



EUROPEAN
MICROFINANCE WEEK 2009

MICROFINANCE IN A NEW
FINANCIAL ERA

European Microfinance Week 2009

MFIF – CREATING THE NEXT INVESTMENT BUBBLE?

Luxembourg, 26th November 2009



Agenda

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CSSP RiskNavigator

Investment Bubble

Microfinance 2008/2009

Challenges

Strategies



CSSP – Center for Social and Sustainable Products

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Responsible Investing

The Center for Social and Sustainable Products (CSSP) is an **advisory company and think tank** specialized in the field of non quoted Social Responsible Investments (SRI), in particular concerning Microfinance, Carbon Energy & Climate.

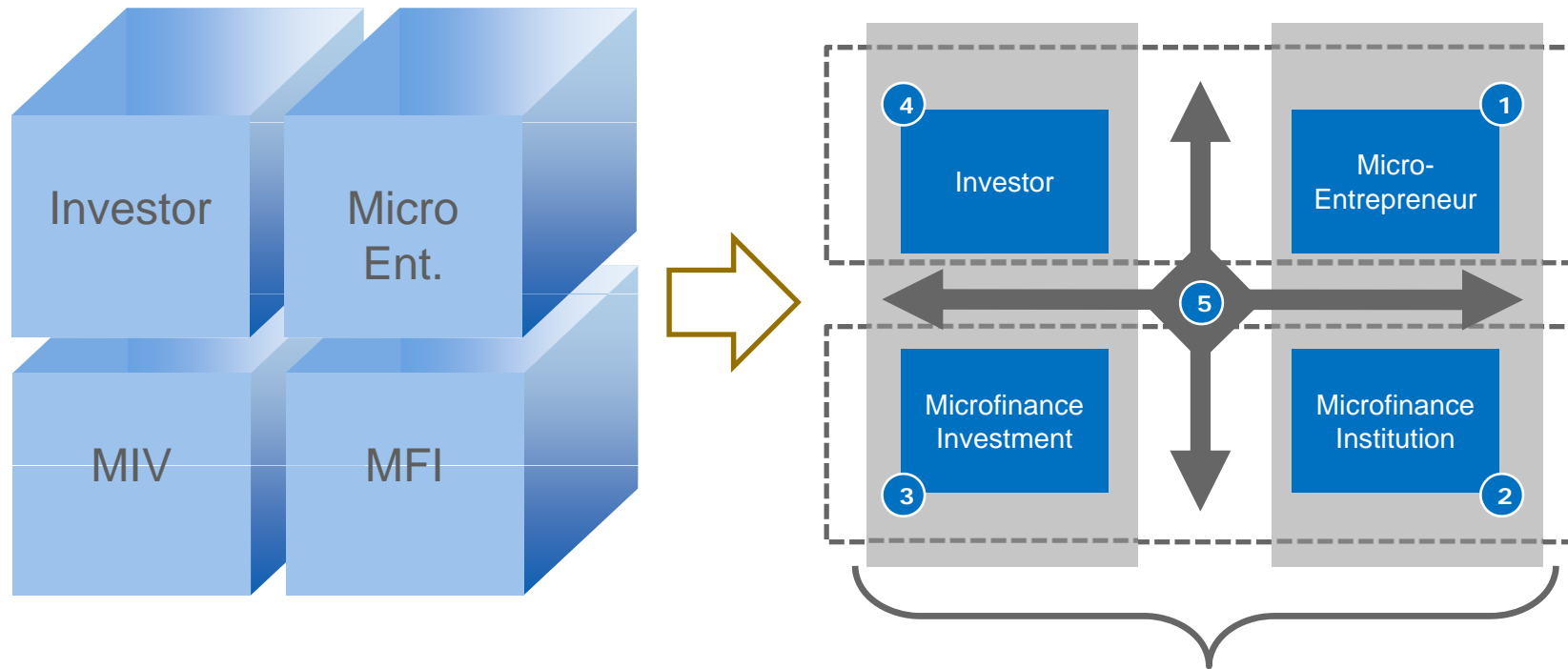
CSSP Microfinance RiskNavigator®

CSSP Climate RiskNavigator®

CSSP Microfinance RiskNavigator

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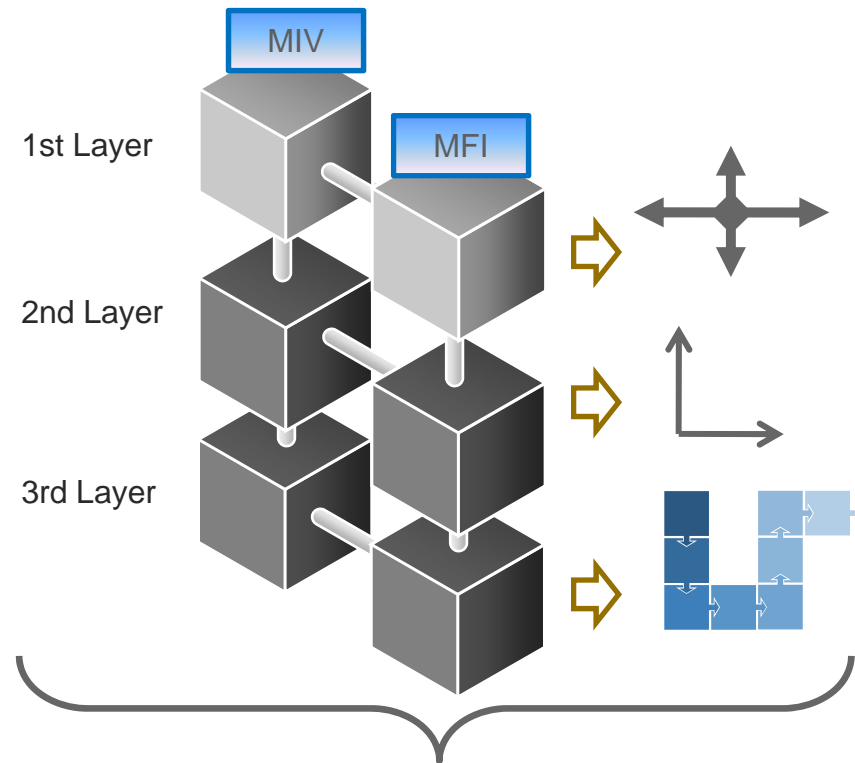
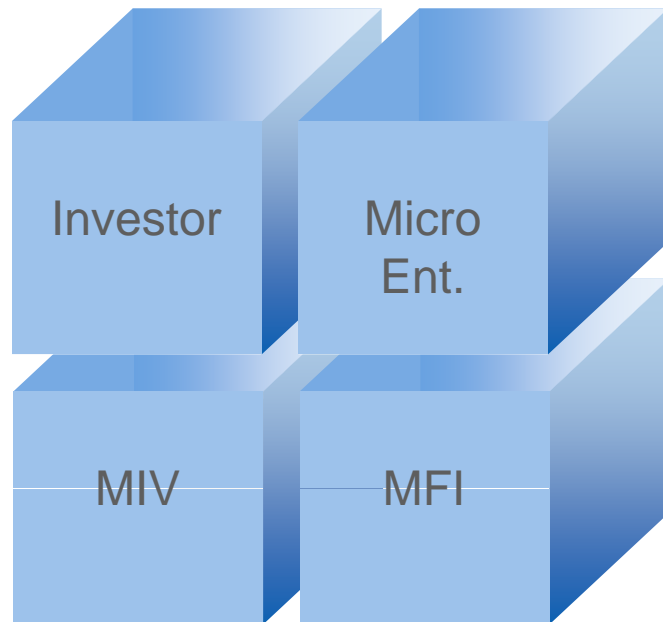


VERTICAL:
Market Players, Support & Allocation
Procedures

CSSP Microfinance RiskNavigator

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HORIZONTAL:
Risk Clusters & Risk Factors

Investment Bubble

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Definition & Results

Definition: assets with inflated value;
strong deviation from intrinsic value.

