INFORMATION MEMORANDUM

ACTIAM Financial Inclusion Fund

Please direct all inquiries to:

ACTIAM N.V.
De entree 95
1101 BH Amsterdam
The Netherlands

INFORMATION MEMORANDUM
DATED March 9, 2021

ACTIAM FINANCIAL INCLUSION FUND

ANY DEFINED TERM CONTAINED HEREIN HAS THE MEANING ATTACHED TO SUCH DEFINED TERM IN THE TERMS AND CONDITIONS OF THE FUND.

THE FOLLOWING LEGENDS CONTAIN IMPORTANT INFORMATION AND DISCLAIMERS THAT SHOULD BE CAREFULLY CONSIDERED BY PROSPECTIVE PURCHASERS OF PARTICIPATIONS IN THE FUND.

EACH PROSPECTIVE INVESTOR MUST DETERMINE ITS INVESTMENT DECISION BASED ON ITS OWN INDEPENDENT REVIEW OF THE INFORMATION CONTAINED IN THIS ENTIRE MEMORANDUM.

THIS MEMORANDUM WAS DRAFTED BY THE FUND'S FUND MANAGER BEING ACTIAM N.V. AND SERVES AS AN EVALUATION OF THE ACTIAM FINANCIAL INCLUSION FUND. THE FUND IS ONLY OFFERED TO AND SUITABLE FOR PROFESSIONAL INVESTORS ("PROFESSIONELE BELEGGERS") AS DEFINED IN THE NETHERLANDS FINANCIAL MARKETS SUPERVISION ACT ("WET OP HET FINANCIEEL TOEZICHT"). IT HAS NOT BEEN REVIEWED BY INDEPENDENT PARTIES.

THE OFFERING OF THE PARTICIPATIONS AND THE DISTRIBUTION OF THIS INFORMATION MEMORANDUM MAY BE RESTRICTED IN CERTAIN JURISDICTIONS. PERSONS INTO WHOSE POSSESSION THIS INFORMATION MEMORANDUM COMES ARE REQUIRED BY THE FUND MANAGER TO INFORM THEMSELVES ABOUT AND TO OBSERVE ANY SUCH RESTRICTIONS. THIS INFORMATION MEMORANDUM DOES NOT CONSTITUTE AN OFFER OR SOLLICITATION TO ANYONE IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLLICITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR SOLLICITATION.

EUROPEAN UNION ("EU") / EUROPEAN ECONOMIC AREA ("EEA") - WHEN MARKETING PARTICIPATIONS IN ANY TERRITORY OF THE EEA (OTHER THAN THE NETHERLANDS) TO PROFESSIONAL INVESTOR THAT ARE DOMICILED OR HAVE A REGISTERED OFFICE IN THE EEA, THE FUND MANAGER MAY UTILISE MARKETING PASSPORTS MADE AVAILABLE UNDER THE AIFMD. PARTICIPATIONS IN THE FUND MAY ONLY BE MARKETED PURSUANT TO SUCH PASSPORTS TO PROFESSIONAL INVESTORS IN THOSE TERRITORIES OF THE EEA IN RESPECT OF WHICH A PASSPORT HAS BEEN OBTAINED. THE FUND MANAGER HAS MADE A PASSPORT NOTIFICATION TO THE FUND MANAGER'S HOME REGULATOR IN RESPECT OF THE MARKETING OF PARTICIPATIONS IN SOME MEMBER STATES OF THE EU. FURTHER DETAILS CAN BE OBTAINED FROM THE FUND MANAGER.

POTENTIAL INVESTORS MUST BE AWARE OF THE FACT THAT INVESTMENTS MADE BY THE FUND MAY BE ILLIQUID. THERE IS CONSEQUENTLY NO ASSURANCE THAT THE LIQUIDITY OF SUCH INVESTMENTS WILL ALWAYS BE SUFFICIENT TO MEET REDEMPTION REQUESTS AS AND WHEN MADE. THE TREATMENT OF REDEMPTION REQUESTS MAY THUS BE POSTPONED AND THE INVESTORS MAY BE OBLIGED TO STAY WITHIN FOR A LONGER PERIOD THAN EXPECTED.
WHEN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EVALUATION OF THE ACTIAM FINANCIAL INCLUSION FUND AND THE TERMS AND CONDITIONS OF THE PLACEMENT OF THEIR CAPITAL, INCLUDING THE BENEFITS AND RISKS INVOLVED. ANY DECISION TO PURCHASE OFFERED INVESTMENTS SHOULD NOT BE BASED SOLELY ON THIS MEMORANDUM, CONSIDERING THAT ANY SUMMARY OR DESCRIPTION OF LEGAL REGULATIONS, CORPORATE STRUCTURES OR CONTRACTUAL RELATIONSHIPS CONTAINED HEREIN IS FOR INFORMATIONONLY AND SHOULD NOT BE CONSIDERED AS LEGAL OR TAX ADVICE REGARDING THE INTERPRETATION OR ENFORCEABILITY OF ITS PROVISIONS OR RELATIONS. THIS INFORMATION MEMORANDUM IS INTENDED FOR INFORMATION PURPOSES ONLY. THE TERMS OF THE FUND ARE SET OUT IN THE TERMS AND CONDITIONS OF THE FUND.

THE RECIPIENTS OF THIS MEMORANDUM SHOULD IN ANY CASE BEAR IN MIND THAT ALL OR PART OF THE PRINCIPAL INVESTED IN THE ACTIAM FINANCIAL INCLUSION FUND MAY BE LOST DESPITE COMPLIANCE WITH ALL REQUIRED DILIGENCE BY THE FUND MANAGER, THE INVESTMENT MANAGER AND PARTICULARLY ITS MANAGEMENT. PROSPECTIVE INVESTORS ARE EXPRESSLY NOTIFIED OF THE FACT THAT THERE ARE NO GUARANTEES THAT THE INVESTMENT OBJECTIVES OF THE FUND WILL BE ACHIEVED
AS WELL AS OF THE RISKS DESCRIBED IN THIS MEMORANDUM, PARTICULARLY THE RISK OF LOSING SOME OR ALL OF THE MONEY INVESTED IN THE FUND.

THIS MEMORANDUM CONTAINS FORWARD-LOOKING STATEMENTS, INCLUDING, BUT NOT LIMITED TO, STATEMENTS CONTAINING THE WORDS "BELIEVES", "ASSUMES", "EXPECTS" AND SIMILAR EXPRESSIONS. THESE FORWARD-LOOKING STATEMENTS INCLUDE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS AS A RESULT OF WHICH THE ACTUAL RESULTS, THE FINANCIAL CONDITION, THE PERFORMANCE OF OR THE TARGETS ACHIEVED BY THE FUND MAY BE MATERIALLY DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE OR OBJECTIVES EXPRESSED OR IMPLIED BY THE MENTIONED FORWARD-LOOKING STATEMENTS IN THIS MEMORANDUM. FACTORS WHICH MAY CAUSE SUCH A DIFFERENCE MAY NOT BE LIMITED TO THOSE REFERRED TO IN "RISK FACTORS". IN VIEW OF THESE UNCERTAINTIES, PROSPECTIVE INVESTORS SHOULD NOT RELY ONLY UPON FORWARD-LOOKING STATEMENTS AS STATED IN THIS MEMORANDUM. NEITHER THE FUND MANAGER NOR ITS OFFICERS ARE LIABLE FOR THE INFORMATION, OPINIONS AND FORECASTS CONTAINED HEREIN OR FOR ANY ERROR, MISINTERPRETATION AND OMISSION. IN THIS RESPECT, THE RECIPIENTS OF THIS MEMORANDUM SHOULD FORM THEIR OWN OPINION ON THE COMPLETENESS AND CORRECTNESS OF THE INFORMATION AND FORECASTS PROVIDED AND RELY UPON THEIR OWN EVALUATIONS, ASSESSMENTS AND EXAMINATIONS WHEN DECIDING ABOUT AN INVESTMENT IN THE FUND.

THE FUND MANAGER RESERVES THE RIGHT TO MODIFY, WITHDRAW OR CANCEL ANY OFFERING MADE PURSUANT TO THIS MEMORANDUM AT ANY TIME PRIOR TO CONSUMMATION OF THE OFFERING AND TO REJECT ANY SUBSCRIPTION IN WHOLE OR IN PART, IN ITS SOLE DISCRETION.

THIS MEMORANDUM MAY NOT BE REPRODUCED IN WHOLE OR IN PART. THE USE OF THIS MEMORANDUM FOR ANY PURPOSE OTHER THAN AN INVESTMENT IN THE FUND DESCRIBED HEREIN IS NOT AUTHORIZED AND IS PROHIBITED.

THE FUND IS GOVERNED BY DUTCH LAW AS SET OUT IN THE TERMS AND CONDITIONS.

The Fund involves a high degree of risk, and investors should not invest any funds in this offering unless they can afford to lose their entire investment.

See "RISK FACTORS" BEFORE MAKING AN INVESTMENT IN THE FUND.

TABLE OF CONTENTS

1 SUMMARY OF THE OFFERING

The ACTIAM Financial Inclusion Fund (the **"Fund"**) is an open-end fund for joint account (*Fonds voor Gemene Rekening*) under the laws of the Netherlands initiated by ACTIAM N.V. (**"ACTIAM"** or the **"Fund Manager"**) in close cooperation with DWM Asset Management, LLC (**"DWM"** or the **"Investment Manager"**). ACTIAM acts as the Fund Manager (*Beheerder*) for the Fund, while DWM acts as the Investment Manager for the Fund. ACTIAM, a subsidiary of the insurance company Athora Netherlands N.V., is a fund manager (*beheerder van een beleggingsinstelling*) with a license of the Netherlands Authority for the Financial Markets (**"AFM"**) as referred to in article 2:65 of the Dutch Financial Supervision Act (*Wet op het Financieel Toezicht*). Both the Fund Manager and the Fund are registered with the AFM. The Fund invests in debt and hybrid debt instruments issued by financial institutions such as microfinance institutions ("**Financial Inclusion Institutions**") that improve access to loans and financial services for micro, small and medium enterprises (**"MSME"**) in developing and emerging countries worldwide, all in accordance with the Fund's Investment Strategy as set out in the Fund Investment Policy and Fund Responsibility and Impact Framework sections of this Memorandum. The Fund aims to provide investors with a market-based financial return in the range 3-5% on a net annual basis, while at the same time making socially responsible impact investments.

The Fund Manager believes that investments in Financial Inclusion Institutions that provide financial products and services to MSME in developing and emerging economies have an attractive return risk profile. By combining the strong selection capabilities and track records of the Fund Manager and the Investment Manager, the Fund provides an opportunity to potentially realize above average returns in an inefficient market. In addition to striving for a competitive financial return, the Fund has a sustainable investment objective and an explicit intention to realise measurable non-financial value with the Fund in the form of positive social impact. This is done by promoting access to responsible and affordable financial products and services for low-income households, self-employed persons and SMEs in emerging and developing countries. In doing so, the Fund is intended to contribute to growth and development of small businesses and SMEs and the financial well-being of low-income households.

The Fund aims to provide access to finance for MSME in developing and emerging economies through its investments and thereby contribute to sustainable development in such economies. Responsibility is a key feature of the business of ACTIAM. All portfolio Financial Inclusion Institutions shall, at a minimum, comply with the ACTIAM Fundamental Investment Principles and should operate in line with applicable international standards.

In summary, the Fund aims to:

- Provide investors with an impact investment opportunity that combines an expected market-based return with substantial social value;
- Provide investors with the diversification value of investing in financial inclusion in developing and emerging economies on a cost efficient basis;
- Improve access to finance for MSME in developing and emerging economies; and
- Prompt Financial Inclusion Institutions to increase their transparency and optimally protect the interests of their clients.

Financial Inclusion is an important prerequisite and accelerator to achieve a wide range of development outcomes. With its investment approach, the Fund actively contributes to the realization of seven of the seventeen 'Sustainable Development Goals' (SDGs) as developed by the United Nations (UN).

- 1. No poverty
- 2. Zero hunger
- 3. Global health and wellbeing
- 5. Gender equality

- 8. Decent work and economic growth
- 9. Industry, innovation and infrastructure
- 10. Reduced inequalities

Fund Investments and Investment Selection Process

The potential investments for the Fund are identified by the Investment Manager in cooperation with the Fund Manager. Potential investments are sourced from developing and emerging economies worldwide, and may be debt and hybrid debt investments in Financial Inclusion Institutions. Investments may also be made through securitization vehicles and holding companies. To a limited extent the Fund may also make investments in institutions financing adjacent spaces, including affordable housing, health, education, insurance, agriculture, water and sanitation. One of the key criteria of in the selection process of the Investment Manager is that Financial Inclusion Institutions consider the provision of microfinance services as an explicit and core business and that microfinance operations have sufficient critical mass. The investment strategy of the Fund is set out in more detail in section 3 (“Fund Investment Policy”).

The Investment Manager undertakes a due diligence investigation of each candidate investment, provides Investment Proposals to the Fund Manager, and makes reasonable efforts to assure that each Investment Proposal satisfies applicable investment requirements of the Fund’s Investment Strategy and Responsibility and Impact Framework.

Each Investment Proposal is submitted to and should be approved by the Fund Manager before entering in any Fund Investment. For this purpose, the Fund Manager has established an investment committee consisting of at least four investment professionals of the Fund Manager. The Investment Manager will advise the Investment Committee with respect to each Investment Proposal.

Fund Investments will be legally owned by Stichting Juridisch Eigenaar ACTIAM Institutional Microfinance Fund III, acting in its capacity as the legal owner (the **“Legal Owner”**) of the Fund.

In the event of a material potential or actual conflict of interest between the interests of the Fund and the interests of the Fund Manager and/ or the Investment Manager with respect to any Investment Proposal, the Fund Manager is required to consult with the Participants Committee. The Participants Committee consists of at least three and up to five Participant representatives nominated by the Founding Participants and/ or Principal Participants and approved by the Fund Manager.

Social Responsibility and Impact

The Fund upholds a sustainable investment objective and invests in companies that actively contribute to achieving social goals and sustainable practices in the field of good governance. In this context, the Fund aims to contribute to the well-being of customers and employees of the entities in which it invests and of the communities in which these entities operate, whereby social injustice and inequality are controlled as much as possible. The Fund does not invest in entities that seriously deviate from the achievement of sustainability goals in the field of environment and social development formulated by ACTIAM. These goals are aligned with, amongst others, climate targets of the Paris Climate Agreement.

By way of its Responsibility and Impact Framework, the Fund Manager makes all reasonable efforts to make socially responsible investments and to contribute to improved access to finance for MSME in developing and emerging economies. Screening of Financial Inclusion Institutions and their portfolios on social performance is an integral part of the investment selection process. Financial Inclusion Institutions selected for inclusion in the Fund are required to meet the following minimum standards or demonstrate to the Fund Manager their commitment to meeting such standards within a predetermined period:

- Act in conformity with the 'seven guidelines for investors in inclusive finance' as developed by the United Nations Principles for Responsible Investment (UN PRI);
- Adhere to and act in accordance with the Client Protection Principles as developed by the SMART Campaign; and
- Monitor and report on their financial and non-financial performance in line with the requirements as set by the Fund Manager, in order to test compliance with the Responsibility and Impact Framework.

