attended the **Annual Congress of the Latin American banking association FELABAN** in Guatemala City to meet with key business partners from the microfinance sector and representatives of multilateral institutions such as the International Finance Cooperation (IFC). The delegation consisted of our CIO Dr. Carlos de las Salas Vega and our contract and portfolio risk manager Dr. Fernando Ortega, as well as our external representatives from the region, Maria Vaz Lorenzo and Enrique Blanco.

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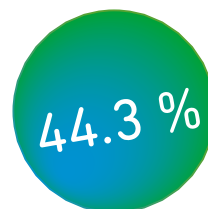
MICROFINANCE LOANS AND MORE

„Financial services are a cornerstone of development“, stated by the authors of the new edition of the Global Findex database where they describe the current state of financial inclusion in the world.¹

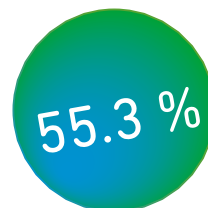
In our view, micro lending is the central element here. Loans used for consumption can also be used to cover important budget expenditures for which temporary bottlenecks have arisen. Both also ensure economic growth and rising wages at the macroeconomic level ([see analyses on page 32](#)).

In addition, there are other services, both financial and non-financial, that accompany lending and can further enhance the success of microfinance, understood in a broader sense as „financial inclusion.“

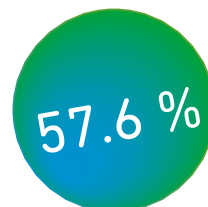
Therefore, we seek to support in particular those financial institutions that offer such services. At the end of 2022, this applied to around 50 percent of all microfinance institutions (MFIs) we refinanced, across different categories.



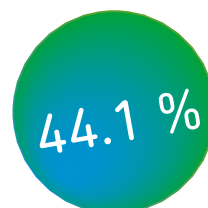
Share of MFIs in the portfolios we manage,
that offer savings products.



Share of MFIs in the portfolios we manage,
that offer insurance products.



Share of MFIs in the portfolios we manage,
that offer other financial services.



Share of MFIs in the portfolios we manage,
offering non-financial services.

¹ Asli Demirgüç-Kunt et al. (2022), The Global Findex Database 2021. Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19, Washington D.C.: World Bank, S. 9.

By relying on savings products in the form of current, savings or term deposit accounts, low-income people are „better able to avoid slipping into poverty because they can more easily rely on savings or obtain financial resources from friends or family when they face financial hardship, such as a loss of income or crop failure”.² This also applies to insurance products such as person’s life insurance for the remaining term of the loans or the actual lifetime, and household insurance. In the agricultural sector, insurance against crop failure or the death of farm animals is particularly important. The category „other financial services” includes the issuing of debit and credit cards as well as payment transaction services. „Non-financial services” include, among others, adult education, health services, financial and agricultural training programmes and special measures for the advancement of women.

The presence of such „non-financial services” particularly underlines the social mission of the respective institutions. A good example is the Bolivian bank Banco FIE, which, among other things, has launched a successful „financial education” programme. In 2022 alone, the bank trained 281,466 people, promoting digital inclusion in particular and helping its customers acquire the skills to use alternative means such as mobile banking, internet banking and ATMs. In total, over 90 per cent of its clients were trained in the use of digital platforms.

Another important aspect of the financial literacy programme is the economic empowerment of women. A total of 146,363 women have been trained. In addition, Banco FIE has held several web conferences specifically for women to promote female entrepreneurship and women’s success in the labour market. For its special achievements in the field of women’s empowerment – which include targeting the MFI’s financial products at women – Banco FIE received the European Microfinance Award 2022 on the category „Financial Inclusion that works for women”.

Banco FIE is just one example of the many institutions with which we work as financial portfolio managers that contribute in many ways to the financial inclusion of low-income people and thus to securing the livelihoods of their clients and their families beyond the mere granting of loans. The refinancing of such MFIs will remain an important part of our work in the future.



2 Asli Demirgüç-Kunt et al. (2022), The Global Findex Database 2021. Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19, Washington D.C.: World Bank, S. 9.

PORTFOLIO DEVELOPMENT

SUSTAINABLE GROWTH

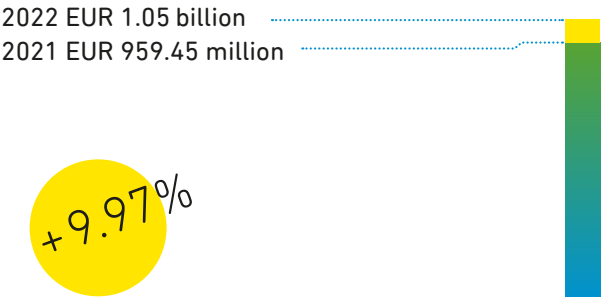
Assets under Management and Investment Ratio Investment Level

In 2022, the assets under management of the funds we manage increased to a total of EUR 1.05 billion. This corresponds to an increase of almost 10 percent compared to the previous year. The weighted average investment ratio at the end of 2022 was 81.5 percent, almost exactly the same as in the previous year (82.2 percent).

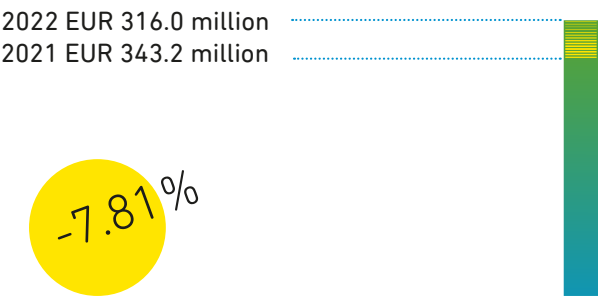
With investments in over 33 countries, the portfolios of the funds we manage continue to be broadly diversified geographically. We made new investments in Azerbaijan for the first time since the currency crisis there in 2015. In total, over EUR 316 million were invested in loan receivables in 2022. The decrease compared to the previous year (EUR 343 million) is mainly due to the appreciation of the USD against the EUR in the period from December 2021 to September 2022. This led to an increase in the investment ratio and limited liquidity for new investments. After this changed in November 2022, the investment activity intensified again. In December 2022 alone, our portfolio management team carried out eleven transactions worth EUR 60 million.



Assets under Management (AuM)



Newly acquired loans



Impact of the Ukraine war on Eastern Europe and Central Asia

After the Russian invasion of Ukraine and the associated uncertainty for the neighbouring countries, we initially completely stopped acquiring loans for the funds we manage in Eastern Europe and Central Asia due to the geographical proximity to the war and the economic ties with Russia. After we were able to convince ourselves of the strength of the national economies in Uzbekistan and Kyrgyzstan in the middle of the year, not least through a personal visit (see p. 21), the acquisition of loans for this region was resumed.

Loans in local currency

The acquisition of loans in local currencies creates additional impact, as in this case the microfinance institutions do not have to bear the exchange rate risk. Currencies in the emerging markets are very susceptible to fluctuation or devaluation and expose the microfinance institutions to a correspondingly high risk. We are therefore working intensively to increasingly expand the acquisition of loans in local currencies. In 2022, for example, we acquired loans in Chinese yuan (CNH) and Peruvian pesos (PEN) for the first time.

