

Generating Returns
through Development Finance

2014

IMPACT

INVESTMENT

REPORT

KEY FIGURES FINANCE IN MOTION

Total committed public and private capital
EUR 1.5 billion

Total number of countries with investments
22

Total investment portfolio outstanding
EUR 1.3 billion

Total number of partner institutions
95

DEBT INVESTMENTS

Number of senior loans
186

Total amount
EUR 1.1 billion

HYBRID CAPITAL

Number of investments in hybrid capital
3

Total amount
EUR 15.0 million

Committed private institutional capital
EUR 912.4 million

Committed public sector capital
EUR 558.3 million

Total amount of investments made
EUR 2.1 billion

Total number of investments made
358

MEZZANINE / SUBORDINATED LOANS

Number of mezzanine/subordinated loans
18

Total amount
EUR 157.0 million

EQUITY INVESTMENTS
















Number of equity investments
6

Total amount
EUR 6.8 million

Data as at Q4 2014

Key figures of advised funds

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KEY FIGURES OF ADVISED FUNDS



EUROPEAN FUND FOR SOUTHEAST EUROPE (EFSE) Inception 2005

MISSION	MSME finance via financial intermediaries	INITIATED BY	KFW
TARGET REGION	Southeast Europe, Eastern Europe, Caucasus		
FUNDING			
Committed capital from investors	EUR 1.0 billion		
PORTFOLIO INVESTED			
Investment portfolio outstanding	EUR 940.5 million		
Active partner institutions	74		
Investment volume since inception in Dec. 2005	EUR 1,750 million		
DEVELOPMENT PERFORMANCE			
Portfolio outstanding on-lent to end-borrowers	EUR 798.5 million		
Number of active end-borrowers	146,828		
Average size of loans on-lent to end-borrowers	EUR 5,438		
Number of loans to MSEs and households since inception in Dec. 2005	593,332		
Amount of loans to MSEs and households since inception in Dec. 2005	EUR 4.1 billion		
Number of target countries	16		



GREEN FOR GROWTH FUND, SOUTHEAST EUROPE (GGF) Inception 2009

MISSION	Energy finance via financial institutions and via direct investments in renewable energy project companies	INITIATED BY	KFW European Investment Bank
TARGET REGION	Southeast Europe, Eastern Europe, Caucasus		
FUNDING			
Committed capital from investors	EUR 315.0 million		
PORTFOLIO INVESTED			
Investment portfolio outstanding	EUR 252.4 million		
Active partner institutions	26		
Investment volume since inception in Dec. 2009	EUR 306.0 million		
DEVELOPMENT PERFORMANCE			
CO ₂ savings (tCO ₂ /yr)	218,323		
Energy savings (MWh/yr)	850,119		
Number of target countries	13		



SANAD FUND FOR MSME (SANAD) Inception 2011

MISSION	MSME finance via financial intermediaries, including equity sub-funds, to enable institutional green-fielding	INITIATED BY	KFW
TARGET REGION	Middle East, North Africa		
FUNDING			
Committed capital from investors	USD 129.1 million		
PORTFOLIO INVESTED			
Debt investment portfolio outstanding	USD 81.7 million		
Equity portfolio (including approved investments)	USD 3.0 million		
Active partner institutions	16		
Investment volume since inception in Aug. 2011	USD 104.5 million		
DEVELOPMENT PERFORMANCE			
Portfolio outstanding on-lent to end-borrowers	USD 54.7 million		
Number of active end-borrowers	14,421		
Average size of loans to end-borrowers	USD 3,792		
Number of loans to MSMEs since inception in Aug. 2011	29,157		
Amount of loans to MSMEs since inception in Aug. 2011	USD 92.5 million		
Number of target countries	9		



ECO.BUSINESS FUND Inception 2014

MISSION	Biodiversity conservation and sustainable use of natural resources	LEAD INVESTOR	BMZ Federal Ministry for Economic Cooperation and Development
TARGET REGION	Latin America, Caribbean		
FUNDING			
Committed capital from investors	EUR 17.0 million		
DEVELOPMENT PERFORMANCE			
Number of target countries	9		

Data as at Q4 2014

1 Preface

This is Finance in Motion's first Impact Investment Report and it coincides with the 5th anniversary of our foundation. While the individual funds we advise have reported on their impact performance as a regular element of their work from the outset, we decided – in part because of the broadening scope of our activities – that it was time to provide a full picture of Finance in Motion's impact investments in a report directed to our stakeholders.

Impact investments can be made in both emerging and developed markets. Finance in Motion has deliberately chosen to specialize in impact investments in emerging markets, i. e. in the field of development finance. Investments in emerging markets differ fundamentally from those in developed markets with regard to their political, legal and economic risk profiles, but also in terms of investee profiles. The risk levels are inherently higher, which increases investor reticence in this space. Compounding the development challenge is the fact that these markets suffer from persistent lack of the long-term capital crucial to investments and development.

Finance in Motion has a solid track record of operating successfully in this challenging environment, directing financial resources in developing countries and emerging markets to tackle specific social and environmental challenges. While making sure that all investments meet or exceed a minimum 'impact benchmark', we seek to optimize financial returns as well. Regarding the latter, although we do as a matter of principle seek market rate returns, we do recognize that in some cases, where there is a trade-off between development impact and financial returns, our investors want us to put impact first.

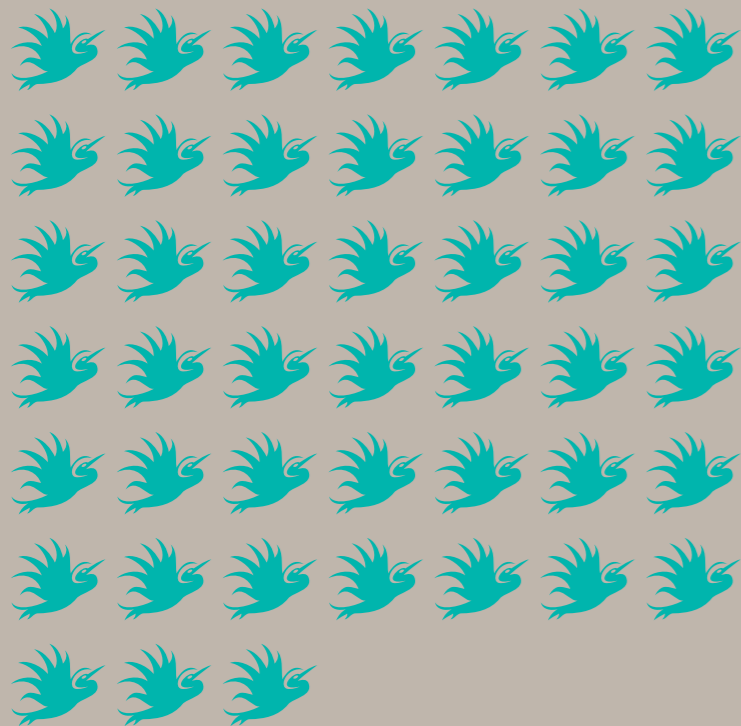
Our Business Approach

- **Holistic view:** We take a holistic view to making impact investments by combining investments with technical assistance¹ and research activities because many social and environmental challenges cannot be solved by monetary means alone. This approach is the best guarantee for ensuring informed and effective investment strategies as well as mitigating potential risks. We manage technical assistance facilities that avail themselves of external consultants for each of our funds. We also have an in-house technical team dedicated to green finance. In addition, we are engaged in actively researching the development finance field to identify and track new trends as well as explore new fields of interest.

¹ Technical assistance provides individuals, institutions and governments with the expertise needed to promote development.

- **Decentralized operations:** We firmly believe that operating in physical proximity to our investees is key to success. Deep insights into the social and environmental challenges that we seek to address, first-hand information on the markets in which we operate, and day-to-day contact with current or potential investees are all essential for identifying and structuring well-performing impact investments. We achieve this by working through a dense network of local offices in all target regions.
- **Sector-wide scope:** We understand that the success of impact investment – especially in the sector of development finance – depends not only on deep and broad knowledge of the environment, but also on favorable conditions on the ground and a robust sectorial framework; in many countries social and environmental challenges can only be properly addressed when investments are combined with the development of proper financial systems. Where possible we engage sectoral institutions to solve local issues and create as well as foster an inclusive financial sector environment that adheres to the principles of responsible finance. We also believe in healthy competition and the need to ensure a level playing field within the local financial sector. We therefore work not only with partners that are already best-in class, but also with organizations and institutions that have the potential to become best-in-class.
- **Measurable impact:** We emphasize accountability and that means ensuring that our impact investments deliver tangible results. For this reason we implement strict and continuous controls as to the use of funds to make sure that financial resources are effectively allocated in alignment with the proposed intention. We follow through by regularly measuring development performance; the funds that we advise also commission independent research firms to conduct impact studies.
- **Single source:** We offer the full range of fund management services because we believe this is the best guarantee of transparency, efficiency and speed to achieve the objectives of our clients. This includes fund development and structuring issues, but also day-to-day fund operations, including investment and risk management, asset liability management (ALM) and transaction management. It is for the same reason that we manage the technical assistance facilities attached to our funds.

