

Invest Microfinance Cooperative

July 2017 Newsletter



Invest's Annual Meeting

We hope you can join us for Invest Microfinance Cooperative's 2017 Annual Meeting!

Date: Saturday, September 30
Time: Dinner at 6pm, Program at 7pm
Place: Goodman Community Center
149 Waubesa St
Madison, WI 53704

The meeting will include an election of Invest's Board of Directors, a presentation of Invest's financial reports, and a discussion of the opportunities and challenges of last year and the year to come.

Come at 6 pm to enjoy dinner and networking before the meeting begins.

We look forward to seeing you there!

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We are exploring the possibility of establishing lending relationships with a few high-quality microfinance institutions (MFIs) in East Africa. Laura Dreese is traveling to Kenya and Uganda in the second half of July to visit a few institutions that have the characteristics Invest seeks in a new partner. Laura interned at an MFI in Kenya while in college and brings valuable knowledge and experience to this effort. We look forward to updating you on her efforts.

New Honduran Partners: INHDEI and FINSOCIAL

By Anna Schaefer

In May, Invest began lending relationships with two new partners in Honduras, INHDEI and FINSOCIAL. Invest now has four partners in Honduras totaling 13% of our portfolio.

Honduras and Nicaragua tie as the second poorest countries in the Western Hemisphere after Haiti and as the poorest countries in Latin America. Honduras suffers from extremely unequal income distribution, which contributes to a poverty rate that was 63% of the population in 2014 according to the World Bank. Thus, access to credit at the lower end of the economic

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A Bittersweet Transition

By Jon Bishop

At the end of April, we said goodbye to Laura Dreese as she left her position as Director of Operations at Invest to begin an MBA program at Columbia University in New York. Holly Brettingen joined the Invest team on March 13 and has become the Director of Operations. Laura and Holly worked together for seven weeks to ensure a seamless transition.



Laura began interning at Invest in October 2012 at the beginning of her senior year at the University of Wisconsin. She developed a passion for microfinance when she was in high school and subsequently interned as a loan officer at a microfinance institution (MFI) in Kenya and then spent a semester studying in Queretaro, Mexico. This experience combined with her sparkling intelligence made her an extremely effective intern. Laura began working half time for Invest when she graduated from college in May 2013, and she transitioned to full time in April 2014. Laura and I have very similar visions for poverty reduction, economic development, and environmental sustainability. Laura was as dedicated to the mission and vision of Invest as I am, and her input and judgment were invaluable to the development of Invest Microfinance Fund LLC, the new and current iteration of Invest that began financial operations two weeks after Laura began her internship. I consulted Laura on every non-trivial decision that we faced and was richly rewarded for doing so. Our occasional differences in opinion were always

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spectrum is particularly important for economic development and empowerment. Honduras faces additional challenges as one of the most violent countries in the world. Economic opportunities are essential to any viable plan for reducing violent crime. Hence, the development of a dynamic microfinance sector is a key factor in creating a more secure society.

FINSOCIAL

Envest's loan to FINSOCIAL represents the first Envest partnership with a microfinance investment vehicle (MIV), an organization that finances microfinance institutions. (Envest is also a microfinance investment vehicle.) As an MIV with years of experience in the Honduran microfinance industry, FINSOCIAL is able to support very small microfinance institutions in Honduras which Envest would not be able to reach due to their small size. FINSOCIAL has been a critical source of support for these organizations during challenging times in the country. Additionally, FINSOCIAL provides a critical service to organizations that are too small to receive loans by offering technical assistance and consulting services to help the organizations grow to a level at which they are eligible to receive financing. By partnering with FINSOCIAL, Envest has the opportunity to help provide access to financial services very far down market in Honduras. Thus, lending to FINSOCIAL allows Envest to support the growth of the Honduran microfinance sector as a whole.

INHDEI

INHDEI is a small microfinance institution headquartered in Tegucigalpa, Honduras. INHDEI mainly issues microloans that support small businesses. It recently began a solar panel lending program that aims to bring electricity to rural areas in Honduras. INHDEI's portfolio also includes loans for agriculture, production, and services. INHDEI's average loan is just over \$700, much smaller than the average of \$2,000 in Honduras (Mix Market, 2015). This indicates that INHDEI successfully serves borrowers at the low end of the economic spectrum.

