

MASSIF

Quarterly report Q3 2016

Set up in 2006 and managed on behalf of the Dutch Ministry of Foreign Affairs, MASSIF is FMO's financial inclusion fund. It provides financing and technical assistance to microfinance institutions (MFIs), banks, and private equity funds around the globe, thus supporting access to finance for micro-, small- and medium enterprises (MSMEs). MASSIF invests early on, taking higher risks that other investors are unable to take. By doing so in a financially sustainable manner, MASSIF also plays an important role in bringing new investors into the financial inclusion space.

MSMEs are the backbone of most developing economies; they generate employment and more equal distribution of wealth in economies with high levels of inequality. One of the main barriers for MSME growth is access to financial services such as credit, savings accounts, payment services, and insurance. In Sub-Saharan Africa, a MASSIF focus region, 6% of adults have access to formal borrowing and only 1 in 3 have an account at a financial institution¹. Businesses struggle with high collateral requirements, short tenor of loans, and scarce private equity for the smallest businesses. This is where MASSIF plays an important role.



1. FUND OVERVIEW

1.1 FUND KEY FACTS

Key Fund Facts	Q3 2016
Start of investment period	2006
End of investment period	2016
End of management period	-
Funds made available by the Dutch Ministry of Foreign Affairs (MoFA) ²	€323.9 mln
Total funds drawn from MoFA	€316.6 mln
Total funds available to be drawn from MoFA ³	€7.3 mln
Total number of investments since inception (2006)	391

1.2 IMPACT

Over the lifetime of the fund (2006-2016), MASSIF has generated significant impact and outreach in the financial inclusion space. It has done so in a financially sustainable way.



901,587

Micro-entrepreneurs supported⁴



47,136

SMEs supported with debt



€ 85 mln

SMEs supported with equity⁵



150%

Revolvability⁶

1.3 CAPACITY DEVELOPMENT

MASSIF supports our clients in improving their management skills and technical expertise through our Capacity Development program. Under the program we can contribute to the cost of hiring external consultants or trainers to facilitate this capacity building. Please see section 2 for a client case of one of MASSIF's Capacity Development projects. In the third quarter of 2016, two CD projects were contracted with a total value of € 222,162.

Capacity Development	Cumulative 2006 - now
Number of CD projects	193
CD funding ⁷	€28.6 mln

1.4 PERFORMANCE AND REVOLVABILITY

Performance and Revolvability of Financing Portfolio	Cumulative 2006 - now
Total funds received from investors ³ / Total commitments from investors ⁸	100.0%
Revolvability ⁶	149.8%
Average Interest Margin Loans	5.1%

1.5 PORTFOLIO OVERVIEW ⁹

Current Portfolio	Q3 2016
Committed portfolio	€549.5 mln
Outstanding portfolio	€457.6 mln
Committed not disbursed	€92.0 mln
Value adjustments and amortized costs	-€45.3 mln
Net portfolio	€412.3 mln

¹ World Bank Group (2015), The Global Findex Database 2014: Measuring Financial Inclusion around the World, p.11 and p. 50.

² This excludes G-20 SME Finance Challenge funds, funding flowing through the MASSIF books but functionally separate.

³ The remaining undrawn commitments are earmarked for MASSIF's grant program. All new investments that MASSIF makes are funded out of the proceeds and exits of the existing portfolio.

⁴ Support is defined as the provision of one credit cycle to an SME or micro-entrepreneur. These calculations are based on estimated loan sizes and tenors for SME- and micro-loans of MASSIF portfolio companies.

⁵ Through its investment in SME PE funds, totaling € 80 mln at the end of Q2, MASSIF also provides scarce equity to SMEs.

⁶ This ratio benchmarks the current net value of the fund to the total funds placed in the fund over time. Any value above 100% indicates that the fund is revolvable.

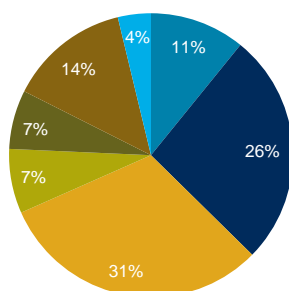
⁷ World Bank Group (2015), The Global Findex Database 2014: Measuring Financial Inclusion around the World, p.11 and p. 50.

⁸ MoFA and FMO are the sole investors into MASSIF. MoFA and FMO's total cumulative commitments to MASSIF for financing activities have been, respectively, € 308.9 mln and € 7.8 mln. A value of 100% indicates that all funding pledged to the fund has been drawn, and that all new investment activity is funded from the repayments, exits, and proceeds of the fund's existing investments.

⁹ Portfolio breakdown is based on committed portfolio amounts.