In addition to social screening, the Fund Manager also takes into account the economic and social impact of Fund Investments. The Fund Manager aims for Fund Investments to generate real and measurable social impact by:

- Improving access to finance for MSME in developing and emerging economies;
- Enhancing Financial Inclusion Institutions clients' capacity to manage their financial affairs in a responsible way;
- Prompting Financial Inclusion Institutions to improve the quality of their reporting on financial and non-financial performance according to generally agreed upon standards; and
- Prompting Financial Inclusion Institutions to increase their transparency and optimally protect the interests of their clients.

Every financial institution in which the ACTIAM Financial Inclusion potentially considers investment, is carefully assessed on the basis of financial and non-financial criteria. By means of an integrated approach, the Fund investment committee forms a final judgement on the investment proposal based on risk, financial return, sustainability and impact.

Impact measurement
The realized impact of the investments of the ACTIAM Financial Inclusion Fund is monitored by means of an at least annual impact measurement. To this end, the Manager works closely with its specialized partners, in particular Developing World Markets.

In order to implement its impact policy optimally, ACTIAM is affiliated with the "Global Impact Investing Network" (GIIN) and the Dutch Platform for Inclusive Financing (NpM). ACTIAM is also actively involved in initiatives such as the Principles for Responsible Investment (PRI) and the Social Performance Task Force. The Social Performance Task Force houses the "The Universal Standards for Social Performance Management ("the Universal Standards"). This is a comprehensive best practice guide by and for people in microfinance as a tool to help financial service providers achieve their social goals. This includes the Client Protection Principles that underlie the realization of financial inclusion in a responsible, affordable and customer-oriented way.

Benchmark
The Fund does not follow any specific sustainability benchmark. To judge whether the long-term sustainability and impact objectives of the Fund are achieved, an annual assessment is performed as to whether the Fund is moving towards achieving the sustainability goals with the right speed. The progress is determined independent of a sustainable benchmark and included in the annual report. In order to determine progress made, the indicators and methodology of "IRIS +", a system for measuring impact to measure, manage, report and optimize are adopted for the Fund. IRIS + was developed by "Global Impact Investing Network '(GIIN), of which ACTIAM has been a member since its foundation in 2009. In addition, a Fund-specific ‘theory of change' is formulated. This is a targeted change management model of the Fund's contribution to social results in the short, medium and long term. In case the Fund’s social performance deviates too much of the transition path and the sustainability objectives, the sustainability criteria can be tightened further. Throughout the investment process, investment risks (including sustainability risks such as described in chapter 6), financial return and impact are considered in an integrated manner.

About the Fund Manager and the Investment Manager

The Fund Manager ACTIAM is a Netherlands based asset and fund manager with a particular focus on sustainable investments. With its Impact Investing department, ACTIAM is dedicated to the development, promotion and distribution of investment funds that, in addition to generating a market-based return for investors, aim to generate positive social and environmental impact in developing and emerging economies.

Investment Manager DWM is the impact investment management entity of the Developing World Markets group which was founded in 1994 and is based in Stamford, Connecticut, USA. DWM is a registered investment adviser with the United States Securities and Exchange Commission (**“SEC”**). SEC registration does not imply any level of skill or training or approval by the SEC.

Targeted Investors

The Fund is offered to professional investors (*professionele beleggers*) as defined in the Dutch Financial Supervision Act (*Wet op het Financieel Toezicht*).

Investors in the Fund should view their investment in the Fund as a long-term investment and should be aware of limitations in relation to the liquidity of the Fund. The Fund Investments have an illiquid character. Consequently there is no assurance that the liquidity of such investments will always be sufficient to meet redemption requests. Also restrictions may be imposed on subscriptions in case of insufficient investment opportunities in order to safeguard the interests of existing Participants.

.

2 THE FUND

The Fund is an open-end fund for joint account (*Fonds voor Gemene Rekening*) under Dutch law and is denominated in Euros.

The Fund itself is not a general partnership, commercial partnership or limited partnership (*Maatschap*, *Vennootschap onder Firma*, or *Commanditaire Vennootschap*). The legal relationships between the Fund Manager, the Legal Owner and the Participants are laid down in the Terms and Conditions and the Participation Agreement, which are provided to Participants separately. The Terms and Conditions provide that under certain circumstances the meeting of Participants may by majority vote amend the Fund's Terms and Conditions.

ACTIAM is responsible for the management of the Fund, while Stichting Juridisch Eigenaar ACTIAM Institutional Microfinance Fund III, holds the assets of the Fund in legal ownership on behalf and for the account and benefit of the Participants in their capacity as beneficial owners.

The Fund Manager offers Participations in the Fund to (prospective) investors. On September 30, 2019 (the **"Transition Date")** the Fund transformed from a closed-end structure in an open-end structure. On that date a distinction has been created between so-called Founding Participations held by Founding Participants and Additional Participations that may be held by both Founding Participants or Additional Participants.
Founding Participants are in this respect Participants that acquired Founding Participations in the Fund before the Transition Date. Founding Participants are assigned with a number of preferential rights, amongst others in relation to redemptions on Participations. Prospective investors may invest in the Fund by subscribing for Additional Participations pursuant to Participation Agreements. All prospective investors are subject to a customer due diligence performed by and satisfactory to the Fund Manager.

Each Participant will make Capital Commitments to the Fund in respect of to be acquired Additional Participations, where each Participant's Capital Commitment will be drawn down by way of capital calls by the Fund Manager from time to time. The maximum amount to which a Participant will be exposed is limited to its Capital Commitment to the Fund.

Participants that are admitted to the Fund or increase their Capital Commitments to the Fund will, in respect of Participations acquired, pay to the Fund an amount equal to the Net Asset Value of each of the Participations, determined by the Fund Manager on the date specified in the Draw Dawn Notice, to be acquired.

The Fund Manager has appointed BNP Securities Services SCA Amsterdam Branch as depositary (the **"Depositary"**) and administrator (the **"Administrator"**) of the Fund. BNP Securities Services SCA, is the Dutch branch of BNP Paribas Securities Services SCA, having its registered office in Paris, France. It started the Dutch branch on 15 March 2013.

The Depositary performs the following tasks:

- to monitor and to reconcile the Fund's cash flows and accounts;
- to verify the ownership of Fund Investments held by the Legal Owner on behalf of the Fund;
- safekeeping of assets of the Fund, where the Fund will only to a limited extent invest in assets that can be kept in custody;
- to ensure that the sale, issue, repurchase, redemption and cancellation of Participations of the Fund are carried out in accordance with the applicable national law and the Terms and Conditions;
- to ensure that the value of the Interests of the Fund is calculated in accordance with the applicable law, the Terms and Conditions of the Fund and the procedures laid down in Article 19 of the AIFM Directive;
- to carry out the instructions of the Fund Manager, unless they conflict with the applicable national law or the Terms and Conditions of the Fund;
- to ensure that in transactions involving the Fund Investments any consideration is remitted to the Fund within the usual time limits;
- to ensure that the Fund's income is applied in accordance with the applicable national law and the Terms and Conditions of the Fund.

In accordance with article 21 of the AIFMD the depositary shall be liable to the Fund or to the Participants, for the loss by the depositary or a third party to whom the custody of financial instruments held in custody has been delegated. The Fund Manager shall inform investors before they make an investment in the Fund of any arrangement made by the depositary by which it can discharge itself of liability.

In its capacity as Administrator, BNP Securities Services SCA, Amsterdam Branch also performs the administrative and reporting functions for the Fund Manager. The performance of those functions might conflict with its depositary tasks. In order to prevent any conflicts the performance of its depositary tasks is functionally and hierarchically separated from the tasks it performs for the Fund Manager.

Fund Manager

ACTIAM N.V.
De Entree 95
1101 BH Amsterdam
The Netherlands

Managing Directors - ACTIAM N.V.
F.L. Kusse
D.G. Keiller

Legal Owner of the assets of the Fund

Stichting Juridisch Eigenaar ACTIAM Institutional Microfinance Fund III
De Entree 95
1101 BH Amsterdam
The Netherlands

Depositary and Administrator of the Fund

BNP Securities Services S.C.A., Amsterdam Branch
Herengracht 595
1017CE Amsterdam
The Netherlands

Investment Manager

DWM Asset Management, LLC
750 Washington Blvd, 5th Floor
Stamford, Connecticut 06901 United States of America

Managing Partners - DWM Asset Management, LLC
P.H. Johnson
B. Swanson
E. Marshall

To the extent that the Investment Manager is unable to provide the Fund Manager with sufficient and appropriate investment opportunities, for which minimum requirements and/ or targets have been laid down in the Investment Management Agreement, the Fund Manager may hire an additional investment manager in order to enable the Fund to allocate Capital Commitments to investments in Financial Inclusion Institutions on a time efficient basis and to reach appropriate portfolio diversification. A decision to hire an additional investment manager is subject to approval by the meeting of Participants.

Auditor

Auditing services for the Fund will be performed by Ernst & Young Accountants LLP or such other internationally operating audit firm that the Fund Manager may select.

Bank Accounts

The Fund's bank accounts will be held at ABN AMRO Bank or such other financial institution that the Fund Manager may select, provided that said financial institution shall have an initial Bloomberg composite financial counterparty rating of at least single A- with a stable outlook.

Management Fee

In accordance with the Terms and Conditions the Fund Manager will receive an annual Management Fee of:

(i) one hundred and twenty five (125) basis points or 1,25% over the Net Asset Value of the Fund up to EUR 200 million;

(ii) one hundred and fifteen (115) basis points or 1,15% over the Net Asset Value of the Fund, exceeding EUR 200 million and up to EUR 500 million;

(iii) one hundred and five (105) basis points or 1,05% over the Net Asset Value of the Fund exceeding EUR 500 million.

The Management Fee has been determined under the assumption that on a standard basis, the Fund Manager will hold about 10% of the Net Asset Value in Temporary Liquid Investments for collateral and liquidity management purposes. The Management Fee will be paid by the Fund to the Fund Manager monthly in arrears, and will be calculated and based on the Net Asset Value of the last Business Day of the preceding month.

To the extent that the Fund Manager enters into Fund Investments that are subject to a third party placement fee and/ or service fee the Management Fee payable to the Fund Manager will be reduced accordingly in order to avoid a double charge of expenses for the Fund and therefore the Participants in the Fund.

The Fund Manager may, in its absolute discretion, grant an annual rebate on the Management Fee to Participants in case their participation exceeds certain thresholds set by the Fund Manager. Upon request, a description of the rebate arrangement, the type of Participants who obtained such preferential treatment and, where relevant, their legal or economic links with the Fund or the Fund Manager will be made available by the Fund Manager within the limits required by the AIFMD. Founding Participants have been granted an annual rebate payable over the Net Asset Value of their Participations. This rebate is calculated as a weighted average percentage based on the total size of such Founding Participant's Capital Commitment and is calculated as follows:

(i) zero (0) basis points over the relevant Capital Commitment up to EUR 25,000,000;
(ii) fifteen (15) basis points over the amount by which the relevant Capital Commitment exceeds EUR 25,000,000 and up to EUR 50,000,000;
(iii) thirty (30) basis points over the amount by which the relevant Capital Commitment exceeds EUR 50,000,000 and up to EUR 75,000,000; and
(iv) forty five (45) basis points over the amount by which the relevant Capital Commitment exceeds EUR 75,000,000.

Incentive Fee

Neither the Fund Manager nor the Investment Manager will receive an incentive or performance-related fee.

Investment Management Fee

In accordance with the Investment Management Agreement by and between the Fund Manager and the Investment Manager, DWM acts as the Investment Manager. DWM selects and proposes to the Fund Manager investments for the Fund to the Fund Manager and is involved in certain affairs of the Fund, as described in more detail in the Investment Management Agreement. The Investment Manager receives an annual Investment Management Fee of approximately 75% of the total Management Fees as received by the Fund Manager minus the rebates paid to Participants as described on page 12, all in relation to the Net Asset Value of the Fund less the value of any Fund Investments sourced by (A) a third party subject to a third party placement fee and/or servicing fee or (B) an Additional Investment Manager. The Investment Management Fee is payable by the Fund Manager upon receipt of the Management Fee by the Fund Manager.

For the avoidance of doubt, expenses in relation (i) the Investment Management Fee, (ii) third party placement and/ or servicing fees or an Additional Investment Manager are for the account of the Fund Manager and not for the account of the Fund.

Legal Owner Fee and Depositary Fee

In accordance with the Terms and Conditions the Legal Owner receives an annual Legal Owner Fee of 0.005% on the Net Asset Value of the Fund. The Depository receives an annual Depositary Fee of EUR 5.000 increased by 0.008% of the Net Asset Value of the Fund, with a maximum of EUR 50.000. Both fees are paid by the Fund.

Other Fund Expenses

In general, the Fund's expenses other than the Management Fee are payable by the Fund when applicable, all to be decided by the Fund Manager. Such Fund Expenses include structuring and maintenance expenses for the Fund and related fund entities, investment expenses, custody expenses, voting expenses, valuation expenses, auditing expenses, legal expenses, fiscal expenses and other third party expenses to the extent applicable. The Fund Expenses are deducted from the Fund's assets separately and may be capitalized and amortized over a predefined period. The Fund Expenses are described in more detail in the Terms & Conditions.

Liquidity

From a liquidity perspective the Fund is an open-end fund for joint account (*Fonds voor Gemene Rekening*) under Dutch law, whereas the Fund does not have daily liquidity and is not exchange traded. The Fund Manager intends to provide liquidity on at least a monthly basis by issuing or redeeming Participations. The Fund Manager may impose restrictions on entrance to and/ or exit from the Fund and shall particularly consider the interests of existing Participants in deciding on the timing and terms at which Participations are issued and/ or repurchased. Aspects considered are the availability of sufficient cash flow and/ or sufficient access to attractive investment opportunities.

Cash Distributions

The Fund Manager intends to reinvest the annual net return realized by the Fund if it determines that there are sufficient attractive investment opportunities. Cash distributions may only be made to the extent that Distributable Cash is available.

Financial Year

Each financial year of the Fund will end on December, 31.

Professional liability risk of the Fund Manager

The Fund Manager covers potential professional liability risks resulting from its activities as Fund Manager pursuant to the AIFMD by having additional own funds. The Fund Manager has a professional indemnity insurance.

Fiscal Position of the Fund

The Fund is an open-end fund for joint account (*Fonds voor Gemene Rekening*) under Dutch law which is non-taxable within the meaning of the Corporate Income Tax Act 1969 (*Wet op de Vennootschapsbelasting 1969*), meaning the Fund is fiscally transparent. Therefore, under current legislation the Fund is not subject to any form of Dutch corporate income tax.

For Dutch tax purposes all Participants will bear their pro rata portion of any taxes, as if they were investing directly, without regard to the Fund.