Meet an INHDEI borrower:



Melvin Cruz Oviedo and his business partner Gustavo Adolfo Montoya own a small business selling cell phone accessories. They work from a permanent store location, and Mr. Cruz also uses his truck to sell inventory in certified street vendor locations. Mr. Cruz has worked with INHDEI for two years and uses his loans to purchase inventory for his store, especially during the busy holiday season. Mr. Cruz enjoys working with INHDEI, as it offers seasonal loans that are tailored for his type of business, and the staff is friendly and trustworthy. The success of the business generated employment for Mr. Cruz's wife, Dinora, as well. Mr. Cruz has recommended INHDEI to his family and friends. Currently, his mother, María Teresa, is using a loan from INHDEI to start her own small business.



Left: Melvin Cruz Oviedo attends the store, surrounded by his merchandise.

Right: Customers flock to the Unicel storefront.



Board of Directors

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David Szakonyi

Ann Terlaak

Management Team

Jon Bishop

Holly Brettingen

Cameron Carver

Anna Schaefer

Francis Soza Huete

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respectful and typically very productive. I have been truly grateful to have such a kindred spirit working with me during the challenges that Envest has faced.

Envest Microfinance Fund, LLC began financial operations with a total fund of \$870,000. Growth was slow initially, and the \$1 million mark was reached in June 2013, shortly after Laura became the second paid employee of Envest. Envest reached the \$4 million mark in Laura's last week at Envest. She was instrumental in the successes, and we commiserated in several bitter disappointments.

Laura informed me that she intended to leave Envest to pursue an MBA about two weeks after becoming a paid employee. The precise timing of this transition has been known for over a year. Laura spent her final months at Envest making it as strong as possible. Since leaving the management team, Laura has joined the Envest Advisory Board and has remained as committed to Envest as ever. Her contributions will be felt forever.

Laura's departure from Envest is bittersweet, but mostly sweet. To be sure, I miss

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Why We Report the Financial Impact of the Envest Portfolio in the Simplest Manner

By Jon Bishop

There are several options for microfinance investment vehicles (MIVs) such as Envest to use as an indicator of the financial impact of the portfolio. The simplest and most obvious indicator is the size of the portfolio. This is precisely the measure that we choose to use at Envest. At present, Envest's portfolio is \$3.93 million, which is what we believe is the most accurate and transparent measure of our impact in the microfinance sector.

A frequently used alternative measure of financial impact of a portfolio is to present the value of all of the loans that the MIV has disbursed to microfinance institutions (MFIs). This results in a far more impressive number, particularly for MIVs with a long operating history. The argument in favor of this value is that microfinance "recycles" money by lending the same money to multiple borrowers over time. Therefore, by this argument, presenting the total number of loans disbursed factors in the cyclical nature of microfinance.

Using the value of all of the loans the MIV has disbursed to MFIs can be misleading. It can create the impression that the MIV is lending far more money than it really is. It also makes older organizations appear to have far more impact than newer ones.

There is a more nuanced reason that presenting the total value disbursed can be misleading. Consider two hypothetical MIVs, Organization A and Organization B. At time zero, Organization A disburses \$1 million to several MFIs, each loan for a five-year period. Organization B disburses \$1 million to the same MFIs

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Envest Portfolio Report By Cameron Carver

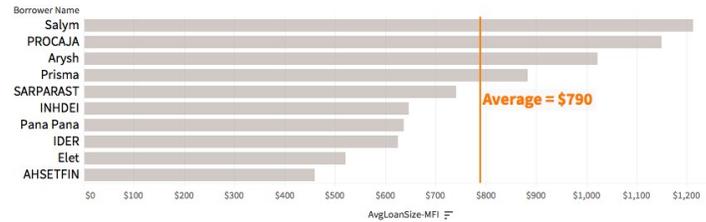
Portfolio By Country Map



Envest currently partners with 14 microfinance institutions in 8 countries: Honduras, Nicaragua, Panama, Ecuador, Peru, Tajikistan, Kyrgyzstan, and Zimbabwe.

