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Envest's Annual Meeting

We hope you can join us for Envest Microfinance Cooperative's 2018 Annual Meeting!

Date: Saturday, September 29, 2018
Time: Dinner at 6pm, Program to follow
Place: Goodman Community Center
149 Waubesa St.
Madison, WI 53704

Meeting will include the election of Envest's Board of Directors, a presentation of financial reports, and a discussion of last year's challenges and the opportunities in the year to come.

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

We look forward to seeing you there!

Former Marketing Director Working with Partner MFI

By Anna Schaefer

For the past six months, I have had the incredible opportunity to work with the microfinance institution (MFI) FUNDEMUJER in Estelí, Nicaragua. FUNDEMUJER is one of Envest's smallest partners, serving communities in the northern, mountainous region of Nicaragua. My time with FUNDEMUJER has provided extremely valuable insight into the daily operations of our MFI partners.

FUNDEMUJER's team actively supported my training in the entire lending process, from community outreach to the disbursement of a loan. One especially valuable experience has been attending weekly credit committee meetings, as they offer an interesting look at how FUNDEMUJER considers the risk level of different borrowers. It is evident that FUNDEMUJER's credit director and loan officers are well acquainted with a wide range of industries and how this will affect the risk of the loan. As a local MFI, FUNDEMUJER is intimately familiar with the agricultural and commercial markets in the area. This additional insight tends to be an advantage to local MFIs in comparison to large, international organizations.



Anna Schaefer (Left) and Latin American Rep. Francis Soza Huete (Right)

Due to the combination of its small size and the 2009 lending crisis in Nicaragua, FUNDEMUJER struggled to gain funding from international lenders prior to its partnership with Envest. Therefore, an additional aspect of my position with FUNDEMUJER has been to act as a consultant in communications with international funders.

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Introducing Seven New Partners

Since our last newsletter, we began lending relationships with seven new partner institutions, bringing our total as of the date of this newsletter to 20 partners. Our new partners span four continents and represent five countries. Below are brief introductions to each of our new partners.

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2017 Annual Meeting a Success

By Jon Bishop

The Envest Microfinance Cooperative annual meeting was held on September 30, 2017 in Madison, Wisconsin. The obligatory activity was the election of board officers. John Giegel was re-elected as President, and Laura Dreese and Wayne Orthwein were elected to the board of directors (see profiles for Laura and Wayne). Paul Sager stepped off the board after 10 years of service (see **Special Thanks** on Page 3).

The rest of the program included a financial summary of 2017, a description of the partners Envest added in 2017, and a review of the challenges and accomplishments of the year. We finished the evening by describing our vision for 2018. We talked about some promising sources of new investments for the next year. We also explained that we will continue to look for high quality potential partner institutions, but the focus will shift toward increasing the loan sizes to existing partners whose demand vastly exceeds their supply of lending capital.

The 2018 annual meeting will be on Saturday, September 29, 2018, at the Goodman Community Center at 149 Waubesa St., Madison, Wisconsin. We hope that our Wisconsin members will be able to join us that evening to hear about our exploits in 2018 and our vision for 2019.

Nicaragua *Continued from Page 1*

FUNDEMUJER is very receptive to all suggestions that I have offered from the point of view of an international lender. Communication with Envest has improved dramatically, and FUNDEMUJER is now very prompt in sending quarterly financial statements. As an additional benefit, the partnership with Envest will likely add more legitimacy to the MFI in the eyes of other international lenders. By acting as the first international lender with small, strong MFIs, Envest hopes to demonstrate these organizations are a solid investment, thereby drawing more international investment to our partners and other small MFIs.

It has been very enlightening to see first-hand the challenges that face small microfinance institutions. One of these that has been especially apparent is the high administrative costs for a small MFI trying to serve both urban and rural communities. This is something that Envest was already aware of before my time with FUNDEMUJER. One day working alongside a loan officer clearly shows that reaching rural borrowers can increase expenses quickly. A loan officer may drive twenty minutes to a speak with a borrower, only to discover they will not be there until the afternoon. Loan officers try to plan visits to be as effi-

cient as possible, but situations like these remain common. As expected, serving the hard-to-reach borrowers comes with high costs. Supporting the MFIs that are willing to take on these expenses to serve more isolated borrowers is the only way these organizations are going to thrive.