Results: crash or bubble burst

Misallocation of Resources
No Equilibrium

Some Causes

Liquidity; too much liquidity in
combination with fewer investment
opportunities

Behavioral Finance; Herding

Greater Fool Theory

Bounded Rationality; rationality of
individuals limited by their information
level

Lack of Information
Liquidity Mismatch

Microfinance in 2008/2009

Financial Crisis – Impact on MF

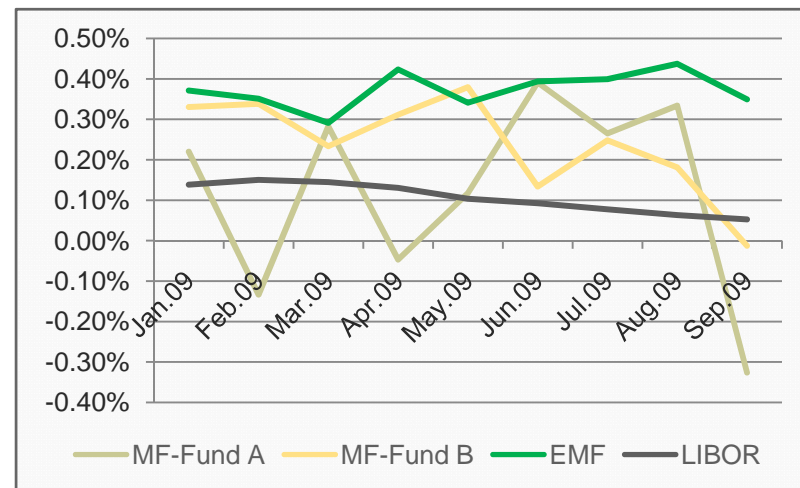
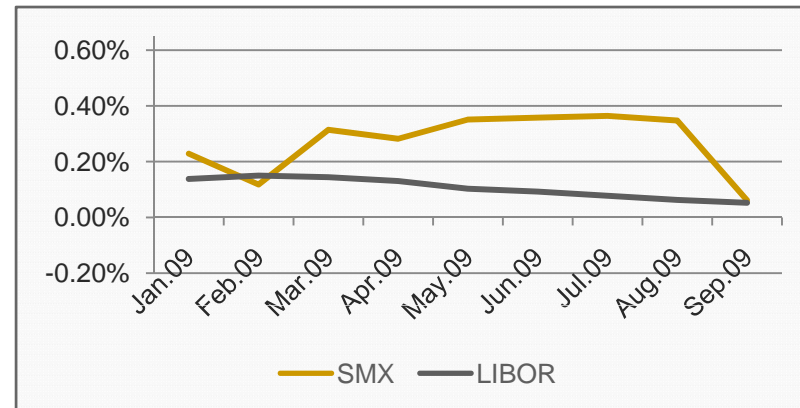
430 Responses from 82 countries:
Credit Risk, Liquidity, Refinancing and too little Funding are the biggest risks as well as the fastest risers.

(source: Microfinance Banana Skins 2009)

The SMX shows less return more volatility in comparison to the years before.

(source: Symbiotics SA; SMX USD is a Microfinance Investment Index on a monthly return basis)