Foreign withholding tax
The Fund is not entitled to apply for the benefits of any tax treaty. Therefore, the Fund is not entitled to lower foreign withholding tax to any treaty rate or to a refund of withholding tax. The Participants themselves will have to reclaim or set off applicable withholding tax.

In case withholding taxes are applicable, for example with regard to private loans, the Fund Manager shall endeavour, wherever possible, to make such withholding taxes for the account of the relevant borrower.

Dutch Value Added Tax
The Fund Manager will be responsible for managing the Fund including the Fund Investments, for which it will receive a fee from the Fund. Under the assumption that the management of the Fund qualifies as the management of a collective investment fund, the Management Fee will be exempted from value added tax in the Netherlands.

Fiscal Position of the Participants

Participants will be taxed individually on their holding in the Fund and therefore on the holdings in the Fund Investments that they implicitly own by way of holding Interests in the Fund. Fiscal consequences for individual Participants are dependent on their fiscal status. Each prospective Participant is urged to consult with its own tax advisor with respect to the fiscal consequences of an investment in the Fund.

Valuation

The Net Asset Value of the Fund will be calculated on a daily basis on each Business Day. The Net Asset Value will be calculated in accordance with Dutch GAAP consistently applied to the Fund, such that the values of individual Fund Investments will be based on fair value.

Most of the Fund Investments will be private instruments and highly illiquid. In the absence of a liquid market, the fair value of the individual Fund Investments will be determined in accordance with the Valuation Policy as determined by the Fund Manager. The Valuation Policy is attached to this Information Memorandum as Appendix 1.

As Fund Investments will generally be denominated in US Dollars and other non-EUR currencies, the value of the Fund Investments will be translated into EUR at the relevant applicable exchange rates on the previous Business Day.

Fund Reporting

On a quarterly basis, within thirty (30) Business Days after each quarter, the Participants will be provided with the unaudited financial statements of the Fund, and each individual Participant will be provided with a valuation report regarding its individual Participations in the Fund. The quarterly financial statements will contain at least an abbreviated management report, a balance sheet, a statement of profit and loss, and a cash flow statement. In addition to the financial statements, the Fund Manager will provide Participants with non-financial information regarding the implementation and achievements of its Responsibility and Impact Framework.

On an annual basis, within five (5) months after the year end, the Participants will be provided with an audited annual report with respect to the Fund.

Conflicts of Interest Policy

The Fund Manager has implemented a conflicts of interest policy. If the organizational arrangements made by the Fund Manager to identify, prevent, manage and monitor conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to Participants' interests will be prevented, the Fund Manager shall disclose the general nature or sources of conflicts of interest to the Participants on its website (https://www.actiam.com).

General Data Protection Regulation

The Fund Manager is subject to General Data Protection Regulation (**"GDPR"**), where data within the scope of GDPR (the **"Data"**) specifically relate to prospective investors and the Participants in the Fund and the Fund Investments. For relevant data received, the Fund Manager determine the purpose and means of data processing, and shall make sure that nominated service providers that process Data including the Legal Owner, the Investment Manager, the Administrator and the Depositary (all together the **"Processors"**) shall act in conformity with GDPR. Detailed and up-to-date information regarding the processing of data by the Fund Manager and other nominated service provided is contained in a privacy notice (the **"Privacy Notice"**). Participants and any persons contacting, or otherwise dealing directly or indirectly with the Fund Manager or their service providers in relation to the Fund are invited to obtain and take the time to carefully consider and read the Privacy Notice.

Any question, enquiry or solicitation regarding the Privacy Notice and the processing of Data by the Fund Manager in general may be addressed to the Fund Manager by e-mail privacy@actiam.nl.

The Privacy Notice is available and can be accessed or obtained online (https://www.actiam.com/en/privacy/) or from the Fund Manager's registered office.

The Privacy Notice notably sets out and describes in more detail:

- the legal basis for processing the Data; and where applicable the categories of Data processed, from which source the Data originates, and the existence of automated decision-making, including profiling (if any);

- that Data will be disclosed to several categories of recipients; that some of the Processors are processing the Data on behalf of the Fund Manager; that the Processors include most of the service providers of the Fund Manager; and that the Processors will act as processors on behalf of the Fund Manager and may also process Data for their own purposes;

- that Data will be processed by the Fund Manager and the Processors for several purposes (the **"Purposes"**) and that these Purposes include (i) the administration of Participants' Participations in the Fund, (ii) enabling the Fund Manager and Processors to perform their services for the Fund, and (iii) enabling the Fund Manager and Processors to comply with legal, regulatory and/or tax (including FATCA/CRS) obligations;

- that Data may, and where appropriate will, be transferred outside of the European Economic Area (the "EEA"), including to countries whose legislation does not ensure an adequate level of protection as regards the processing of personal data. If Data is transferred outside the EEA, the Fund is required to ensure that the processing of Data is in compliance with article 46 of the Regulation (EU) 2016/679 and, in particular, that appropriate measures are in place such as entering into model contractual clauses (as published by the European Commission) or ensuring that the recipient is "Privacy Shield" certified, if appropriate;

- that any communication (including telephone conversations) (i) may be recorded by the Fund Manager and the Processors and (ii) will be retained for a period of 10 years from the date of the recording;

- that Data will not be retained for longer than necessary with regard to the Purposes, in accordance with applicable laws and regulations, subject always to applicable legal minimum retention periods;

- that failure to provide certain Data may result in the Participant not being able to subscribe for Participations or to continue holding Participations in the Fund;

- that Data Subjects have certain rights in relation to the Data relating to them, including the right to request access to such Data, or have such Data rectified or deleted, the right to ask for the processing of such Data to be restricted or to object thereto, the right to portability, the right to lodge a complaint with the relevant data protection supervisory authority, or the right to withdraw any consent after it was given.

All Participants acknowledge that they have obtained and/or have been provided access to the Privacy Notice; that the Privacy Notice may be amended at the sole discretion of the Fund Manager; that they may be notified of any change to or update of the Privacy Notice by any means that the Fund Manager deems appropriate; that they have authority to provide or cause to provide any Data relating to third-party natural persons to the Fund Manager; that, if necessary and appropriate, they are required to obtain the (explicit) consent of the relevant third-party natural persons whose Data may be processed; that these third-party natural persons have been informed of the processing of the Data by the Fund Manager and the Processors as described herein and their related rights; that these third-party natural persons have been informed of, and provided with, easy access to the Privacy Notice; that when notified of a change or update of the Privacy Notice they will notify this change to these third-party natural persons accordingly; and that they shall indemnify and hold the Fund Manager harmless from and against any and all adverse consequences arising from any breach of the foregoing.

3 FUND INVESTMENT POLICY

As part of the industry's strong growth, Financial Inclusion Institutions have over time embraced financial inclusion on a larger scale, broadening their offer beyond traditional loans to include for example savings and payment and insurance products. Financial Inclusion Institutions have increasingly widened their scope of clients targeted, by developing up-market from predominantly servicing micro entrepreneurs towards financing the whole space of micro, small and medium enterprises. MSME financing is a full component of financial inclusion that complements microfinance as a strong employment and entrepreneurship tool helping businesses to grow, and thereby creating important multiplying effects in local economies. Financial Inclusion Institutions offer an important contribution towards financial inclusion and in addressing the phenomenon commonly referred to as the 'missing middle'. Access to finance is frequently identified as a critical barrier to growth for MSMEs and as one of the strongest drivers of economic development, innovation and employment.

The Fund invests in a wide range of debt and hybrid debt instruments of Financial Inclusion Institutions. Financial Inclusion Institutions that provide access to financial products and services for MSME in developing and emerging countries worldwide. Investments of the Fund may include investments in securitization vehicles and Financial Inclusion Institutions holding companies. To a limited extent the Fund may also make investments in institutions financing adjacent spaces including affordable housing, health, education, and insurance, agriculture, water and sanitation. In addition, the Fund may invest in Temporary Liquid Investments. The Fund aims to maintain a well-diversified portfolio with exposure to at least 40 Fund Investments. Fund Investments are made with a buy-and-hold philosophy.

With the exception of Temporary Liquid Investments, each Fund Investment invested in is chosen for inclusion in the Fund only after substantial due diligence has been performed by the Investment Manager, and after review and approval by the Fund Manager.

The net annualized return of the Fund is expected to be in a range of 3-5% on a net basis. To put return ambitions into perspective, the Fund uses a net annualized targeted return of 4,0%.

While a portion of the Fund's assets may be in Euro denominated investments, Fund investments are primarily denominated in US Dollar (US$) and other non-Euro currencies. The Fund Manager enters into forward foreign exchange transactions on the US$ to minimize US$ currency risk and may enter into other currency derivative transactions to mitigate currency risk of investments denominated in other non-Euro currencies. Currency derivative transactions shall only be engaged in with financial counterparties with a Bloomberg composite financial counterparty rating of at least A-, with a stable outlook, while at the same time adequate collateral management has been put in place.

Next to striving for a solid financial return, it is important that Fund Investments add social value. The Fund aims to make socially responsible impact investments and to contribute to improved access to finance for MSME in developing and emerging economies.

Financial Inclusion Institutions should generally (a) maintain a microfinance loan portfolio that comprises at least 50% of their total loan portfolio and (b) limit consumer loans to not more than 20% of their total loan portfolio. Portfolio institutions invested in should in this respect use the proceeds of Fund Investments for the provision of loans to local enterprises. The Fund does not invest in Financial Inclusion Institutions that do not satisfy the above criteria without a documented and sufficient rationale acceptable to the Fund Manager. In order to monitor compliance with above mentioned requirements, the Fund Manager requires Financial Inclusion Institutions to report on their loan portfolios, including detail on microfinance, SME, corporate and consumer lending, on at least an annual basis.

Fund Investment Guidelines

The following Investment Guidelines applies to Fund Investments, excluding Temporary Liquid Investments. The acquisition value of Fund Investments will be used in measuring compliance with the relevant guidelines. The value of the Fund's portfolio will be based on the most recent available Net Asset Value of the Fund.

- The minimum percentage of the Fund's portfolio allocated to debt instruments issued by Financial Inclusion Institutions shall be 70%. Debt instruments shall include deposits and senior secured and unsecured loans.
- The maximum percentage of the Fund's portfolio allocated to hybrid debt instruments issued by Financial Inclusion Institutions other than senior loans shall be 30%. Hybrid debt instruments shall include convertible loans, profit sharing loans and subordinated loans.
- The maximum percentage of the Fund's portfolio allocated to debt and hybrid debt instruments in microfinance securitization vehicles and microfinance holding companies shall be 15%.
- The maximum percentage of the Fund's portfolio to debt and hybrid debt instruments in institutions financing adjacent spaces such as affordable housing, agriculture, education, insurance, water and sanitation shall be 20%.
- The maximum percentage of the Fund's portfolio allocated to Fund Investments related to a single Financial Inclusion Institution or related entity shall be 5%.
- The total amount allocated to Fund Investments related to a single Financial Inclusion Institution shall not exceed 10% of the total assets of such Financial Inclusion Institution.
- The maximum percentage of the Fund's portfolio allocated to Fund Investments in a single country shall be 12.5%.
- The maximum percentage of the Fund's portfolio allocated to Financial Inclusion Institutions underlying Fund Investments in a specific geographic region shall be 50%. The geographic regions follow the AIFMD definitions for reporting to national competent authorities as determined by ESMA (ESMA/2013/1339 (revised)) and are defined as 1) Central, South and North America 2) Asia Pacific 3) Near and Middle East 4) Africa and 5) Europe.
- The maximum percentage of the Fund's portfolio allocated to Fund Investments denominated in a specific, unhedged, currency not being the Euro or US$ shall be 10%.
- The combined maximum percentage of the Fund's portfolio allocated to Fund Investments categorized as debt investments denominated in currencies other than the Euro or US$ shall be 50%, after giving effect to all hedging transactions in respect of such debt investments.

The following Investment Guidelines shall apply to Temporary Liquid Investments of the Fund.

- The maximum percentage of the Fund's portfolio held in Temporary Liquid Investments shall be 15%, while Temporary Liquid Investments may also be used for collateral and liquidity management purposes.
- Cash shall be held in bank accounts at reputable financial institutions with a Bloomberg composite rating of at least BBB+ with a stable outlook.
- For collateral and liquidity management purposes borrowings by way of a credit facility for short term (i.e. three months) purposes are authorized, provided that the amount of Debt pursuant to such facility shall not exceed an amount of 10% of the Fund's portfolio.
- The Fund is not allowed to engage in securities lending transactions.

Fund Return Expectations as of December 2018

In order to provide an indication of the expected annual return for the Fund, the Fund Manager and the Investment Manager have analysed historical spreads, default probabilities and recovery rates on debt and hybrid debt investments issued by Financial Inclusion Institutions and annualized currency movements. Based on these historical data and expectations of future developments, the table below shows the Fund Manager's anticipated ranges for these factors used to model Fund return expectations. There is no guarantee that the Fund will be able to achieve these expected returns. Please see Section 6 "Risk Factors", in particular the risk factor under the heading "Financial Return Risk."

Risk Return Assumptions	Range*	Average	AIMF III Assumption	Investigated Sources
Spreads Hard Currency Senior MFI Debt	250-450bp	350bp	350bp	Symbiotics, DWM, ACTIAM
Spreads Local Currency Senior MFI Debt	350-550bp	450bp	450bp	Symbiotics, DWM, ACTIAM
Spreads Hard Currency Hybrid MFI Debt	500-700bp	600bp	600bp	Symbiotics, DWM, ACTIAM

Spreads Local Currency Hybrid MFI Debt	**500-700bp**	**600bp**	**600bp**	**Symbiotics, DWM, ACTIAM**
Default Rates	**0.25-1.3%**	**0,70%**	**0,50%**	**DWM, Fitch, S&P, Moody's, ACTIAM**
Recovery Rates Senior Debt	**50-70%**	**60%**	**60%**	**DWM, Fitch, S&P, Moody's, ACTIAM**
Recovery Rates Hybrid Debt	**20-40%**	**30%**	**30%**	**DWM, Fitch, S&P, Moody's, ACTIAM**
Local Currency Impact	**-1-1%**	**0.0%**	**0.0%**	**Bloomberg, World Bank, ACTIAM**

* Spreads as a percentage over the relevant base rates

In the table below the Fund Manager provides a rough indication of the annualized expected return of the Fund under a pessimistic, neutral and optimistic scenario. The scenarios hold constant the portfolio allocation, while changing the assumed returns and impact from credit losses and exposure to local currencies. In the optimistic scenario return and risk parameters are assumed to be on the positive side of the range, while in the pessimistic scenario the return and risk parameters will be on the negative side of the range.