I recently spent an afternoon with a FUNDEMUJER loan officer visiting a potential borrower interested in receiving a loan. We drove about 15 minutes outside of Estelí to one of the impoverished highway communities along the Pan-American Highway. According to the loan officer, FUNDEMUJER had never had a client in this community before. We met with a woman who grows vegetables with her husband and was looking for a loan to take advantage of the peak season. While the loan officer was walking through the calculations of the business's income and expenses, several other women began to gather around the porch. After our meeting had finished, we discovered that these other women were interested in receiving loans to help grow their businesses as well. However, they had been uncomfortable with the idea of going into Estelí to apply for a loan directly from an MFI, which had prevented them from accessing credit in the past. The FUNDEMUJER loan officer then spent time asking the

women about their businesses and scheduled a time to return to work on the loan applications with them. This is a group of women that would have likely been excluded from access to financial services without active outreach into isolated communities from MFIs, such as FUNDEMUJER. Again, as this outreach comes with higher costs for the MFI, support for the organizations willing to serve isolated communities is essential.

Over the past six months, I have been able to be a part of a very exciting time for FUNDEMUJER. The funds received from Envest in July 2017 and January 2018 have helped meet the continuously growing demand for credit. With the increased income from the growing portfolio, FUNDEMUJER recently was able to hire five new loan officers to help meet demand in Estelí and Condega. They have also hired one new loan officer to expand into the northern city of Matagalpa and the surrounding rural communities. FUNDEMUJER is an excellent example of the critical role that access to funds has in the successful development of a small, solid MFI and the communities it serves. I am looking forward to continuing to learn from this team and taking part in FUNDEMUJER's growth into the communities of northern Nicaragua.

Moldovan Partner Visit

By Holly Brettingen

I traveled to Moldova January 14-19 to visit our existing partner Smart Credit in Ungheni (western city bordering Romania) as well as two potential partners – one in Chisinau (Moldova’s capital city) and the other in Soroca (located on the Ukranian border). Moldova is a very impoverished country with a GDP per capita lower than that of Nicaragua; one glance at the Soviet-era infrastructure and half-finished abandoned construction projects will tell you as much. I was surprised to learn that people who live in certain rural areas have very limited or no access to clean water. Though this is a common struggle in the developing world, I would not have associated it with Eastern Europe prior to visiting. Another shocking statistic is that an estimated 1% of Moldovans have been lured into human trafficking (mostly sex trafficking and, to a lesser extent, forced labor). Most trafficking victims leave of their own volition, hopeful the



Envest Director of Operations, Holly Brettingen (Center) with Smart Credit staff

“modeling career,” “study abroad program,” or other “opportunity” they have been offered will translate to financial prosperity. Though most are aware of the potential dangers of pursuing these types of opportunities, the lack of economic opportunity in Mol-

dova (for women, especially) promotes willful naivety and drives more and more men, women, and children into trafficking every year.

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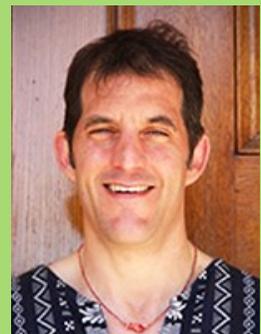
Thank you to Paul Sager for 10 years of Service

By Jon Bishop

On behalf of the entire Envest community, I would like to express my sincere thanks to Paul Sager for 10 years of service on the Envest Board of Directors. Paul became interested in Envest after visiting Envest’s booth at the 2007 Midwest Renewable Energy Fair. He joined the board in November 2007, just as Envest was raising the first round of investments to disburse the first loan. Paul was one of the eight investors who provided the money for the first loan on December 10, 2007.

Paul’s confidence and unflappable demeanor were true blessings during the meetings in the early days. He helped out at booths at fairs and met with me regularly in the evening to discuss strategy and potential opportunities. Paul also helped with the administrative aspects of Envest in his spare time when hiring employees was out of the question for Envest.

Paul decided not to run for re-election in the 2017 board election because he has two (supernaturally adorable) daughters arriving at school age. He has stepped onto the Envest Advisory Board, where he intends to remain involved with Envest. We are truly fortunate to have the enthusiasm and knowledge Paul has brought to Envest. Thank you so much for a decade of dedicated service to Envest.



Board of Directors

John Giegel

Jon Bishop

Jennifer Lazarus

Kathryn Hankard

Francisco Aguilar

Laura Dreese

Wayne Orthwein

Advisory Board

Richard Brooks

Justin Conway

Read Eldred

Howard Finkelstein

Sergio Loureiro

Andy Loving

Malaika Maphalala

Mel Miller

Doug Morrison

Jennifer Servoss-

Pecard

David Szakonyi

Ann Terlaak

Mirzo Khashimov

Management Team

Jon Bishop

Holly Brettingen

Nick Engen

Anna Schaefer

Francis Soza Huete

Wayne Orthwein Joins Board of Directors

Wayne Orthwein was elected to a two-year term on the Envest Board of Directors during the Envest annual meeting on September 30, 2017. Wayne's election to the board formalizes a decade of dedication and service to Envest.



