



professional services for **microfinance** investors & fund managers

corporate

shareholding

Symbiotics completed its fund raising according to its business plan, with over one million Swiss francs in liquidities. The shareholder base is constituted of over twenty private investors, including all the staff, and a few institutional investors, all joining the company's foundation motivated by the Symbiotics' mission and aim and sharing its vision and corporate values.

board of directors

The board of directors was set-up last month as an independent team of senior professionals with extensive experience in corporate management, banking, microfinance, legal advice and information technology. The board will be chaired by Prof. Francis Waldvogel, former

president of the council of the Swiss Federal Institutes of Technology and the current chairman of the advisory board of the Swiss Science and Innovation Forum. The board will also include Jeanne Barras Zwahlen who has worked many years as a Senior Economist at Credit Suisse Private Banking, notably representing the bank in the launch and administration of a microfinance investment fund; Jean-Claude Marchand, who's last positions include Executive Member of the Board of Reuters, Chief Executive Officer of Reuters International and COO of Edipresse Group; Dominique Rochat, attorney-at-law and currently partner at Lenz & Staehelin; Philippe Sarasin, whose last positions include partner of the private bank Lombard Odier Darier Hentsch & Cie and Chair of

the Association for Investment Management and Research (AIMR); and Pr Jean-Michel Servet a professor in development economics and social finance, with research and teaching positions in Egypt, France, India, Peru and Switzerland.

staff

The launch business plan has been completed with the inclusion of an analyst responsible for investment services in Asia. Daniel Schriber has extensive experience working in emerging economies, notably in India, Eastern Africa, Sri Lanka and Afghanistan; his last position was deputy head of operations for Eastern Europe at the International Committee of the Red Cross. The team is now composed of ten staff mem-

bers covering all aspects of the company's business model.

general management
vincent dufresne

+ investment analysis
cédric lombard

+ asia
daniel schriber

+ cis + eastern europe
françois rossier

+ latin america
fabio sofia

+ client relationship
roland dominicé

+ structured finance
philipp jung

+ communication
john staehli

+ operations
yvan renaud

+ IT development
bertrand dufresne

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Symbiotics continued to develop its offer of benchmarks and reference indexes to help its clients take informed decision regarding their investments. The Symbiotics Microfinance Indexes (SMX) include three groups: (1) fund indexes, tracking listed investment funds and allowing fund manager to com-

pare their risk and return track record; (2) pricing benchmarks, indexing fixed income transactions per country and producing graphs and linear regressions on yields and maturities for given risk ratings; and (3) microfinance peer groups and key indicator benchmarks, tracking monthly key indicators per type

of institution and per country. Benchmarks are available on the Symbiotics internet client interface.

The current main fund index, SMX GFI USD, aggregating microfinance global fixed income mutual funds in U.S. dollars continues its linear

growth at 4.96% annualized return and 1.22% annualized volatility.

Pricing benchmarks are available in countries in which Symbiotics has significant transaction volumes. Such information allow clients to understand the general mar-

ket pricing in the microfinance niche in which they operate and make informed decisions for their own investment pricing. The SMX PE, indexing information over the last sixty transactions among ten mature mid to large microfinance institutions in Peru, offering similar credit risk ratings, interestingly points out to a $R^2 = 0.0051$ consequence of a large dispersion and variance of terms and conditions of the underlying transactions. The same linear regression analysis with only USD transactions results in an $R^2 = 0.0255$.

With only PEN transactions the $R^2 = 0.0009$, implying yet even greater dispersion and variance in microfinance debt pricing. The analysis shows overall no correlation between yield and maturity. In that regard, one notes interestingly enough that the average yield remains stable between 8 and 9% independent of maturity.