Net Return Scenarios	Pessimistic	Neutral	Optimistic
% Hard Currency Senior Debt Instruments	**40%**	**40%**	**40%**
% Local Currency Senior Debt Instruments	**20%**	**20%**	**20%**
% Hard Currency Hybrid Debt Instruments	**15%**	**15%**	**15%**
% Local Currency Hybrid Debt Instruments	**15%**	**15%**	**15%**
% Liquid assets	**10%**	**10%**	**10%**
Assumed Average Base Rate	**0,0%**	**0,5%**	**1,0%**
Assumed Average Excess Return*	**3,2%**	**4,1%**	**5,0%**
Assumed Annual Fund Expenses	**-1,3%**	**-1,3%**	**-1,3%**
Expected Annualized Net Fund Return	**1,9%**	**3,3%**	**4,7%**

* Adjusted for expected losses and local currency impact

Please note that the average annual return expectations as provided assume a long-term investment in the Fund. The performance, both in individual years and over a longer holding period, may deviate from the indications provided.

4 FUND RESPONSIBILITY AND IMPACT FRAMEWORK

Responsibility is a key feature with regard to the business of ACTIAM. All Financial Inclusion Institutions invested in should, at a minimum, comply with the ACTIAM Fundamental Investment Principles and should operate in line with applicable international standards.

The Fund does not only seek to realize an attractive financial return. It also aims to make socially responsible investments and contribute to access to financial services for MSME in developing and emerging economies. In this respect both the Fund Manager and the Investment Manager have explicitly committed themselves to contribute to financial inclusion for MSME on a socially responsible basis, which is manifested in their endorsement of the Principles for Investors in Inclusive Finance (PIIF)[1] and the responsibilities that result from this endorsement.

The responsibility and impact dimensions of microfinance have become increasingly important for investors, investees, governments, NGOs and the general public, represented by the media. This development has consequences for the social and impact standards that the Fund will apply to its Investments.

Ensuring Responsibility

To ensure the Fund makes socially responsible investments, each Fund Investment is assessed on the basis of the Responsibility and Impact Framework as developed by the Fund Manager. The assessment focuses on the social policies, practices and performance of individual Financial Inclusion Institutions, including the social characteristics of the product and services offered by Financial Inclusion Institutions to their clients. The applicable social criteria contained within the Responsibility and Impact Framework are based on international standards and include adhering to:

- Respecting human rights;
- Respecting international labour standards, including prohibitions on child labour and forced labour;
- Taking care of good governance, including the prevention of corruption;
- Adhering to payment of taxes;
- Taking care of client protection to particularly over-indebtedness;
- Being transparent in communication; and
- Providing accountability to relevant stakeholders.

Generating Impact

In addition to ensure the social responsibility of Fund Investments, the Fund explicitly takes into account the economic and social impact a Fund Investment generates. In order to ensure that the Fund creates real and measurable impact, the Fund Manager has identified a number of key themes on which it distinguishes itself as a committed and responsible impact investor:

- Improving access to finance for MSME in developing and emerging economies;
- Enhancing Financial Inclusion Institutions' clients' capacity to manage their financial affairs in a responsible way;
- Prompting Financial Inclusion Institutions to improve the quality of their reporting on financial and nonfinancial performance according to generally agreed upon standards; and
- Prompting Financial Inclusion Institutions to increase their transparency and optimally protect the interests of their clients.

By way of the pursued investment policy, the Fund intends to contribute to achieving at least eight out of seventeen Sustainable Development Goals ("**SDGs**") as formulated by the United Nations, including the goals 'No Poverty', 'Zero Hunger', 'Good Health and Well-Being', 'Gender Equality', 'Decent Work and Economic Growth', 'Industry, Innovation and Infrastructure', 'Reduced Inequalities' and 'Partnership for the Goals'.

[1] The PIIF make part of the United Nations Principle for Responsible Investments and described in more detail on the website http://www.unpri.org/areas-of-work/piif/

Implementation of the Fund Responsibility and Impact Framework

To qualify as a Fund Investment, each Investment Proposal must be approved by the Investment Committee. The Investment Committee uses an integrated approach to evaluate the quality of each Investment Proposal, in which it assesses both the financial aspects as well as the potential social impact of the investment, by making use of a social scorecard. If there are significant discrepancies in the policies, practices or performance of the Financial Inclusion Institutions from the standards as required by the Fund Manager, the management of the Financial Inclusion Institution will be required to commit to meeting those standards within a predefined period.

The minimum social standards include:

- To act in conformity with Principles for Investors in Inclusive Finance (PIIF) as developed by the United Nations Principles for Responsible Investment (UN PRI);
- To adhere to the Client Protection Principles as developed by the SMART Campaign; and
- To monitor and report on financial and non-financial performance in line with the requirements as set by the Fund Manager, in order to test compliance with the Responsibility and Impact Framework.

After Fund Investments have been made, the Fund Manager conducts annual monitoring of impact and responsibility related requirements based on input provided by the Financial Inclusion Institutions by way of the Investment Manager. This monitoring includes the composition of Financial Inclusion Institutions' loan portfolios, compliance with the Fund's social criteria, measurement of positive and negative social and economic outputs, and whether or not social impact recommendations have been implemented by the Financial Inclusion Institutions.

The Fund Manager uses the Impact Reporting and Investment Standards (IRIS) for data collection and reporting on the social performance and impact creation of the Fund. The IRIS indicators have been developed by the Global Impact Investing Network (GIIN) and contribute to the standardization of reporting.

5 FUND INVESTMENT SELECTION PROCEDURES

The Fund Manager and the Investment Manager evaluate the financial and social viability of Fund Investments through a formalized investment process. The Fund Manager and the Investment Manager analyse each transaction in collaboration to determine whether the risk-return profile is appropriate within the Investment Strategy framework. The process involves several stages of analysis beginning with deal origination and concluding with the Fund's Investment Committee.

Portfolio Construction

The Investment Manager's origination of investments begins with a top down selection process in collaboration with the Fund Manager, analysing country risk, currency outlook, and interest rate dynamics to formulate a comprehensive view on potential investment opportunities and portfolio construction.

Origination

Based on this portfolio construction guidance, the Investment Manager's debt team examines a broad selection of Financial Inclusion Institutions from the Investment Manager's global relationship network and identifies a list of prospective investment opportunities. The Investment Manager provides quarterly updates to the Fund Manager about the projected deal pipeline. The Fund Manager may in this respect support the Investment Manager in identifying attractive investment opportunities.

Due Diligence and Review

The Investment Manager assesses each investment opportunity against the Investment Strategy and the Fund's Responsibility and Impact Framework to assess its eligibility for inclusion in the Fund. The Fund typically makes an investment in a Financial Inclusion Institution only after the Investment Manager has performed substantial due diligence. The Investment Manager performs both desktop and on-the-ground due diligence on the target Financial Inclusion Institution. The due diligence aims to identify the central risks and mitigating factors thereto of an investment in the target Financial Inclusion Institution. The Fund Manager may in this respect support the Investment Manager in performing due diligence on target Financial Inclusion Institutions, where it may engage third parties in order to assess investment opportunities.

Desktop Due Diligence
Based on an analysis of the prospective Financial Inclusion Institutions historical financial statements and other relevant data, a preliminary decision on creditworthiness and transaction feasibility is made and key risk areas for on-the-ground due diligence are identified. In addition, further analysis of country, currency, interest rate and other macroeconomic risks are performed in relation to the investment.

On-the-Ground Due Diligence
During on-the-ground due diligence, over one or more days, meetings are organized to evaluate and assess senior and middle management; meet board members, owners, regulators and other stakeholders; visit branches or local offices as well as borrowers or clients; evaluate internal risk controls, management information systems, loan quality and social impact; conduct market environment analyses; and meet with competitors and regulators where needed.

DWM Investment Committee – Initial Judgment

Upon completion of the due diligence, an investment memorandum is prepared, which is presented to the internal DWM Investment Committee. The investment memorandum typically includes transaction details, company and management background, financial ratios, risks and risk mitigating factors, country and currency analyses, and a social scorecard covering responsibility and impact aspects.

The DWM Investment Committee is comprised of at least four persons, including at least two partners and the Head of Risk. Their respective biographies appear in the Investment Manager section. Three members of the DWM Investment Committee are required to establish a quorum and to approve an investment.

If the DWM Investment Committee approves the proposed investment, the proposal is then submitted as an Investment Proposal to the Fund Manager’s Investment Committee.

On a case by case basis, the Fund Manager may be able to source Fund Investments by way of third parties that offer placement and/ or monitoring services, thereby alleviating investment management service requirements to be offered by the Investment Manager. In such situations the DWM Investment Committee acts versus the Fund Manager in a consulting role.

Investment Committee of the Fund Manager

Potential fund investments are subject to approval by the Fund Manager’s Investment Committee. Each potential investment for the Fund is submitted to the Investment Committee as an Investment Proposal for review and discussion, and such Investment Proposal shall describe in detail the proposed fund investment, including the outcomes of the due diligence. The Investment Committee evaluates deal proposals on both their social and financial merits. The Fund Manager reviews each Investment Proposal both on an individual basis and within the context of the portfolio allocation strategy.

The Investment Committee consists of investment professionals of the Fund Manager and includes at least three members. Biographies of the current members appear under the section that focuses on the ACTIAM Impact Investing team.

Conflicts of interest may arise during the investment process, which requires consultation with the Participants Committee before approving an Investment Proposal. The Participants Committee consists of at least three and up to five Participant representatives nominated by the Founding Participants and/ or Principal Participants and approved by the Fund Manager.

Drafting of Contracts and Closing

The Investment Manager’s in-house legal team or a third party drafts and negotiates legal documentation based on legal templates developed in cooperation with and approved by the Fund Manager. This includes reviewing and approving a legal opinion from a domestic law firm of the relevant Financial Inclusion Institution to ensure the loan terms are valid and enforceable in the relevant jurisdiction. After the loan documentation has been executed, it is coordinated with the Fund Manager to process the documentation and disburse funds. Prior to loan disbursement, the chairman of the Fund Manager’s Investment Committee gives final approval upon confirmation that all conditions precedent have been fulfilled and all documents have been received and duly executed. Only thereafter the Fund Manager will disburse the investment.

Administration

The Fund Manager has delegated the administration of the Fund to BNP Securities Services SCA, Amsterdam Branch.

Monitoring and Reporting

After disbursement, the Fund Manager in cooperation with the Investment Manager monitors the financial and non-financial performance of Fund Investments. The Fund Manager and the Investment Manager analyse Financial Inclusion Institution’s financials and performance on at least a quarterly basis. An ongoing dialogue with the senior management of portfolio Financial Inclusion Institutions is maintained in regards to financial and operational developments. The Fund Manager is provided with relevant financial and non-financial reporting data and an annual due diligence visit of all Fund Investments is conducted.

In addition, social performance data are collected on an annual basis from Financial Inclusion Institutions underlying the Fund Investments. The Fund Manager monitors the social performance of each Financial Inclusion Institution invested in by way of a social performance database, based on social performance data provided by the Investment Manager and/ or third parties.

6 RISK FACTORS AND RISK MANAGEMENT

Before making an investment in the Fund each prospective investor in the Fund should carefully read the entire Memorandum and should consider, among other things, the factors described below. An investment in the Fund involves substantial risks. It may result in the loss of the entire amount invested. Participants should be aware that the risk factors set forth below include some, but not all, of the risks that may affect the investments described herein. Accordingly, each prospective investor should realize that factors other than those set forth below may ultimately affect the investments offered pursuant to this Memorandum in a manner and to a degree that cannot be foreseen at this time.

Risk Management
ACTIAM's risk management is based on the "three lines of defence model". Within this model different business departments have their own tasks and responsibilities.

The first line of defence is the business. The ACTIAM Impact Investing team is responsible for the asset management tasks and as such responsible for risk management in its (daily) processes. The second line of defence are staff departments of ACTIAM and Athora Netherlands. These departments are responsible for monitoring the performance of the internal control mechanisms and advise ACTIAM's management regarding internal control mechanisms. Amongst others, the risk management department has an important control function. ACTIAM's risk management department operates independently from the first line of defence. This department reports to ACTIAM's risk management committee.

Main activities of ACTIAM's risk management department are the following:
- Portfolio Compliance
- Operational Risk Management
- Financial Risk Management

The third line of defence is the internal audit department of Athora Netherlands. It monitors the internal control mechanisms independent from ACTIAM's management mechanisms.

The Fund is exposed to different kinds of financial and non-financial risks. The Fund Manager and the Investment Manager have internally generated the financial return projections and target annualized return set forth in this Memorandum. The financial return projections provided herein are based on various assumptions relating to future developments. To the extent that financial or non-financial risks materialize and/ or future developments differ from the assumptions, the Fund's actual financial return may differ from its return projections. Any such differences may be material. Potential investors should not only rely on the accuracy of financial return projections contained herein in making an investment in the Fund, due to the various financial and non-financial risks that might materialize. The relevant risks and controls used by the Fund Manager to mitigate risks are stated below. ACTIAM has implemented a framework of procedures and internal controls for mitigating operational and financial risks. Key controls within ACTIAM are designed, tested and documented, while risk self assessments are performed throughout the year. An ISAE 3402 report type II report is issued annually and is certified by an independent auditor. This report describes the outcome of the test of the effectiveness of the internal control framework and its key controls.

FINANCIAL RISKS RELATED TO THE FUND

The Fund is exposed to different kinds of financial risks. These risks particularly consist of various forms of market risk, credit risk, liquidity risk and leverage and derivative risk. The risks are related to the characteristics of the investments made by the Fund.

Market Risk
The Fund is exposed to different kinds of market risks. The value of the Fund can also fluctuate because of political and monetary events. Market risk depends partly on the extent of diversification of Fund Investments across regions and sectors and/or the choice of individual Fund Investments. Fund Investments can decline in value across the entire market or in specific regions or countries.

Risk Control
In general market risk is mitigated by maintaining portfolio of Fund Investments that is appropriately diversified over various regions, countries, investees, maturities, currencies and risk segments.

Interest Rate Risk
A specific form of market risk is interest rate risk. This is the risk that the Fund's value will fall or fluctuate due to interest rate movements. The value of the Fund and its Fund Investments in can go up or down in response to changes in market rates. The Fund Investments are valued in line with the Valuation Policy, where applicable interest rates and developments thereof are key determinants for the valuations. The interest rate risk in the Fund is inherent given that the loans have mainly been provided with fixed interest rates.

Risk Control
Interest rate risk is mitigated by way of diversification of Fund Investments over various maturities and maturity segments.

Concentration Risk
Concentration risk is influenced by market risk. This is the risk of the Fund's value falling or fluctuating due to a concentration of investments in specific market segments or individual investees. The Fund can concentrate its investments in Financial Inclusion Institutions that operate in the same country or region or in specific individual Financial Inclusion Institutions. Concentration risk implies that specific events have a greater impact on the value of a highly concentrated portfolio than on the value of a less concentrated portfolio. Portfolio concentration can result from market developments, from the pursued investment policy and applied investment guidelines, or from the size and composition of the available investment universe. A smaller investment universe provides more limited diversification opportunities than a larger universe. By way of its Investment Strategy, the Funds concentrates on investing in Financial Inclusion Institutions in developing and emerging countries, which can be considered a sub sector of the financial services industry. Therefore, concentration risk may by definition be considered a key risk of the Fund.