2 The World of Impact Investments



Responsible Investments
USD 45 trillion



Sustainable Investments
USD 14 trillion



Thematic Investments
USD 166 billion

The World of Impact Investments

2.1 What is Impact Investing?

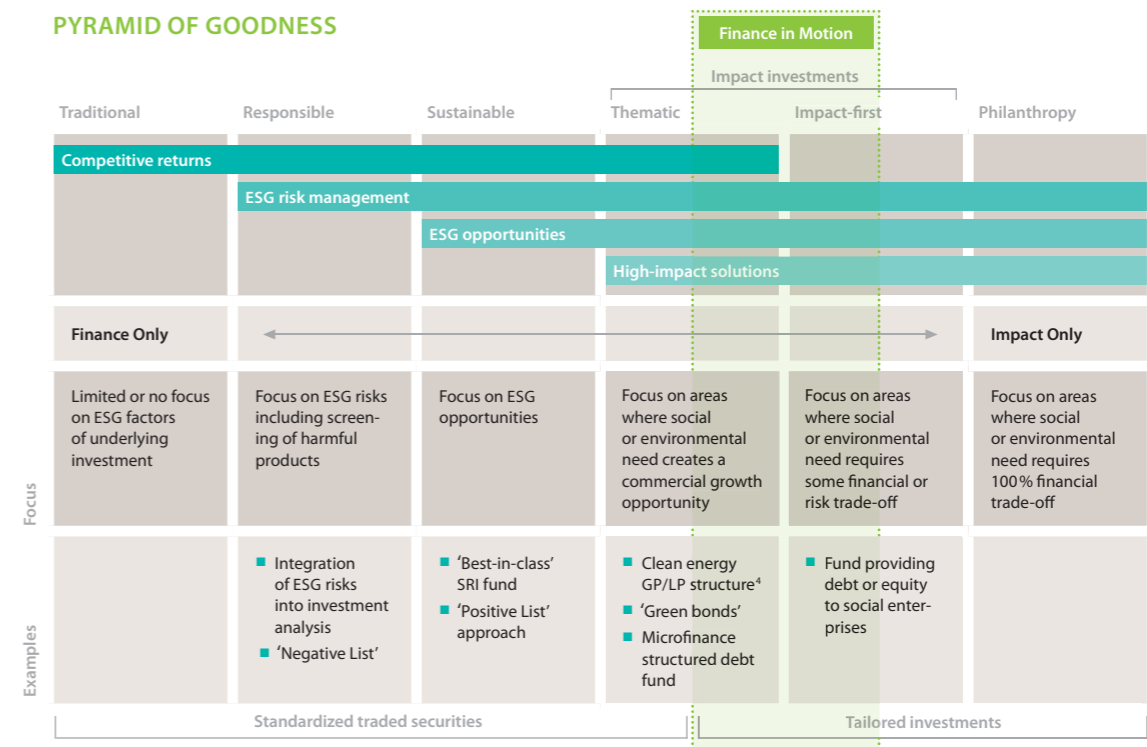
Impact investments are made with the intention of generating financial returns along with achieving positive social and environmental impact. Responsible investments managed by signatories of the UN Principles of Responsible Investment ('UNPRI'), responsible investments today amount to over USD 45 trillion globally². According to the 'pyramid of goodness' (see chart below), responsible investments and sustainable investments, as the two broadest categories, are usually associated with negative screening – i.e. exclusion of certain sectors and/or companies – and with positive, ESG³-driven screening or best-in-class selection, respectively.

As one moves along the spectrum toward investments with a stronger emphasis on impact, the sums involved decline rapidly. The still-broad category

of sustainable investments in the EU accounted for approximately USD 14 trillion in assets in 2014⁵. Thematic investments, which typically apply tougher criteria in addressing particular social and environmental challenges, accounted for an estimated USD 166 billion in 2014 – already a much more limited market. What most thematic investments have in common with responsible and sustainable investments is that they involve publicly traded securities, i.e. bonds or shares. As the investor in such securities is typically a secondary buyer of existing securities, the social value added of the investment is lower than if the investor were to 'create' or enable new assets, i.e. new finance opportunities for social or environmental causes.

The line between thematic and impact-first investments is a fluid one. Often, the higher impact

PYRAMID OF GOODNESS



² <http://www.unpri.org/about-pri/about-pri/>

³ ESG: environmental, social and governance

⁴ GP/LP: general partnership/limited partnership

⁵ Source: GSIA '2014 Global Sustainable Investment Review'

recognized with impact-first investments is justified by the investment being in equity rather than debt, as the direct entrepreneurial involvement gives greater impact leverage while involving greater risks. In addition, impact-first investments purely consist of non-traded assets. Impact-first can in turn be differentiated in terms of low and high impact: For example, growth capital or mezzanine equity in Western technology firms that supply proven clean energy solutions to stable market economies, has a different risk/return profile than start-up financing for manufacturers of LED-charging devices for poor farmers in developing countries who live off-grid.

With investments in non-traded assets, liquidity or lack thereof becomes a concern, as does the availability of information and the need to be closely involved in governance and strategy. For these reasons, such activities usually attract larger institutional investors that can accommodate longer holding periods and limited options for an immediate exit in their investment portfolio. However, since the revelations on certain practices in established capital markets in the aftermath of 2008, the interest of retail investors in finding their savings usefully employed has also increased considerably; the high net worth side of retail especially is taking a stronger interest in impact investment and is sometimes willing to forego liquidity in order to do so.

Finance in Motion is solely focused on impact investing in the area of development finance. Our mission is to promote the sustainable development in emerging economies through market-based finance solutions, i.e. to make a positive impact in the target regions of the funds we advise or manage. We aim to create long-term value through tailored and innovative solutions, enabling the communities and partners to prosper.

Thus, Finance in Motion sees its own development finance activities in the higher end of impact investments, as the funds we advise generally create tailored ways of financing and generally do not involve investments in traded securities.

2.2 Where do Impact Investments Make a Difference?

A multitude of impact investment themes have appeared over the past two decades to address the vast social and environmental challenges the world faces today:

Economic challenges – mostly associated with poverty issues and addressed by microfinance, small and medium enterprise (SME) finance or start-up company finance

Social challenges – mostly associated with equal access to opportunities/services and addressed by housing finance, educational finance, health care finance or minority integration

Environmental challenges – mainly associated with climate change and addressed by clean energy financing, renewables finance or financing that fosters biodiversity and the conservation of natural resources.

There are, however, also transversal topics that address multiple challenges simultaneously, such as water finance.

While Finance in Motion recognizes that all of these challenges merit equal attention and require innovative financial solutions, our investment agenda is centered on the following two thematic pillars:

- Micro, small and medium enterprise finance
- Environmental finance

Micro, Small and Medium Enterprise (MSME) finance: MSMEs play a vital role in socioeconomic development and job creation. In most markets, however, limited access to financial resources is still preventing MSMEs from fulfilling their role as a growth engine. This is particularly true of MSMEs in emerging markets where banks have little experience with MSME lending and have been traditionally focused on financing large businesses and corporations that show a better credit risk. The SANAD – active in the Middle East and North Africa (MENA) region – and the EFSE – active in Southeast Europe (SEE), Eastern Europe and the South Caucasus – are two examples of funds under management by Finance in Motion that play a vital role in filling this gap by providing dedicated long-term debt facilities to financial institutions in various currencies for the benefit of MSMEs.

Environmental finance: Protecting the planet's climate and natural resources remains at the top of the global agenda as one of the greatest challenges of the future. Thus investments in sustainable energy, i.e. investments in renewable energy and energy efficiency, as well as in natural resources and in the protection thereof can have a substantial impact and are therefore attractive to impact investors. As investment manager of the GGF, an innovative investment vehicle for green energy financing in emerging markets, Finance in Motion possesses extensive expertise in sustainable energy finance that successfully combines high impact with solid returns. Finance in Motion has also gathered extensive expertise in the areas of sustainable forestry, biodiversity and green economy, both in the area of asset management as well as through consulting projects.

FINANCE IN MOTION LAUNCHES ECO.BUSINESS FUND IN DECEMBER 2014



Latin America is one of the regions with the greatest biological diversity on the planet. However, its vast biodiversity is seriously threatened by the non-sustainable use of natural resources for economic activities. Interventions to revert these trends have been historically limited to public sector initiatives. However, these efforts will not be sufficient unless they are combined with significant involvement on the part of the private sector.

In 2014, the German development bank KfW, together with Conservation International and Finance in Motion, launched a fund that invests in the preservation of natural resources: the eco.business Fund. It was established with seed capital from the German Federal Ministry of Economic Cooperation and Development (BMZ). The eco.business Fund is the first of its kind, promoting access to credit for businesses that utilize natural resources in a sustainable manner. Investment activities focus on the following economic sectors:

- Agriculture (the economic backbone of most economies)
- Forestry
- Fishery and aquaculture
- Tourism

Supported by local staff located in Finance in Motion's soon to be opened regional office in Colombia, the eco.business Fund will invest mainly in local financial institutions that will in turn develop and provide loan products and services to individuals and businesses that operate in the above areas and are certified as businesses with sustainable production practices (or seeking certification). The eco.business Fund will also finance individual improvements in the use of natural resources. In selected cases, the fund will also invest directly in high-impact projects with a strong spillover potential.

Pursuing a systemic approach, the eco.business Fund seeks to enhance synergies among

- Local producers
- Local financial institutions
- International buyers seeking to increase their share of sustainable sourcing

3 Structuring Impact Investment Funds



Typically, investors commit funds to Finance in Motion's debt impact investment funds for a minimum term of 3 years.



Finance in Motion's impact investment funds are all characterized by an effective governance structure, at the center of which stands the Board, which is composed of usually 5 to 8 seasoned development professionals proposed by the main investors.



The actual investment decisions are taken by an Investment Committee (often 3 to 4 members).

Structuring Impact Investment Funds

3.1 Tailored Structures for Impact Investment Funds

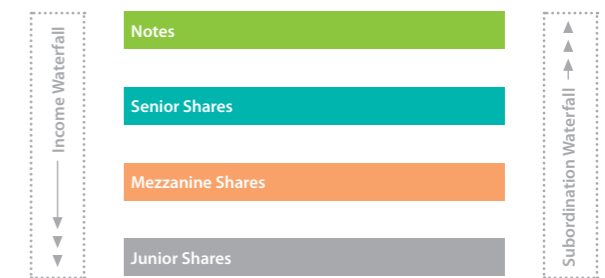
In order to be complementary to other available funding, impact investment funds in the area of development finance often enter areas of the investment universe in which particular needs of the investees are not yet fulfilled due to market failures in developing or emerging markets. These can be 'hard' needs inherent in the type of finance, such as extended maturity, availability of local currency or willingness to incur regulatory or enterprise risk. Or they can be 'soft' needs, such as the need to build competencies in the use of funding, in how to run a transparent enterprise, or the need for strategic support against the back-drop of an evolving political and institutional culture.

The 'soft' needs are best addressed by technical assistance, but also by the professional processes of an impact investment fund involved in making and monitoring its investments, its reporting standards, the whole investment documentation, and the exercise of good governance in the impact investment fund itself – all of which fall under the category 'leading by example'. Arguably, this type of 'soft impact' is often underestimated in judging the work of successful development finance actors.

In order to fulfill these needs while leveraging public funding for development purposes, Finance in Motion has become a leader in structuring impact investment funds in multilayered public private partnership (PPP) models where public monies serve as risk cushion for private impact investors. This leads to a multi-tiered structure of different capital layers, reflecting the specific needs of each class of investors regarding impact, risk and return.