An analysis of the Peruvian mainstream corporate bond market (performed by Banco de Crédito on AA and AAA transactions) shows positive correla-

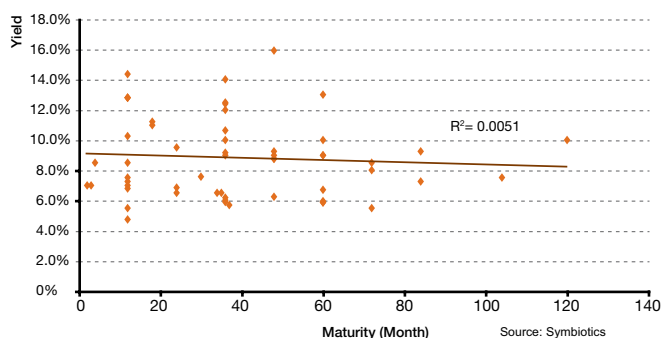
tion between yield and duration year after year. The data population used similarly suggests an R^2 much closer to 1 in the corporate bond market, with little variance and dispersion of data points to the curve.

The corporate bond graphic also clearly shows the variation of the Peruvian yield curves over time and their link to the changes in the USD swap rates, higher in 2002, dropping significantly in 2003 and rising back up in 2004 and 2005. Microfinance pricing in Peru

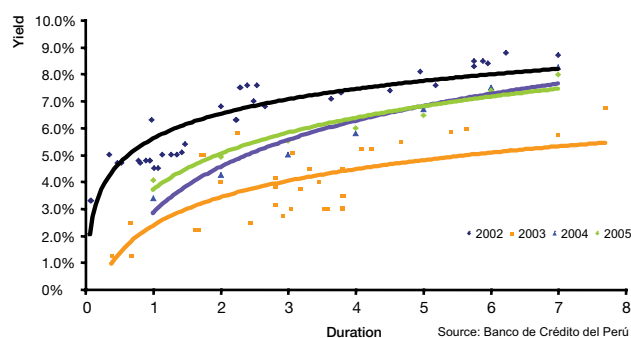
has been less reactive to such movements, relatively sticking to 8-9% averages.

This pricing index analysis, in addition to orienting the microfinance investor in its market niche, from a research and policy perspective confirms the need for yet further transparent credit risk and investment pricing mechanisms in microfinance, hopefully rationalizing the dispersion of the cost of funds into concave and low variance yield curves.

Symbiotics Microfinance Indexes
Peru Fixed Income Pricing (standard credit risk, PEN + US\$)



Peruvian First tier US\$ denominated bonds



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Symbiotics structures Collateralized Loan Obligation with the European Investment Fund to support Opportunity International microfinance institutions in Eastern Europe

On 30th November 2005, Symbiotics S.A. and European Investment Fund (EIF) concluded a highly innovative deal that raises funding through the capital markets for microfinance institutions (MFIs) in the Balkans. Symbiotics acted as structurer and co-arranger with European Investment Fund, a public-private partnership entity with extensive structured finance experience. The MFIs come from Russia and six Balkans countries and form part of Opportunity International, a worldwide microfinance sponsor.

Through this asset-backed funding deal, MFIs in Eastern Europe secure long-term funding on flexible terms to support continued growth in their micro-lending activity. Despite the small size of the micro-loans (a few thousand Euro on average), there is a high potential in terms of business productivity gains and job creation supported by this important niche lending activity. It is estimated that the transaction will result in the direct financing of at least some 20,000 new micro-loans.

For the first closing, Symbiotics S.A. and EIF have sourced assets in emerging markets in Albania, Montenegro, Romania and Russia. A second and third closing are scheduled for April and October 2006, which would bring total notes issuance up to approximately EUR 30m and would include assets in Bulgaria, Macedonia and Serbia. All underlying assets are senior unsecured term loans to MFIs.

The transaction was structured under the Luxembourg Securitisation Law of March

2004. The securitisation company, Microfinance Loan Obligations, Luxembourg, was structured to allow Symbiotics S.A. and EIF to carry out simple execution of repeat deals in the microfinance market.

Junior notes have been subscribed by specialised microfinance investment funds including Oikocredit International, MicroVest and responsAbility Global Microfinance Fund as well as by the Swiss Investment Fund for Emerging Markets (SIFEM). The senior note has been guar-

anteed by EIF and placed in the capital market.