Risk Control
Concentration risk is mitigated by way of limiting concentrated exposure of Fund Investments in specific Financial Inclusion Institutions s, countries and regions, while at the same time Financial Inclusion Institutions in general operate diversified loan portfolios over their clients.

Currency Risk
Another specific form of market risk is currency risk or exchange rate risk. The value of Fund Investments is influenced by movements in the currency of denomination, unless this is the euro. The Participations in the Fund are denominated in euros. The Fund Investments are denominated in a mix of local currencies and hard currencies such as US dollars and euros. In most cases, the Financial Inclusion Institution will principally provide MSME loans that are denominated in their local currencies. Therefore, in case of a hard currency loan provided to an Financial Inclusion Institution the value of the local currency falls, the Financial Inclusion Institution may have difficulty repaying such a loan.
In addition, loans denominated in local currencies will drop in value when transferred into Euros to the extent the local currencies in the aggregate depreciate against the euro. Such adverse effects are likely to be material and may not be fully compensated for in the higher interest rates normally charged by the Fund for loans denominated in local currencies. Furthermore, local governments may impose foreign exchange controls on, or block entirely, transactions to convert local currency to foreign currency. Such restrictions could impede the ability of Financial Inclusion Institutions to repay loans denominated in international currencies. Overall, a decline in value and/ or repayment difficulties caused by depreciation of local currencies may have a material adverse effect on the value of the Fund.

Risk Control
Currency risk is mitigated by way of limiting concentrated exposure of Fund Investments to specific currencies. In addition, the Fund uses hedges to limit the effect of the changes in the US dollar-euro exchange rate on the Fund. With respect to Fund Investments in local currencies, it is considered that the increased risk should be sufficiently compensated by the higher interest rate on the local currency loan.
Credit Risk

Credit risk is defined as the risk of fluctuations in the Fund's size and performance due to a borrower or counterparty failing to meet a financial or other contractual obligation. This also includes the probability of restrictions or barriers impeding money transfers from abroad, generally called transfer risk. Credit risk is increased by country risk. Economic problems and political instability, combined with strong monetary devaluation, may make it impossible for Financial Inclusion Institutions underlying Fund Investments to meet their obligations. Financial Inclusion Institutions bear the credit risk for their clients and make provisions for this contingency. The Fund Investments are debt and hybrid debt instruments issued by predominantly Financial Inclusion Institutions in developing and emerging countries. Relatively young Financial Inclusion Institutions may not previously have received external financing from traditional commercial sources, may not have qualified for such financing under traditional bases of evaluation and may not have been rated by traditional rating agencies or similar commercial institutions. Financial Inclusion Institutions typically do not require collateral security from their clients. As a result, there is a high degree of risk in the underlying business of the Financial Inclusion Institutions. In addition, Financial Inclusion Institutions typically do not grant collateral security for the repayment of loans. As a result, repayment of or returns on the Fund Investments are subject to a high degree of risk.

Risk Control
In general credit risk is mitigated by maintaining a portfolio of Fund Investments that is appropriately diversified over various regions, countries, investees, maturities, currencies and risk segments.

Credit Spread Risk
Credit spread risk is a specific form of credit risk. This is the risk of valuations of loans fluctuating due to movements in relevant credit risk spreads. The Fund Investments are valued in line with the Valuation Policy, where applicable credit spreads and developments thereof are key determinants for the valuations. The value of debt and hybrid debt instruments is influenced by the creditworthiness of the Financial Inclusion Institution. Positive or negative changes in a Financial Inclusion Institution's creditworthiness may cause a narrowing or widening of the credit risk spreads of loans. A negative movement increases the probability of an Financial Inclusion Institutions being unable to meet all or some of its debt obligations. The credit risk spreads on loans provided to such Financial Inclusion Institutions will then widen and the prices of these instruments will fall.

Risk Control
The assumption of credit spread risk can be considered inherent to the Investment Strategy of the Fund and should be reflected in a market-based credit spread. Risk mitigation takes place by way of risk classification and diversification over countries and over different Financial Inclusion Institutions, including risk assessments and monitoring on each individual Fund Investment. Financial and non-financial covenants are inserted in the contract documentation. The Fund Manager in cooperation with the Investment Manager proactively engages with Financial Inclusion Institutions invested in to limit the negative effects of any risks that are increasing or expected to increase as early as possible.

Default Risk
Bankruptcy risk or default risk is a specific form of credit risk. Alongside credit spread risk, where movements in credit risk spreads influence the market value of Fund Investments. A Financial Inclusion Institution may, due to specific circumstances, no longer be able to meet its debt obligations, without this risk being sufficiently reflected in the assigned value. This is referred to as bankruptcy risk. This risk can result in the loss of a large part of or the entire value of the Fund Investment.

Risk Control
The assumption of default risk can be considered inherent to the investment strategy of the Fund and should be reflected in a market-based credit spread. Risk mitigation takes place by way of risk classification and diversification over countries and Financial Inclusion Institution's, including risk assessments and monitoring on each individual Fund Investment. Financial and non-financial covenants are inserted in the contract documentation. The Fund Manager in cooperation with the Investment Manager proactively engages with Financial Inclusion Institution invested in to limit the negative effects of any risks that are increasing or expected to increase as early as possible.

Counterparty Risk

Another specific form of credit risk is counterparty risk or settlement risk, which is specifically applicable in relation to currency derivative transactions entered in by the Fund or cash temporary held in bank accounts for the Fund. This is the risk that an issuing institution or counterparty may default on obligations arising from such derivative transactions. The Fund enters into derivative transactions with reputable local and international financial counterparties. There can be no assurance that financial counterparties, despite meeting certain rating requirements, would not fail to perform their obligations, causing a potential loss to the Fund, in which case Participants may be adversely affected.

Risk Control

Credit assessment takes place on eligible counterparties for derivative transactions, which should at least have an investment grade rating, where subsequently active monitoring of credit risk of chosen financial counterparties is performed. Next to credit assessment of counterparties, stringent collateral arrangements in relation to derivative exposures are put in place. In relation to Temporary Liquid Investments cash held in bank accounts may be invested in short term highly liquid government bonds.

Transfer Risk

Transfer risk is a specific form of credit risk. This is the risk of the value of the Fund decreasing or fluctuating due to restrictions or barriers impeding money transfers from abroad. Adverse political developments may impair the ability of the Financial Inclusion Institutions to function successfully and to fulfil their financial obligations. Potential government actions that would have a material adverse effect on the value of Fund Investments for the Fund include the imposition of foreign investment controls, exchange controls, expropriation, nationalization, confiscatory taxation and adverse modifications to regulatory structures. In addition, the value of the Fund Investments could be adversely affected by social or political instability in the home or neighbouring countries or adverse relationships with neighbouring countries.

Risk Control

For each Fund Investment, a legal opinion from a local lawyer is obtained to ensure that at the time the contractual agreement is signed there are no restrictions to repatriate the cash. Next to that, country risks on countries invested in continuously monitored to enable the Fund to act quickly in case the country specific risk deteriorates.

Liquidity Risk

The Fund’s Fund Investments are highly illiquid private investments for which no regular market exists, implying that Fund Investments are typically made with a buy-and-hold approach. The liquidity risk is the risk stemming from the Fund being unable to access sufficient liquid funds on time to meet its short-term financial obligations or facilitate redemption requests by Participants form the Fund without incurring unacceptable costs or losses. This risk can occur both in normal conditions and in the event of a combination of adverse market circumstances.
There is no guarantee that there are sufficient funds to pay for the redemption of Participations and there is no guarantee that the redemption can take place at the requested Redemption date.

Risk Control

In order to mitigate liquidity risk in relation to Fund Investments in principle standardized and generally accepted contract templates are used that allow for transferability of Fund Investments to third parties. At the same time, in order to ascertain regular cash flows to be received by the Fund, active liquidity management takes place by diversifying Fund Investments over various maturity segments in order to make sure that on a regular basis interest payments and redemptions are received. Next to that, in order to facilitate collateral arrangements with derivatives counterparties a minimum amount of Temporary Liquid Investments is held by the Fund, based on the volatility of the underlying instrument being hedged.
In relation to managing the liquidity of Participations in the Fund, the Fund Manager may actively impose restrictions on entrance to and/ or exit from the Fund and shall particularly consider the interests of existing Participants in deciding on the timing and terms at which Participations are issued and/ or redeemed. Aspects considered are the availability of sufficient cash flow and/ or sufficient access to attractive investment opportunities.

Derivative and Leverage Risk

Derivatives can be used to hedge risks and facilitate efficient portfolio management. Derivatives are often complex instruments. Various factors affect the value of derivatives.

Risk Control
The Fund predominantly uses derivatives to hedge currency risks. The value of these derivatives fluctuates and it is compensated by the corresponding change in value of the underlying Fund Investments moving in the opposite direction.

NON-FINANCIAL RISKS RELATED TO THE FUND

The Fund is exposed to different kinds of non-financial risks. These risks consist of risk such as fiscal and legal risk, compliance risk, operational risk and outsourcing risk. The risks may be related to either the management of the Fund or the Fund Investments.

Legal and Fiscal Risk
The Fund Investments are investments in debt and hybrid debt instruments predominantly issued by Financial Inclusions that operate in developing and emerging economies with legal, fiscal and regulatory regimes that may differ in material respects from such regimes in the developed world. In particular, the Fund may have more difficulty in establishing and securing legal rights in respect of the Fund Investments in the countries in which the Financial Inclusion Institutions operate than it would in establishing and securing the same rights in OECD countries. Accordingly, the Fund's recourse to legal and regulatory proceedings in such foreign countries, to establish or secure the Fund's rights in respect of one or more Fund Investments, may be limited or non-existent. In addition, in connection with the investment in Fund Investments, the Fund may be subject to the jurisdiction of authorities in foreign countries and is subject to fiscal legislation in such countries. Any determination by such authorities of the Fund's rights in respect any of the Fund Investments may be irregular in procedure or may otherwise be materially prejudicial to the Fund.
The legal and tax treatment of the Fund and Fund Investments can change outside of the manager's control, leading to adverse consequences for the Fund and its Participants. Changes in the regulatory and/or tax status of the participants or the Fund or relevant changes in local laws and their interpretation can have a significant impact on the legal and/ or fiscal position of the Fund and/ or the Participants.

Risk Control
An assessment of the legal and fiscal treatment and consequences makes part of the due diligence of each individual potential fund investment, whereas the relative value of potential fund investments is evaluated on an after tax basis. To the extent appropriate, contract documentation underlying Fund Investments includes language such as gross up clauses to mitigate the impact of changing fiscal legislation. In addition, risks are mitigated by limiting concentrated exposure of Fund investments to specific geographic regions and countries.

Compliance Risk
Compliance risk is the risk that consequences of (changing) laws or regulations are not recognized or not early enough, resulting in compliance breaches. Alongside the external aspect, compliance risk also exists in relation to non-compliance or overdue compliance with internal regulations and policies.

Risk Control
Monitoring procedures are in place to assure policy compliance with laws and regulations.

Integrity Risk
Integrity risk is a specific form of compliance risk. This concerns the impairment of the reputation, capital or result of ACTIAM due to non-compliance with internal and external rules and regulations. The culture and conduct of employees, clients and business associates of ACTIAM are particularly important in this context. Actions that violate the core values of ACTIAM, relevant codes of conduct or legal provisions are not tolerated. Financial institutions in developing and emerging economies, among which Financial Inclusion Institutions, tend to be particularly susceptible to underdeveloped governance structures, among others due to less developed legal infrastructures and financial supervision. Therefore, there is a chance that Fund Investments become exposed to governance risks such as fraud and corruption. The assessment of the governance structure of the Financial Inclusion Institution is a structural part of the due diligence of each individual Fund Investment. The Fund Manager strives to work with investees whose operations and results are being audited by internationally respected audit firms. In addition, national requirements for governance are being assessed and markets where regulations

provide an effective framework regarding governance structures of legal entities provide comfort. Evaluation of governance structures of investees is also incorporated into the non-financial scorecard, enabling a systematic assessment of governance in Investment Proposals.

Risk Control
Integrity risk is mitigated by the use and application of integrity policies, customer due diligence and know your customer (KYC) procedures and regular monitoring that they are in compliance is met with relevant laws and regulations and applicable minimum standards at ACTIAM.

Operational Risk
Operational risk is the risk of undesired changes in the size and performance of the fund due to inadequacies or failures in the internal control of processes and systems.

Risk Control
Risk controls include regular internal audits of processes, risk self-assessments facilitated by the risk management department. These activities result in enhancements of the internal control framework of which the greater part is part of the ISAE3402 type II report certified by an external audit. Next to that, appropriate business continuity management policies and a liability insurance are in place.

Valuation Risk
Valuation risk is a specific form of operational risk. This is the risk that the value allocated to investments of the Fund cannot be objectively verified and therefore inaccurate given the nature of the investments, being not listed on a regulated stock exchange. Causes may include inadequate or insufficient information and/ or imperfections in valuation processes. The valuations are assigned on the basis of the Valuation Policy as developed by the Fund Manager. This policy is consistently applied to all Fund Investments. In principle, valuation of Fund Investments are based on fair value, by application of generally accepted valuation principles for inactively traded assets.

Risk Control
A Valuation Policy is implemented, and periodically validated by the Fund Manager’s valuation committee.

System Risk
System risk is a specific form of operational risk. This is the risk of direct or indirect losses arising from weaknesses in or unavailability of the information technology systems that are providing essential information accurately, completely and in a timely manner. The presence of effective information technology systems is crucial to assure the continuity and controllability of the processes and services for the fund.

Risk Control
Formal business continuity management policies are implemented with periodical testing procedures. Next to that emergency protocols are in place.

Outsourcing Risk
Outsourcing of activities gives rise to the risk that the other party is unable to meet its obligations, despite detailed arrangements being laid down in contracts with the providers of outsourced services. In this respect investment management services are provided by DWM Asset Management, LLC, while certain back and mid office services are provided by BNP Securities Services SCA, Amsterdam Branch in its capacity as Administrator. Contracts have been concluded with these parties, including service levels agreements (**“SLAs”**) that are periodically reviewed.

Risk Control
ACTIAM has implemented outsourcing procedures for the monitoring and assurance of outsourced activities. On an annual basis, ACTIAM performs extensive due diligence on the Investment Manager operations and procedures. Under certain conditions, ACTIAM is authorized to terminate its partnership with the Investment Manager and to outsource investment management activities to other authorized institutions, or to keep these activities in-house. Exit plans are designed to execute this in a controlled manner.

Depositary and Custody Risk

Depositary and custody risk is the risk that Fund Investments are lost due to failing ownership verification or, for instance, insolvency or fraud at a custodian where financial instruments are held in custody.

Risk Control
ACTIAM has implemented procedures for the monitoring of the Depositary and the custodian. It is ascertained that the Depositary and the custodian have put in place internal controls to minimize any depositary and custody risk.

Sustainability Risk

In addition to the application of minimum criteria in the field of sustainable investments, the Fund pursues a specific sustainability and impact policy, whereby the objective is to contribute to the realization of at least seven of the seventeen SDGs as established by the United Nations. There is a risk that the Manager will be less successful than intended.