Finance in Motion's team has been the first to set up these tranching models for its debt funds, which have gained many followers in recent years. We have accumulated significant experience with all strategic and operational aspects associated with managing such funds in challenging markets, with new asset classes and multiple stakeholders. By combining public with private money, Finance in Motion enabled private investments in countries or sectors, which would otherwise have been deemed out of scope.

EXAMPLE OF A TRANCHED DEBT FUND



Governments usually provide the seed financing for each of Finance in Motion's impact investment funds by investing in junior shares with an unlimited duration. This tranche serves as a risk cushion as it bears the first risk in case of losses, e.g. in case of default of a financial institution to which a fund has extended a loan.

We are proud to count on the continued support of investors in junior shares including the European Commission, the Government of Germany (Federal Ministry or Economic Cooperation and Development, BMZ), the Government of Switzerland (Swiss Agency for development and Cooperation, SDC), the Government of Austria (Austrian Development

Agency, ADA), the Government of Denmark (Danish International Development Agency, DANIDA), Switzerland's State Secretariat for Economic Affairs (SECO) and the Republic of Albania.

The international financial institutions (IFIs), such as KfW, EIB, IFC, EBRD, FMO and OeEB, are usually primarily interested in injecting know-how and governance into a fund. They sign the mezzanine shares, which come with maturities of seven to ten years and a higher return than the junior shares as well as a strong voting representation. If the junior shares were ever to be depleted, the mezzanine shares would be next in absorbing losses. Similarly, the senior shares with slightly lower returns and maturities between three and ten years are usually signed by IFIs.

Finally, the PPP structure is completed with the issuance of Notes, i. e. fixed payment obligations, placed with international institutional investors, typically running three to five years and receiving a negotiated margin above a benchmark (EURIBOR or USD LIBOR). With certain minimum subordination rules set down in the fund's prospectus, private institutional investors in Notes are protected against possible losses due to their very senior ranking vis-à-vis the other tranches. Furthermore, they benefit from being first ranked when receiving their interest coupon as income is first distributed to Note holders, while holders of senior, mezzanine and junior shares follow. Being entitled to complementary dividends on top of the target dividend, holders of senior, mezzanine and junior shares receive income based on the success of the investments made by the funds, while Note holders receive a fixed interest return.

What is atypical of this structure is that investors in the highest risk class (junior shares) forego return in favor of clearly measurable impact. Whereas in the early stages of an impact investment fund risks are usually highest and granularity among countries and investee enterprises is low (and direct operating

expenses spread over a small asset base are relatively high), these factors become more favorable as the fund grows. This in turn attracts note investors, and investors in junior shares (and to a lesser extent mezzanine shares) then benefit from the leverage factor they seek.

Impact investment funds can take the form of both open or closed-end structures. This depends largely on the type of investments a fund focuses on. If an impact investment fund focuses on equity, be it incubation or growth capital, the most appropriate structure is that of a closed-end equity fund. In this scenario, publicly traded stocks hardly exist, making the valuation of unrealized gains problematic were investors to exit the fund before it is wound up. Even on occasions where an investee enterprise does have a listing, the volumes traded often do not allow for the day-to-day liquidity required to assure investor redemptions in case of an open fund.

If an impact investment fund focuses on debt finance provision, an open-end perpetual structure would be most appropriate. In this field, closed-end structures with their limited duration are suboptimal because the loans to the investees usually have long maturities. This would lead to all investors having their funds tied up for an equally long time, as they usually would have to hold their shares until the end of the debt fund's lifetime. In addition, as the end of its lifetime approaches, a closed-end fund would encounter growing inefficiencies as loans are amortized. This may make it necessary to return cash early to investors, leading to unbalanced loan portfolios and reducing achievable social impact.

When it comes to accessing the broadest possible investor universe, open-end debt fund structures ideally are able to provide liquidity in some form to investors. However, this stands in conflict with the long-term asset profile typically requested by the investees as mentioned at the beginning of this chapter. Some impact investment funds have



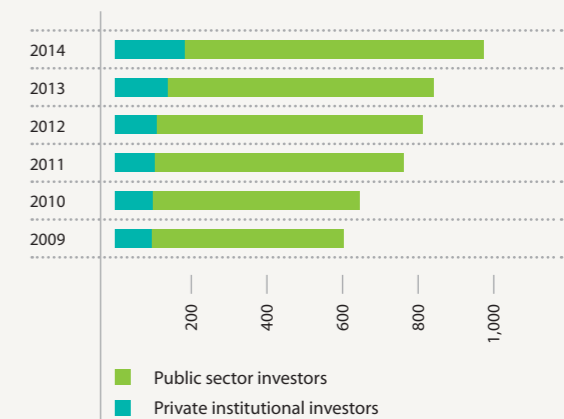
EUROPEAN FUND FOR SOUTHEAST EUROPE – REACHING NEW SPHERES OF PRIVATE FUNDING IN 2014

At its inception in 2005, the EFSE microfinance debt fund was the first PPP impact investment funds to feature a multi-layered structure. At the time, the governmental programs in place to support the war-torn countries of former Yugoslavia were merged and the contribution of each program valued and issued to the sponsor in the form of unlimited duration junior shares that bore the first risk in case of loss.

Initially almost wholly reliant on junior shares, the EFSE issued increasingly senior shares as it grew over the years. Still, protection for senior shares remains high: as of Q4 2014, the total amount of junior shares exceeded EUR 332 million – out of total committed funds of EUR 1.03 billion.

Importantly, and as an expression of increased acceptance of the model by investors in search of impact and yield, the EFSE was able to significantly increase its private Note investors, with EUR 30 million being added during 2014 so that as of year-end nearly EUR 200 million were invested in Notes representing 19% of the EFSE's total funding base.

Private investments in the EFSE
in EUR million



found a compromise to address this dilemma: on the asset side, they reduce maturities somewhat to ensure constant portfolio turnover (taking into account the practice of loans in developing countries starting to amortize early after a short grace period); on the liability side, they introduce some supporting liquidity (e.g. one or several 'underwriters' offering to act as a buffer and to invest in line with redemptions); or constraints on liquidity (e.g. early notice for exits, limit on number of investor exits in a given period).

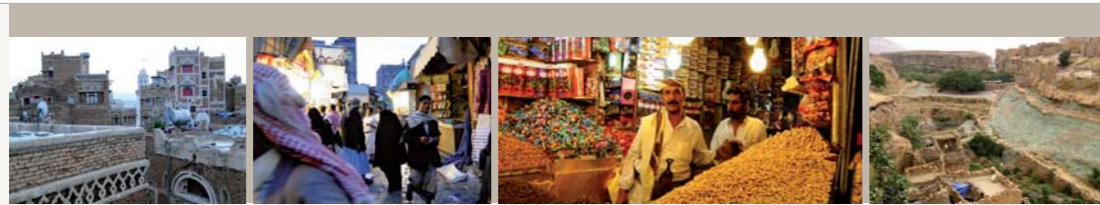
To maximize impact while maintaining absolute transparency on actual liquidity, Finance in Motion, together with the initiators of the funds under its

management, concentrates on a more limited universe of investors willing to accept no liquidity in their investments for a certain period. Typically, investors commit funds to Finance in Motion's debt funds for a minimum term of three years. With different funding layers having different maturities and with staggered investments in each layer, we are engaged in active ALM to ensure a healthy buffer of open capital commitments, while managing liquidity prudently to secure timely redemptions.

Although being mainly a debt investor (e.g. for the EFSE and the GGF), Finance in Motion also has experience in setting up equity funds in the impact investment environment.

Mixing equity and debt in the same fund structure can create frictions, for example when distributing unrealized equity gains in an open fund structure, which leaves certain realization risks with the remaining investors. A good compromise is a multi-pocket or sub-fund structure under one impact investment fund roof, which, compared to two stand-alone funds,

can yield synergies in marketing, governance and reduced operating costs. Finance in Motion has taken this as a model for the SANAD Fund for MSME, which comprises a debt and an equity sub-fund, the latter accounting for close to 20% of SANAD's overall funding.



PROVIDING LOCAL CURRENCY LENDING IN EXOTIC PLACES – HEDGING THE TUNISIAN DINAR AND YEMENI RIAL IN 2014

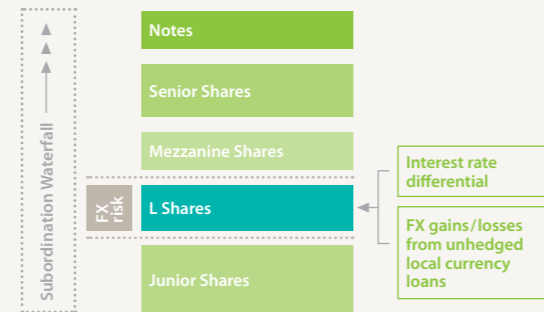
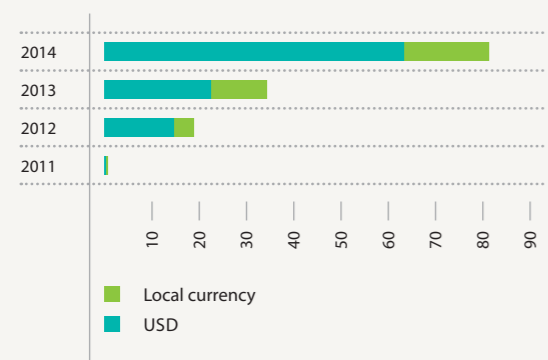
The lack of long-term local currency funding in emerging and developing markets has long been a topic of discussion. Access to long-term financing in local currency in the MENA region is scarce and funding in euros or US dollars poses a risk for small enterprises that have no access to hedging instruments and usually derive their income in local currency. While larger banks are usually in a better position to hedge in local currency or can transform hard currency funding into local currency sub-loans to a greater extent in their balance sheet, microfinance institutions (MFIs) usually are not in a position to do so.

(‘L shares’) provided by the German government as public sector sponsor to underwrite risk and protect the other SANAD investors against currency fluctuations. As the intent is not to deplete this buffer, each interest rate for a loan in local currency has to factor in a likely devaluation effect from the exposure and set aside this ‘extra interest’. In the spirit of good governance, a committee of experts was created to review Finance in Motion’s recommendations on such underwritings and review the ‘extra interest’ charged from time to time.