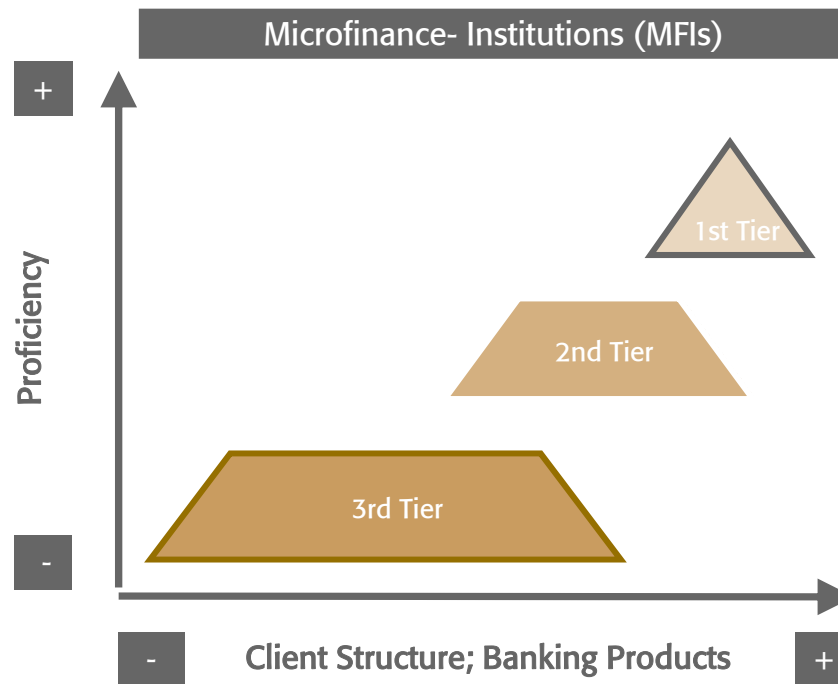
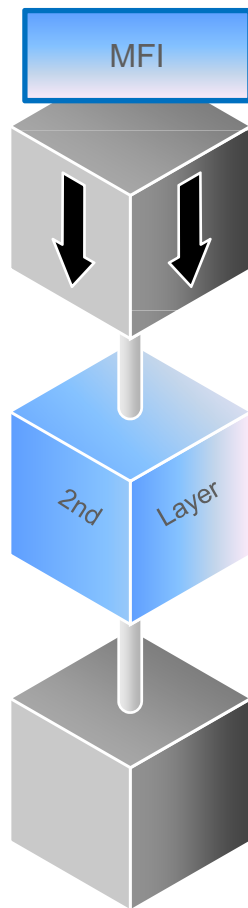
MFIF in 2009



Challenges in Microfinance (1/3)

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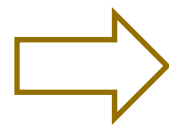
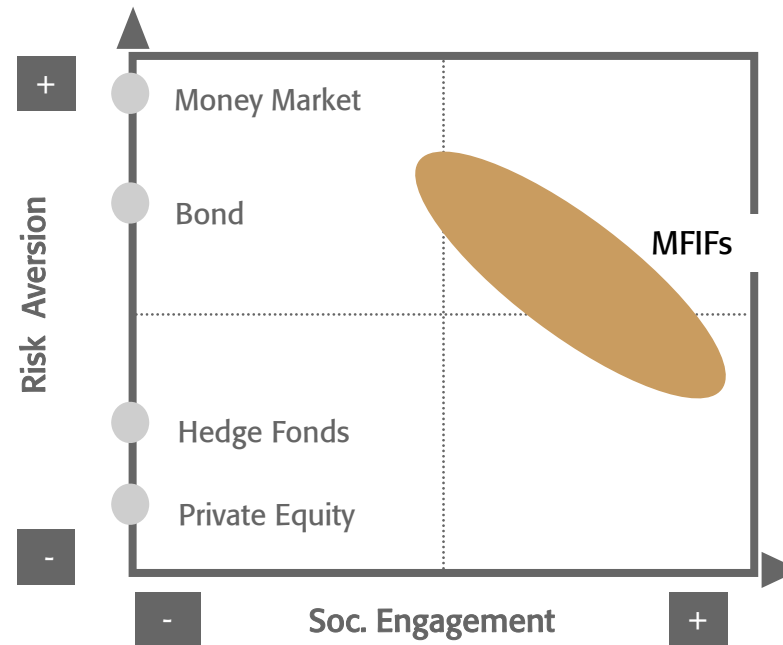
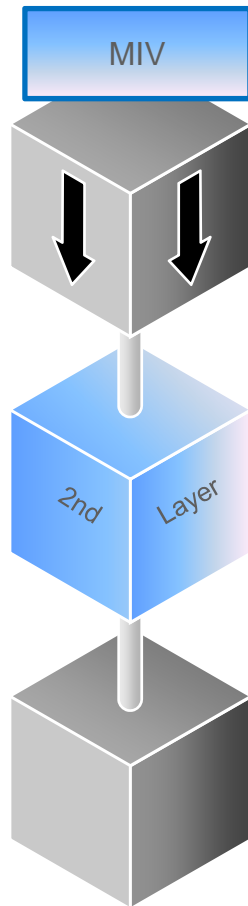