In order to be able to purchase even more loans in local currencies in the future, the capital management company HANSAINVEST signed an ISDA¹ agreement with The Currency Exchange Fund N.V., TCX for short, on the hedging of various currencies in December 2022. TCX is a public limited company with its registered office in Amsterdam. The company was founded in 2007 by various development institutions and microfinance vehicles on the initiative of the Dutch development institution FMO. Investors include the governments of Germany, the United Kingdom, the Netherlands and Switzerland. They provide risk capital to facilitate access to currency hedging for other investors such as national and multi-national development institutions or microfinance funds.

TCX offers hedging products for more than 70 currencies in regions such as sub-Saharan Africa whose currencies cannot be hedged by commercial banks or other providers. Hedging through TCX will help us increase our social impact and give the funds we manage access to countries that were previously inaccessible due to currency risks.



¹ International Swaps and Derivatives Association (www.isda.org)

Hedging costs and interest rate development

Currency hedging costs had an important influence on the performance of the funds we manage. We also reported on the backgrounds in our blog. The hedging costs of the US dollar rose by more than one per cent in 2022 compared to the previous year and averaged around two per cent for the portfolios we manage. In the second half of the year, somewhat belatedly compared to other financial markets, we saw a rising trend in lending rates, which is still continuing.

Cambodia

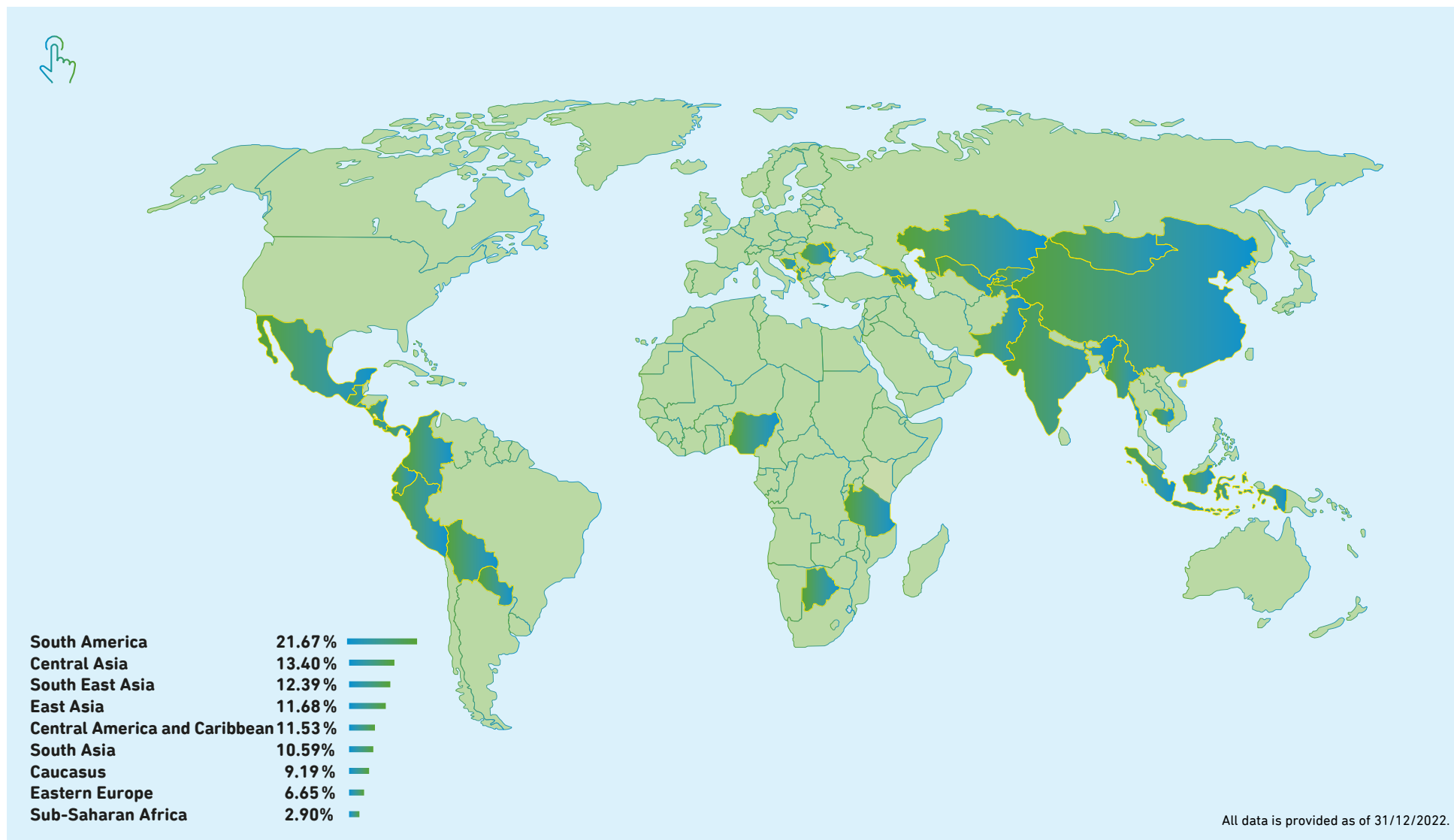
In 2022 the developments in the Cambodian microfinance market kept us intensely occupied. An independent study, published in May 2022 by the Institute for Development and Peace (INEF) at the University of Duisburg, showed on the one hand that the vast majority of sub-borrowers in Cambodia rate the loans positively and that they are treated respectfully by the microfinance institutions and their staff.

On the other hand, the study also confirmed the high average over-indebtedness of Cambodian households, which non-governmental organisations critically point out. We were and are engaged in intensive exchange with our partner institutions as well as with civil society and have decided not to make any further investments in Cambodian MFIs in 2023 for the time being, but to use the year for an in-depth analysis of the microfinance market in the country. In addition, for the future we decided to invest only in Cambodian MFIs that do not require land titles as collateral for loans below USD 2,500 and that prohibit aggressive door-to-door marketing by their staff. Both decisions implement recommendations made in the INEF study.