Finance in Motion – as a strong advocate of local currency lending for the aforementioned reasons – together with the founders of SANAD established a special capital layer

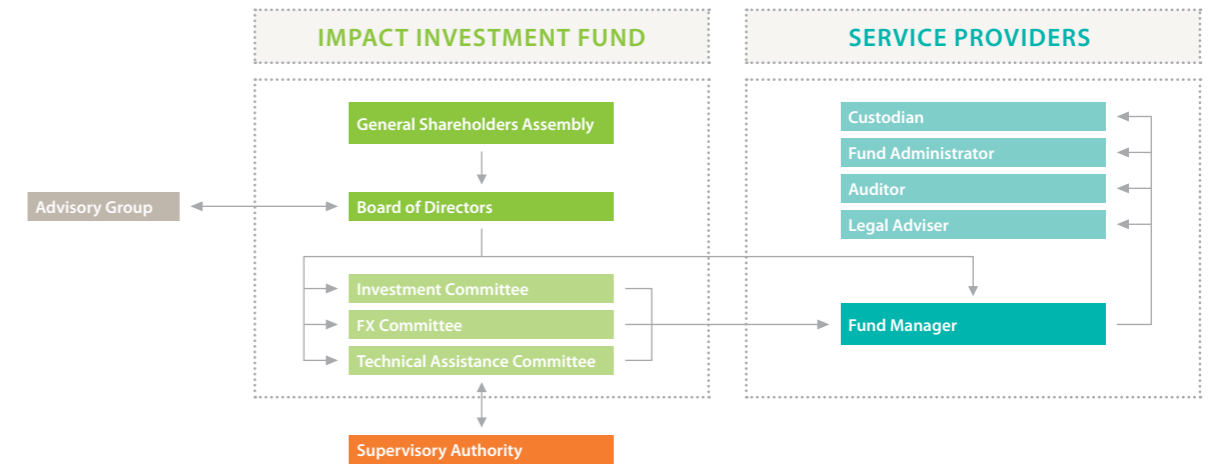
L-share layer covering the currency exchange risk

Development of local currency loans at SANAD (in USD equivalent)
in USD million



As of December 2014, local currency loans accounted for about 20% of SANAD's USD 80 million loan book, including Jordanian Dinar, Tunisian Dinar and Yemeni Rial, mainly to MFIs. Where possible, these were hedged with external counterparties, but the majority was covered by the SANAD L shares, i.e. hedged internally.

TYPICAL ORGANIZATIONAL CHART OF AN IMPACT INVESTMENT FUND



3.2 Legal Structure and the Importance of Good Governance

Each of the four investment funds currently under management by Finance in Motion is structured as a SICAV-SIF (an investment company with variable capital – specialized investment fund) under Luxembourg law. Finance in Motion and the initiators of our funds opted for Luxembourg as the funds’ domicile not only due to the depth of the Luxembourg fund industry and the experience with layered impact investment funds, but also because of the country’s pioneering role in development finance.

Finance in Motion’s impact investment funds are all characterized by an effective governance structure, at the center of which stands the Board of Directors. It is usually composed of 5–8 seasoned development finance professionals who have been nominated by the main investors, foremost among which are the IFIs. The actual investment decisions, which require

more frequent deliberation, are taken by an Investment Committee (often 3–4 members) based on detailed proposals and legal documentation compiled by Finance in Motion and other service providers.

For some impact investment funds, there is also an Advisory Group, which usually consists of senior decision-makers from institutions in target countries. Its role is to support strategic decision-making by the Board and serve in an advisory capacity in the deliberation of critical issues. The EFSE Advisory Group for example, consisting mainly of senior representatives of the Central Banks of EFSE countries, has, in its more than eight years of existence, grown into a valuable instrument for encouraging regional dialogue through the sharing of local experiences and for providing the EFSE with close linkages to local markets.

As required by the Luxembourg regulator, the Commission de Surveillance du Secteur Financier (CSSF), Finance in Motion’s impact investment funds also

benefit from the support of a wide range of service providers, among which a custodian, auditors as well as legal advisors.

Finance in Motion itself holds an asset manager license from the BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht, the German Federal Financial Supervisory Authority) since October 2012.



FINANCE IN MOTION'S FUNDS DEEMED TO ACT IN PUBLIC INTEREST FOR REGULATORY PURPOSES

In 2014 Finance in Motion's impact investment funds were granted an exemption from the European Alternative Investment Fund Managers Directive (AIFMD), as they act in the public interest and as representatives from supranational institutions are involved in the management of these funds.

Nevertheless, we are currently preparing the necessary steps to create a Luxembourg-based management company with full AIFM status. This would enable Finance in Motion to directly service smaller impact investment funds as an external AIFM in the future, including funds with a leaner governance structure as is typical of closed-end equity funds (GP/LP structure).

3.3 Are Impact Investments Profitable?

As long as investors operate in the categories outside of what is labeled impact-first or philanthropy investments as shown in the chart in chapter 2.1, it can be argued that they will not suffer lower returns relative to the risk they incur in the investment. Even more so as the correlation with other types of investments is very low, as was found by many studies on micro-finance from before the financial crisis in 2008.

In the case of Finance in Motion's layered debt funds, investors in the three to five-year Note tranche receive interest at negotiated margins above EURIBOR or USD LIBOR, which are fixed payment obligations for the fund. The level of subordination under Notes is high, with a minimum level set in the fund statutes. The leverage in young funds tends to be much lower than allowed by the statutes. Notes thus account for 20–25% of more leveraged and mature funds, and less than 10% of more recent, less leveraged funds.

In weighing risk/return, investors should bear in mind the underlying assets and portfolio diversification. Equity clearly bears higher risk, especially when it is non-traded and may face much less deep exit markets than equity in Western capital markets. Subordinated debt, even to financial institutions, is much more risky than Finance in Motion's typical senior debt.

Local currency effects can be very significant, and while they may lead to attractive nominal debt portfolio yields, investments may lose some of their

appeal when the average devaluation effect over the medium term is subtracted. This is also why our investors require that unhedged local currency exposure be strictly limited in specific policies laid out for each fund. Also, country diversification, asset granularity and low borrower concentration each represent important risk characteristics for a debt fund, with strict limits supervised closely by the fund's custodian reporting to the Board in each of our impact investment funds.

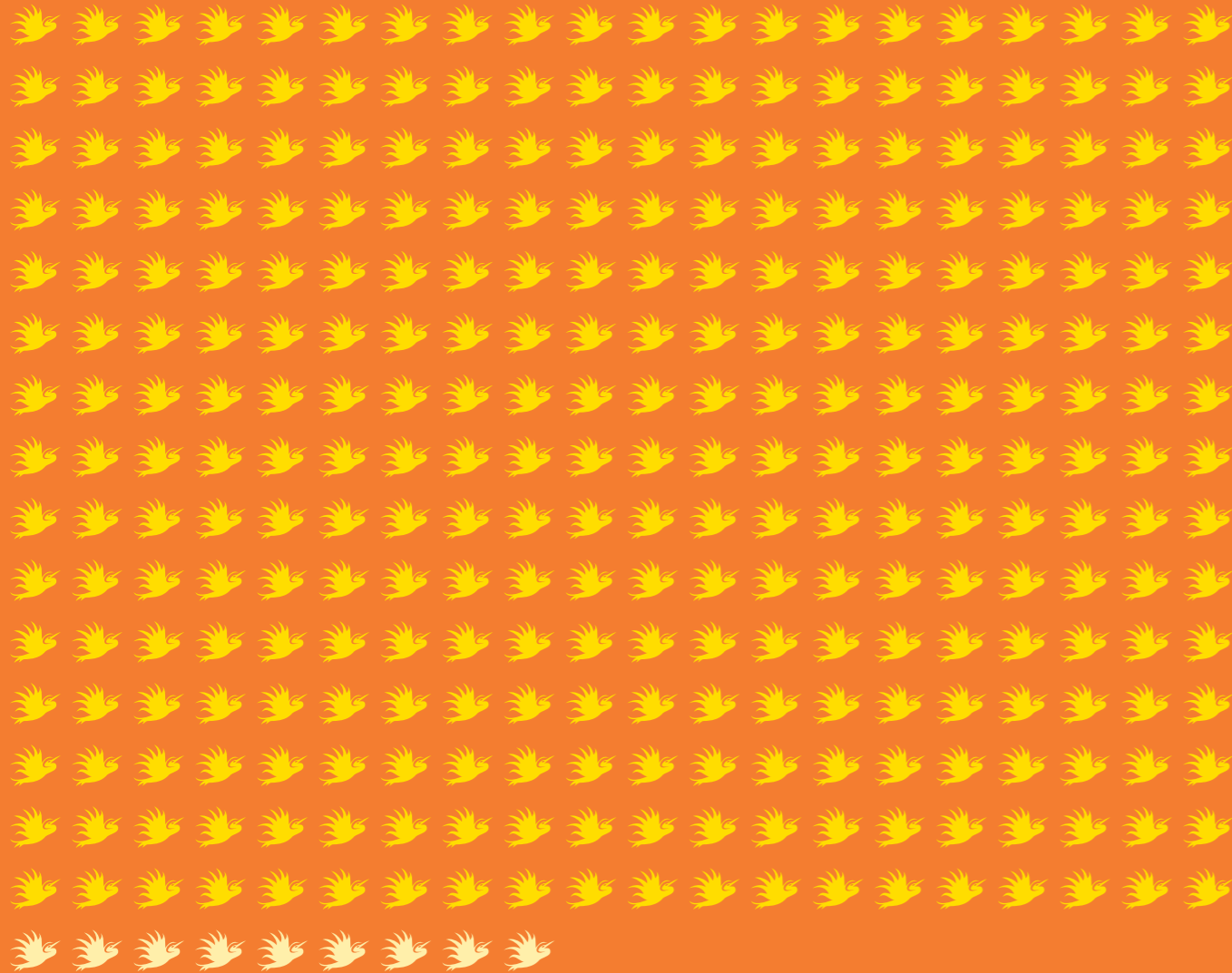
In addition the performance of an impact investment depends to a critical degree on overall management of the investment vehicle. In the case of Finance in Motion's longest running fund, the EFSE with close to EUR 1 billion in assets invested in 16 developing and emerging countries, not one euro invested was lost in the 10 years since it has been in business. For many years, the EFSE has also consistently maintained impairments below 0.5% of assets (dissolving and re-building impairments on problematic loans each year, with no write-off as yet). This kind of performance is achieved by careful investment selection and contract negotiation, close monitoring over the investment's lifetime, and by rapid and informed response to crises with coordinated action at all levels of governance and by key fund stakeholders.