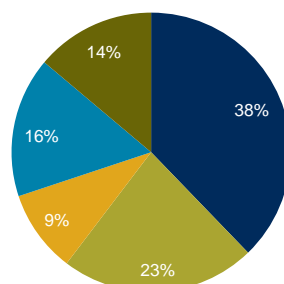
At the end of Q3, the MASSIF portfolio was distributed in the following way:

CUSTOMER TYPE



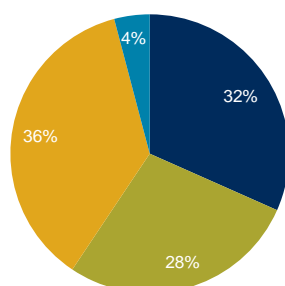
■ Licensed Commercial Bank
■ Investment Fund Equity
■ Financial Institution
■ Investment Fund Debt
■ Investment Fund Other
■ Holding Company
■ Corporate

REGION



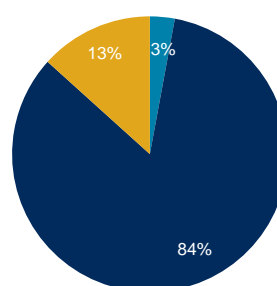
■ Africa
■ Asia
■ Europe & Central Asia
■ Latin America & The Caribbean
■ Global

PRODUCTS



■ Loans
■ Equity - direct
■ Equity - funds
■ Mezzanine

CURRENCY



■ EUR
■ LOCAL
■ USD

1.6 FMO GOVERNMENT FUNDS MANAGEMENT

In addition to MASSIF, FMO manages several other funds for the Dutch Government, which we invest in higher-risk projects. These government funds cover the financial risks that FMO is not able to bear alone, thus allowing us to support projects with a high risk profile that promise substantial development impact and demonstration effects. The other government funds are:

- Access to Energy Fund (AEF) – The AEF 'Energy for Growth' funds private sector projects that create sustainable access to energy services.
- Infrastructure Development Fund (IDF) – The IDF provides long-term financing for infrastructure projects in low-income countries.
- FOM-OS – FOM-OS stimulates Dutch enterprises to invest in emerging markets.

FMO Government Funds Management ¹⁰	Q3 2016
Total assets under management government funds	€868.0 mln
Total committed portfolio government funds	€1,151.6 mln
Active government funds	4
Active investments	181

¹⁰ Please note that FMO also manages FOM (a government facility) and BCD (FMO's capacity development program for FMO-A clients) on behalf of the Dutch government. FMO also oversees FMO Investment Management (FIM), which manages third party funds. None of these are included in the above.

2. CLIENT CASE

INVEST IN AFRICA

CAPACITY DEVELOPMENT PARTNER

FMO signed a Capacity Development (CD) project agreement with Invest in Africa (IIA), a not-for-profit organization that connects and supports businesses to deliver more sustainable investment into local Small and Medium Enterprises (SMEs) in Africa.





On May 25 2016, FMO signed a Capacity Development (CD) project agreement with Invest in Africa (IIA). IIA is a not-for-profit organization that connects and supports businesses to deliver more sustainable investment into local Small and Medium Enterprises (SMEs) in Africa. The CD funding supports IIA's Business Accelerator Program (BAP) which links SMEs in Ghana with global consultants to embed the right strategies to make them locally, regionally and internationally competitive.

IIA partners with expert EY consultants to develop bespoke systems and structures to support SME management teams as they grow their business. High-growth and job-creating SMEs in Ghana have been lacking finance for many years, resulting in an increasing gap between Ghanaian SMEs and banks. Research with Ghana's leading banks shows that one of the key challenges for financial institutions servicing SMEs is lack of internal capacity to fulfil large orders. SMEs lack the management and technical capacity to cost a contract, apply for a loan, manage production and deliver to time, quality and scale.

The absence of these basic business skills increases the chance of default, misuse of loans and damaging reputational risk for both the banks and the business-es. By utilizing consulting services to work closely with Ghanaian SMEs, this project addresses these issues, thereby building the market for FMO's own clients while encouraging economic growth and job creation in Ghana.

COMPANY INFORMATION

NAME

Invest in Africa

COUNTRY

Ghana

END-BENEFICIARIES

Small and medium-sized enterprises

AMOUNT

€170,000

IMPACT INFORMATION



**Management training for
100 SME participants**



**20 SMEs supported by EY
Consultants**

ABOUT FMO

FMO is the Dutch development bank. FMO has invested in the private sector in developing countries and emerging markets for more than 45 years. Our mission is to empower entrepreneurs to build a better world. We invest in sectors where we believe our contribution can have the highest long-term impact: financial institutions, energy and agribusiness. Alongside partners, we invest in the infrastructure, manufacturing and services sectors.

CONTACT

Jeroen Harteveld
Fund Manager
E: j.harteveld@fmo.nl
T: +31 (0)70 314 9772

Charissa Bosma
Portfolio Analyst
E: c.bosma@fmo.nl
T: +31 (0)70 324 6187

