

Equity Investors' Returns in Microfinance: Introducing the WSAS MFI Shareholder Value Indexes and the MFI SVIX 2005 Results

Executive Summary

Equity investors in a set of 30 MFIs (microfinance institutions) which were selected for their equity investment activity, financial transparency, and geographic spread in 2005, collectively saw a 42% compound annual growth rate (CAGR) in the value of their investments over the period 12/2004 to 12/2008, according to the recently launched WSAS MFI Shareholder Value Indexes.

The WSAS MFI Shareholder Value Indexes (WSAS MFI SVIX) are the first consistent measures of changes over time in the value of shareholders' investments in the equity of a broad sample of microfinance institutions (MFIs).

The WSAS MFI SVIX are designed to provide institutional investors such as pension funds, foundations, and endowments, as well as fund managers and researchers in general, with much-needed benchmarks of MFI shareholder value performance. The WSAS MFI SVIX results approximate what investors achieved in the past, and provide the basis for accumulating historical performance characteristics of the niche asset category, MFI equity.

The WSAS MFI SVIX annual series are value-weighted, that is, they are created by combining the changes of shareholder value into one series and then indexing the changes from the base period.

For Index purposes, end-of period "Shareholder Value" can be summarized as the cumulative result of the cash flows which equity investors in an MFI experience in a period, with book value owned at the end of any particular period as the 'terminal value' for the period. It is a 'total return' concept.

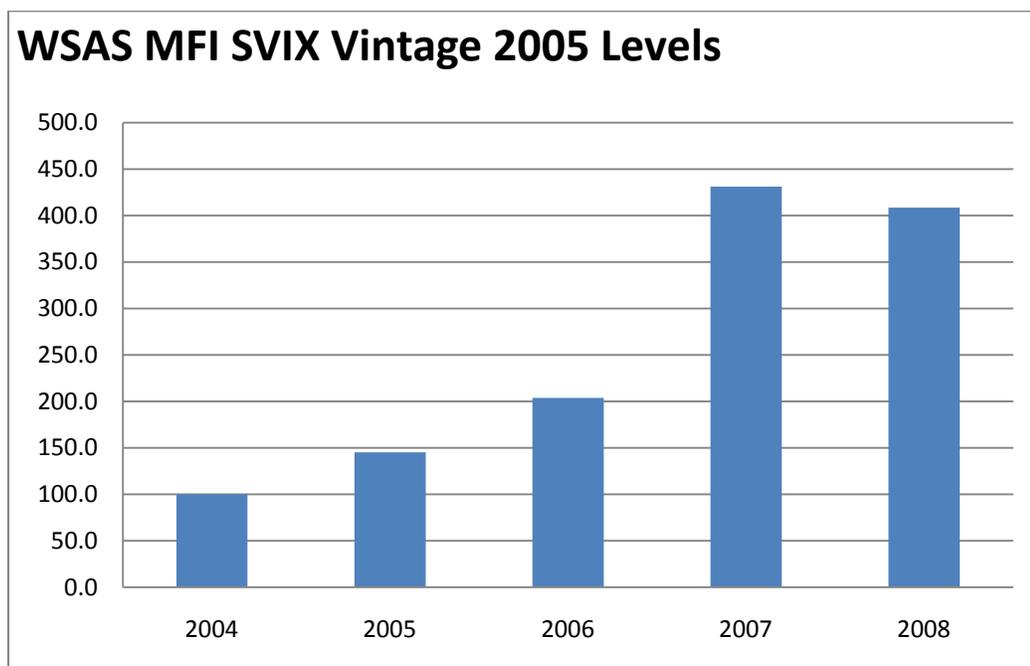
This first report considers the increases in shareholder value which shareholders of the MFI SVIX 2005's base period investors ('Investor Vintage 2004' investors, in index terms) experienced over the 4 year period end-2004 through end-2008. Future releases will report on other annual Vintages and include the results of Investor Vintages formed in the 2005 selection, post-2004.

The MFI SVIX 2005 Index included 30 MFIs from 24 emerging markets. Highlights for their Investor Vintage 2004' investors, expressed in US Dollar terms, include:

- A cumulative 308% increase in shareholder value, for a 42% compound annual growth rate (CAGR) over the 4-year period;
- 27 MFIs produced positive Shareholder Value in US Dollar terms over the period, 3 produced declines;
- The average cumulative increase was about 369%; leaving out 3 'home run' results, the average cumulative increase was about 151% (26% CAGR);
- The MFI SVIX 2005's greatest annual increase in shareholder value was in 2007, for almost 112%;

WSAS MFI SVIX –Vintage 2005 Executive Summary

- 2008 was the worst year, with -5.3%;
- Spandana (India) was the best individual performer, with Investor Vintage 2004 shareholder value growing at a 155% CAGR over the 4 years;
- Papua New Guinea Microfinance produced the greatest decline in IV 2004 shareholder value, a cumulative loss of -70% over the 4 years.



The full report offers details, by year, by country, by MFI, and by other break-outs.

Readers are encouraged to refer to the WSAS MFI SVIX methodology statement, available from WSAS for complete treatment of the Index approaches and practices. The Methodology can be found at:

http://www.wallsstreetadvisorservices.com/the_wsas_mfi_shareholder_value_index_series