GLOBAL IMPACT

REGIONAL DISTRIBUTION OF INVESTMENTS



GLOBAL IMPACT

REGIONAL DISTRIBUTION OF INVESTMENTS

	Share in the funds we manage without cash and cash equivalents		Income category	Number of MFI	Financial Inclusion ¹	Population in million ²	Per capita Income ³	Gini- Coefficient ⁴
Ecuador	11.52 %		↗ upper-middle	9	64 %	17.8	5,960	47.3
India	9.88 %		↘ lower-middle	7	78 %	1,410.0	2,150	35.7
Cambodia	8.26 %		↘ lower-middle	4	33 %	16.6	1,580	–
Uzbekistan	7.92 %		↘ lower-middle	3	44 %	34.9	1,960	35.3
PR China	7.19 %		↗ upper-middle	4	89 %	1,410.0	11,880	38.2
Georgia	5.70 %		↗ upper-middle	5	71 %	3.7	4,700	34.5
El Salvador	5.01 %		↘ lower-middle	4	36 %	6.3	4,260	38.8
Mongolia	4.49 %		↘ lower-middle	3	98 %	3.3	3,730	32.7
Indonesia	3.66 %		↘ lower-middle	3	52 %	273.8	4,180	37.9
Mexico	3.53 %		↗ upper-middle	1	37 %	126.7	9,590	45.4
Peru	3.53 %		↗ upper-middle	2	58 %	33.7	6,460	43.8
Paraguay	2.95 %		↗ upper-middle	4	54 %	6.7	5,740	43.5
Armenia	2.64 %		↗ upper-middle	5	55 %	2.8	4,850	25.2
Bolivia	2.33 %		↘ lower-middle	5	69 %	12.1	3,290	43.6
Botswana	2.27 %		↗ upper-middle	1	51 %	2.6	6,430	53.3
Bosnia Herzegovina	2.18 %		↗ upper-middle	2	79 %	3.3	6,810	33
Kazakhstan	1.88 %		↗ upper-middle	2	81 %	19.0	8,880	27.8
Tajikistan	1.84 %		↘ lower-middle	6	39 %	9.8	1,150	34
Kyrgyzstan	1.77 %		↘ lower-middle	5	45 %	6.7	1,180	29
Albania	1.71 %		↗ upper-middle	2	44 %	2.8	6,110	30.8
Moldova	1.48 %		↗ upper-middle	2	64 %	2.6	5,370	26
Nicaragua	1.35 %		↘ lower-middle	4	26 %	6.9	1,950	46.2
Colombia	1.34 %		↗ upper-middle	1	60 %	51.5	6,190	54.2
Kosovo	1.05 %		↘ upper-middle	2	58 %	1.8	5,130	29
Panama	0.87 %		↑ high income	2	45 %	4.4	13,920	49.8
Azerbaijan	0.85 %		↘ upper-middle	1	29 %	10.1	4,900	26.6
Pakistan	0.71 %		↘ lower-middle	1	21 %	231.4	1,470	29.6
Costa Rica	0.55 %		↗ upper-middle	2	68 %	5.2	12,310	49.3
Myanmar	0.47 %		↘ lower-middle	3	48 %	53.8	1,170	30.7
Tanzania	0.41 %		↘ lower-middle	1	52 %	63.6	1,100	40.5
Romania	0.24 %		↑ high income	1	69 %	19.1	14,160	34.8
Nigeria	0.22 %		↘ lower-middle	1	45 %	213.4	2,080	35.1
Guatemala	0.22 %		↗ upper-middle	1	44 %	17.1	4,940	48.3

1 The data refer to the proportion of residents who have an account. The data is taken from: Asli Demirgüç-Kunt et al. The Global Findex Database 2021: Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19, Washington D.C.: International Bank for Reconstruction and Development / Worldbank 2022: <https://www.worldbank.org/en/publication/globalfindex/Data>

2 2021. Source: World Bank Open Data: <https://data.worldbank.org/indicator/SP.POPTOTL>

3 2021. Source: World Bank Open Data: <https://data.worldbank.org/indicator/NY.GNP.PCAP.CD>

4 The Gini coefficient shows how equally or unequally wealth and income are distributed in a region or country. A value of 0 indicates maximum equal distribution; a value of 100 indicates maximum unequal distribution. Based on the latest available data. Source: World Bank Open Data: <https://data.worldbank.org/indicator/SI.POV.GINI>

WORLD REGION IN FOCUS CENTRAL ASIA

Central Asia has occupied an important place in the portfolios we manage for several years now. In terms of regional distribution, the region ranked second behind South America and even ahead of Southeast Asia at the end of last year. Uzbekistan had the strongest weight with just under 8 percent. With its 35 million inhabitants, Uzbekistan is also by far the most populous country in the region. Kazakhstan, Kyrgyzstan and Tajikistan each had a portfolio share of around 1.9 percent. We worked with a total of 16 microfinance institutions (MFIs) from Central Asia in 2022.



In the first few months after the Russian invasion of Ukraine, we initially assessed the country risk for these countries as increased due to their geographical proximity to the war and their close economic ties with Russia, and did not make any further investments in the region. In order to get our own picture of the situation, several team members travelled to the region at the end of May 2022 and spoke with the management of MFIs and sub-borrowers. They were able to see for themselves the resilience of the MFIs and the local economy, which has solid economic growth and a stable currency. Due to the relocation of Russian companies, the region even benefited economically from the conflict.

Against this background, new loan receivables vis-à-vis Central Asian MFIs were acquired again in the second half of the year, as demand for refinancing on the part of MFIs was also high. With regards to Central Asia, it is mainly larger banks with microfinance portfolios that we refer to as MFIs. Although there are also classic MFIs, they charge very high interest rates due to low competition and at the same time massive demand in the area of micro loans, and therefore do not come into question for us. The loans for which we acquired the receivables are mainly used for agricultural purposes.

Uzbekistan, Kyrgyzstan and Tajikistan are categorised by the World Bank as „lower middle income“ countries. The average per capita income in these countries in 2021 was less than 2,000 US dollars per year. The three countries are thus in the lower half of this group, for which an average income of 1,086 US dollars to 4,255 US dollars is assumed.



Edda Schröder (Managing Director) and **Sergej Leon Shkolnikov** (Senior Portfolio Manager) visiting a borrower near the Kyrgyz capital Bishkek. The family has taken out a loan to buy to buy farmland next to their house. On it they plant strawberries and other fruits and vegetables, which they sell to wholesalers and at the bazaar. To pick the strawberries, the family also employs day labourers. The land provides the family with a livelihood for the whole year.

Poverty is widespread

In Uzbekistan, around 17 percent of the population live below the national poverty line, in Kyrgyzstan it is 25 percent and in Tajikistan over 26 percent.

Kazakhstan is the wealthiest country in Central Asia due to its rich oil, gas and uranium deposits. With an annual per capita income of 8,880 US dollars, it is one of the „upper middle-income“ countries. But as in all oil-producing countries, inequality is pronounced. The World Bank estimates that as a result of the Corona pandemic, the poverty rate rose to 12–14 per cent¹ and about 1.5 million Kazakh people fell below the poverty line (out of a population of 19 million). While social assistance is available to poor people in Kazakhstan, few qualify as recipients and payments are extremely low.² The national poverty line in Kazakhstan is set at US\$55 per month or US\$1.80 per day. The amount of social assistance is calculated from the difference between household income and this poverty line. In 2021, the average social assistance paid out was 14 US dollars per month.

This is in stark contrast to the enormous wealth of Kazakh oligarchs who profit from the corrupt political system. According to research by the Wall Street Journal, 162 rich Kazakhs own 55 per cent of the national wealth.³ In January 2022, popular frustration erupted in street protests that were brutally repressed by the government. According to Kazakh authorities, 225 people were killed and many more injured.⁴

In Kazakhstan, last year the managed funds refinanced the „Microfinance Organisation KMF LLC“, or KMF for short, among others. With 1,641 employees (including 713 loan officers) and over 250,000 active sub-borrowers, KMF is the largest microfinance institution in Kazakhstan. The average loan amount granted by KMF is USD 1,712 which is only 19 percent of the average per capita income.

With our commitment in Kazakhstan and other developing and emerging countries, we want to help create livelihood security for low-income people and reduce existing inequalities. This should also reduce social tensions.



Sergey Moon

lives in the village of Zhanaturmys in Kazakhstan and has been growing vegetables for over 25 years. He says it is a difficult but honourable endeavour. He gave up his job as an aircraft technician to grow tomatoes. His farm now covers 150 hectares of land, where onions and maize are now grown in addition to tomatoes. More than 100 people are employed as seasonal workers, whom Sergey hires in the neighbouring villages. Sergey's farm sells vegetables in almost all regions of Kazakhstan and also exports to Russia, Kyrgyzstan and other neighbouring countries.