Wayne brings the experience of a career in financial services and information technology and a passion for a sustainable economy and social justice. Wayne visited Envest's booth at the 2007 Midwest Renewable Energy Fair and decided that Envest's mission was worthy of his time and efforts. Wayne has volunteered for Envest in various ways since then. He was an emphatic voice in some of the difficult conversations in 2010 stating that Envest was viable and should continue operations. I am personally grateful for Wayne's passionate encouragement in those tough times.

Wayne joined the Envest Advisory Board in 2013. We are delighted with Wayne's increased involvement and contribution to Envest as a member of the board.

Laura Dreese Joins Board of Directors

Laura Dreese was elected to a two-year term on the Envest Board of Directors during the Envest annual meeting on September 30, 2017. We are very pleased that Laura will continue to contribute her passion and expertise in microfinance to Envest.

Laura's invaluable contributions to Envest were described in the Fall 2017 Envest newsletter. She is now in her second semester of her MBA program at Columbia University, and is creating opportunities for herself by taking advantage of every possibility offered. She has arranged a summer internship with a microfinance software company that will take her to Zagreb, Croatia and Accra, Ghana. She is on her way to big things.



Laura Dreese (Right) with fellow Board Member Jennifer Lazarus (Left)

In her brief tenure on the Board, Laura has already made significant contributions. Her perspective as a former team member is very helpful to the rest of the Board members. Concepts that she is learning in business school have already been incorporated into Envest's practices. We are very pleased with the addition of Laura to an already very strong Board.

Moldova *Continued from Page 3*

Visiting Moldova made me acutely aware of the economic need that exists in this former Soviet republic, but it also made me aware of the extent of its breathtaking landscape, warm hospitality, hearty dishes, and rich culture. I am so proud of the work being

done in the microfinance sector to invest in this amazing country and create more economic opportunity for populations who typically have the least access to resources. The Moldovan microfinance sector is small, but growing (with the seeming support of the government, even). Envest has the opportunity to play a small part in

this effort, and we could not be more excited. The next newsletter will include a more detailed account of my visit and more specifics of what our partner institutions are doing in Moldova to address the needs in their respective communities. Stay tuned.

New Partners *Continued from Page 1***FUNDEMUJER** | Estelí, Nicaragua

FUNDEMUJER is a small, but growing microfinance institution in the northern highlands of Nicaragua, which focuses on the empowerment of Nicaraguan women through access to credit and community outreach. FUNDEMUJER is active within the community, and it partners with organizations throughout Nicaragua to promote gender equality and women's participation in business.

Furuz | Qurghonteppa, Tajikistan

Furuz's mission is to promote the sustainable development of Tajikistani people by providing high-quality financial services. High unemployment is a social issue at the focus of Furuz's operations, and the organization aims to support the growth small and medium enterprises (SMEs).

León 2000 | León, Nicaragua

León 2000 focuses on serving borrowers who receive less attention from larger MFIs that operate on the Pacific coast of Nicaragua. Women typically comprise at least 70% of the borrowers. León 2000 also serves borrowers over 70 years of age, a group not served by some of its competitors.

MCO Mehnatobod | Mehnatobod, Tajikistan

Mehnatobod's mission is to promote the development of Tajikistani people through building their capacity in political, economic, social, cultural, and environmental issues. Mehnatobod sees providing financial services as a major part of this goal. In addition to credit, Mehnatobod provides financial literacy training to borrowers. Through a partnership with GTZ, a German aid organization, Mehnatobod helps provide technical assistance to start-up businesses.

Rafode | Kisumu, Kenya

Rafode reaches some of the most impoverished and underserved communities in Kenya, a country in which 60% of the population struggles with poverty, and most lack access to formal banking services. Rafode lends for solar panels and energy-saving cook stoves, both of which improve the health, wellness, and productivity of Rafode's borrowers. For more information, see **East Africa** on Page 6.

