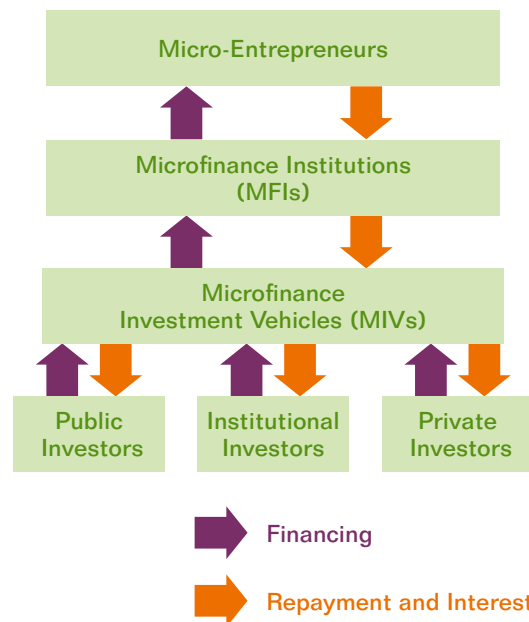


centre of excellence for microfinance investment vehicles

“Microfinance is a proven tool to improve the livelihood of the impoverished. Luxembourg is committed to supporting a responsible Microfinance industry.”

HRH The Grand Duchess of Luxembourg

What is Microfinance?

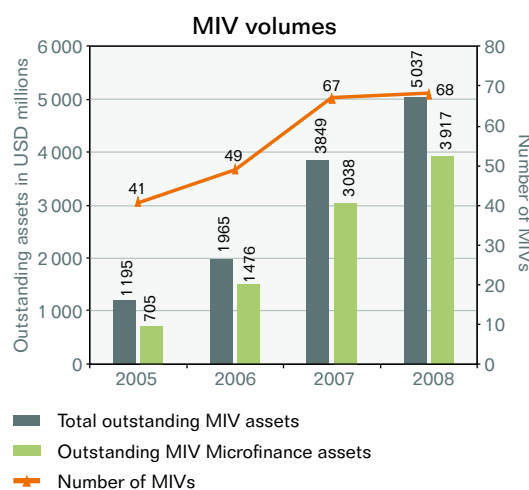


Microfinance is defined as the supply of loans, insurance, money-transfer services and other financial products to the poor, excluded from the traditional banking system. Typically, Microfinance is used by micro-entrepreneurs to set up a business.

Microfinance Institutions (MFIs) offer financial services to low-income clients. MFIs receive funding by gathering local deposits and by accessing domestic and international capital markets.

Microfinance Investment Vehicles (MIVs) raise funds from public, institutional and private investors to support MFIs worldwide. MIVs can take the form of Collective Investment Schemes (e.g. mutual funds) or other dedicated investment vehicles. MIVs loan money to MFIs or alternatively purchase their debt or equity instruments.

MIVs: a growing and attractive asset class



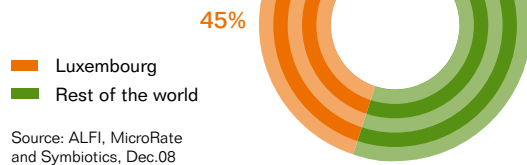
- Outstanding MIV Microfinance assets have increased 5-fold over the past 3 years;
- The 68 MIVs surveyed by MicroRate have assets of USD 5 037 million, up by 31% since 2007;
- MIVs are among the only assets which have sustained positive returns despite the financial crisis. Studies indicate that Microfinance returns are uncorrelated to markets, thus offering portfolio diversification;
- The financing needs of MFIs are estimated to increase by 15 to 30% per year, implying significant growth potential for MIVs.

Source: MicroRate, Aug. 09

centre of excellence for microfinance investment vehicles

Luxembourg: a leading centre for the domiciliation of MIVs

Luxembourg domiciled funds as percentage of total assets



Source: ALFI, MicroRate and Symbiotics, Dec.08

- 45%, or USD 2 248 million, of MIV total assets are domiciled in Luxembourg;
- Including securitisation vehicles, 22 MIVs are based in the Grand Duchy (Source: Symbiotics, June 09);
- Six of the largest 10 MIVs are based in Luxembourg (Source: MicroRate, Aug. 09).

Luxembourg: the ideal environment

A world-class financial centre...

- Second largest fund centre in the world, after the US, with USD 2.42 trillion in assets as of July 09;
- Largest cross-border fund domicile, accounting for 75% of cross-border registrations (Source: PwC, 2008);
- Stable democracy with a strong economy;
- Founding member of the EU with a neutral, strategic position;
- Rigorous anti-money laundering and anti-terrorist finance laws and regulations;
- Competitive and flexible legal and regulatory framework.

... a first mover in the domiciliation of MIVs

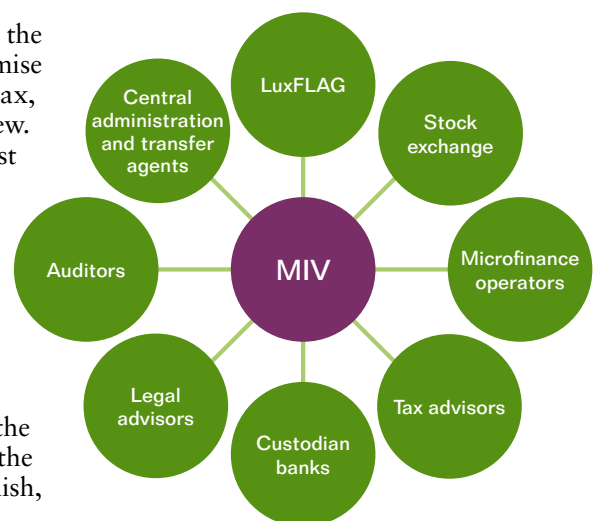
- Wide range of available investment vehicles suitable for Microfinance
 - UCIs Part II funds (under the 2002 Law)
 - Specialised Investment Funds (SIFs)
 - “Société d’Investissement en Capital à Risque” (SICARs)
 - Securitisation Vehicles
 - Structured Products
- Expertise in the field of Microfinance and MIVs
 - Range of institutions (including LuxFLAG, ADA, European Investment Bank, Lux-Development, Luxembourg Roundtable on Microfinance, European Microfinance Platform...) focusing on Microfinance and MIVs;
 - A core of professionals within leading financial institutions, law and audit companies actively developing a world class service;
 - A growing number of Microfinance conferences, events and seminars.
- Strong support from the Financial Regulator and the Luxembourgish Government, favouring a transparent and responsible Microfinance sector.

Setting up a Microfinance Investment Vehicle in Luxembourg

When setting-up an investment vehicle, the expertise of specialists can help you optimise the product from a legal, regulatory, tax, operational and distribution point of view. The following service providers can assist you during the approval process and throughout the life of the MIV:

A list of service providers and financial industry professionals, as well as copies of relevant laws and CSSF circulars can be found on the ALFI website.

Application files may be submitted to the Luxembourg Supervisory Authority of the Financial Sector (the CSSF) either in English, French, or German.



For further information, please contact:

alfi | association of the luxembourg fund industry

B.P. 206
L-2012 Luxembourg

Tel: +352 22 30 26 - 1
Fax: +352 22 30 93

info@alfi.lu
www.alfi.lu