Heterogeneous Group of MFIs:
different Risk-Profile Clusters

Challenges in Microfinance (2/3)

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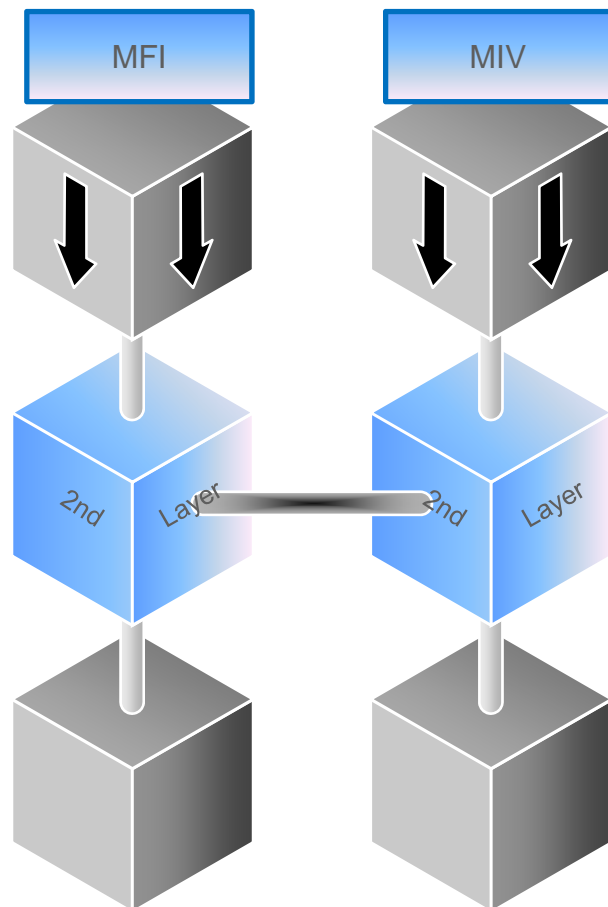


Capital market: shift from philanthropic to purely commercial investors; different types of MFIFs; social Risk-Profile vs. economical Risk-Profile

Challenges in Microfinance (3/3)

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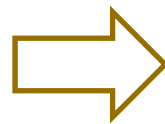
Investment Opportunity-Set for the
(commercial) MFIFs?

Strategy / Risk Profile of the MFIFs?

Stabilization Factors of the Investment
Opportunity Set?

Proficiency / Technical Assistance Tools
linked to MFIFs?

etc.