Given the intense due diligence and monitoring work involved in investing in non-traded assets, achieving the scale necessary to support low operating costs is key to ensuring the sustainability of a fund. Where

Finance in Motion's debt funds are concerned, the typical sustainability threshold is around EUR 150–200 million in assets under management. From this level onward, the total expense ratio (including management fees, multiple service providers, auditors and legal counsel as well as costs related to governance and visibility raising measures for the funds) tends to fall under 2%, which, taking into account the overall yield on a debt portfolio lent responsibly to financial intermediaries in developing countries, can produce attractive net interest yields for investors.

On balance, we can confidently state that, as long as measures are in place to mitigate the larger political, regulatory, jurisdictional and local currency risks, solid returns can be achieved with impact investments in emerging and developing markets.

4 Creating Impact While Securing Investments



We have implemented over 300 technical assistance projects on a cost-sharing basis.

Creating Impact While Securing Investments

4.1 Setting the Right Framework

The key to success for any impact investment fund is in the way assets are originated, continuously monitored and actively managed. Development finance funds generally deal with assets in emerging markets or developing countries that are usually not rated, listed or traded. Very often, there is no long-term track record for investees an asset manager can rely on. As a matter of principle, Finance in Motion never acquires assets for its funds which it has not itself originated. That is why we place particular emphasis on thorough and rigorous risk assessment, including not only critical aspects of the investee but also of the investee’s operating environment:

- 1 As a first step, our investment team assesses the eligibility of a prospective investee or partner institution in terms of financial strength and ability to achieve positive impact with regard to the impact investment fund’s development objective. Then, as part of our know-your-customer process, we analyze both the background of investee owners and management, as well as the key risk elements identified in the investee’s operating environment. Doing business in emerging markets and developing countries may exhibit specific risks, such as regulatory risks, weak rule of law or the risk of politically exposed persons, and we pay particularly close attention to these issues.
- 2 Once the prospective investee has passed these eligibility tests, we initiate an intensive due diligence process. Each due diligence team is

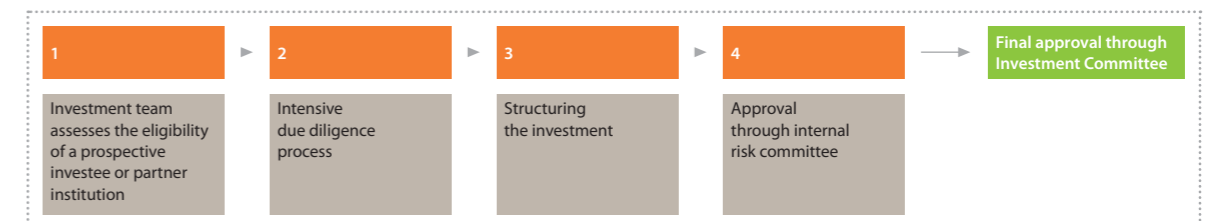
comprised of 3–4 members who combine multi-disciplinary skills and profound market knowledge. Due diligence generally involves both off-site and on-site assessments to ensure that the information provided in writing is rigorously validated against the reality observed on the ground.

The due diligence evaluation itself is very comprehensive and includes an assessment of

1. the financial strength of the institution,
2. corporate governance structures and management capacities,
3. beneficial ownership,
4. experience in serving the ultimate target group and/or capability and interest to do so in the future,
5. social and environmental performance, and
6. the operating environment.

When conducting due diligence in emerging and developing markets, the main challenges are often related to weak local accounting standards, low levels of transparency due to limited documentation, and regulatory as well as legal risks. We effectively mitigate these challenges by working with due diligence teams that combine extensive experience in assessing the specific type of development impact investments with comprehensive knowledge and hands-on experience in the operating environment. Our people on the ground speak the local language and are deeply familiar with the local context.

INVESTMENT PROCESS – THE KEY TO SUCCESS



3 The main outcome of the due diligence process is a credit strength rating and the ESGRID rating (see box 'ESGRID – Integrating a dedicated tool for investee vetting into day-to-day practice'), which reflects the environmental and social profile of each investee. This enables us to give equal attention to credit risk and development impact considerations.

The process of structuring each investment to appropriately mitigate risks is particularly thorough. In addition to adapting the commercial terms of the investment to adequately reflect the risk profile of each investment transaction, we also define a set of conditions that must be fulfilled prior, during and subsequently

to loan disbursement in carefully crafted financial covenants. As a result, our impact investment funds are in a position to directly exercise influence over the key elements that define the risk profile of each investment. At this stage, technical assistance is often part of the package, either preparatory to an investment or accompanying an existing engagement.

4 Concluding the assessment, due diligence results and inputs for structuring the investment are scrutinized in a multi-layer screening process that comprises an independent second risk opinion. An internal risk committee must then clear the planned investment before it is submitted for approval to the Investment Committee comprised of external and independent members.

ESGRID – INTEGRATING A DEDICATED TOOL FOR INVESTEE VETTING INTO DAY-TO-DAY PRACTICE

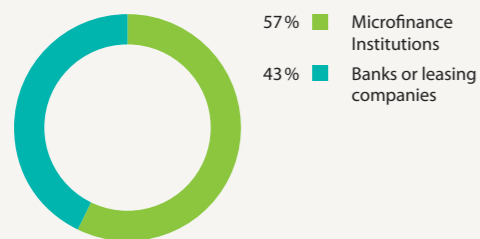
As a signatory of the Principles for Investors in Inclusive Finance (PIIF), the Principles for Responsible Investment set forth by the United Nations (UN PRI), and the SMART Campaign committed to embedding client protection practices into the institutional culture and operations of the microfinance industry, Finance in Motion integrates environmental, social and governance (ESG) aspects into its investment decisions. With the financial due diligence process forming the quantitative basis for an investment decision, Finance in Motion also evaluates the thoroughness and robustness with which qualitative ESG aspects and responsible finance practices are adhered to. In addition, it subsequently monitors investees during the lifetime of each loan.

It is for this purpose that, in 2014, Finance in Motion established ESGRID (Environmental-Social-Governance, Responsible

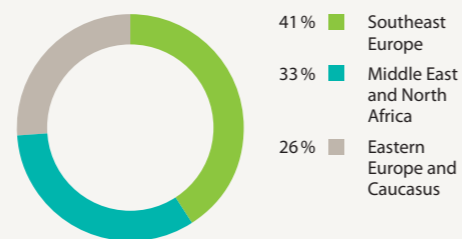
business model for Impact Development), a dedicated tool for rating ESG and impact parameters. In clearly identifying weaknesses and good practices, ESGRID covers key points such as adherence to client protection principles, appropriate loan conditions or the use of exclusion lists. It has become an integral part of every investment proposal presented to the Investment Committee, providing a structured and informed portfolio assessment as well as recommendations that can be translated into technical assistance projects.

Any red flags raised by the ESGRID score will either result in the cancellation of the planned investment or, in the case of resolvable issues, in a joint session with the investee to outline corrective measures. Implementing this action plan then becomes a precondition for entering into a loan agreement with the investee.

ESGRID ASSESSMENTS PER TYPE OF INSTITUTION IN 2014



ESGRID ASSESSMENTS PER REGION IN 2014



When undertaking an investment we always strive to establish a long-term relationship with the investee. This entails remaining in close communication with our investees after investments are disbursed, and we achieve this through our extensive network of 11 offices throughout the target regions of our development finance funds.

Regular contact with our investees enables us to

1. follow-up on the use of funds, and ensure that – through regular reporting on the funds on-lent (sub-loan reporting) in the case of debt funds – investments are applied to the development purpose and generate the projected development impact.
2. identify possible areas of improvement for enhancing development impact or strengthening institutional capacities for achieving development objectives by providing technical assistance or other forms of support.
3. monitor the investees's risk profile to identify potential problems well in advance and adjust our investment strategy accordingly.
4. provide additional financial support or new financial services as required.

We facilitate the process of sub-loan reporting with an online database that enables our investees to submit key parameters for the funds they have on-lent. The system in turn runs an algorithmic check as to whether the uploaded information complies with eligibility criteria and other requirements set by each impact investment fund. In addition, the quality of information uploaded is also reviewed during field visits to ensure consistency with the credit files of each investee.

We also regularly review and update the credit rating we have for each investee. For this purpose we use an in-house expert-based rating model that follows

the CAMELS system (capital adequacy, assets, management capability, earnings, liquidity, sensitivity to market risk). These credit ratings are then analyzed and reviewed in a quarterly meeting of the Rating Committee which screens the entire portfolio with respect to single counterparty risk. The Rating Committee is also a forum for discussing recent developments in the target markets and changes in the operating environment as well as portfolio management issues such as portfolio segmentation, changes in the risk/return profile etc.

To keep abreast with all relevant developments in the markets we operate, we engage in dialogue at the sector level on a regular basis, e.g. with Central Banks and regulatory authorities. We also participate in regional initiatives to leverage experiences and contribute to overall sector development, such as – in case of the GGF – the Energy Community platform, which aim is to coordinate the energy policies of the European Union and the countries from South East Europe and the Black Sea region⁶.

Finance in Motion adheres to the highest standards of transparency. In addition to providing regular and comprehensive reports to the decision-making bodies of each impact investment fund, we regularly inform investors on the development of their funds from both a financial risk/return and a development perspective. In addition, our funds publish factsheets at regular intervals on key results e.g. regarding the investment portfolio, technical assistance activities as well as development outcomes. Impact studies commissioned by the funds are always conducted by independent research firms or consultancies to ensure absolute objectivity of findings. In order to maintain close and direct ties with the investors of the impact investment funds Finance in Motion organizes field visits for our investors to evaluate first-hand the way our teams and investees operate and the results they achieve.

⁶ See www.energy-community.org for more details

4.2 The Role of Technical Assistance

It is our belief that sector development requires meaningful technical assistance to go hand-in-hand with the investment activities of our impact investment funds.