Sustainability risks are in this respect considered those arising from the poor management of sustainability or ESG-related issues by companies, governments or institutions in which investments are made. These risks can have a negative effect on the intended investment returns of the Fund. Because of these potential risks, ACTIAM integrates information about sustainability issues into its investment decisions. In addition to sustainability risks associated with individual companies or sectors, ACTIAM also takes into account those that are relevant for countries or regions, such as exposure to natural disasters or social unrest. By considering sustainability related risks and information, a broader view is gained on the companies, governments and institutions in which ACTIAM invests. In this regard, it leads to better informed decision making, which can ultimately lead to improvements in returns.

Businesses, governments and institutions can also be exposed to sustainability risk as a result of their involvement in controversial events or practices. Generally, companies that are less or not involved in significant controversies are more resilient to systematic market risks and have lower costs of capital. A lower cost of capital is generally associated with a higher valuation. Specific sustainability risks and the way in which ACTIAM manages these are further described below.

Sustainability risk associated with fossil fuels and Risk Control
A specific sustainability risk is the risk associated with the production, distribution or use of fossil fuels. Depending on the degree of involvement, the exposure to this risk varies greatly per company, government or institution. The risks associated with fossil fuels can manifest themselves in various ways, and in ACTIAM's view should be actively mitigated. Companies, governments and institutions that better manage their risks related to fossil fuels are expected to be less exposed to systematic risks including stranded asset risk, and thus the need for premature write-off of fossil fuel assets. This lower risk is expected to lead to a lower cost of capital due to gaining access to a larger investor base. This can lead to a higher valuation for the entity. Entities that implement carbon risk mitigation efforts are expected to face less regulatory litigation and fewer liability issues, leading to lower costs. Entities that reduce their fossil fuel exposure and diversify their business and divisions are expected to safeguard long term revenue generation.

Sustainability risk associated with chemicals and waste management and Risk Control
A specific sustainability risk is the risk associated with the production, distribution or use of chemicals and waste. Depending on the degree of involvement in the use of chemicals or waste, exposure to the risk can vary widely by company, government or institution. Entities that use natural resources efficiently and produce less waste are expected to have a higher productivity and be more competitive than their peers. This could lead to a higher profitability and therefore higher dividends. Also, companies that implement stronger waste management practices are less frequently involved in related incidents and therefore exhibit lower company specific tail risk which could impact the company's value. Governments and institutions can similarly benefit from responsible policies related to chemicals and waste management.

Sustainability risk associated with land use and Risk Control

A specific sustainability risk is the risk associated with the poor management of land or land-related natural resources. Depending on the degree of involvement in land use, exposure to this risk can vary widely by company, government or institution. Entities that use natural resources more efficiently are expected to have higher productivity and be more competitive than their peers. This can lead to higher profitability and therefore higher dividends. These entities are also expected to run lower risks of productivity declines. Another example is companies who source products with deforestation in their supply chains. These companies expose themselves to higher levels of regulatory action, loss of market share and potential loss of customers. Companies who manage these risks well are expected to face less disruptions in their supply chains and lower costs of production.

Sustainability risk associated with water use and Risk Control
A specific sustainability risk is the risk associated with the poor management of water. Depending on the degree of involvement in water use, exposure to this risk can significantly differ per company, government or institution. Effective water management by entities that operate in water-scare areas leads to improved maintenance of physical assets and vital inputs needed for production processes. Systemic social risks associated with water scarcity are material investment risks, as community disputes related to water quality and access are frequent and often significant in nature. Better management of these issues is expected to lower operational disruptions and costs. Entities that minimize their water pollutant emissions are less exposed to regulatory action and fines and can therefore reduce their costs. Companies demonstrating capacity for community engagement regarding water scarcity and quality issues typically face less delays in output and production, thereby allowing revenues and profitability to remain more stable.

Sustainability risk associated with organizational behavior and Risk Control
A specific sustainability risk is the risk associated with irresponsible behavior and inadequate organizational integrity. Depending on the degree of involvement, exposure to this risk can significantly differ per company, government or institution. ACTIAM evaluates how entities deal with sustainability issues such as corruption, governance structures, human rights and controversial arms trade. Criteria that define minimum level expectations are implemented based on ACTIAM's sustainable investment policy. This evaluation is also important from the perspective of sustainability risks. Governments and institutions that violate human rights or those with weak governance structures are at greater risk of social unrest, which in turn creates economic uncertainty and adversely affect economic stability. This can lead to credit downgrades on securities or potentially defaults. Increasingly, ESG and sustainability-related topics are being integrated into credit rating analysis. Therefore, ACTIAM is of the view that integrating sustainability topics into investment decisions can lower volatility and lead to long-term outperformance.
Companies with strong corporate governance structures and procedures typically exhibit robust business plans and better innovation management, which are expected to lead to higher profitability. Companies with stronger oversight of business ethics related issues are less frequently involved in serious controversies related to corruption, fraud or bribery. This is expected to lead to less downside risk on the company's share value. Companies operating in emerging markets may be more prone to corruption and bribery risks, which can lead to controversies and thereby increase the cost of capital. This could in turn affect the cash flow and enterprise value, impacting risk-adjusted returns. Investing in companies that manage these risks better is expected to then lead to improve risk-adjusted returns.

Sustainability risk associated with human capital management and Risk Control
A specific sustainability risk is the risk associated with the poor management of human capital, in other words the workforce of a company, government or institution. Strong oversight of employee satisfaction and employee health (both for an entity's own operations and its suppliers) often leads to an increase in sales and productivity. It can also improve access to a larger talent pool, thereby increasing revenues and profitability. With stronger human capital risk management and implementation of social standards, entities may limit their exposure to, and involvement in controversies related to labor standards. This is expected to reduce operational disruption (as a result of strikes) and reduce reputational risk, therefore leading to more stable revenues.

Sustainability risk associated with social capital management and Risk Control
A specific sustainability risk is the risk associated with the poor management of social capital, that is, the various stakeholders of a company, government or institution, apart from the workforce. Typical examples of this for companies are its customers, local authorities and the local population in the region where a company has operations. Companies that engage effectively with the communities in which they operate maintain their social

license to operate, face less operational disruptions and reduced costs related to resettlements. For relevant sectors, those that provide stronger access to finance and access to health programs also maintain their license to operate. Better management of data privacy helps companies to avoid regulatory and reputational risk resulting from potential data breaches. Reduced regulatory and reputational risk can reduce costs and maintain customer trust.

Sustainability risk in relation to the Fund's sustainability and impact policy
In addition to the application of minimum criteria in the field of sustainable investment, the Fund has pursued a specific sustainability and impact policy, whereby the objective is to work with the ACTIAM Financial Inclusion Fund to contribute to the realization of at least seven of the seventeen SDGs as established by the United Nations. There is a risk that the Manager will be less successful in this than intended.

Governance Risk
Financial Inclusion Institutions in developing and emerging economies tend to be particularly susceptible to underdeveloped governance structures, among others due to less developed legal infrastructures and financial supervision. Therefore, there is an increased risk that Fund Investments become exposed to governance risks such as fraud and corruption, with a potential negative impact on the financial performance of the Fund and the reputation of the Fund including its Participants.
Subsequently, the financial and non-financial information of the Financial Inclusion Institutions underlying the Fund Investments, upon which the Fund Manager will rely in part in selecting and monitoring these Financial Inclusion Institutions, may not have been audited or prepared in accordance with International Financial Reporting Standards (IFRS). As a result, such information may be inaccurate or incomplete, potentially resulting in negative impact on the financial performance of the Fund.

Risk Control
The Fund Manager and the Investment Manager will exercise commercially reasonable due diligence in assessing appropriate governance and accuracy and completeness of information provided on Fund Investments, but cannot and do not make any explicit or implied representation or warranty in respect of such information.

Conflicts of Interest Risk
The interests of the Fund Manager and the Investment Manager may conflict in various ways with the interests of the Participants. The Fund Manager and the Investment Manager and each of their related entities, management teams, agents and affiliates may engage in fund management, financing, advisory, lending, financing, or other businesses affecting the Fund and/ or the Fund investments. In particular, the Investment Manager manages other funds which invest in assets similar to the assets in which the Fund will invest. The Fund may make an investment in an Financial Inclusion Institution in which another fund managed by the Investment Manager has previously invested or may invest in the future, and there is the possibility that the investments by such other funds may have forms of potential conflict with investments made by the Fund.

Risk Control
The Fund Manager has implemented a conflicts of interest policy. If the organizational arrangements made by the Fund Manager to identify, prevent, manage and monitor conflicts of interest are not sufficient to ensure, with reasonable confidence, that risks of damage to Participants' interests will be prevented, the Fund Manager shall disclose the general nature or sources of conflicts of interest to the Participants.
Conflicts of interest risk is further mitigated by the fact that each Investment Proposal contains information on any conflicts of interest that might be applicable in relation to potential fund investments, where in case of material potential conflicts of interest the Participants Committee is consulted.

7 HOW TO INVEST

Investors must express their interest to participate in the Fund to the Fund Manager. The Fund Manager may in its sole discretion decide who will be admitted to the Fund and may in its sole discretion decide to temporarily discontinue or indefinitely stop the admittance of new Participants. Acceptance of new Participants will only take place after the performance of a customer due diligence satisfactory to the Fund Manager and after a Participation Agreement has been duly signed by the Participant.

Capital Commitments, Drawdowns and Assignment of Participations

Participants that are admitted to the Fund should subscribe for a Capital Commitment of at least EUR 1,000,000, unless otherwise agreed by the Fund Manager. Subject to the availability of appropriate and attractive investment opportunities, the Fund Manager will make Drawdowns on Undrawn Capital Commitments in exchange for the assignment of Additional Participations. The Fund Manager will make drawdowns for the purpose of funding the investments for the Fund and/ or funding the payment of tax and fund expenses or other payments required to be made and related to the Fund.
Each Additional Participant that is admitted to the Fund, or a Founding Participant who increases its Capital Commitment, will be required to pay to the Fund, in respect of the Additional Participations to be assigned, an amount equal to the number of Participations multiplied by the Net Asset Value per Participation determined by the Fund Manager at the relevant date mentioned in the Drawdown. For each Drawdown the Fund Manager will give not less than ten (10) business days' prior written notice.

Drawdowns take place on a pro rata basis from each of the Participants that have Undrawn Capital Commitments, where subsequently the Participants' Undrawn Capital Commitments will be reduced by the amount of the relevant Drawdown.

Cancellation Undrawn Capital Commitments

The Fund Manager may cancel any Undrawn Capital Commitment if the Fund Manager believes that such cancellation is necessary or desirable in the interest of the Fund and the Participants.

Issuance and Redemption of Participations

At its sole discretion, the Fund Manager may issue or redeem Participations at the existing Net Asset Value. The Fund Manager intends to provide liquidity on at least a monthly basis by issuing or redeeming Participations. The Fund Manager may impose restrictions on entrance to and/ or exit from the Fund and shall particularly consider the interests of existing Participants in deciding on the timing and terms at which Participations are issued and/ or redeemed. Aspects considered are the availability of sufficient cash flow and/ or sufficient access to appropriate and attractive investment opportunities.

Participants that hold Additional Participations shall in principle be required to hold such Additional Participations acquired until the Original Fund Termination Date, meaning November 30, 2022, unless an appropriate assessment has been made by the Fund Manager that a redemption of Additional Participations before the Original Fund Termination Date is not expected to be detrimental for existing Participants. In such situation the Fund Manager shall provide the existing Participants with written evidence of such assessment.

Restrictions on Transferability

The Participations in the Fund are not transferable.

No Listing of the Fund

The Fund is not listed on any exchange. Participations are registered in the participants register held at the Fund Manager.

8 INVESTMENT OPPORTUNITIES IN INCLUSIVE FINANCE

Introduction

The Fund seeks to finance the evolving capital needs of Financial Inclusion Institutions in order to provide MSME in developing and emerging countries worldwide, while at the same time providing Participants with market based risk-adjusted returns. ACTIAM and DWM strive to meet the growing demand for debt funding by Financial Inclusion Institutions and to create a demonstrable social impact by way of the Fund Investments.

The first section of this paragraph focuses on the supply and demand dynamics of the financial services industry for MSME, whilst the second section provides more insight on the risk-return characteristics of debt investments in Financial Inclusion Institutions.

Microfinance investments and demand supply considerations

Total Market Demand
ACTIAM believes that considerable opportunities remain to contribute to improved access to finance for MSME in developing and emerging countries worldwide, driven by the vast populations of underserved clients that still exist in the developing world and the continued growth of these economies. Financial Inclusion Institutions have increasingly widened their scope of clients targeted, by developing up-market from predominantly servicing micro entrepreneurs towards financing the whole space of micro, small and medium enterprises. MSME financing is a full component of financial inclusion that complements microfinance as a strong employment and entrepreneurship tool helping businesses to grow, and thereby creating important multiplying effects in local economies. Financial Inclusion Institutions offer an important contribution towards financial inclusion and in addressing the phenomenon commonly referred to as the 'missing middle'. Access to finance is frequently identified as a critical barrier to growth for MSMEs and as one of the strongest drivers of economic development, innovation and employment.
IMF/World Bank latest estimate show potential demand for MSME finance of US$ 8900 billion as compared to current supply of US$ 3700 billion. Further, the study states that some 65 million formal MSMEs face financing constraints (IFC, 2017).

The table below provides the Fund Manager's estimates on the expected demand from Financial Inclusion Institutions for funding from international investors over the period from 2019-2023. The estimates are based on assumptions that are in-line with existing industry assumptions regarding growth and the funding composition of Financial Inclusion Institutions.

Table 1 Projected demand for funding as specified to funding sources

In US$/billion	2015	2016	2017	2018E	2019F	2020F	2021F	2022F	2023F
Equity Funding	$22,5	$22,9	$24,0	$25,5	$27,1	$28,4	$29,4	$30,5	$31,6
Deposit Funding	$78,6	$82,5	$94,4	$104,9	$112,8	$119,5	$125,5	$131,8	$138,4
Debt Funding	$26,0	$24,5	$21,1	$19,5	$21,3	$22,9	$24,4	$26,0	$27,7
Total assets	**$127,1**	**$129,9**	**$139,4**	**$149,9**	**$161,1**	**$170,8**	**$179,3**	**$188,3**	**$197,7**

Sources: MIX Market, Symbiotics, DWM, ACTIAM

Based on the table as shown above the following observations are made:

- While solid growth of demand for funding will continue, the annual growth rate is expected to decline to below 10%.
- Average solvency ratios - defined as total equity as a percentage of total assets - will remain stable at 15-20% through 2018-2023.
- Deposit funding as attracted by Financial Inclusion Institutions will further increase to 70% of total liabilities by 2023, versus 65% in 2017.

The Fund Manager believes that the projections are conservative in comparison to industry growth assumptions published by most industry networks. Taking into account the ongoing expected growth for funding needs, demand for funding from international funding sources is expected to be substantial for the upcoming years, particularly in combination with demand for replacement funding necessary to supplement maturing funds and/ or funding vehicles.