Sergey has been a KMF client for several years. In 2019, he bought a drip irrigation system with a loan. Part of the money also went towards spring field work. The loan was taken out for three years, with a grace period of eleven months. In the winter of the same year and with the assistance of KMF, Sergey paid suppliers and replenished his working capital. In February 2020, Sergey was able to use another loan to finance the expansion of irrigation facilities and the purchase of fertilisers, fuel and lubricants.

According to Sergey, the purchase of a drip irrigation system with the help of the microloan has taken his business to a new level: „It's a huge saving of resources. Especially time. With the furrow method, it takes us nine hours to irrigate ten hectares. With drip irrigation, it takes three hours. We also save water because we use three times less. Moreover, it allows us to influence the quality of the product. Because we can apply any fertiliser directly to the root. And of course, all this helps save labour costs and survive even the driest years,“ Sergey says.

¹ Kazakhstan's Economy to Recover Modestly in 2021, But COVID-19-induced Poverty on the Rise, Says World Bank

² Kazakhstan: Families Struggle to Enjoy Basic Rights | Human Rights Watch (hrw.org)

³ Kazakhstan's Elite Got Richer on Natural Resources. Then Came the Unrest. - WSJ

⁴ Kazakhstan authorities raise death toll from unrest to 225 | Kazakhstan | The Guardian

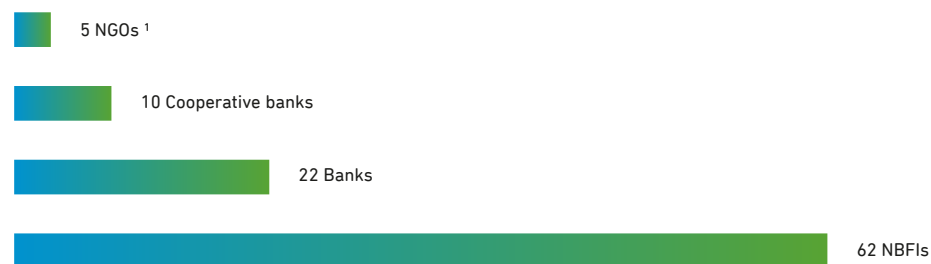
OUR PARTNER INSTITUTIONS TOGETHER FOR DEVELOPMENT

99 Refinanced microfinance institutions

Compared to the previous year, the number of refinanced microfinance institutions (MFIs) remained relatively constant last year. At the end of 2022, we supported 99 microfinance institutions in 33 countries through the funds we manage.

Our portfolio continues to include the full range of MFIs - non-banking financial institutions (NBFIs), banks with microfinance portfolios, cooperative banks and non-governmental organisations (NGOs). Together, they serve a wide range of client segments, from micro-entrepreneurs to small and medium-sized enterprises. Many of them also offer other financial products such as savings accounts, current accounts and insurance.

MFIs by category (number)



1 A non-governmental organisation (NGO) is an interest group that has come into being through civil society, is not legitimised by a public mandate and could be partly financed by the state.

4 Advisors

We are currently supported in the selection of suitable microfinance institutions by two external staff members and four consultancies: Agents for Impact GmbH, High Impact Capital Advisors Ltd, Incofin Investment Management NV and Verdant Capital Ltd.



Sustainability-related disclosure

In the course of the regulatory requirements under the EU Disclosure Regulation (SFDR) that have been in effect since 2021, we have adapted our sustainability-related disclosure on our website. We will update this regularly in order to comply with our regulatory obligations.



OUR PARTNER INSTITUTIONS ANALYSIS BY ALINUS

We use the ALINUS due diligence tool to select the MFIs we refinance.¹ It is actively used by more than 40 investment funds, networks and development finance institutions world-wide. ALINUS is part of a series of different tools developed by the French non-profit organization CERISE.² They are all based on the so-called „Universal Standards for Social and Environmental Performance Management“ adopted by the Social Performance Task Force (SPTF) in 2012.³

The Universal Standards are designed to help financial services providers put customers and the environment at the center of all strategic and operational decisions and align their policies and procedures with responsible business practices. Together, CERISE and SPTF are working to further develop the Universal Standards and related tools to measure social and environmental performance management. For example, a green dimension was added to the Universal Standards 2022, which considers environmental issues in the context of financial and social sustainability.

ALINUS consists of two parts, an „Organization Information Page“, which contains key performance indicators of the MFI to be analyzed. The second part comprises a questionnaire of 68 indicators that are used to assess the social and environmental performance of the MFI. Here, the individual dimensions of the Universal Standards are reviewed.



¹ The name ALINUS is derived from ALigning Investors due diligence and monitoring to the Universal Standards. Factsheet on ALINUS: <https://en.spi-online.org/files/ressources/SPI%20Online%20audit%20tools/factsheet-2-ALINUS.pdf>

² For the other tools, see here: <https://en.spi-online.org/tools> ³ For the Universal Standards, see: <https://cerise-sptf.org/universal-standards>

OUR PARTNER INSTITUTIONS ANALYSIS BY ALINUS

The first dimension examines whether the institution has a strategy for achieving its social goals and collects corresponding data to be able to measure its goals.

The second dimension is whether the supervisory body (e.g. a board of directors) and the management support the implementation and monitor the achievement of the objectives. Furthermore, it plays a role whether the recruitment and evaluation of employees is based on social as well as financial performance criteria.

The third dimension assesses whether the institution understands the needs and requirements of different types of clients and whether products, services and distribution channels are designed to benefit clients in accordance with social objectives.

The fourth dimension assesses whether borrowers are treated responsibly, in particular whether principles such as avoidance of over-indebtedness, transparency, fair treatment, data protection and grievance mechanisms are in place.

The fifth dimension deals with the treatment of employees, i.e. written human resources policies to protect employees, training on work tasks and monitoring of employee satisfaction.

The sixth dimension examines the extent to which the institution sets and monitors growth rates that promote both institutional sustainability and social goals. In addition, this dimension includes whether an appropriate financial structure is implemented and whether remuneration is in line with social goals.

The seventh dimension analyses whether the institution has an environmental strategy, manages environmental risks and opportunities and offers products in the field.

The result of ALINUS flows into our investment decisions. In doing so, we also take into account the score in the respective dimensions. From an overall score of 55 percent, an MFI can be included in our investment universe. If we look at the average weighted ALINUS score for the portfolios we manage, this is 72 percent.⁴

In January 2023, a new version of ALINUS was rolled out, which also includes a module to collect adverse impacts such as greenhouse gas emissions and will facilitate the publication of the so-called Principal Adverse Impact Indicators (PAI) from the SFDR. As mentioned in the last Impact Report, Invest in Visions as an impact investor has actively chosen to collect and publish PAIs at all levels. This approach poses a great challenge to all involved parties worldwide, as only few data of this kind have been collected so far.