That is why all Finance in Motion funds combine finance with the provision of technical support that is critical in achieving the mission of each of our funds. The technical assistance we provide enables our investees to maximize outreach. This in turn maximizes development impact, energy and CO₂ savings and/or financial empowerment of the final target groups of our funds. Finance in Motion's Technical Assistance Unit does not directly implement capacity-building projects but rather operates as a management unit engaged in project design, tendering, contracting and monitoring project implementation.

Established nine years ago, Finance in Motion's Technical Assistance Unit has a solid track record with more than 400 projects totaling EUR 20 million. With a staff of 13, the unit takes care of the technical assistance facilities for all our funds and can also draw on the broad and deep expertise of our Investment, Strategy & Planning, IT and Risk teams. As of Q4 2014 the Technical Assistance Unit had 127 projects under management with an aggregate budget of EUR 11.6 million.

Funding for our technical assistance comes from donors, fund shareholders and the investees receiving the assistance.

We offer a wide range of technical assistance, on the principle of demand-driven ownership by the investees and sector organizations with which we cooperate. The majority of technical assistance is tailored support to individual investees/partner institutions to better serve their markets. Technical

assistance is also offered at the financial sector level to support financial sector development, responsible finance and financial education.

Applied research is used to increase market knowledge for the impact investment funds, to innovate and to ensure high relevance of the development finance being offered. This includes feasibility studies, market research and pre-bankability audits. As a result of its solid partnership and capacity building activities, our Technical Assistance Unit has become a trusted partner of the fund's investees, including banks, microfinance institutions, Central Banks and other sector level players.

The current topics covered by Finance in Motion's Technical Assistance Unit through the above-mentioned measures include a broad range such as:

- Responsible finance
- Local currency lending
- Mobile banking services
- Agricultural finance
- Housing finance
- Micro and small enterprise finance

OUR TECHNICAL ASSISTANCE PRINCIPLES

The following principles of Finance in Motion's technical assistance remain constant and apply to all interventions, though the specifics of the assistance provided may vary according to the fund mandate:

- Support and innovate in alignment with the development mission of Finance in Motion's impact investment funds
- Ensure full transparency and good governance
- Engage partners through needs-driven technical assistance to achieve ownership
- Implement technical assistance with a view toward replicability in geographic areas and business fields
- Work with technical assistance professionals in the target country
- Deliver technical assistance with speed, flexibility and efficiency



TECHNICAL ASSISTANCE PROJECTS IN FOCUS: PROMOTING NON-CASH PAYMENTS IN MOLDOVA

In December 2014, the National Bank of Moldova launched a six-month national media campaign to promote cashless payment instruments and, more broadly, electronic financial services. The campaign was financed by the EFSE Development Facility and will raise awareness about the benefits of such payments, including the use of debit cards, online banking, ATMs etc. Developed by experienced consultants in this field, the campaign utilizes various media channels, including several TV and radio channels as well as leaflets, info graphics for minibuses and social media. The campaign website (<http://faranumerar.md/>) bundles all the materials and provides additional useful information on electronic banking.

As we care about the environment in which we operate, we also take a holistic approach to pushing the financial frontier of the countries in our target regions. Beyond channeling development finance to individual investees and providing individual technical assistance, Finance in Motion also works on a broader level with partners at the financial sector level to spark initiatives that promote responsible finance and inclusive access to credit for sustainable economic development and job creation.

This sectorial technical assistance may include the support of regulators or credit registries in enhancing sector transparency and responsible lending practices, the promotion of financial education, fostering customer protection principles or deepening research on the financial sector level. For instance, the SANAD Technical Assistance Facility supported the Palestinian

Monetary Authority with assessing options for expanding debt advisory services in the West bank and in Gaza. In addition, our technical assistance facilities of our funds have provided Central Banks with training in the implementation of analytical tools to assess indebtedness levels, and trained credit bureaus in the use of state-of-the-art tools and techniques.

Each technical assistance facility also raises awareness at the national and regional levels on key topics such as good corporate governance, responsible pricing, agricultural value chain finance and the importance of energy efficiency and renewable energies. Financial literacy of micro and small entrepreneurs, too, is a very relevant topic that our technical assistance facilities address through training materials, radio campaigns and literature.



TECHNICAL ASSISTANCE PROJECTS IN FOCUS: FINANCIAL LITERACY RADIO CAMPAIGN IN MOROCCO

In late 2014, Finance in Motion's staff organized a radio campaign on financial literacy together with the Moroccan Foundation for Financial Education and MFM Radio, Morocco's second largest radio station. The project, funded by the SANAD Technical Assistance Facility, consisted of 30 radio messages on various topics, from why families should use a budget to how to obtain financing for a new business. The messages, broadcast over a six-month period during peak audience listenership, reach millions throughout the country, providing important information to consumers on how to make best use of the services offered by the financial sector.

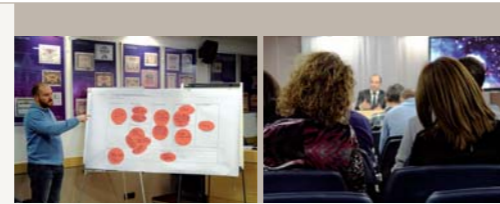


In order to raise awareness for certain topics such as risks of FX lending, non-cash payments or energy efficiency in SMEs, the Technical Assistance Unit of Finance in Motion supports the realization of targeted publications destined for specific audiences and stakeholders such as investors, investees, sector institutions and regulators, project developers and end-borrowers. In 2014, for instance, the EFSE Development Facility worked with the National Mortgage Company of Armenia to develop and publish an informative brochure on mortgage loans.



Another flagship project is the first GGF Technical Assistance Facility awareness-raising booklet for energy efficiency measures at SMEs entitled 'Save Energy, Save Costs, Develop Your Business'. The booklet is targeted specifically at small enterprises, trades people and craftsmen deliberating how to make investments to save costs. The material will be translated and promoted in a number of target countries and accompanied by corresponding promotional activities.

The technical assistance facilities of each fund also organize technical workshops for employees of partner lending institutions on topics such as responsible finance, mobile banking or agricultural finance.



TECHNICAL ASSISTANCE PROJECTS IN FOCUS: 'MOBILE FINANCIAL SERVICES – WHERE IS THE BUSINESS CASE' WORKSHOP IN BELGRADE

In December 2014, the EFSE Development Facility organized and sponsored a workshop on mobile financial services in cooperation with the Association of Serbian Banks in Belgrade. The event welcomed 35 participants from 15 institutions (mainly commercial banks but also the National Bank, mobile operators, and software providers). The consultants presented different business models, policy trends and new developments in mobile financial technologies and security. The aim was to detail the processes and challenges a financial institution faces when introducing alternative delivery channels.

Another way in which we support the mission of our impact investment funds through technical assistance is by sponsoring conferences – most recent examples: the 7th Azerbaijan Microfinance Conference, the Building Women-Focused Finance Conference or the Balkan Energy Finance Forum – to address the aforementioned topics with dedicated workshops and foster the exchange of ideas and experiences.

Where possible, Finance in Motion's Technical Assistance Unit coordinates with other providers of technical assistance such as IFIs, donors and investors. In many cases it syndicates with them to jointly deliver technical assistance, avoiding duplication and maximizing efficiency. Two examples for the SANAD Fund: a cooperation with IFC on a micro-finance project in Egypt and with GIZ in Iraq on SME banking.

4.3 Measuring Development Performance and Impact

We constantly monitor the development performance and impact of our impact investment funds on their target groups to ensure that each fund is effectively serving its final beneficiaries. This is done through regular development performance reporting as well as through regular impact studies.

Development performance reporting includes a set of indicators, which Finance in Motion regularly collects and communicates, such as the number of loans issued to end-borrowers or tons of CO₂ saved.

In addition, we periodically conduct impact studies for all of our funds that target different aspects of the changes made for each target group. Impact

research is conducted by independent research institutes to ensure absolute transparency and objectivity.

Finance in Motion and the funds under our management are also monitored by our partners on a regular basis, providing both positive and valuable feedback on development performance and impact achieved.

Finance in Motion's impact investment funds are regularly scrutinized in results-oriented monitoring studies (ROM) conducted by the EU. These studies assess the effectiveness of EU investments against the following five criteria: relevance and quality, efficiency, effectiveness, impact and sustainability. In 2013, the ROM study conducted on the GGF and the GGF Technical Assistance Facility reaffirmed the effectiveness and efficiency of both instruments in delivering on its mission, ranking them among the top five percent of EU investments.

We actively promote regular auditing of our impact investment funds through third parties not only to address external requests, but also as part of our internal policy. The GGF's portfolio for example is submitted to external monitoring at least once every two years with regard to environmental and social (E & S) matters. The objective of the review is to assess the adherence of investees to the GGF's E & S performance requirements. For the review, three sample investees are selected by the GGF Investment Committee based on the current outstanding exposure and the potential E & S risk of the portfolio. So far, such reviews have taken place in 2012 and 2014.

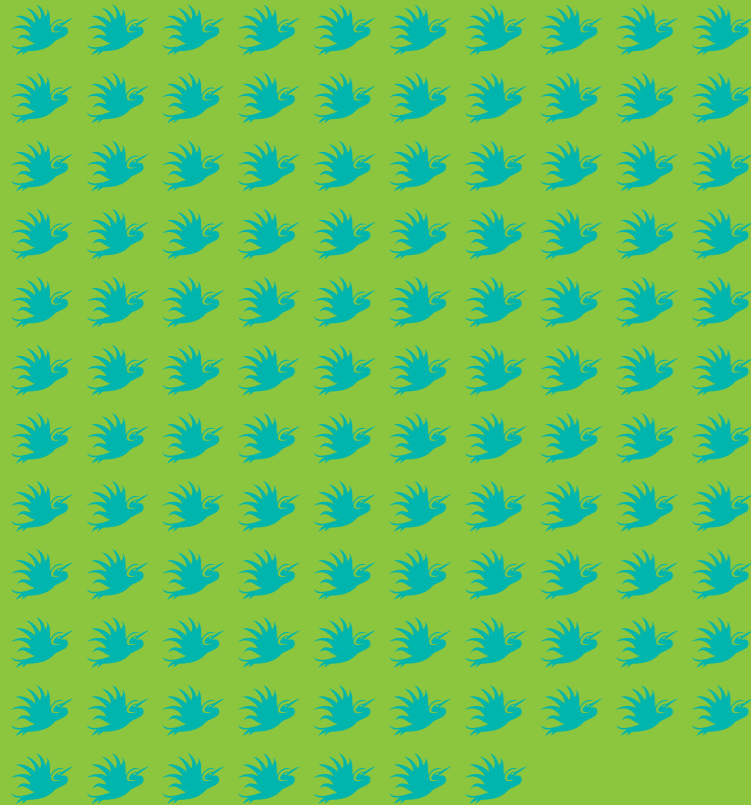
The SANAD Technical Assistance Facility is now working on its first impact study, which was designed as a panel study of microfinance borrowers in Lebanon and Jordan. Data is being collected in two annual cycles starting in 2014. The initial study round found that facilitating access to credit for microenterprises has a positive effect on income generation and job creation among SANAD sub-borrowers, with loan size, lending history, and loan term positively correlated with an increase in income and employment.

