2013 MILESTONES

- **116** Low-income Finance Institutions (LIFIS) financed by MicroVest through direct investments or indirect investments in holding companies, funds, or other facilities
- **59** Countries in the LIFI portfolio through direct or indirect investments or regional facilities
- **$209M** Total outstanding MicroVest financing to LIFIS
- **4.9M** Clients served by institutions in the MicroVest portfolio
- **$538M** Total financing provided by MicroVest since 2004, invested in:
  - **175** LIFIS across **62** countries

**ASSETS UNDER MANAGEMENT (in millions)**

- **$9M** in 2004
- **$238M** in 2013

All data reported as of December 31, 2013, unless otherwise noted.
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LETTER FROM THE CHAIRMAN OF THE BOARD

When I look back over the last ten years at MicroVest, I see a steady refinement of the company’s approach to serving the undeveloped communities of the world. MicroVest has honed its expertise in investing in financial institutions that know their local underserved markets, and that strive to serve these markets in a responsible manner. The institutions may be located in any of the far flung corners of the developing markets, but the MicroVest team treats them each with a high level of professionalism, dignity, and respect.

At the same time, MicroVest has maintained its focus on balancing commercial business with its social mission. We do not believe in the stark separation of doing well and doing good. We firmly believe that key social impact indicators, such as adherence to the Client Protection Principles, are leading indicators of the long-term potential success of our portfolio clients. A clear focus on keeping employees and clients happy reinforces sustainability and repayments of loans. We see the direct impact on long-term returns from adherence to good governance and management’s focus on offering the aspiring middle class a fair deal. We believe that financial institutions operating under a government that implements regulation and transparency are best equipped to handle the challenges and successes of the world capital markets. The performance of MicroVest’s family of funds bears witness to our having held to these long term investment strategies.

Impact Investing 2.0, a two year research project conducted by InSight at Pacific Community Ventures, CASE at Duke University, and ImpactAssets, highlights 12 exceptional impact investing funds, of which MicroVest’s first fund, MicroVest I, LP, was chosen. Unsurprisingly, one of the top four common factors across all the study funds is that they intersect with all levels of governance. Each fund manager is considered a model of transparency and of financial and operational excellence. We have always believed in these cornerstones of impact investing, and were honored to see MicroVest publicly acknowledged for such.

The ongoing growth in assets and overall positive performance at MicroVest makes me excited for the next ten years. I look forward to sharing this journey in connecting impact and investing with you.

W. Bowman Cutter
Chairman of the Board
From the time of MicroVest’s founding in 2003, the Board of Directors’ goal has been to build a financially sound asset management company, one that demonstrates that having faith in the aspiring middle class and their enterprises through the extension of credit is great risk-adjusted business. Last year we began reaching key growth milestones, such as exceeding $200 million in assets under management. We continued to build upon that growth in 2013, reaching $238 million in assets by the end of the year. Our team manages a portfolio of 71 companies across 58 countries. There is not a month in the year without a team member in the field, working closely with the low-income financial institutions in their portfolio.

It is no surprise that as MicroVest has grown, so have the low-income financial institutions in our portfolio and the impact investing market. The US SIF Foundation reports that “sustainable” investing in the U.S. increased from $2.2 trillion in 2003 to $3.7 trillion in 2012. According to a survey by First Affirmative Financial Network, “impact investing” had a banner year in 2013, and was the aspect of responsible investing that was expected to grow the fastest in 2013. Indeed, many investment advisors we have spoken with this past year were driven by demand from their clients for information on impact investment opportunities.

While this increased attention by investors is promising, it is far from meeting the demand for funding by micro, small, and medium enterprise (MSMEs). The IFC estimated the 2013 total unmet demand for credit by formal and informal MSMEs to be $2.1 to $2.6 trillion. MSMEs play a vital role in the economic development of their communities. Small and medium enterprises often employ the largest number of people in low-income countries, and also have the highest employment growth rates. There are over 200 million enterprises in the formal and informal markets that are constrained by a lack of access to finance. One way MicroVest seeks to address this challenge is by supporting companies that provide factoring services to MSMEs. Please see pages 6-7 of this report for more information on this financing technique.

We expect 2014 to continue to build upon this momentum in the market. We have partnered with Calvert Foundation to manage its $50 million international investment portfolio in the microfinance sector, and we are working on developing a new open-ended fund for global financial institutions committed to sustainable banking principles. More and more institutional investors are understanding the value proposition of our market and investment management discipline and appreciate the role these assets can play in a client asset allocation strategy.