Average
weighted
ALINUS Score
for the
portfolios we
manage

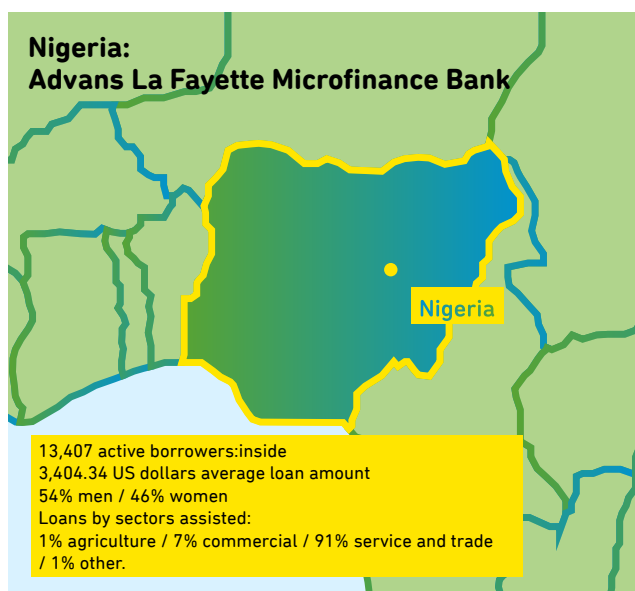


⁴ We have used ALINUS for all our investment decisions since the SFDR came into force. For investment decisions prior to 10.03.2021, the tools and scores of the respective advisors were used in part. These have also been included in this calculation.

MFI PORTRAIT

ADVANS LA FAYETTE MICROFINANCE BANK NIGERIA

Nigeria is by far the most populous country in Africa. In the last 30 years, the population has doubled to over 210 million. At the end of 2021, 43 percent of the population was under 14 years old. Nigeria has the continent's greatest ethnic diversity, with about 400 ethnic groups, and is its largest oil and gas producer. Two-thirds of its revenue come from this sector. Although Nigeria has made some socio-economic progress in recent years, the country remains relatively low on the United Nations Human Development Index (163rd out of 191). The Human Development Index measures human development in three dimensions: Health, Education and Standard of Living.¹



In February 2023, Bola Tinubu was elected as the new president, who will take office in May. The country has faced numerous violent conflicts and deep political, socio-economic and cultural divisions for years. The north-east of the country in particular suffers from the Islamist terrorist organisation Boko Haram, which is also active in the neighbouring countries of Chad, Niger and Cameroon. In 2022, according to the United Nations High Commissioner for Refugees (UNHCR), more than 3 million people were displaced within the country.

Advans La Fayette Microfinance Bank has been offering micro loans since 2013. We have been working with this financial institution since 2021. Advans operates in the southwest of the country. In this region, the security situation has historically been more stable and less risky. At the end of 2022, Advans had more than 13,000 borrowers. In total, the bank has more than 30,000 clients, who are also offered savings and insurance products, for example. The sub-borrowers - almost half of them women - are almost exclusively active in trade and commerce. The average loan amount is around USD 3,400. Together with Advans, we conducted a survey to collect further indicators to measure the social outreach. This showed, for example, 26 per cent of clients were under 35 years old, and 53 per cent of sub-borrowers had received a loan from Advans for the first time (as of the end of 2022).



Salami Funmilayo from Ikeja, Lagos State

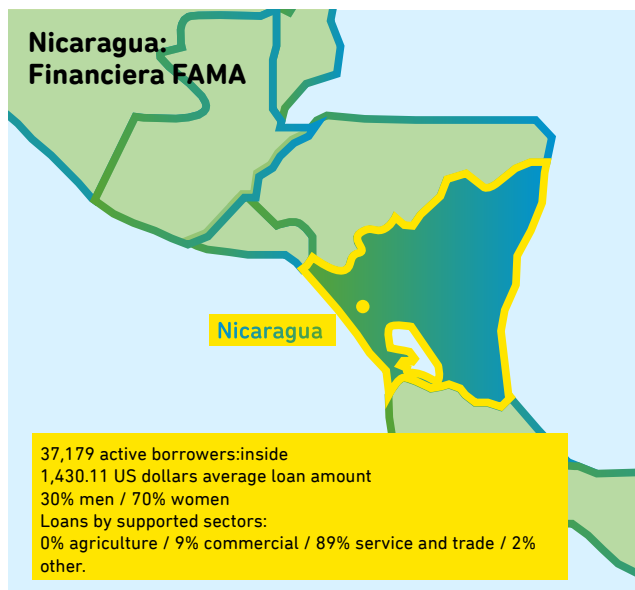
„Advans is a very reliable business partner for women entrepreneurs like me, especially with its easily accessible loans. I was able to get a loan at a critical time for my business when I needed to make a bulk purchase of stock. This bulk purchase helped me increase my profit margin significantly. Thank you Advans!“

¹ more information: <https://hdr.undp.org/data-center/human-development-index>

MFI PORTRAIT

FINANCIERA FAMA NICARAGUA

Nicaragua is the largest country in Central America, with 6.5 million inhabitants and an area of almost 130,000 km. In the early 1990s, an economic upswing began that lasted until 2017. Since 2018, the World Bank has reported a decline in economic growth. One trigger is the political situation. In 2018, President Ortega implemented a social security reform. The controversial reform included a drastic cut in pensions. The population reacted with protests and demonstrations, which were violently ended by the security forces. Since then, Nicaragua has been in a political crisis.



Ortega won the presidential elections again last year. He governs the country together with his wife (Rosario Murillo) in the office of vice president. The majority of the international community does not recognise the election results. In April 2022, Nicaragua left the Organisation of American States because the election was also criticised here.

The population is suffering from the economic and political tensions in the country. As of the end of 2020, the Deutsche Gesellschaft für Internationale Zusammenarbeit (German Society for International Cooperation) estimated that 43 percent of the population lives in poverty. This makes the work of the microfinance institution Financiera FAMA, which provides access to financial services for low-income inhabitants of the country, all the more important. FAMA grants loans starting at the equivalent of 50 US dollars – the average loan size granted by Financiera FAMA was 1,430 US dollars at the end of 2022. This value has fluctuated only slightly in recent years. This testifies to a stable client base and a robust social mission of the microfinance institution, which was originally a non-governmental organisation (NGO). Incidentally, more than half of the institute's staff are women.



Fatima aus Nicaragua

The client Fatima took out her first loan of USD 400 in 2020. She runs a general shop and was able to pre-finance her purchase with the help of the first loan. Since then, she has already taken out her third loan. In addition to working capital financing, the additional liquidity also helps her to finance larger private expenses, such as school supplies for her children. Financiera FAMA emphasises that Fatima has always met her interest and redemption payments on time so far.

MFI PORTRAIT

FAMA NICARAGUA

With 83 percent, FAMA received an above-average ALINUS score in our analysis. Especially in the area of customer protection and responsible pricing (see right column „Customer protection“), the scores are excellent, as the following summary shows.