Rushere SACCO | Rushere, Uganda

Rushere is a savings and credit cooperative that serves rural borrowers in the Kiruhura region of southwest Uganda. In this region, cattle ownership is a cultural cornerstone, so many of Rushere's loans are for cattle. Rushere's management team intends to meet this demand, so the market can support a shift to more commerce-based business. For more information, see **East Africa** on Page 6

Smart Credit | Ungheni, Moldova

Smart Credit's four branches mostly serve borrowers in rural western Moldova. Smart Credit's slogan "*Pentru o viata mai buna*" ("For a better life") describes their commitment to bringing financial resources and business education to areas of Moldova which have traditionally lacked both. Currently, Smart Credit is researching the feasibility of implementing a mortgage product for borrowers on the higher socio-economic end of Smart Credit's borrower pool, but still do not have access to traditional mortgage products in Moldova, primarily due to their rural location.



Laura Dreese and Caro Ndukas meeting with potential end-borrowers in Uganda

Invest Expands to East Africa

In April 2016, Invest expanded its portfolio to the continent of Africa by lending to Quest Financial Services in Zimbabwe. In the two years since then, it has been Invest’s goal to continue expanding in Africa, where there is clearly so much need for access to capital. The problem, however, was that there appeared to be very few strong MFIs with which we could partner. This made it difficult to justify the expense of visiting any African countries in search of potential partners.

In July 2017, Laura Dreese’s transition from Invest’s Director of Operations to Columbia Business School student presented the perfect opportunity to learn more about microfinance in East Africa. Laura interned as a loan officer at a Kenyan MFI in 2012, which gave her invaluable background on the region and the sector. Invest contracted with Caro Ndukas, Laura’s friend from her 2012 internship, to travel with Laura in Kenya and Uganda. Laura and Caro visited a total of four MFIs in Kenya and Uganda. These visits have resulted in two new partners to date (one each in

Kenya and Uganda) and another institution in Uganda progressing through the due diligence process. Laura and Caro concluded that there are growth opportunities for Invest in East Africa well beyond the few institutions they had time to visit. Many of the East African MFIs that meet Invest’s criteria for partnership lack representation on the databases and websites typically used to identify promising MFIs. As a result, they are not on the radar of many international lenders. Due to this lack of exposure, very few MFIs in East Africa have meaningful access to capital. Therefore, most MFIs in the region are overwhelmed by demand they cannot meet.

East Africa represents a significant growth opportunity for Invest both financially and socially. The East African microfinance markets are very underserved, which means that there are solid MFIs that would benefit from additional access to credit. Invest’s unique strategy of lending to very small MFIs that are often easily dismissed by other lenders is well suited for the opportunities in East Africa. The potential impact of expanding an MFI’s pool of financial resources so it can fulfill its social mission, one that is

often bottlenecked by lack of funds, is tremendous. Our loans’ impact could be amplified multifold. We are humbled and excited by the prospect of playing a part in the growth of strong East African MFIs. We hope our efforts will make microfinance in Africa more attractive to other lenders – both domestic and international – so it can develop to be a more robust market that has the resources to meet the massive demand that exists. It will be a long, slow process, but it is undoubtedly a worthwhile endeavor.

Although the disbursement of loans to two small MFIs is only a small step toward the ultimate goal, we are excited to present the two East African MFIs with whom we have partnered since Laura and Caro’s visits, Rural Agency for Development Ltd. and Rushere SACCO.

Rural Agency for Development (Rafode)

Rafode is an MFI headquartered in Kisumu, Kenya with four additional branches located in the southwest portion of the country. Rafode offers a variety of loan products to borrowers, and the most exciting to Invest are their loans for solar panels and energy-saving cookstoves. In Kenya, where many live off the grid (even those in large cities), there is tremendous social impact in helping people access affordable and sustainable lighting and phone charging. The impact of having lights goes far beyond aesthetic; with lights, children can study after dark, businesses can make sales after dark, and entrepreneurs can extend their working hours. This means significant economic benefit for households and communities. Similarly, the efficient cookstoves reduce spending on charcoal and do not produce as much smoke, which reduces health problems related to prolonged smoke exposure.

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East Africa *Continued from Page 6*

This means people are generally living longer, healthier lives. Though small (about \$1.1 million in assets), Rafode is one of our strongest partners financially.

Rushere SACCO

Rushere SACCO is headquartered in Rushere, Uganda. Rushere SACCO has five additional branches; all branches, including the headquarters, serve borrowers in rural areas of southwestern Uganda. The reality of lending in rural Uganda is that most of the MFI’s portfolio (85%) is in agriculture, the vast majority of which is cattle. Though we most typically lend to MFIs that focus on lending to commerce-based businesses, the management team at Rushere has communicated that agricultural lending is necessary to strengthen the local economy to the point where commerce-based businesses are more viable. Helping farmers in rural Uganda helps families afford education for their children and, in turn, facilitates the continued growth of the local economy and increased innovation. By operating within the market as it is



Malaki (Left) is a Rafode borrower. After receiving his first loan, he started a welding workshop. Since then, his business has grown to employ three people.

today, Rushere is contributing to the eventual transition to a commerce-based economy.