Terms of Financing to Financial Inclusion Institutions
While the total volume of funding demand from Financial Inclusion Institutions continues to be robust, international lenders to Financial Inclusion Institutions must adapt to the changing terms of the Financial Inclusion Institution financing market regarding tenor, currency, and priority in Financial Inclusion Institutions capital structures. With competition increasing from local financing sources and an abundance of short-term hard currency capital, the Fund seeks to maintain competitiveness in this evolving market by continuing the strategy followed by its predecessor funds of offering a wider range of financing options to Financial Inclusion Institutions, including a range of tenors, currencies, and senior and subordinated debt.

Financial Inclusion Institutions typically finance themselves through three different means - equity, deposits, and debt. Seed equity financing usually comes from development-oriented investors, such as development finance institutions (**"DFIs"**), microfinance networks, and local investors. With continued growth, Financial Inclusion Institutions have further diversified their investor base with later stage investments from international funds and funding vehicles, local strategic investors, and other investor types. Deposit funding has grown significantly in recent years as local regulators have begun to recognize Financial Inclusion Institutions as critical providers of financial services to the unbanked, granting them formal deposit-taking licenses.

Table 2 Financial Inclusion Institutions' expected sources of debt funding

In US$/billion	2015	2016	2017	2018E	2019F	2020F	2021F	2022F	2023F
Development Finance Institutions	$6,5	$6,1	$5,3	$4,9	$5,3	$5,7	$6,1	$6,5	$6,9
Debt funding from international Investors	$3,9	$3,7	$3,2	$2,9	$3,2	$3,4	$3,7	$3,9	$4,2
Debt Funding from local banks	$15,6	$14,7	$12,7	$11,7	$12,8	$13,7	$14,6	$15,6	$16,6
Total debt funding	**$26,0**	**$24,5**	**$21,1**	**$19,5**	**$21,3**	**$22,9**	**$24,4**	**$26,0**	**$27,7**

Sources: MIX Market, Symbiotics, DWM, ACTIAM

Privately originated debt financing has been a key source of funding for Financial Inclusion Institutions over the last decade. Lending comes from both local and cross-border sources, primarily in the form of bilateral loans from local commercial banks, DFIs, and MIVs. Cross-border loans issued by DFIs and international funds and funding vehicles have historically been senior unsecured, approximately 2 years in tenor and hard currency-denominated.

According to 2017 data, debt funding to Financial Inclusion Institutions will remain concentrated in short term, hard currency funding. As of 2017 approximately two-thirds of direct debt investments was provided in hard currency, while only one-third was provided in local currency, a percentage that is slowly increasing. The strong supply of short-term hard currency funding and prohibitive cost of hedging has put downward pressure on these interest rates and the returns of funds and funding vehicles that focus on this form of capital.

With a perceived oversupply of short-term hard currency, senior debt, Financial Inclusion Institutions now demand new forms of debt financing that can help them expand product lines, manage currency risk, and enhance their capital structure. Long-term senior debt catalyses more diverse product lines such as longer-term mortgage finance. The Fund Manager believes that local currency debt can alleviate open foreign exchange risk related to asset liability mismatches on Financial Inclusion Institution and micro-borrower balance sheets. In addition, subordinated debt can further facilitate loan portfolio growth without diluting shareholders of Financial Inclusion Institutions.

Investments in Financial Inclusion Institutions and risk return considerations

The Fund Manager seeks to provide market based risk-adjusted returns to its investors through a portfolio of debt investments in Financial Inclusion Institutions.

Risk return comparisons
Debt investments originated by the Fund are typically structured as senior, unsecured private loans with maturities between 2 to 5 years. Loans denominated in USD and EUR are generally priced with fixed interest rates, while local currency denominated loans are priced with fixed spreads over floating local money market rates.

Through the historical default analysis, the Fund Manager assesses the average credit risk profile of the fund's Financial Inclusion Institutions portfolio companies at around BB. This implied rating incorporates the credit risk of the institution along with the local country risk. In comparison to comparably rated credit investments in high yield bonds, emerging market corporate debt and emerging markets government debt, the return characteristics tend to be competitive. The table below provides a pricing comparison between the various debt categories, both on a current and historical basis.

Table 3 Spreads of various debt categories

Debt Instruments	Rating	Spread versus IRS	
		2018	10-year average
Emerging Market Sovereigns	BB	200-250	300-350
Global High Yield	BB	500-550	750-800
Emerging Market Corporates	BB	400-450	700-750
Financial Inclusion Institutions*	BB	250-550	650-800

* Spread data refer to both local and hard currency senior debt with an assessed implied rating BB
Source: Bloomberg, ACTIAM as of December 2018

Both pricing and historical performance confirm that microfinance debt can serve as a competitive asset class. Furthermore, debt provided to Financial Inclusion Institutions can offer diversification benefits to a portfolio of traditional debt investments. Asset selectivity represents an important function and can be critical to the successful implementation of the investment strategy.

Pricing Trends on Loans to Financial Inclusion Institutions
In the recent past, credit spreads of Financial Inclusion Institutions loans have experienced moderate tightening, as market supply of shorter-term hard currency funding outpaced Financial Inclusion Institutions demand. With the suppressed interest rate environment in the global fixed income space following the global financial crisis, both social and commercial investors showed increased interest in microfinance. This led to an oversupply of capital predominantly originating from DFIs and international investors. Especially in Africa this has led to lower interest rates while at the same time credit risk remains relatively high as compared to the other regions. Also, demand for additional funding from Financial Inclusion Institutions is moderated, as these institutions focused on improving their operational processes and the quality of their existing loan portfolios after years of rapid expansion. As a result, loans to Financial Inclusion Institutions have seen lower interest rates, tightening credit spreads, and total yield has fallen, particularly for short term, hard currency funding.

As for a proxy for all-in interest rate expense, the Fund Manager has designed a table to illustrate the average cost of borrowing for Financial Inclusion Institutions organized by region between 2013-2017. As shown in the table, average yields have stabilized in the past four years in all four major regions.

Table 4 Financial Expense Ratios of Financial Inclusion Institutions 2013-2017 across regions

Region	Average						Median				
	2009	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Africa & Middle East	5,5%	3,3%	4,3%	3,8%	5,0%	4,9%	1,3%	2,2%	2,4%	3,4%	3,8%
East- and South Asia & the Pacific	8,2%	6,2%	7,3%	6,5%	7,7%	8,6%	6,1%	6,0%	6,0%	6,4%	6,3%
Latin America & the Caribbean	7,4%	6.0%	5,7%	6,8%	7,2%	6,4%	6,1%	5,6%	5,9%	6,4%	6,1%
Eastern Europe & Central Asia	9,2%	6,2%	5,5%	7,6%	7,6%	8,0%	6,3%	4,6%	6,1%	6,3%	4,4%

*Source: MIX Market**

Assuming that financial expense ratios from 2017 represent an accurate portrayal of interest rates and indicative credit spreads and risks, the Fund Manager currently believes that rates, at least on a 1 to 3 year horizon, will remain at these levels. Over the past decade however, the market has witnessed a sharp decrease of the yields, due to both the falling rate environment and reduction in credit spreads.

Credit risk

Credit spreads have stabilized in recent years and, although credit risk has increased in the Africa & Middle East region, the Fund Manager believes that returns on debt investments targeted by the Fund adequately compensates investors for the associated risks. In the opinion of the Fund Manager, Financial Inclusion Institutions credit risks have subsided in recent years and returned to their pre-financial crisis levels. The tables below provide information on how loan delinquencies and loan losses at Financial Inclusion Institutions have evolved during the period 2013-2017.

Table 5 Portfolio at Risk > 30 days of Financial Inclusion Institutions 2013-2017 across regions

Region	Average					Median				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Africa & Middle East	7,7%	6,7%	7,1%	8,1%	6,1%	4,2%	3,3%	3,3%	3,4%	2,7%
East- and South Asia & the Pacific	6,8%	9,2%	7,6%	7,3%	7,1%	2,7%	3,3%	3,3%	3,3%	3,0%
Latin America & the Caribbean	8,3%	7,1%	7,9%	7,4%	7,4%	4,2%	3,6%	3,9%	3,6%	4,1%
Eastern Europe & Central Asia	10,0%	7,9%	6,1%	7,4%	9,2%	4,2%	4,1%	3,2%	3,8%	3,9%

*Source: MixMarket**

In Africa the portfolio quality, as measured by the percentage of the portfolio past due for more than 30 days, has varied between 6% and 8%. On the contrary, in Latin America, portfolio quality has been slowly decreasing. While in Asia , PAR30 levels have been relatively stable and fluctuating around 7% with a negative outlier in 2014. The region Eastern Europe & Central Asia was improving rapidly since 2013, although PAR30 levels have been rising to around 9% in 2017 again.

Table 6 Loan loss rates of Financial Inclusion Institutions 2013-2017 across regions

Region	Average					Median				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Africa & Middle East	3,3%	2,3%	1,9%	2,5%	1,8%	1,3%	0,9%	0,5%	0,5%	0,5%
East- and South Asia & the Pacific	2,0%	2,6%	2,6%	1,9%	3,1%	0,4%	0,7%	0,5%	0,6%	0,8%
Latin America & the Caribbean	2,3%	2,6%	1,7%	1,6%	1,3%	0,7%	0,8%	0,6%	0,5%	0,4%
Eastern Europe & Central Asia	3,2%	2,0%	2,5%	3,7%	1,9%	1,0%	0,8%	0,7%	0,9%	0,3%

*Source: Mix Market**

The picture for loan losses is somewhat different, with deteriorating loan portfolio quality in Asia , although portfolio quality in practice varies from country to country. At the same time loan quality has been improving for the other regions. Another key indicator of credit quality for Financial Inclusion Institutions, the solvency ratios, are still at appropriate levels in all regions. The table below provides information on the solvency levels of Financial Inclusion Institutions as compared to previous years, providing evidence that solvency has remained relatively stable across the board.

Table 7 Solvency levels of Financial Inclusion Institutions 2013-2017 across regions

Region	Average					Median				
	2013	2014	2015	2016	2017	2013	2014	2015	2016	2017
Africa & Middle East	34,8%	35,1%	30,6%	31,8%	30,2%	29,3%	27,0%	25,7%	25,5%	24,3%
East- and South Asia & the Pacific	28,1%	29,0%	28,9%	26,3%	26,3%	23,4%	21,9%	21,4%	20,4%	19,3%
Latin America & the Caribbean	32,6%	32,7%	32,3%	30,1%	25,1%	24,5%	25,3%	23,8%	20,7%	17,3%
Eastern Europe & Central Asia	38,0%	39,3%	36,3%	37,5%	43,0%	25,9%	34,1%	26,8%	30,9%	37,9%

*Source: MIX Market**

Despite stable historical performance, investing in Financial Inclusion Institutions still poses serious risks. As the industry matures, risks including over-indebtedness, weak regulation, political instability, intense competition, etcetera can lead to investment losses. In a few countries, such as Mongolia, Cambodia and Bolivia, markets for MSME financing have begun to mature with markets showing early signs of saturation. In these countries it is especially important to display investment prudence and target opportunities in more rural areas where adequate organic growth potential still remains. In addition, several markets globally have experienced client over-indebtedness due to rapid growth and weak regulation, such as in Bosnia, Nicaragua and Andhra Pradesh in India. The Fund Manager and Investment Manager have designed investment processes to identify problematic areas and will attempt to avoid exposure to over-indebted markets. The Fund Manager believes the industry stakeholder as a whole have responded successfully to the challenges it has faced in the past. Regulation has improved and Financial Inclusion Institutions have invested in their operations and risk management systems, as well as in governance relating to their social mission. This was supported by a large number of initiatives from various industry stakeholders, including regulators, industry networks and investors. An example is the emergence of microfinance credit bureaus in many countries. Especially in case of broad support by regulators and Financial Inclusion Institutions themselves, credit bureaus can substantially support the credit quality of Financial Inclusion Institution loan portfolios and Financial Inclusion Institutions.

9 THE FUND MANAGER

ACTIAM was established in 1997 following a merger between Hollandse Koopmansbank and SNS Bank. As the manager of trade union funds Hollandse Koopmansbank had a long history in the field of responsible investment. It is partly due to this accumulated experience that ACTIAM plays a leading role in the field of responsible institutional asset management. As of July 1st, 2014, SNS Asset Management N.V. and SNS Beleggingsfondsen Beheer B.V. – the SNS REAAL asset management and investment fund management companies - merged into ACTIAM N.V.

ACTIAM is a leading sustainable fund and asset manager in The Netherlands, with almost € 60 billion in assets under management as of December 31, 2020. ACTIAM employs over 80 people and has many years' experience of providing professional asset and fund management services for third parties and the Dutch insurance labels Reaal and Zwitserleven. ACTIAM offers a wide range investment funds marketed under either the Zwitserleven or ACTIAM brand.

Since April 2020, ACTIAM is the wholly owned asset and fund management subsidiary of Athora Netherlands N.V. (Athora), an insurance company particularly operating in the European insurance market.

Corporate responsibility has always been one of the unique selling points of Athora and ACTIAM. Athora and ACTIAM both have their origins in financial institutions founded by labour unions that provided financial services to union members regarded as “unbankable” and “uninsurable” by other financial institutions. The continuing importance of corporate responsibility is currently reflected in the development of sustainable investment products, specialised social investment research efforts and support for volunteer projects and sponsorship at various levels. Corporate responsibility has always been one of the unique selling points of Athora Netherlands and ACTIAM. Athora Netherlands was founded by labour unions to provide financial services to union members regarded as “unbankable” and “uninsurable” by other financial institutions. The continuing importance of corporate responsibility is currently reflected in the development of sustainable savings and investment products, specialised social investment research efforts and support for volunteer projects and sponsorship at various levels.

ACTIAM considers itself a pioneer in the Netherlands with regard to responsible, sustainable and impact investments. After years of experience in this field ACTIAM believes it is well equipped to design investment strategies based on the desired level of social or environmental involvement. In a European context ACTIAM is also among the leading asset managers with regard to responsible, sustainable and/ or impact investments.

ACTIAM Impact Investing is a department within ACTIAM which is responsible for and entirely dedicated to development investments with substantial experience in the impact investing market. It creates value for its clients, for its investees and for society as a whole through the development, advancement and/or distribution of impact investment solutions. The solutions offered intend to deliver market-based returns on investment while making a tangible contribution to a better world. In relation to impact investing solutions ACTIAM Impact Investing operated assets under management at about € 300 million as of December 31, 2020.
Development investments, including the existing investments in financial inclusion, are part of the core business of ACTIAM. In the field of microfinance ACTIAM was one of the first commercial asset managers worldwide to successfully invest in microfinance products on behalf of professional clients. ACTIAM has a solid infrastructure to analyse both the fundamental and relative value of investments in the developmental arena. In 2007 ACTIAM introduced the first commercial microfinance investment fund for institutional investors, followed by a second fund in 2008. In 2013 the ACTIAM-FMO SME Finance Fund I was launched with a capital commitment of over € 100 million, which is currently fully invested and realized an annualized average return of 2,5%.