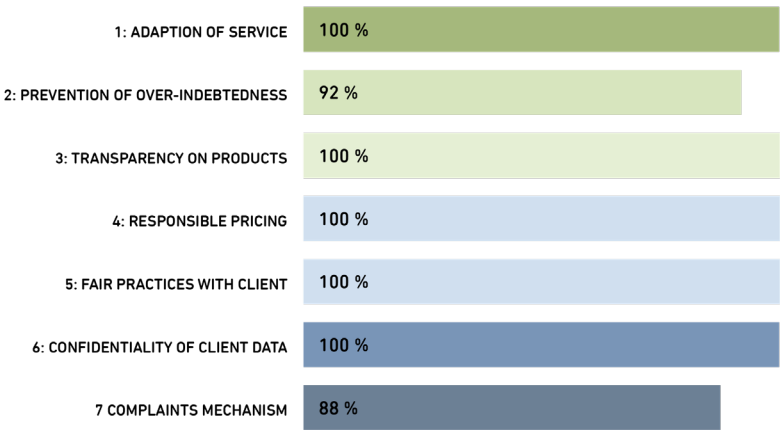
Social and Enviromental Audit

Overall score current period: 83 %



Client Protection

Overall score current period: 97 %



THE IMPACT OF MICRO LOANS ON BUSINESS PROFITS AND HOUSEHOLD INCOME

AN INTERVIEW WITH NATHAN FIALA

Impact investing thrives on the fact that the impact achieved can be proven. Randomised Controlled Trials (RCTs) are considered the „gold standard“ of impact measurement. Six studies published in 2015, among others, by Abhijit Banerjee and Esther Duflo in the American Economic Journal: Applied Economics attracted a lot of attention. Studies that were sceptical about the effect of micro loans on business profits and household income.¹ One critic of these studies is Nathan Fiala, Associate Professor at the Department of Agricultural & Resource Economics at the University of Connecticut as well as Research Fellow at RWI - Leibniz Institute for Economic Research in Essen and Honorary Senior Lecturer at Makerere University (Uganda).² We spoke with Prof. Fiala, who himself conducts randomised controlled trials on the effect of micro loans, about his method, the studies mentioned and the results of his own research.

Prof. Fiala, the impact of micro-finance is a much discussed topic. How can we measure the impact of microcredit on business profits and household income in the first place?

Measurement of these outcomes is pretty straightforward in economic science. We generally rely on asking people about their income through structured surveys. Whether people answer honestly is a question of how much trust they have in the survey team.

However, identifying a causal change in income is harder. Before and after surveys are not enough to identify whether a loan led to a change in someone's life. A counterfactual, or a control group, is needed to determine what would have happened to someone absent the loan. There are several methods to accomplish this, the most reliable being a randomized controlled trial (RCT).



Prof. Nathan Fiala

Associate Professor at the Department of Agricultural & Resource Economics at the University of Connecticut, Research Fellow at the RWI - Leibniz Institute for Economic Research in Essen and Honorary Senior Lecturer at Makerere University (Uganda).

¹ Abhijit V. Banerjee, Six Randomized Evaluations of Microcredit: Introduction and Further Steps, in: American Economic Journal: Applied Economics 7 (2015).

² See the article: Dahal, Mahesh / Fiala, Nathan: What do we know about the impact of microfinance? The Problems of Statistical Significance and Precision, in: World Development 128 (2020).

What are the advantages and disadvantages of randomised controlled trials?

RCTs offer an unbiased causal identification of the impact of a program. But this is only true when they are done well. There are a lot of ways to make mistakes in RCTs, and even some famous researchers make those mistakes, and make them often. No methodology, if done poorly, will be able to speak to the impact of a program. RCTs also suffer from other issues, such as when researchers study programs that are not actually being implemented in the real world.

You conduct randomised controlled control studies yourself. Can you tell us something about your current projects?

I am working with 3 MFIs in Uganda, Paraguay and Myanmar. These programs were chosen based on the fact that their models are very commonly used across the world. Uganda is an agricultural loan to farmers before the growing season. Paraguay is a business productivity loan to women. In Myanmar, it is a business productivity loan to households.

These studies were designed to avoid the many problems past research on microfinance has faced. They have high take-up rates (between 60 to 85 percent), use large sample sizes (2,000 to 3,500 participants) in areas where microfinance is missing. These studies thus have much higher statistical power than previous literature.

What impact from micro loans have you determined? Are they comparable with the results of other studies?

In Uganda, similar to two other studies on agricultural finance, we find no impact from the loans on production or income. The loans were small and from qualitative interviews we know that people spent the money on more than just their farms, which again is consistent with previous research. There is now strong evidence that small agricultural loans do not have an impact on farmers' production or income.

Likewise, the results in Paraguay and Myanmar are similar to what other studies have found, though those studies do not report these results. The six studies published in AEJ Applied actually find important impacts from the loans, but the authors dismiss these effects because they are not statistically significant. This is a major mistake by these researchers and has led to important misunderstandings of the impact of microfinance. These papers find impacts that range from 20 - 40 percent on household income, though again they are not statistically significant. We also find similar effects in Paraguay and Myanmar on income that are statistically significant because our research design is specifically designed to maximize statistical power. We find that income and food security increase in Paraguay by about 25 percent, and income increases in Myanmar by about 30 percent.

Prof. Fiala, thank you for the interview!



WHAT IS THE MACROECONOMIC IMPACT OF MICRO LOANS?

ANALYSES USING THE EXAMPLE OF INDIA

Micro loans have the potential to increase household income and food security by an average of 20–40 percent. In addition, microfinance also has macroeconomic effects, which is covered in several studies that are now available. Two of them are presented below. Both refer to India, where a traditional microfinance model prevails in which mainly women receive small loans in organised groups. With a share of almost 10 percent of the loan portfolio, India is one of the most important target countries of the portfolios we manage.

Big impact despite small loan size: How the microfinance crisis in Andhra Pradesh has affected wages and consumption

The first study looks at the consequences of the microfinance crisis in the Indian state of Andhra Pradesh. There, in October 2010, the local government stopped microcredit lending through an emergency ordinance.¹ The result was a wave of insolvencies, as microfinance institutions were unable to reclaim outstanding loans and no longer received liquidity from large lenders. It was not until 2013 that business returned to normal. Although the regulation only applied to Andhra Pradesh, the liquidity shock also had negative effects on MFIs in other states. The aggregate

gross loan portfolio of Indian MFIs shrank by more than one billion US dollars in the year following the enactment of the ordinance.

Emily Breza (Harvard University) and Cynthia Kinnan (Tufts University) used the available data on this crisis to analyse the macroeconomic impact of microcredit. They found that the cessation of lending led to a 5 to 9 per cent drop in rural wages. „As people had less money to spend, consumption, investment and entrepreneurship declined,” the two researchers write. These effects affected all households, not just those of microfinance clients. The impact was particularly dramatic for the poor, whose income depends heavily on casual labour. Breza and Kinnan conclude: „Despite the low loan amounts, microfinance can have a significant impact on rural economies”.

“Despite the low loan amounts, microfinance can have significant impact on rural economies”

Emily Breza,
Harvard University,
and Cynthia Kinnan,
Tufts University

¹ Emily Breza / Cynthia Kinnan (2018), Measuring the Equilibrium Impacts of Credit: Evidence from the Indian Microfinance Crisis; https://www.nber.org/system/files/working_papers/w24329/w24329.pdf. The reasons for the enactment of the regulation are controversial. Some see it as a reaction to exploitative lending practices. Others argue that MFIs had become a target of certain politicians because they were providing unwelcome competition to government-sponsored self-help groups. See *ibid*.

Contribution to gross value added in an input-output analysis of the NCAER.

Model-based evaluations have since confirmed Breza and Kinnan's empirical analysis. In order to determine the contribution of the Indian microfinance sector, the Association of Indian Microfinance Institutions commissioned the National Council of Applied Economic Research (NCAER), India's oldest independent economic think tank, to conduct a study.² For its analysis, NCAER used an input-output model that can map interdependencies between the different sectors of the economy. According to the NCAER study, the microfinance sector (including bank-supported self-help groups) contributed 2.03 percent to gross value added (GVA)³ in India in 2018 - 2019 and created or supported around 12,800,000 jobs. This share is substantial considering that the financial sector as a whole contributes about 5.5 percent to GVA in India.