As mentioned above, due diligence is underway on another institution in Uganda. There are also quite a few

more MFIs that are on our radar screen with whom we hope to partner in the future. We at Envest look forward to reporting our progress in East Africa in future newsletters.

Welcome, Nick

We are pleased to welcome Nick Engen to the Envest management team. Nick assumed the role of Marketing Director at the beginning of March. He will build on past marketing efforts and continue expanding our presence in the industry.

Nick graduated from the University of Wisconsin - Madison in May 2017 with a degree in Agricultural and Applied Economics and a certificate in Public Health.

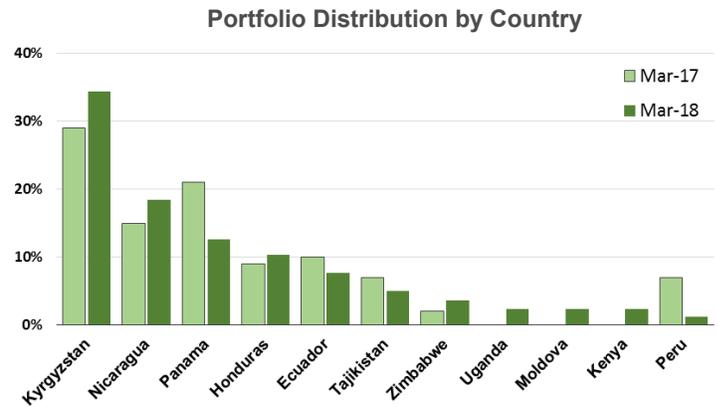
His career has been characterized by blending business with community development. While pursuing his associate’s degree in northern Minnesota, he worked on several projects to improve Native Americans’ ability to access logging contracts within reservation borders. More recently, he helped establish a company in Botswana which produced cosmetic oil from wild fruits. This position took him to many villages across the Southern African region to source fruit collected by local women’s groups. Upon his return to the US, he secured an internship with the Embassy of Botswana in Washington DC, where he focused on trade policy and market development.

He is passionate about promoting economic opportunity in developing markets, and his ultimate career goal is to use business to create more resilient communities, primarily in rural areas. He sees microfinance as an effective, sustainable way to reach this goal.



Portfolio Report

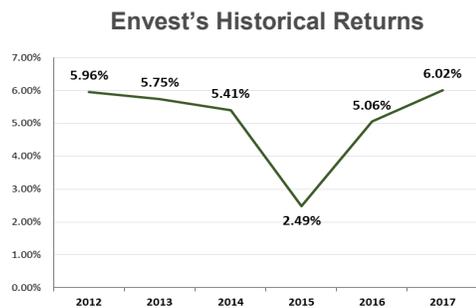
In the past several months, Envest has added seven new partners across five countries (see **New Partners** on Page 1). With these additions, Envest is continuing to diversify its portfolio toward a truly global distribution. Envest’s presence in regions, such as Central Asia and Sub-Saharan Africa has continued to grow since the first loan outside of Latin America in 2014, which was in Tajikistan. Kyrgyzstan remains the country with the highest share of portfolio accounting for just over a third of the total portfolio. With the addition of two new East African partners (see **East Africa** on Page 6) and Zimbabwe’s share of portfolio increasing slightly, as a result of a second loan to Quest Financial Services, the share of African partners is now 8% of the portfolio. A new partner in Moldova has also established Envest’s presence in Europe.



All of Envest’s current partners are Tier 3 MFIs, meaning they have less than US \$20 million in total assets. In fact, 70% of our partners have total assets of less than US \$4 million. We work with the smallest MFIs that are often overlooked by international lenders, because strengthening small institutions gives them the economies of scale necessary to serve additional borrowers more efficiently, creating a more vibrant microfinance sector.

Investment Opportunity

Envest offers a meaningful investment opportunity for Accredited Investors* to make a difference in the world through microfinance. Of every investment that comes into Envest, 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, Envest strives to offer meaningful financial returns that will contribute to the financial resilience of your portfolio. Envest targets a 5-6% annual return on investment, and has met this target five out of six years.

If you would like to view offering documents or learn more about Envest’s model, please contact Jon Bishop at (608) 216-9898 or jonbishop@investmicrofinance.org **

* 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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