“We are delighted to be part of this groundbreaking transaction, which allowed us to support the first multi-seller CDO transaction designed for a single network,” said, Vincent Dufresne, General Manager of Symbiotics. “The success of this transaction is a further milestone to bring more sophisticated refinancing techniques

to the microfinance institutions and a benchmark for our relationship with Opportunity International and the European Investment Fund.”

Alessandro Tappi, Head of Guarantees and Securitisation at EIF said “This transaction has been an exciting challenge from the very beginning. It provides MFIs with an efficient means of tapping the asset backed securities mar-

ket. We are keen to collaborate on more deals of this type over the coming years.”

“Opportunity International has been a pioneer and leading provider of financial services to low income small business owners in Eastern European, currently serving more than 45,000 poor entrepreneurs with a loan portfolio of more than \$100 million,” said Christopher Crane, chief executive officer, Opportunity

International. “Symbiotics and the European Investment Fund have not only arranged the first Collateralized Debt Obligation for microfinance institutions within a microfinance network, but in doing so will provide significant and needed additional funds to allow our microfinance institutions in the region to serve thousands of poor entrepreneurs who are not otherwise served by financial institutions in these countries.”

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Symbiotics' broker list

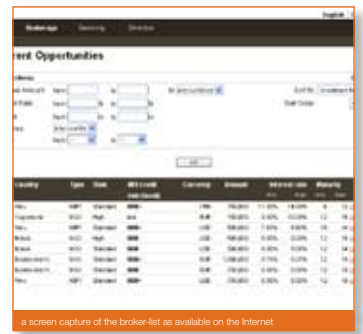
Symbiotics has completed its investment brokerage platform to allow its clients to elect transactions of their choice in line with their investment objectives. The broker list presents each investment opportunity with country and counterpart risk, volume, currency, yield and maturity information. By booking transactions, clients receive full investment proposals allowing them to take informed

decisions and proceed with purchase or not. Clients then have access to the ‘monitoring’ and ‘servicing’ modules of the platform providing them similarly with all required information to track outstanding investments.

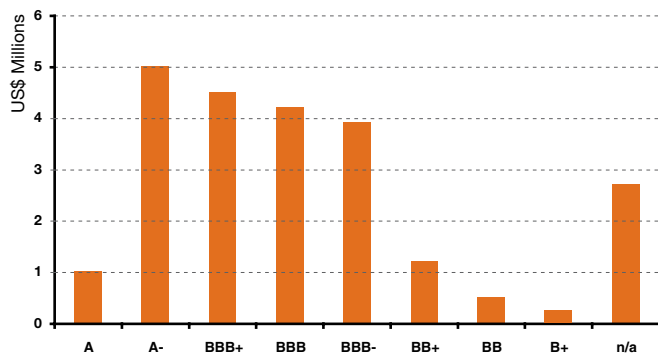
Microfinance services remains a people’s business for Symbiotics and its staff, interacting with clients and partners, but such platform allows

for professional, transparent and structured processes.

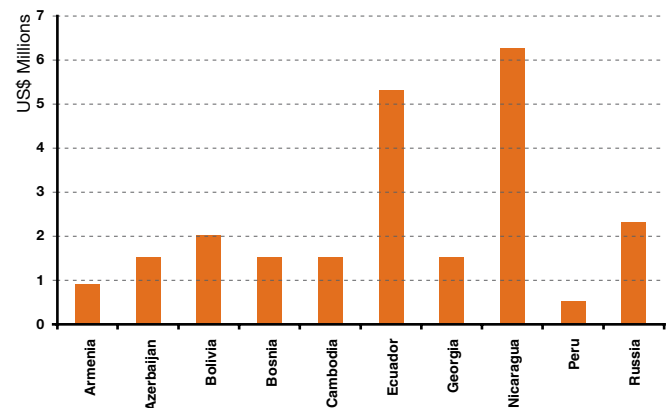
The current broker list proposes forty one transactions ready to close in ten countries, 80% of which are assessed as investment grade from a local counterpart risk perspective. The list evolves on a constant basis as clients access transactions on a first come first serve basis.



Broker List Volumes by Local Credit Risk



Broker List Volumes by Country



your guide
to the right
investments in
microfinance