Our conclusion from both studies: micro loans have clearly positive effects on the overall economic development of countries. They contribute to job creation, economic growth and thus also to reducing inequalities.⁴ This makes them an important instrument for achieving the Sustainable Development Goals.

² National Council of Applied Economic Research (2021), Present and Potential Contribution of Microfinance to India's Economy; <https://www.ncaer.org/wp-content/uploads/2021/03/1646639170NCAER-Report-Microfinance-March-2021.pdf>

³ The term gross value added refers to the added value of goods produced. It is the difference between the goods produced and the value of the inputs purchased.

⁴ See also Kamel Ben Hadj Miled / Moheddine Mounsi / Monia Landolsi, Does microfinance programme innovation reduce income inequality? Cross-country and panel data analysis, in: Journal of Innovation and Entrepreneurship 11 (2022); <https://innovation-entrepreneurship.springeropen.com/articles/10.1186/s13731-022-00195-7>

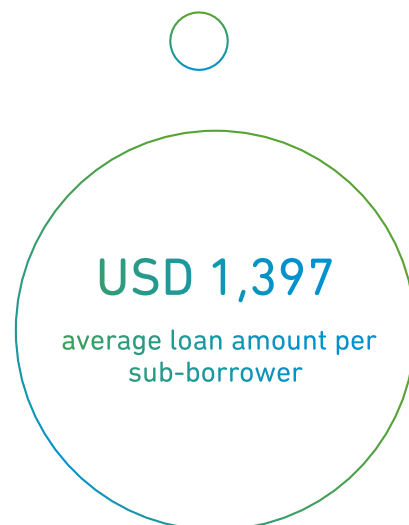


IMPACT MEASUREMENT SOCIAL REACH



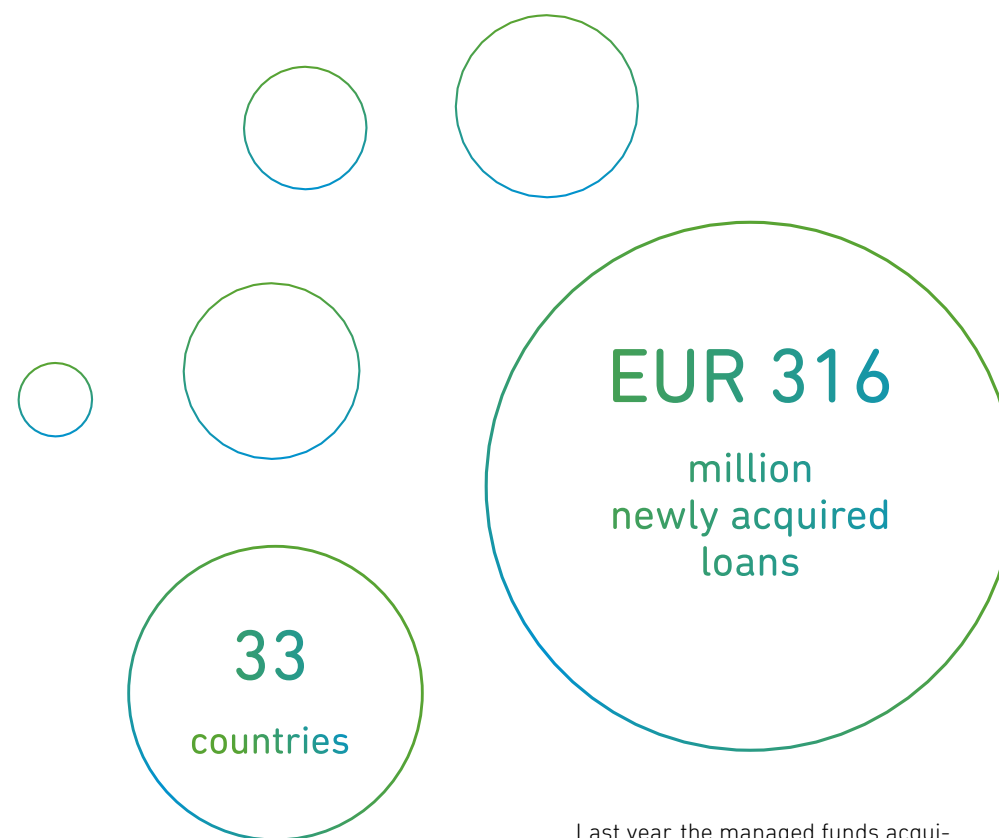
Compared to the previous year, the number of final borrowers reached in 2022 has decreased slightly (2021: 690,933). This is mainly due to the temporary decline in our loan volume in the last quarter in India, Ecuador and Uzbekistan, where the microfinance business is very small-scale. Therefore, the average outstanding loan amount also increased.

The number of sub-borrowers we reach is determined by the share that the funds we manage contribute to the gross loan portfolio of the respective microfinance institution via the loans extended. For example, if the loan issued to an MFI is one percent of the MFI's gross loan portfolio, the funds will also co-finance one percent of the sub-borrowers.



The average outstanding loan amount is an important indicator for assessing the depth of the social reach of microfinance investments: The lower the loan amount, the lower the income of the sub-borrowers is likely to be. For the funds we manage, it has temporarily increased slightly compared to the previous year for the reasons explained above (2021: USD 1,130).

The average outstanding loan amount is calculated by dividing the size of the MFI's gross loan portfolio by the number of sub-borrowers inside the MFI. This value is then weighted according to the share of the respective MFI in the portfolios we manage.



At the end of 2022, the managed funds were invested in a total of 33 countries. As in the previous year, Ecuador and India accounted for the largest share of the portfolio, followed by Cambodia and Uzbekistan. By contrast, Belarus and Kenya are no longer included in the portfolios.

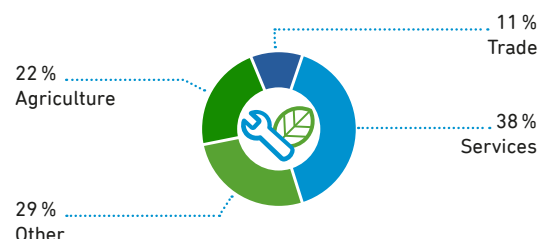
[see chart on page 20](#)

Last year, the managed funds acquired slightly fewer loans against microfinance institutions in developing and emerging countries than in the previous year. The decrease compared with 2021 (343 million euros) was 7.8 percent.

[see page 17](#)

IMPACT MEASUREMENT

THE CUSTOMERS AT A GLANCE



Supported activities

The portfolio shares allocated to the various activity sectors have remained relatively stable compared with the previous year. However, the share of the service sector has decreased by two percent compared to 2021, while the share of „other“ has increased by two percent. In this category, sub-borrowers are provided with money for necessary social expenses and other areas such as housing or education. In this way, the borrowers intend to improve their living situation.



Share women / men

In the last Impact Report, we reported for the first time on the absolute share of women in the portfolio. There are two different ways of calculating the share of each gender among borrowers. Either one takes the head count (absolute share) or the share of funds benefiting women and men respectively (portfolio share). In the absolute figure, the women funded are clearly in the majority at 80 percent. This continues to be in line with our goal to promote the position of women (SDG 5: Gender Equality). The portfolio share, on the other hand, is very balanced (50/50 percent).