Average End Borrower Loan Size Per MFI

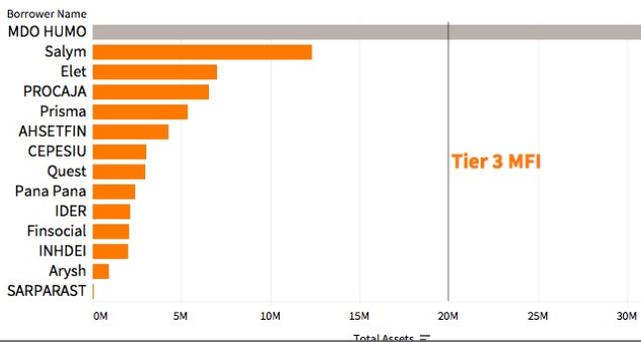
Majority of loans are **less than \$1,000**



The average loan size is \$790 which reinforces our goal of lending to the smallest and most underserved borrowers around the globe.

Total Assets of Borrowers

Over **90%** of portfolio consists of **Tier 3 MFIs**



While the average size of our partners is US\$6,335,688, more than 90% of our partners have total assets under US\$20 million. Envest's consistent portfolio of small, Tier 3 MFIs reflects our mission to provide credit that reaches all communities on a global scale.

Portfolio Distribution by Sector



The sectors represented in our portfolio are determined by the client demand at each of our partnering MFIs. Currently, over half of the individual loans across Envest's portfolio are provided to small business owners, entrepreneurs, and farmers to help sustain and expand their businesses.

Greetings!

By Holly Brettingen

Wisconsin is the last place I thought international microfinance would take me. It was only seven months ago when all I knew about Madison was that it is the capital city of Wisconsin and that it is home to one of the University of Wisconsin's campuses. Other than that, there was nothing else I could have told you about Madison. Yet here I am on the other side of four months as a Wisconsin resident and Director of Operations at Envest, and I could not be happier here.

I learned of the existence of microfinance close to three years ago. At that time, I had just started a new job in Minneapolis as a portfolio analyst at a commercial mortgage bank, so though microfinance strongly piqued my interest, it went on the backburner. Still, I desired to learn more about the microfinance industry and how I could eventually fit into it. I learned Spanish, I read a lot of articles and websites, and I spent two weeks volunteering at a microfinance institution in Costa Rica. I then stumbled across Envest on Microfinance Gateway, a microfinance website, and the rest is history.

Though my position at Envest is notably different from my previous positions, already we have been very pleasantly surprised to see how applicable my experience in commercial real estate, banking, and even a very brief stint as a financial advisor has been. I have found tremendous personal satisfaction so far in being able to use Spanish and French on a near-daily basis and using my time in the office to impact the world in a meaningful way. These four months have already been filled with so many adventures and possibilities, and I cannot wait to see what else comes our way!





From Left: Laura Dreese and Holly Brettingen at Laura's farewell dinner

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my best friend and trusted colleague. However, it is a joy to watch Laura take the next step in what will certainly be a phenomenal career. I am really excited to watch her professional development during her MBA program at Columbia. Somewhat selfishly, I am really excited to see her new insights into the possibilities for Invest as she is exposed to new information and perspectives at Columbia. I am excited to see what she does after she graduates from Columbia. I feel very fortunate to be part of Laura's professional career and personal development.

It is impossible to replace someone of Laura's quality, but, nevertheless, we did. Holly Brettingen began working at Invest in the middle of March and took the role of Director of Operations at the end of April when Laura left. Holly holds a BA in Business and French from Concordia College in Moorhead, Minnesota. She worked in the mortgage banking industry before joining Invest, and her experience in mortgage finance has been extremely valuable. Holly developed a passion for microfinance and arranged to volunteer at an MFI in Costa Rica (she speaks Spanish as well as French).

By the end of Holly's first week at Invest, I felt like I had known her forever. Her warm personality and warped sense of humor (possibly even as warped as Laura's) have been a wonderful addition to the Invest team. She identified an improvement to Invest's information system that would be crucial to keep up with the growth of the company. She took ownership of it her third week at Invest and has implemented it. Holly has proven to be a fantastic colleague, and I am confident that her contributions to Invest's development will be very impressive in short order.

