

PRESS RELEASE

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A MICROFINANCE LABEL FOR INVESTMENT FUNDS

Luxflag supports the Microfinance sector by granting its first Labels to eligible Microfinance Investment Vehicles

The Luxembourg Fund Labeling Agency (Luxflag), created in July 2006 to grant a distinctive label to microfinance investment funds, has granted its first labels to three microfinance investment vehicles.

Luxflag's purpose is to promote the raising of capital for microfinance by awarding its distinctive label to investment funds or similar vehicles which fulfil the criteria to qualify them as eligible Microfinance Investment Vehicles ("MIVs".) The Label is open to eligible MIVs wherever they are domiciled.

Microfinance is defined as the supply of loans, savings, insurance, transfer services and other financial products to poor and low-income clients excluded from the traditional banking system. In general, microfinance institutions in which MIVs invest will have an average loan size of less than EUR 5,000 (or EUR 10,000 within Europe).

The primary objective of the Label is to reassure investors that the fund actually invests, directly or indirectly, in the microfinance sector. The Label will contribute to the visibility of the microfinance sector. It will also facilitate fund distribution (and thus fund raising) and can contribute positively to the image of the fund and its promoter. Microfinance funds applying for the Label must demonstrate that they meet appropriate regulatory standards with regard to transparency and investor protection.

The Luxflag Microfinance Label is not a guarantee of performance nor does it constitute a recommendation to invest.

The first Luxflag Microfinance Labels were granted at a ceremony in Luxembourg on 31 January, in the presence of Mr Jean-Louis Schiltz, Luxembourg Minister of Development Cooperation and Humanitarian Action to the following funds:

- ?? The Dexia Micro-Credit Fund
- ?? The European Fund for Southeast Europe (EFSE)
- ?? The responsAbility Global Microfinance Fund

The funds are domiciled in Luxembourg and are promoted and managed by internationally renowned institutions.

The **Dexia Micro-Credit Fund** is the oldest microfinance fund in Luxembourg, with a track record going back to 1998. It is promoted by Dexia Banque International in Luxembourg (BIL) with RBC-Dexia as custodian of the fund and Dexia Asset Management as manager of the fund for liquidities. The microfinance portfolio manager is Blue Orchard, a Geneva based investment manager specialising in microfinance.

The **European Fund for Southeast Europe**, known as EFSE, represents a public private partnership initiative led by KfW in Germany and is among the three largest microfinance investment vehicles in the world. The fund manager is Oppenheim Pramerica Asset Management in Luxembourg together with Bankakademie Frankfurt as investment adviser. Citigroup Luxembourg acts as fund administrator and custodian.

The **responsAbility Global Microfinance Fund** is managed by the Credit Suisse Microfinance Fund Management Company, Luxembourg and Credit Suisse (Luxembourg) SA is custodian of the fund. The fund invests mainly in debt and to a limited extent in equity. The investment adviser is responsAbility, a Zürich based company, specialised in social investments in developing and transition countries.

Editorial notes

About Luxflag

The Luxembourg Fund Labelling Agency is an independent entity whose founder members represent the private sector, the NGO sector and the State of Luxembourg. The founder members are the:

- State of the Grand Duchy of Luxembourg
- European Investment Fund (EIF - member of the European Investment Bank Group)
- Luxembourg Bankers' Association (ABBL)
- Appui au Développement Autonome (ADA)
- Association of the Luxembourg Fund Industry (ALFI)
- Financial Technology Transfer Agency (ATTF)
- Luxembourg Stock Exchange

Structure of the Agency

The Luxflag agency is managed by a Board of Directors representing the founding members. Analysis of the candidate funds is delegated to an Eligibility Committee, composed of Board Members and external microfinance experts. This panel makes recommendations to the Board.

The Agency is hosted at the Association of the Luxembourg Fund Industry (ALFI).

The principle eligibility criteria

In order to obtain the Luxflag Microfinance Label, the investment vehicle must meet a number of criteria, the principal of which are that it must:

- ?? be subject to supervision by a national regulator;
- ?? have a microfinance portfolio corresponding to at least 50% of total assets;
- ?? have at least 25% of its microfinance portfolio invested in MFIs rated by a microfinance rating agency recognised by Luxflag.

The Luxflag Label is intended for MIVs which have a commercial objective; the Label will not be granted to donor entities.

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