Gil Crawford
Chief Executive Officer

1. “Closing the Credit Gap for Formal and Informal Micro, Small, and Medium Enterprises”, IFC, August 2013
MicroVest is an investment adviser dedicated to applying a commercial framework to investing in unbanked and under-served markets. Capital provided by MicroVest funds is typically used by low-income financial institutions for extending productive loans to micro, small, and medium businesses and households.

Access to financial services is vital to the livelihood of any economy. We believe a market-based framework is best for providing entrepreneurs in emerging markets with well-priced, safe financial products and services and helping to build self-sustaining capital markets without forsaking risk-adjusted returns to investors.

The MicroVest funds have a wide range of qualified investors. Investors include, but are not limited to, high net worth individuals, family offices, foundations, investment banks, pension funds and international development organizations. We also work with registered investment advisors or wealth managers that represent accredited clients interested in our family of funds.
The effectiveness of MicroVest’s due diligence begins with its team. Our team is comprised of financial analysts with a deep understanding of cultural nuances of the markets where we invest. Team members are organized by world regions, which provides consistent service to each portfolio company across our funds.

MicroVest’s due diligence program is anchored around the “Three C’s”: Country, Character and Credit. Investment policies and procedures are designed to apply commercial best practices to the analysis of country and credit risk. Character analysis focuses on the governance and ethics of the institution, from the Board level to the loan officer. We believe character due diligence is particularly important in countries where regulation and transparency rules are still developing.

This multi-stage process ensures a deep understanding of the institution’s business model, commitment to its mission, and underlying credit risk factors. Ongoing portfolio management provides a basis for feedback to institutions and creates a working environment conducive to building long-term business relationships with portfolio companies.
ABOUT FACTORING

As part of MicroVest's mission to promote economic growth we support the development of small and medium enterprises (SMEs). One part of this strategy is to invest in local providers of factoring services.

Factoring is a financial transaction in which a business sells its accounts receivable at a discount in order to receive immediate cash. It is an effective cash management tool for a small or medium business whose needs exceed the availability of self-financing or limited bank loans, or for companies that experience a variable cash flow throughout the year. Factoring eliminates the constraint on working capital by providing “appropriate” finance – the right amount of money at the right time. By not being subject to the constraints of a large loan, the company is able to remain flexible, make strategic decisions, and continue growing their business.

How does factoring work? Typically, a producer of goods or services is owed money on an account by one of its clients (the debtor). The producer sells the outstanding invoice or receivable at a discount to its local factoring company and receives a cash advance. Before approving the deal, the factoring company conducts due diligence on the producer, similar to how loan officers work with borrowers. This approval is often valid for a specified period, such as six months, and for a certain credit limit, enabling quicker turnaround on future transactions. After acquiring the receivable, the factoring company works with the debtor, typically a well-known, credit-worthy company, to obtain the full payment within a period of time, usually 90 days.
Two brothers own a small but growing manufacturing company that installs industrial grade kitchen ovens. They have been contracted by a popular Guatemalan fast food chain to install new bread ovens in their establishments throughout Guatemala City. The brothers have invoiced the chain, but it takes 90 days to process payment. In the meantime, the brothers have to cover operating costs such as employee salaries and equipment supplies, but they don’t have access to a bank line of credit or other financing means. Fortunately, they have established a working relationship with their local factoring company, and the factoring company accepts their offer to buy the receivable. They go on to successfully complete the job, and are contracted again by the chain to install ovens in their establishments throughout the rest of the region.
Includes direct and indirect investments through funds managed by MicroVest and its affiliates, as of December 31, 2013.
ACCESSBANK TANZANIA

The United Republic of Tanzania is the largest of the east African countries. Despite being one of Africa’s premier tourist destinations for its attractions such as Mt. Kilimanjaro and the Serengeti National Park, it is also one of the poorest countries in the world, with as much as 80% of its people living under the World Bank poverty line of $2.50 a day. Home to over 535 dialects and languages, the culturally rich country’s economy is based on agriculture, tourism and mining.

ACCESSBANK TANZANIA

AccessBank Tanzania is a full-fledged commercial bank with a special focus on micro, small and medium sized enterprises. It was created in November 2007 by a mix of international shareholders such as AccessHolding, International Finance Corporation (World Bank), KfW, African Development Bank and BIO. AccessBank is a socially responsible bank for the lower and middle income strata of Tanzanian society, and aims to become the leading provider of financial services in Tanzania.

AccessBank Tanzania is one of the fast growing banks in Tanzania. In six years it has become the third largest microfinance bank in the country, owning 7% of the market share. As of December 2013, AccessBank Tanzania served over 22,000 clients with a loan portfolio of Euro 41 million (US 57 million). It plans to extend its geographical footprint throughout the country. As of the end of 2013, the bank operated 10 branches and has an ambitious plan to open at least two branches each year for the next five years.