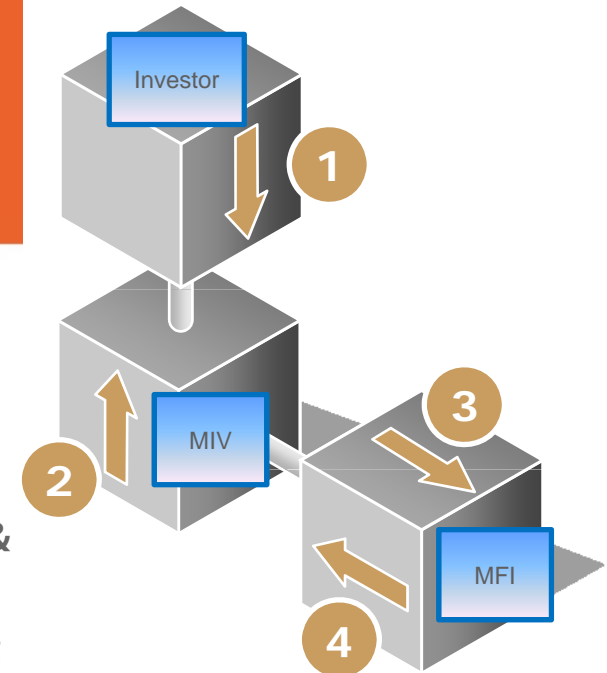
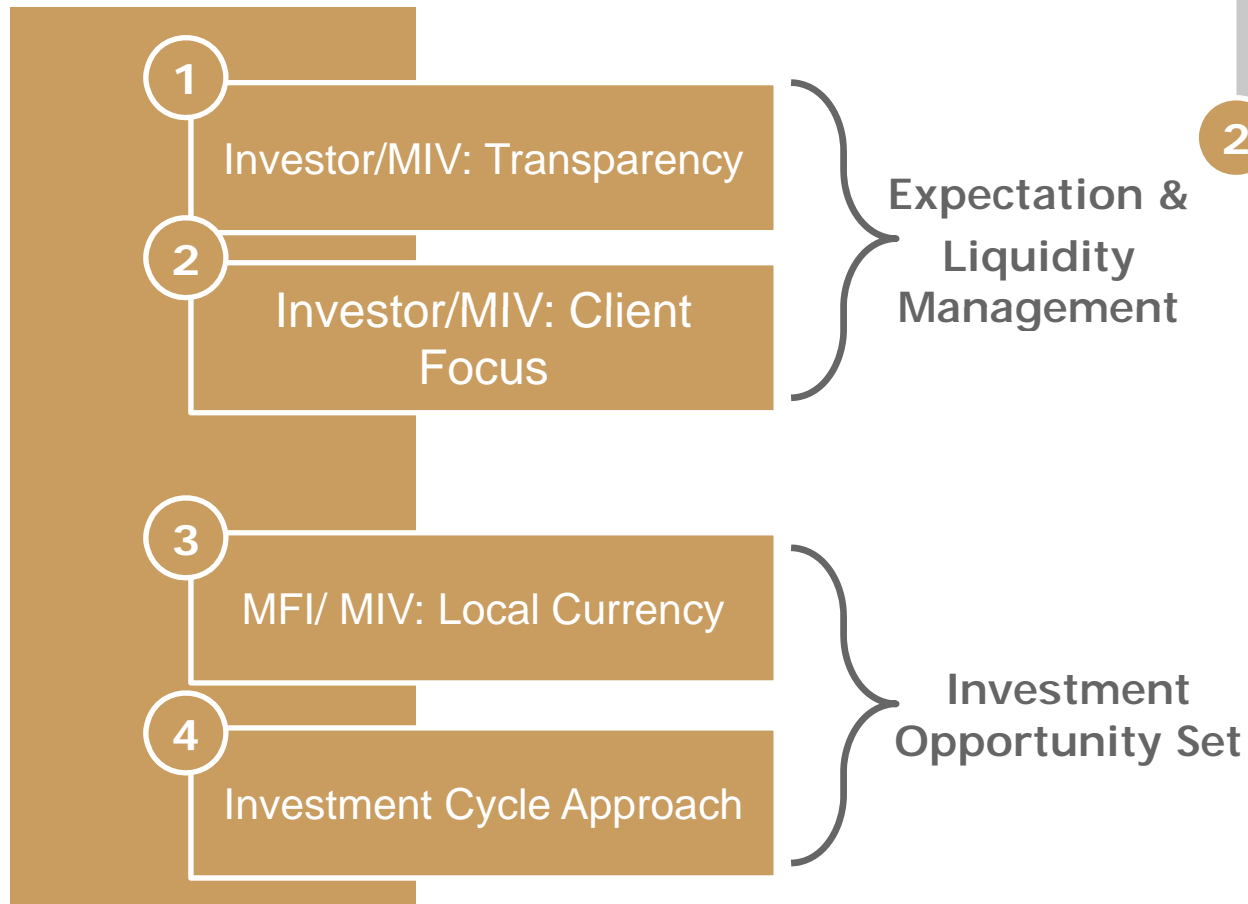