The image shows the logo for the EFSE Development Facility, which consists of the letters 'EFSE' in a stylized font. Below the logo, it says 'EUROPEAN FUND FOR SOUTHEAST EUROPE DEVELOPMENT FACILITY'. Below the logo, there is a title in green: 'EFSE DEVELOPMENT FACILITY: ASSESSING DEVELOPMENT IMPACT IN THE LONG-RUN'. Below the title, there is a paragraph of text: 'The EFSE Development Facility is currently conducting focused impact studies in Armenia, Serbia and Montenegro over a three-year period to analyze the impact of credit access and quality of development finance on employment creation. The research focuses on five questions:'. Below the paragraph, there is a list of five questions:

1. Does longer loan maturity help increase job stability?
2. Local currency vs. foreign currency loans – does currency matter for job creation/stability?
3. Do different organizational structures of banks catering to SMEs result in differences in their clients' financing constraints?
4. How do consumer credits impact microcredit clients?
5. Does a difference in lending techniques impact repayment?

Below the list, there is a paragraph of text: 'Although still ongoing, this work has already yielded very interesting preliminary results, e.g. that longer loan maturities with lower collateral requirements contribute to increased job creation among small businesses.'

5 Finance in Motion – Living up to our Core Values



With 117 staff, Finance in Motion has a strong market presence in the regions of Southeast Europe, Eastern Europe, South Caucasus and the Middle East and North Africa.



The Finance in Motion team counts 30 nationalities.



Our 13 regional offices are staffed with 40 local professionals.

Finance in Motion – Living up to our Core Values

Finance in Motion not only implements development finance according to high ethical standards in developing countries and emerging markets, but also takes great care in living up to its core values at home. Put simply: we practice what we preach. And since Finance in Motion largely acts through its staff, that is where we put our focus.

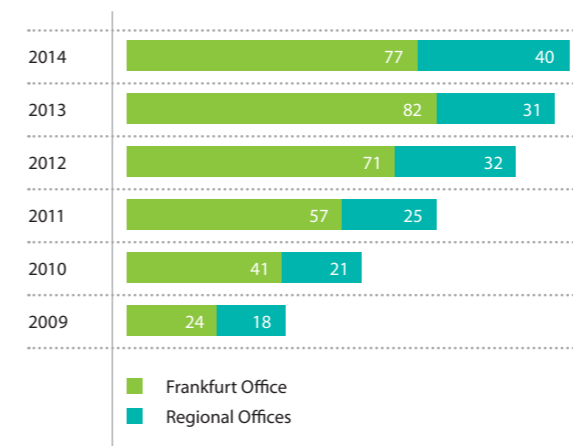
5.1 Human Resources

Since its inception Finance in Motion has consistently lived up to the principle of using and building regional expertise, thus relying on regional staff for all the target countries of the funds under management. While expanding our number of regional offices from 7 in 2009 to 13 as of Q4 2014, staff in the region has also grown from 18 to 40, including Finance in Motion's new IT development center in Nairobi, Kenya.

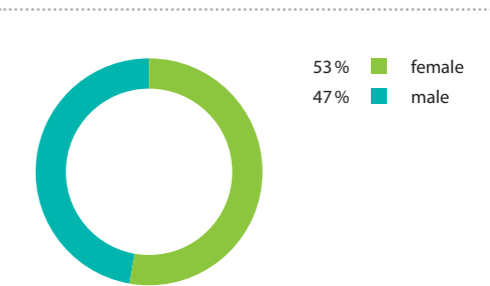
Finance in Motion's staff is as international as its business: 30 different nationalities are represented in the team totaling 117 employees (as of Q4 2014), reaching far beyond the target countries of our impact investment funds.

Although qualifications and alignment with our values have always been key considerations in the hiring process, Finance in Motion also keeps an eye on ensuring gender balance, currently at 47% male and 53% female. What's more, two thirds of those holding director and managing director positions are female, so gender balance is also reflected at the leadership level. Finance in Motion takes into account parenting needs of male and female employees as well by offering part-time work schedules and flexible working hours.

NUMBER OF EMPLOYEES



EMPLOYEES BY GENDER



EMPLOYEES BY NATIONALITY



5.2 Corporate Governance

As an organization that has high ethical standards and deals with public and private capital, Finance in Motion considers good corporate governance as central to its operations. For instance, every new hire must first sign our Code of Business Conduct and Ethical Behavior before starting work. This comprehensive document covers the values and principles, such as responsibility, integrity and cooperation, to which all Finance in Motion staff must adhere.

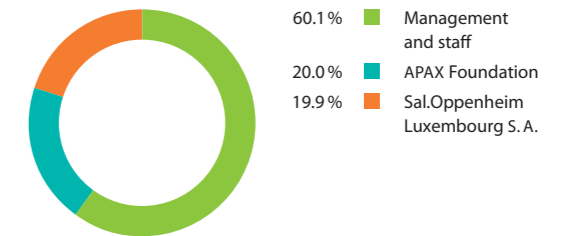
Additional policies apply to all Finance in Motion staff in the spirit of good governance as well, such as the Conflicts of Interest Policy and the Anti Money Laundering Policy. The company's incentive system is balanced, encourages loyalty and does not give distorted incentives for short-term achievements. It is based on a bonus system that recognizes individual, team and company performance.

Finance in Motion decided early on to set up a Supervisory Board to oversee management in day-to-day operations as well as to advise on strategic issues. The Supervisory Board consists of representatives

FINANCE IN MOTION SUPERVISORY BOARD

- Dr. Klaus Maurer, Chairman of the Supervisory Board
- Dr. Christian Cornett
- Marco Kaiser
- Dr. Wolfgang Leoni
- Michael Phillips

FINANCE IN MOTION SHAREHOLDERS



from Finance in Motion's shareholders, staff and other stakeholders who combine extensive expertise and stature in the development finance sector.

With regard to share ownership, of the 60.1% held by management and staff, 25% are held by People in Motion GmbH & Co. KG, a company through which senior Finance in Motion employees can become owners of the company and share in the company value that they help to build.

Finance in Motion is a licensed Asset Manager according to German banking law (Kreditwesengesetz) and is thus supervised by the BaFin (German Federal Financial Supervisory Authority). In compliance with BaFin requirements, Finance in Motion has a compliance officer, an anti money laundering officer and a data protection officer. Internal auditing is outsourced to an expert firm.

The company is audited externally on a yearly basis by Ernst & Young.

5.3 Environmental Responsibility

Finance in Motion not only addresses environmental issues through the funds under our management, but also encourages and supports the environmentally friendly use of resources within our organization. Conservation of natural resources and energy is integral to our Code of Conduct.

In spring 2013, at Finance in Motion's head office in Frankfurt, Germany, where we were using around 500,000 sheets of A4 paper per year, we switched to a local supplier, which helped significantly reduce carbon emissions merely by cutting down on transportation. In addition, nearly all paper supplies were harmonized with different grades of recycled paper that all carry the FSC certificate, the 'Blue Angel' environmental label and the EU Ecolabel. This applies not only to standard office stationery, but also to all printed materials, e. g. brochures.

Next to paper, water and other beverages also represent a large chunk of Finance in Motion's daily consumption. Prior to March 2013, our staff and guests at the Frankfurt head office consumed more than 11,000 liters of mineral water per year from plastic bottles. We have since been renting a filtered water dispenser for our head office that can also carbonate water if needed. A water analysis conducted before the switch confirmed the high quality of Frankfurt's tap water.

Free coffee and tea are available to Finance in Motion staff. Since the beginning of 2014, the nearly 300 kilograms of ground coffee consumed annually at the head office have the EU Ecolabel.

Our premises in Frankfurt also feature separate waste bins for paper and other waste as well as containers for used batteries, felt-tip markers etc. to maximize recycling.

With regard to mobility, Finance in Motion provides two bicycles free of charge for covering short distances during working hours. A secured parking is available for privately owned bikes in the basement of the Frankfurt office building. Cycling to work is further encouraged through shower facilities and drying rooms for wet clothes. Finance in Motion does not advocate commuting by private car and considers parking spaces a private expense. Also, we do not provide company cars to employees.

Sustainability is also lived at our regional offices, which operate in countries where it is often not yet a mainstream concern: from switching to filtered tap water in Macedonia, Kenya and Egypt to recycling paper waste in Bosnia and Herzegovina and Serbia, to purchasing locally produced office equipment in Kenya.

5.4 Social Responsibility

Following through on Finance in Motion's corporate social responsibilities, employees established fimshare in 2013. fimshare is a charity under German law run by our employees to support charitable projects beyond the scope of our work in development finance. Due to Finance in Motion's international exposure, our colleagues often come across remarkable projects around the world in need of funding. fimshare not only supports projects in countries in which Finance in Motion operates, but also provides assistance in other countries.

Support ranges from projects in the areas of education, infrastructure development, and poverty alleviation to emergency aid projects in developing and transition countries. fimshare has a global scope and usually works through registered NGOs

that operate at the local level to support projects that have a direct impact and are transparent in terms of beneficiaries and performance tracking.

fimshare is funded through membership fees, additional donations from employees, their families and friends, and Finance in Motion corporate matching schemes. Employees can join fimshare as members and donate through the annual membership fee. Supplemental funding for specific projects can also be achieved through targeted donations from individual members or external donors. From the outset Finance in Motion has supported fimshare with a 2:1 donation matching scheme, i.e. for each euro donated to fimshare, Finance in Motion contributes two additional euros. All donations are channeled in full to the various projects.