The bank launched its agro loan program in mid-2013, and is the only bank in Tanzania offering loans to individual local farmers in villages. This is one example of how AccessBank Tanzania plays a critical role in financing a neglected sector. MicroVest believes AccessBank Tanzania’s presence will push the Tanzanian market towards a more professional and sustainable approach to microfinance. We look forward to continuing to support AccessBank Tanzania as it strives to reach its goals.
AMK (CAMBODIA)

The Kingdom of Cambodia is a mountainous country located in the southern portion of the Indochina Peninsula in Southeast Asia. Although Cambodia has maintained nearly two decades of stability after having endured civil war and a militant regime, it is one of the world's poorest countries, with a third of its people living under one dollar a day. The microfinance sector has been a critical component of economic development over the last decade.

ANGKOR MIKROHERANHVATHO KAMPUCHEA (AMK)

AMK, founded in 1995, was first established by Concern Worldwide as a microfinance program. AMK has evolved from a rural credit-only business into a provider of a broad array of financial services to Cambodia's underserved population. Since receiving its Microfinance Deposit Institution license in 2010, AMK has implemented several new products such as a savings product, a domestic money transfer product, and a mobile banking solution.

AMK's commitment to its social mission remains absolute. It has developed a comprehensive social performance management framework, which ensures the company remains focused on its mission to serve the poor population.

AMK operates a network of 22 branches and 100 sub branches across Cambodia. Its staff of 1,444 serves over 371,921 clients with a loan portfolio of $78 million, representing 81% of all villages and 10% of all households in the country. This expansive network is controlled by a robust operational and organizational structure that ensures swift operations, accountability and alignment of incentives. MicroVest looks forward to continuing its support of AMK.
Uruguay is known for its advanced education, social security systems and liberal social laws. Though very forward-thinking, the Uruguayan economy is still recovering from economic upheaval in 2002 brought on by recessions in Brazil and Argentina. Uruguay is largely free of serious income inequality, but the minority who are of African or mixed European-Indigenous descent form a higher proportion of its lower class. Tourist attractions such as beaches, resorts and colonial towns have boosted its damaged economy.

MICROFIN

Microfin, founded in 2008 by Grupo ACP, CAF and local shareholders, is a regulated privately-held institution headquartered in Montevideo. Microfin was founded on the basis of providing efficient financial services to micro and small businesses in Uruguay.

Microfin operates two branches and 34 points of sale that are located within retail shops and micro enterprise businesses. As of December 2013, Microfin had a gross loan portfolio of $12 million, serving around 13,000 active clients. Microfin seeks to encourage the development of business owners and entrepreneurs who start at the bottom of the pyramid by providing access to innovative, efficient and timely products and services.

Microfin has managed to assemble a healthy mix of private shareholders and multilaterals who ensure the institution is on a path to profitability while fulfilling development-oriented objectives, such as the development of new and improvement of existing products to responsibly serve the lower end of the market.

MicroVest began its relationship with Microfin in 2004 and continues to support Microfin in its efforts to strengthen the lives and economy of the Uruguayan people.
MicroVest believes that certain social impact metrics reflect the underlying health of an institution, and can be an indicator of the potential for long-term financial sustainability. We also believe that demonstrated good governance and treating clients with respect make for good business.

MicroVest measures social performance at both the due diligence stage and on an ongoing basis. A more extensive Social Report is issued in the summer, but below are some highlights from the social performance of MicroVest’s aggregate portfolio at the end of December 2013.

**WOMEN CLIENTS***

It is a well-known theory that empowering women can play an important role in improving the economic activity of their communities. On a weighted average basis, 52% of the borrowers served by the low-income financial institutions in MicroVest’s portfolios are women.

**DEPOSIT-TAKING INSTITUTIONS***

Safe savings is a financial service in high demand in under-banked communities. Institutions that are deposit-taking entities not only fill this important need, but they are typically subject to additional regulations, ensuring a higher level of governance and operations. 61% of MicroVest-funded LiFIs are registered to accept deposits.

**PRODUCTIVE USE LOANS***

Institutions lend for a variety of reasons, including for business activities, consumption, housing, and education. Loans for business activities are considered to be “productive use” and include manufacturing, agriculture, commerce and trade, and services. Although housing and education related loans are categorized as “non-productive”, we believe financing of these activities can also improve quality of life.

An average of 76% of loans made by LiFIs in the MicroVest portfolio were disbursed for productive purposes.