The difference is due to the fact that in India, for example, many small loans are made to women, while in countries in Eastern Europe, larger loans are often made to men. Since we have reported mainly on the portfolio share in recent years, we now focus on the headcount. In principle, we consider both metrics to be equally important.



Type of lending

In the early stages of the microfinance movement, microloans were mostly granted as group loans. The idea behind this was that the social pressure of the group ensured that the loans would be repaid by the individual members without requiring further collateral. Although group loans dominate and make sense in some contexts, most microloans today are made to individuals. Many people do not want to be liable for others. Another reason is the penetration of microfinance into urban and peri-urban areas, where social cohesion is generally not as strong as in rural areas. Scientific studies now suggest that the probability of repayment is not fundamentally higher for group loans than for individual loans.

IMPACT MEASUREMENT

THE CUSTOMERS AT A GLANCE



Division urban / rural

The distribution of the loans across urban and rural areas has shifted slightly in favor of rural borrowers compared with previous years (2021: 45 percent). In the rural regions of the countries, in which the investment funds were invested at the end of 2022, poverty is usually structurally anchored. Therefore many people move to the cities to find work and a livelihood. There, however, their situation is often little better. We want to support people in both places - in the countryside and in the cities.



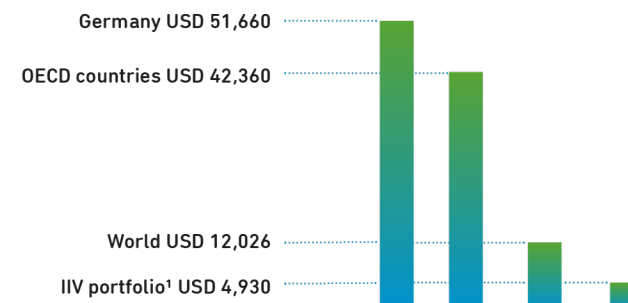
Proportion of female employees in the refinanced MFIs

In this Impact Report, we report for the first time on another indicator that we receive quarterly from MFIs, the proportion of their female employees. By refinancing MFIs in which women make up a balanced share of the workforce, we also promote their income generation.

Like the other indicators, this indicator is calculated by weighting: The data is weighted according to the share of each MFI in the funds we manage, so that the weight of each loan in our overall portfolio is correctly reflected. For further explanations on the calculation of the social indicators, please refer to this [blog entry](#).



Annual per capita income in comparison

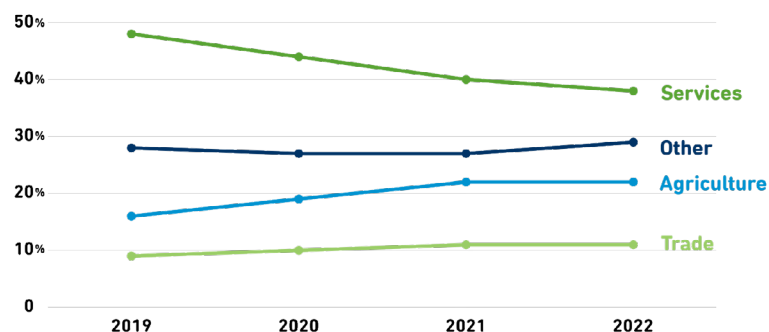


1 The funds we manage

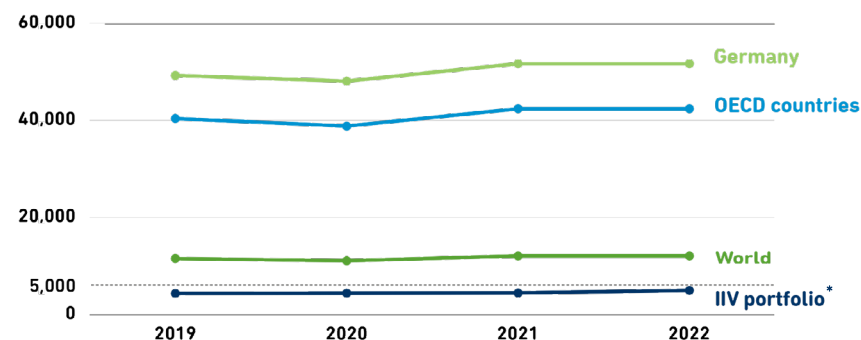
Figures on this page are partly based on extrapolations, as not all microfinance institutions provide data on these categories. In addition, these are values calculated for a specific point in time, which is why the ratios are generally subject to fluctuations.

SOCIAL INDICATORS IN THE HISTORICAL COURSE

Supported activities



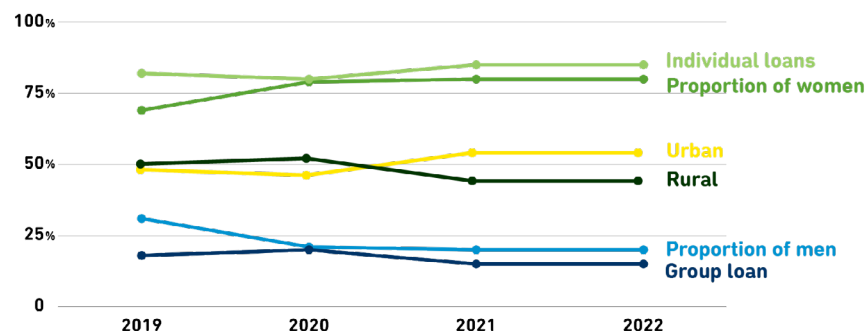
Per capita income in comparison (US dollars)



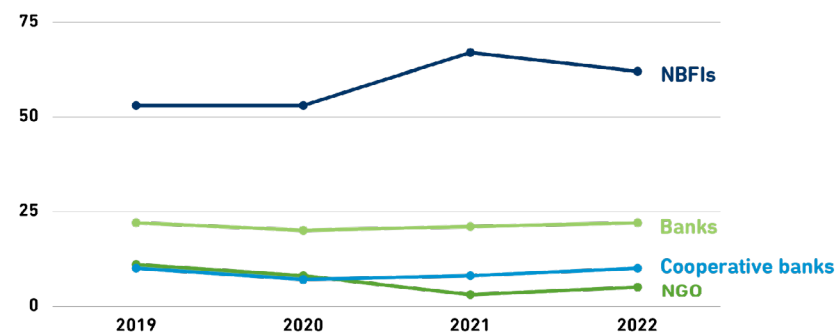
*Managed funds of Invest in Visions

Source: GNI per capita, Atlas method (current US\$) | Data (worldbank.org). Data for 2022 were not yet available at the time of publication.

Proportion women / men and urban / rural, and type of lending



MFI category



INVEST IN VISIONS

Invest in Visions GmbH is a pioneer in impact investments and microfinance. Founded in 2006 by Edda Schröder, we currently manage around EUR 1 billion in mutual and special funds (as of 31.03.2023).

Our focus is exclusively on developing and emerging markets. Through the managed funds, we provide institutional and private investors access to investments that offer not only a financial but also a social return and have a positive impact on society and the environment.

**Invest in Visions GmbH
Freiherr-vom-Stein-Straße 24–26
60323 Frankfurt am Main**



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