FIMSHARE PROJECTS IN FOCUS: ELECTRIFICATION OF A SECONDARY SCHOOL IN BURKINA FASO

In Douroula, a small village in Burkina Faso, only a few buildings were connected to the electricity grid. In 2014, EUR 4,500 from fimshare enabled Douroula's secondary school, which hosts about 400 students, and the teacher's housing to be connected to the electricity grid. Electrification not only facilitates the daily life of teachers and students, but is also a prerequisite for computers, printers and other much needed electronic equipment.

"We would like to extend our sincere thanks to fimshare. We saw many happy faces when the lights were finally turned on."

Sabrina Dold
Wir für Burkina e.V.

Members actively contribute to fimshare's impact by putting forward projects and taking part in the association's activities. Project proposals are vetted by the association's board. Once funded, projects are closely monitored to ensure that funds

are directed to the approved purpose. Administrative work is done pro bono by the association's members.

Since its inception, fimshare has supported eight projects in seven countries with a total of EUR 47,000:

COUNTRY	COUNTERPARTY	BUDGET	PROJECT DESCRIPTION
Bosnia and Herzegovina	"Education builds Bosnia and Herzegovina"	EUR 3,865	Scholarships for seven students from socially disadvantaged groups in BiH. The monthly stipend covers the students' basic school needs, including books, clothing and lunch.
Bosnia and Herzegovina, Serbia	Red Cross	EUR 15,393	The project provided humanitarian aid to people affected by the 2014 flood catastrophe.
Bulgaria	Foundation Dechitsa	EUR 975	Support to children from several orphanages, including the purchase of school and art materials for the activities organized by the center and the financing of a ski trip to the Sofia mountains for a group of ten kids.
Burkina Faso	"Wir für Burkina e.V."	EUR 4,500	The project supported the urgently needed electrification of a secondary school in Burkina Faso.
India	Salaam Baalak Trust	EUR 4,395	The project supports female street children in Delhi, specifically providing shelter for ten girls at the organization's shelter homes, and attending to their educational, health, and nutritional needs over a twelve-month period.
Lebanon	NGO "Basmeh & Zeitooneh"	EUR 4,986	Food and basic household goods are being provided for 75 Syrian refugee families in the Shatila camp in Lebanon.
Palestine	Palestine Children's Relief Fund (PCRFF)	EUR 9,350	The project supports the purchase and distribution of medical supplies, food and clothing to Palestinian children in Gaza.
Serbia	NGO "Blic Foundation"	EUR 3,500	The project helps to improve the educational and living conditions of several families.

Glossary

AIFMD	Alternative investment fund manager directive	IC	Investment Committee
ALM	Asset liability management	IFC	International Finance Corporation (member of the World Bank Group)
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority)	IFI	International financial institution
BMZ	Bundesministerium für wirtschaftliche Entwicklung und Zusammenarbeit (German Federal Ministry of Economic Cooperation and Development)	KfW	Kreditanstalt für Wiederaufbau (German Development Bank)
CAMELS	Capital adequacy, assets, management capability, earnings, liquidity, sensitivity to market risk	MENA	Middle East and North Africa
CSSF	Commission de Surveillance du Secteur Financier (Luxemburg Financial Supervisory Authority)	MFI	Microfinance institution
E & S	Environmental and social	MSEs	Micro and small enterprises
EBRD	European Bank for Reconstruction and Development	MSMEs	Micro, small and medium enterprises
EFSE	European Fund for Southeast Europe	NGO	Non-governmental organization
ESG	Environmental, social and corporate governance	OeEB	Oesterreichische Entwicklungsbank (Austrian development bank)
ESGRID	Environmental, social, corporate governance, responsible business model and impact for development	PIIF	Principles for Investors in Inclusive Finance
FMO	Financierings-Maatschappij voor Ontwikkelingslanden (Dutch development bank)	PPP	Public private partnership
FX	Foreign exchange	ROM	Results-oriented monitoring
GGF	Green for Growth Fund	SEE	Southeast Europe
GP/LP	General partnership/limited partnership	SICAV-SIF	Société d'investissement à capital variable – Specialised investment fund
		SME	Small and medium enterprises
		TA	Technical assistance – also referred to as capacity building
		TAF	Technical assistance facility – also referred to as technical assistance unit or development facility
		UNPRI	United Nations-supported Principles for Responsible Investment

Finance in Motion – Investing in Development

OUR CORPORATE STORY

Finance in Motion is an asset management firm solely dedicated to development finance. Through a Public Private Partnership approach, our mandates leverage public funds and attract private capital for investing into development finance. Using these funds, we provide access to patient, sustainable capital in markets and sectors in which the risk-return tradeoff for traditional private funds investing alone is perceived as too high.

We provide tailored financial solutions to banks and other financial intermediaries in developing countries and emerging markets. Through these investments our partners support micro, small and medium enterprises (MSMEs) as well as low-income private households and promote green finance products. In addition, we provide project finance for renewable energy ventures. Our integrated service platform goes beyond mere financing: we design investment vehicles and continue to strategically advise and develop them, providing a suite of services promoting rigorous diligence, risk management, and monitoring to ensure that public and private monies are used judiciously and appropriately while maximizing development impact. Just as important, we provide technical assistance management expertise to build capacity at all levels, ranging from local partners to the overall financial sectors in our target countries.

Our experience enables us to optimize the capital structure and strategic positioning of the funds entrusted to our management in view of changing market needs. As an institution overseen by the German Financial Supervisory Authority (BaFin), we strive to uphold the highest standards of corporate governance and transparency, both within Finance in Motion and across the funds we manage.

Our strong local presence and dynamic, multinational team, enable us to keep the finger on the pulse of our markets and respond to the specific needs of our partners and clients.

The people of Finance in Motion have been contributing to our continued success story making Finance in Motion one of the leading development finance companies worldwide. Our mandates encompass the European Fund for Southeast Europe (EFSE), the Green for Growth Fund (GGF), the SANAD Fund for MSME (SANAD) and the eco.business Fund, which offer strong demonstration cases in environmental finance and MSME finance. By enlarging our portfolio we are also continuously building profound knowledge in new development topics and new geographic regions.

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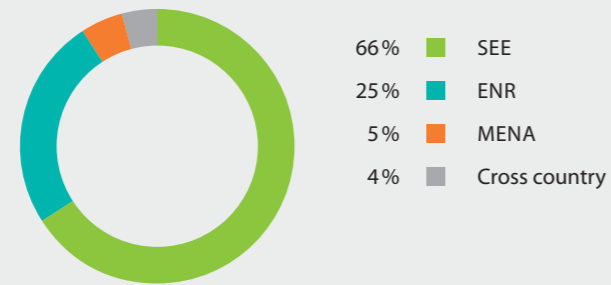
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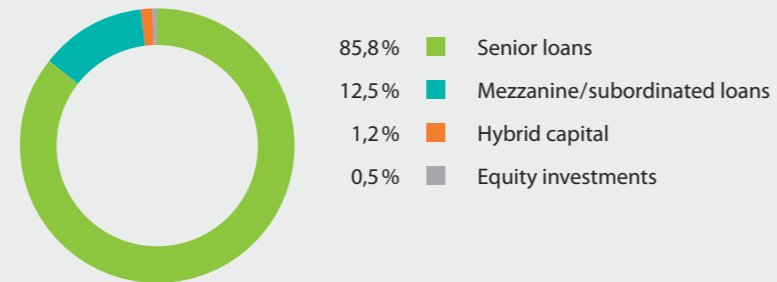
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Finance in Motion – Key Breakdowns

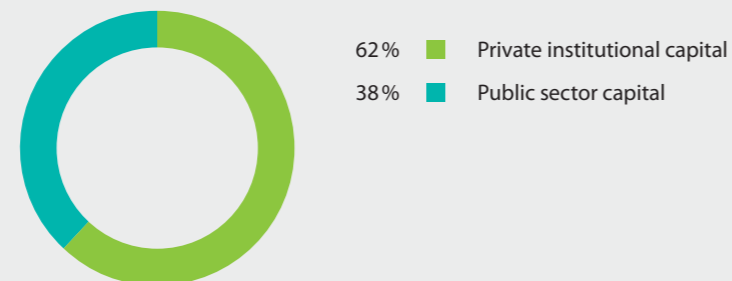
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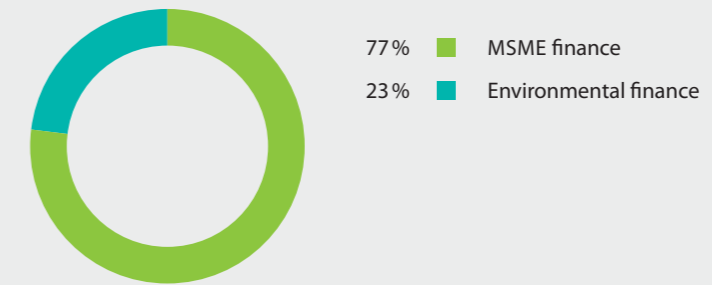
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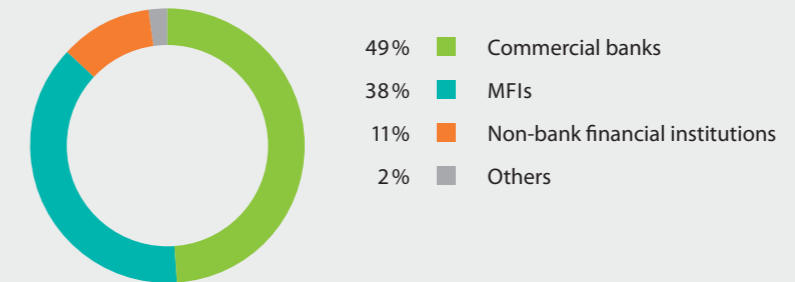
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PUBLISHER	Finance in Motion GmbH (www.finance-in-motion.com)
CONCEPT/LAYOUT	Finance in Motion GmbH (www.finance-in-motion.com) Hilger & Boie Design (www.hilger-boie.de)
PRODUCTION	Joh. Wagner & Söhne KG (www.druckerei-wagner.com)
PHOTOGRAPHS	Finance in Motion, ollrig/smart.art/pololia/bignai – Fotolia.com (p. 13), Uwe Schober (p. 14), Denys Goltvenko (p. 16), BDR Associates Strategic Communication (p. 23), Radio MFM Souss (p. 23), Jan Heinemann (p. 24), Wir für Burkina e.V. (p. 31)
PAPER	Recy®Satin (www.papyrus.com)

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