*The ratios are calculated based on self-reported data from the LiFIs and weighted by MicroVest investment exposure across all funds under management, as of December 31, 2013.
MICROVEST GOVERNANCE

BOARD OF DIRECTORS

Zachary Bishop                  D. A. Davidson & Co.
Ronald Cordes                  Cordes Foundation
Gil Crawford                   MicroVest Capital Management, LLC
W. Bowman Cutter (Chair)       The Roosevelt Institute
J. Alex Hartzler               WCI Partners, LP; Sarona Asset Management, Inc.
Lauren Hendricks              CARE USA
Gerhard Pries (Vice-Chair)     Sarona Asset Management Inc.
James A. Torrey                The Torrey Funds (ret.)
Bruce Tully                    Beehive Ventures LLC
Kim Williams                   Wellington Management Co., LLP (ret.)

INVESTMENT COMMITTEE MEMBERS

Richard Butler                 ING Capital, LLC (retired Managing Director)
Gil Crawford                   MicroVest Capital Management, LLC
W. Bowman Cutter              The Roosevelt Institute
Lynn Exton                     Exton & Partners Risk, Governance & Analytics, LLP
Greg Gentile                   GMG Investment Advisors, LLC
John MacIntosh                 SeaChange Capital Partners
Calvin Miller                  Food and Agriculture Organization of the United Nations (FAO)
Samuel Moss                    Impact Advisory Services
Susan Salerno                  Consultant
Candace Smith                  MicroVest Capital Management, LLC
Bruce Tully                    Beehive Ventures LLC
Jon Ylvisaker                  Yield Capital Partners, LLC
MICROVEST TEAM

SENIOR MANAGEMENT

(From Left to Right)
Gil Crawford Chief Executive Officer
Christopher Laurent Chief Financial Officer
Candace Smith Chief Operating Officer
Douglas Young Managing Director, Investments

INVESTMENT AND PORTFOLIO TEAM

Andreas Eichin Deputy Director of Investments
Robert Ongodia Investment Manager
Nathan Horst Investment Officer
Abiskar Shrestha Investment Officer
Dasha Kuts Investment Associate
Arantza Loza Investment Associate
Christine Ribeiro Investment Associate
Giulio Areinamo Portfolio Analyst
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Kathleen Millier Capital Markets Manager
Monica Slovik Business Development Associate
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LEGAL

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Katie Olderman Legal Assistant

FINANCE AND ADMINISTRATION

Joseph Quinn Senior Accountant
Akhil Gupta Finance Associate
Susan Blake Human Resources Manager
Susan Hoefling Executive Assistant to the CEO
Michael Melley Office Administrator
Past performance is not indicative of future returns.

Figures presented within this document are estimated, unaudited and subject to change. The client stories and low-income finance institution (LIFI) profiles detailed herein are just a few of the investment opportunities that MicroVest Capital Management, LLC (“MicroVest”) has participated in. A comprehensive list of all investment opportunities for the previous 12 months is available upon request. The examples of specific investments discussed herein are included merely to illustrate the investment process and strategies which previously have been utilized by MicroVest. The investments discussed herein do not represent all of MicroVest’s investments as of any particular date. A MicroVest portfolio will typically contain a larger number of investments than the examples set forth and accordingly, the examples are not meant to represent or be construed as indicative of the overall composition, number of investments or diversification of a MicroVest portfolio. MicroVest has broad and flexible investment authority. The investments described herein were not necessarily made during the same quarter or fiscal year, and there is no guarantee that similar investment opportunities will be available in the future or that any such investments will be profitable. The 2013 Milestones are provided for illustrative purposes only and are not necessarily indicative of future performance. Information (specifically LIFI profiles and aggregate social performance metrics) included in this report is based on materials that are privately conveyed to MicroVest and have not been independently verified.

No representation is being made with respect to the risk return record that any of the MicroVest products will or is likely to achieve. There can be sharp differences between the risk/return profile presented and the actual results achieved by a MicroVest product. Past performance is not indicative of future performance or returns.

Please also refer to MicroVest’s Form ADV Part 2A for further information on the firm: http://www.adviserinfo.sec.gov/iapd/content/viewform/adv/Sections/iapd_Adv2Brochures.aspx?ORG_PK=153395&RGLTR_PK=50000&STATE_CD=&FLNG_PK=00B0D3F800080166049F0390041A95D50556C8CC0

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The information included on pages 10–12 is for informational purposes only and should not be construed as a statement of endorsement or approval by any party.
MicroVest Capital Management, LLC ("MicroVest") is a private investment adviser registered with the SEC. MicroVest provides capital to financial institutions that serve micro, small, and medium sized enterprises around the world. Based in the Washington, D.C. area, MicroVest was founded in 2003 and is owned by three nonprofits and key personnel.

CARE
(Cooperative for Assistance and Relief Everywhere, Inc.)

MEDA
(Mennonite Economic Development Associates)

CORDES FOUNDATION