Invest had a dream transition in the Director of Operations role. Laura and Holly worked together for seven weeks to assure all functions were covered. Laura continues to serve as a resource and will provide us with great ideas. Anna Schaefer, Director of Marketing, has played a key role in providing continuity during this transition. Anna has served in several roles outside of a traditional marketing position, particularly in loan analysis. This allowed Invest to move forward while Laura and Holly worked together to make sure all functions continued seamlessly. The departure of a key person such as Laura can be a scary prospect. However, the professionalism, dedication and competence of Laura, Holly, and Anna have made this transition pleasant while strengthening Invest. I feel blessed to work with Laura, Holly, and Anna to make the world a better place.

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for six months each. At the end of six months, the loans are repaid and immediately disbursed to the same MFIs for another six months. The loans are repaid again at one year and disbursed again for another six months. This continues for five years. At the end of five years, Organization A has lent \$1 million to MFIs. In contrast, Organization B reports it has lent \$10

million to MFIs. Presenting the amount of loans disbursed makes Organization B sound 10 times as impactful as Organization A when, in fact, the two MIVs provided the same amount of money to MFIs over the five years. Further, Organization A provided the money in a manner that is much more useful to the MFIs. This extreme example shows that presenting total value disbursed as a

measure of portfolio impact has the potential of making a decidedly inferior microfinance product look superior.

We have expressed the financial impact of our portfolio simply as the size of current portfolio since the inception of Invest. We assert that it is the most transparent way to express our financial impact.

Welcome, Cameron

By Jon Bishop

We are pleased to welcome Cameron Carver to the Invest management team. Cameron will assume the position of Marketing Director when Anna Schaefer leaves the Invest team at the end of July. Cameron and Anna will overlap for five weeks to ensure a seamless transition.

Cameron graduated from the University of Alabama in May 2017 with a degree in International Business and a concentration in Data Analytics. In addition to his academic pursuits, Cameron was captain of the Alabama Men's Rowing Team and rowed for them for four years. He is originally from Gilbert, Arizona, a suburb of Phoenix.

He is passionate about global economic development and microfinance and got involved in the industry after interning at a development start-up in Mumbai, India. During his time with that organization, he helped NGO's, businesses, and individuals raise funds for projects in education, healthcare, disaster relief, and sustainability across India, while also creating his own microfinance initiative for shoe shiners in need of capital.

Additionally, Cameron has worked as a loan analyst at Forza Financial, a microfinance initiative which serves underprivileged small business entrepreneurs in Alabama. His role included analyzing borrower data and understanding what factors and variables impacted local business with the goals of providing better service to local entrepreneurs and making lending and outreach efforts more effective and efficient. He brings to Invest his ability to ask the right questions, tell a story with appropriate data, and understand upcoming challenges.

Cameron's passion and vision for microfinance will be a welcome addition to the Invest team.



Investment Opportunity

Invest offers a meaningful investment opportunity for Accredited Investors* to make a difference in the world through microfinance. Of every investment that comes into Invest, 100% is used to make loans to our microfinance partners, who then use the money to make hundreds of small loans to their borrowers. As the borrowers repay, your investment is lent out again and again, making a difference for countless families around the world.



Along with the strong social return, Invest strives to offer meaningful financial returns that will contribute to the financial resilience of your portfolio. Invest targets a 5-6% annual return on investment, and has met this target four out of five years.

Please contact Jon Bishop at (608) 216-9898 or jonbishop@investmicrofinance.org if you would like to view offering documents or learn more about Invest's model. **

* U.S. Securities Laws provide that an accredited investor is any natural person who: **1**) earned income that exceeded \$200,000 (or \$300,000 together with a spouse) in each of the prior two years, and reasonably expects the same for the current year, or **2**) has a net worth over \$1 million, either alone or together with a spouse (excluding the value of the person's primary residence).

** Prospective investors should consult their own independent counsel or financial advisor regarding legal, tax and similar matters concerning an investment.

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