Danger of Mismatch: pro-active actions
needed to avoid a market backlash

Strategy-Sample

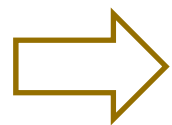
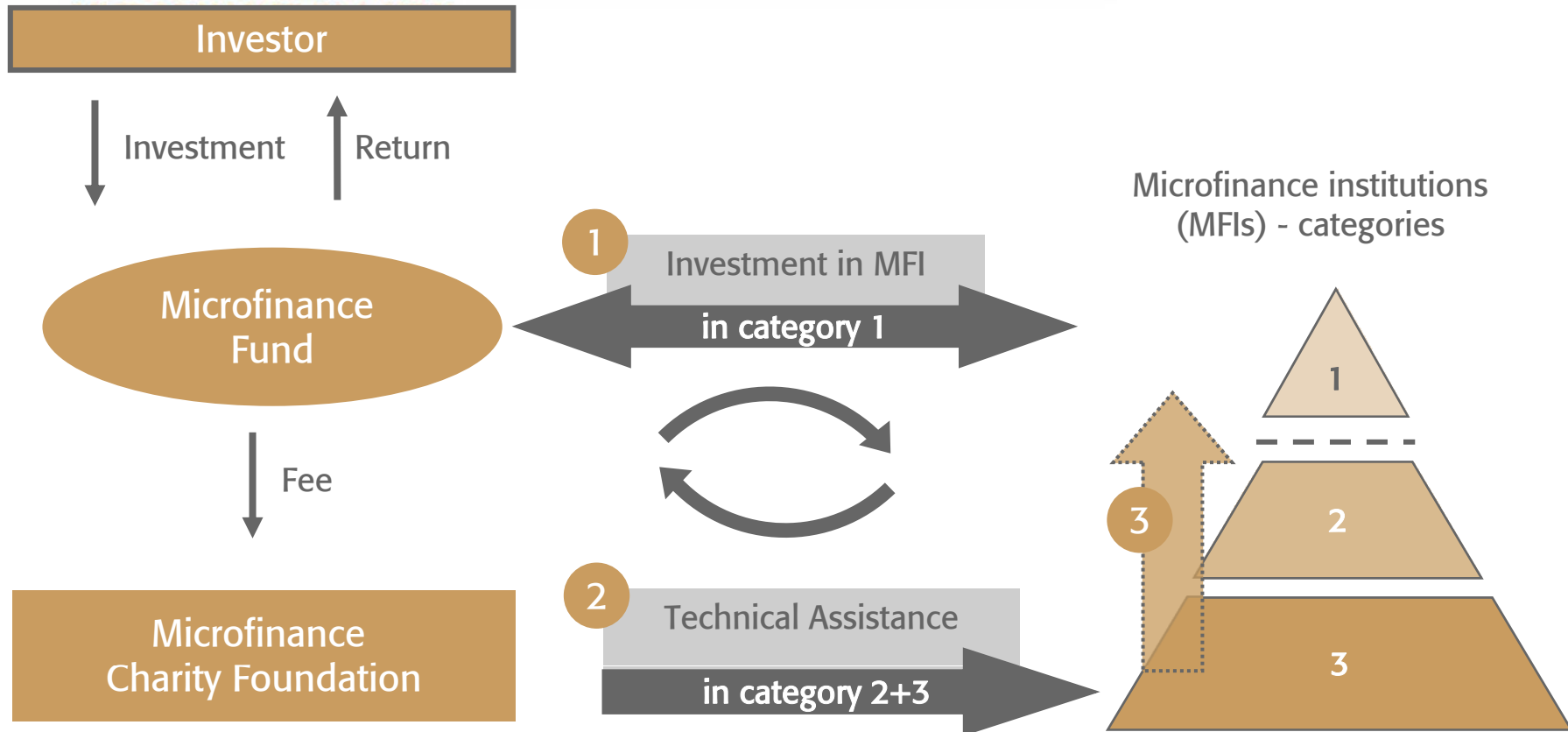
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Investment Cycle Approach

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Strategy-Typ: Risk Focus and Re-Invest

Strength: risk-averse Fund-Profil, Investor-Focus and Technical Assistance Contribution

Weakness: Time-Lag of Technical Assistance Contribution

Implementation: EMF Microfinance Fund (2008)



Summary

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Identification of a problem is the first step for a solution:
danger of mismatch is existing

Different strategies needed to avoid the investment bubble

Responsible Investing is a longterm commitment



Contact

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