BlueOrchard
Microfinance Investment Managers

Sustainable Investment in developing countries: The case of Microfinance

BlueOrchard Finance

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Definition

- Providing banking services to the unbanked.

Purpose

- Alleviate poverty

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Our approach

- Help the sector achieve sustainability – the only way to guarantee it long term.
- Influence and stability.

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Our Role

- Bring funding from the capital markets to the microfinance world.
- Until now dominated by NGO, philanthropics and public sector funding.
- We lend to Institutions who lend to final borrowers.

Markets Sizes

According to CGAP:

$ 4 billion in 2006: - 2 bio public

- 2 bio private and foundations

For 2007 probably around $6-7 bio.

$ 500 mio potential borrowers. Perhaps 10% of these reached so far so potential is great.

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- We are a private, for profit regulated institution based in Geneva.
- Our assets under management are close to $ 700 mio, up from $ 60 mio, two year and a half ago.
- We have a series of short-term lending products, the most notable being the Dexia Fund.
- And long-term lending in the form of securitised loans to very large institutions.
- We are present with 140 client institutions in 35 countries – going to 50 in the next two years.
- Since inception, we have made 450 loans with no defaults.
- 30% in local currency and growing.
- New products to complete our offer are sub-debt and equity.
- We are also opening a series of regional offices, with Lima Peru already open.

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KEYS TO VALIDITY PARTICIPATING IN THIS SECTOR

- Innovation
  – First to raise capital from private investors from normal capital markets
  –First to do large number of loans in local currency
  –First to do securitisation
  –First Standard and Poors rating for CDO
- Great analysis
  –Due Diligence – Large & small
  –Ratings
  –Business Plans
- Insistence on good management, governance and social impact

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TRENDS

- Growth of 30-50% per year – will continue.
- Emergence of a true asset class – 2010: easily $ 10 billion per year.
- Rate precisions due to too much money chasing too few institutions.
- Mainstream ratings.
- Issuance of local bonds.

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WHY BANKS SHOULD BE INTERESTED

- Another asset class
- Low volatility → Great geographic diversification
- Low correlation → Great geographic diversification
- Absence of default so far
- Good financial and loan performance within MFIs