Since its inception in 2014 until and including 2020, the Fund has realized an annualized average return of 3,7%.

ACTIAM Impact Investing Team

Theo Brouwers, General Manager Impact Investing
Theo Brouwers has worked at ACTIAM as a director since April 2006. Theo played a key role in setting up the Principles for Investors in Inclusive Finance (PIIF). The PIIF are an initiative of investors and Her Royal Highness Princess Máxima of the Netherlands, the UN Secretary-General’s Special Advocate for Inclusive Finance for

Development. The PIIF were developed in response to growing interest in inclusive finance and demand for investor guidance with respect to impact generation and measurement. Previously Theo worked at ING Bank for more than 18 years at several positions within the field of investments. In 1996 he became general manager of investments for ING Bank Netherlands. In that position he was responsible for discretionary asset management, product development, floor brokerage and sales. In 2000 he decided to develop and start, together with his friend and colleague Harry Hummels, a service on socially responsible investing. During this period, he launched the Non-Financial Indicator, the SRI portfolio scan, an SRI fund and SRI asset management. In 2004 he started microfinance consultancy services for institutional and semi-institutional clients. Starting in 2003, Theo also took the responsibility for the Corporate Social Responsibility policy of the ING Bank. In this respect he launched a program called ING Microfinance Support in coalition with UNCDF and Oikocredit. Theo has a degree in economics from the University of Tilburg, a master degree in financial economics (Tilburg Institute Academic Services) and a master degree in financial planning (Erasmus University of Rotterdam).

Alexander Lubeck, Impact Investment Manager
Alexander Lubeck works for the ACTIAM Impact Investing team as an investment manager and participates in the investment committees of the various funds under management. Alexander joined ACTIAM in 2003 as a portfolio manager to add substantial expertise in portfolio management for various credit disciplines, varying from high grade credit bonds to asset backed securities and leveraged loans. In addition, he was involved in implementing ALM derivative overlays for institutional clients. During his career, Alexander has built a deep knowledge and experience of international debt and capital markets and of macroeconomic and currency developments in various jobs in the fixed income space. Before joining ACTIAM, Alexander worked at NIB Capital Asset Management / ABP Vermogensbeheer, where he was responsible for the syndicated loans and project finance funds since 2000. Prior to working for ABP he worked at Philips Pension Fund as a senior portfolio manager, responsible for setting up the high grade investment activities for the Philips Pension Fund since 1997. Alexander started his career with AEGON Investment Management in 1991 as a junior portfolio manager fixed Income, involved in duration management and introducing the use of fixed income derivatives in active fixed income portfolio management. Alexander holds a degree in Quantitative Business Economics from the Erasmus University, Rotterdam.

Ruben Smit, CFA, Impact Investment Manager
Ruben Smit has worked at ACTIAM as a research analyst for the European banking sector since May 2006. Since 2007 he works as a portfolio manager for the fixed income department, where he is in particular responsible for the banking and insurance sector and for the analysis of macroeconomic and currency developments on a worldwide basis. Ruben works partially for the ACTIAM Impact Investing team and is in that respect, in addition to being a member of the Investment Committee, responsible for analysing macroeconomic and currency developments in developing countries. Previously Ruben worked at ING Bank - Socially Responsible Investment as a senior analyst for sustainability issues, gaining a wide experience with rating companies and sectors with respect to their social and environmental management, policies and performance. At ING Bank Ruben developed a format for screening ethical mutual funds and has also performed in-depth analysis of microfinance funds like the Dexia Micro-Credit Fund. Before his position as an analyst for sustainability issues, Ruben was a researcher at the ING Economics Department. Starting in April 1996, he covered several European sectors and the SME policy in the Netherlands. In addition, he regularly participated in a wide range of projects, including the analysis of the impact of the Asian currency crisis on various industry sectors. Ruben has authored several external publications, among others on the capital markets influence of the Euro, the practical and strategic aspects of the Euro for a wide range of sectors and on political risk and oil reserves and strategies for taking account of sustainability issues in selecting investments. Ruben has a degree in International Financial Economics and Monetary Economics from the University of Amsterdam, The Netherlands, and is a CFA charter holder.

Sinisa Vukic, Impact Investment Manager
Sinisa Vukic joined ACTIAM in 2007, working for the SNS REAAL Water Fund and performing research on water finance and microfinance. In 2008 he joined the ACTIAM Impact Investing team as an investment manager. Sinisa has a strong educational background in both development economics and sustainability issues. In addition to being a member of the Investment Committee for the funds under management, Sinisa is particularly responsible for a daily management support and tracking macroeconomic developments in the countries targeted by the ACTIAM Institutional Microfinance Funds. Previously Sinisa worked at the international finance department of Swisslion-Takovo, a confectionary company in Serbia. Sinisa has a degree in International Economics and Foreign

Trade, from the University of Belgrade, Serbia and a master degree in Environmental Management from the Wageningen University, The Netherlands.

Sylvia Giezeman, CFA, Impact Investment Manager
Sylvie Giezeman joined ACTIAM in 2011 as Responsible Investment Officer working for the ESG team where she was responsible for company and regulatory engagements with a focus on social issues. In 2018 she joined the ACTIAM Impact Investing team as an investment manager. Sylvia has a strong educational background in both development economics and social issues. Sylvia is member of the Investment Committee for the funds under management, Sylvia is particularly responsible for a day to day management support and tracking of macroeconomic developments in the countries targeted by the SME-FMO Finance Fund (SMEFF) and the ACTIAM Institutional Microfinance Funds. Previously Sylvia worked at the Dutch NGO, NCDO. Sylvia has a Master degree in Development Economics, from the University of Amsterdam, a Master degree in Cultural Anthropology from the VU, Amsterdam, and is a CFA charter holder.

Nikkie Pelzer, Impact Analyst
Nikkie Pelzer joined SNS REAAL in 2012 (former holding company of ACTIAM), initially as an intern at ACTIAM, later as a management trainee, working for different labels. Within the traineeship context, Nikkie joined ACTIAM Impact Investing in the spring of 2014 as Impact Analyst. As of September 2015 she became a full-time member of the team. She is particularly responsible for designing the responsibility and impact policies for the funds operated. In addition, she is participating in the investment committees and responsible for all impact related communications. Prior to joining ACTIAM Impact Investing, she worked for the holding company as a Project Manager on financial education for youth and as a Team leader at REAAL Customer Service Centre. Nikkie holds a university Bachelor Degree in Business Studies and a Master Degree in International Development Studies.

Romée van Wachem, CFA, Relationship Manager
Romée van Wachem joined ACTIAM in March 2014 as a Relationship Manager for the ACTIAM Impact Investing team. She is mainly responsible for the relationship management of the impact investing funds for institutional investors. She previous worked as a consultant in the field of European and Dutch grants, including sustainability and innovation, and at a major Dutch law form as a corporate lawyer. Romée holds a Master’s degree in International and European Law with the focus on Public International Law/Human Rights and Transnational Commercial Legal Practice and is a CFA charter holder.

10 THE INVESTMENT MANAGER

ACTIAM has appointed DWM as investment manager for the Fund. DWM is a Connecticut limited liability company founded in 2006 and operates as the social fund management arm of the Developing World Markets group which was founded in 1994. DWM is a registered investment advisor with the SEC. The SEC registration does not imply any level of skill or training or approval by the SEC.

DWM Investment Management

Investment Committee Members

Peter H. Johnson, Managing Partner
From DWM's first work on an impact investment vehicle (in microfinance) in 1999, Peter has helped lead DWM's core function of creating and managing market-return impact investments in the developing world. For many years Peter managed the Products and Partnerships Team and was responsible for the origination of new impact funds, impact structured products and investor relations. Today, as Managing Partner, he serves as the relationship manager for certain key investors and partners and he chairs the DWM Credit Committee and is on the DWM Investment Committee.

From 1994 through 2004, Peter co-managed DWM I Fund, L.P., the firm's legacy activity, with Judy Kirst-Kolkman, which participated in over 350 IPOs and Secondary Offerings on local emerging and frontier market stock exchanges. Prior to DWM, Peter spent 14 years with Bankers Trust (now Deutsche Bank), focused exclusively on emerging and frontier markets. As an investment banker in London with Gulf institutional clients, he helped restructure their direct investments in Asia, Latin America, and Eastern Europe. In New York, Peter conceived and executed multiple bond issues to restructure $14 billion of Foreign Military Sales (FMS) debts to the U.S. government by sovereigns from South Asia to North Africa. In Cairo, Peter opened and managed Bankers Trust's Egypt office and negotiated Bankers Trust's first debt for equity swap and first asset backed financing backed by workers' remittances.

Peter has an MA from the Fletcher School of Law and Diplomacy at Tufts University, a BS from the School of Foreign Service at Georgetown University and studied at the American University of Beirut. He is competent in French, conversational in Spanish and abysmal in Arabic. From 1996 to 2013 Peter was on the board of Pro Mujer International and served from 2003-2006 as Chairman of the Board. Until 2007 he was also on the board of Pro Mujer Mexico. From 2011 to 2013 Peter served as a shadow board member at Bank Andara in Indonesia.

Brad Swanson, Partner, Equity
Brad and his DWM colleagues have raised or advised some USD 1 billion of debt and equity capital for microfinance institutions in developing countries. As a partner, Brad is a member of senior management and oversees DWM's private equity business in global emerging markets. Brad also serves on DWM's internal credit committee as well as the Investment Committee.

Prior to joining DWM, Brad served with investment banks and fund managers in Washington, D.C. (Global Environment Fund), London (Bankers Trust and BNP), and New York (DLJ), mainly focusing on emerging markets. Brad has also worked for the US government twice, first as a diplomat in West Africa for the State Department and later in the occupation government in Iraq for the Defense Department, where he managed funding programs for medium, small, and micro enterprises. Brad wrote the chapter on capital markets in Microfinance: Emerging Trends and Challenges (Edward Elgar Publishing, 2009). His pro bono work includes a board seat with Partners for the Common Good, a non-profit community development finance institution in Washington, D.C.

Brad holds a BA from Princeton University and a MBA from Columbia University. He speaks French and struggles to learn Spanish.

Bogdan Tatarchevskiy, Managing Director, Head of Debt
Bogdan Tatarchevskiy joined DWM in 2008 and is the Head of DWM's debt origination team. Bogdan has originated, negotiated and closed debt investments for DWM-managed funds and investment vehicles totalling

USD 470 million in 15 countries. He is also a member of the DWM Credit Committee. Prior to his appointment as Acting Head of Debt, Bogdan managed DWM relationships and Financial Inclusion Institutions portfolio in Eastern Europe, Central Asia, the Caucasus, Russia and Mongolia as a Vice President and then Director.

Before joining DWM he was a part of the Capital Markets Group (CMG) at FINCA International raising financing for the network from commercial and socially-minded investors. He also managed a portfolio of projects for FINCA subsidiaries in 7 countries in the Eurasia region. His previous professional experience includes managing Sales and Marketing for a transportation company in Russia, accounting, and teaching college-level financial calculus.

Bogdan holds a MBA in Finance from Loyola College in Maryland and a MS in Economics from Volgograd State Technical University in Russia. His econometric research was focused on monopolization and foreign currency markets. Bogdan is fluent in Russian.

Chris Mehan, Chief Risk Officer

Christopher acts as the Chief Risk Officer of DWM since October 2017. He initially joined DWM in June 2015 as a Senior Risk Advisor. He is responsible for all aspects of risk management at DWM including governance and policies, portfolio monitoring, investment review of existing and new deal proposals. He is a member of the DWM Credit Committee.
Christopher is a senior Risk professional with over 18 years of experience gained with top tier financial institutions. His career includes roles as a senior market and counterparty risk Manager, and head of risk infrastructure. Prior to DWM Christopher was a senior executive at Barclays, and member of the investment bank risk and governance and oversight committees. Christopher has held global market risk coverage roles for emerging markets, credit, and counterparty risk at both Barclays and Merrill Lynch. Prior to his career in risk management, Christopher spent over 12 years trading interest rate, foreign exchange, and commodity derivatives and options.
Christopher graduated from the University of Wisconsin, Madison with a Bachelor of Science degree in Economics. He completed an executive program in market and credit risk at Stanford University and holds a Series 7 and 25.

Appendix 1: Valuation Policy

General

The values of the individual investments in loans to Financial Inclusion Institutions s should be determined at least monthly for the Fund in order to be able to ascertain the Fund's correct value. The Valuation Policy below, as may be amended from time to time, describes how the value of Fund Investments is consistently determined during the term of the Fund.

Considerations

The following considerations are relevant in determining the valuation policy:

- Fund Investments are predominantly made in debt instruments issued by Financial Inclusion Institutions in developing and emerging countries, normally either through private loans with a fixed term and a variable rate of interest plus a spread, or through fixed-rate loans.

- Currency and interest rate risks can be hedged by means of derivatives, normally in the form of FX forwards, interest rate swaps and/or cross currency interest rate swaps.

- As the Fund Investments are predominantly private loans in illiquid and non-transparent markets in countries with underdeveloped markets for financial instruments, determining an objective market value for individual Fund Investments is a complex task.

- The date on which a contractual commitment is entered into may differ from the date on which disbursements of funds take place. Impact thereof will be valued when they may have a material impact on the Fund's net asset value (NAV).

- The valuation of the Fund and hence of the individual Fund Investments is assigned on the basis of Dutch GAAP and hence on a fair value basis. This means that the valuation of the Fund Investments and the Fund should provide an adequate reflection of the actual fair market value.

- In case Additional Participants enter or exit the Fund, it is important for the Fund's valuation to provide an adequate reflection of the actual value. This is to ensure that the interests of all Participants are appropriately serviced.

- The value of the Fund and its Fund Investments on an ongoing basis is determined by ACTIAM's Valuation Department, all in conformity with the existing Valuation Policy. The Valuation Committee is the body within ACTIAM to which the Valuation Department is accountable, and is consulted when adjustments in the Valuation Policy and/ or deviations are considered necessary or when valuation adjustments are deemed necessary are not in line within the standard valuation procedure.

Requirements

The valuation procedure should at least comply with the following requirements:

- The procedure must result in sound valuations.
- The procedure must be transparent.
- The procedure must be operable.
- The procedure must be capable of being applied consistently.
- The procedure must have been checked with and authorised by the Fund's auditor.
- The procedure must comply with existing laws and regulations.

Loan valuation policy

The loan valuation policy is set out and explained below, taking into account the considerations and requirements already described above.

A distinction has to be made between valuations made:

(i) in a situation in which the credit risk profile of the underlying Financial Inclusion Institutions has remained the same;

(ii) in a situation in which the credit risk profile of the underlying Financial Inclusion Institutions has undergone a material change;

(iii) in a situation in which the credit risk profile of the underlying Financial Inclusion Institutions has undergone a material deterioration.

To determine whether there has been a material change in the credit risk profile, use is made of an in-house rating method.

In addition, an assessment is made of various relevant financial key ratios as well as the payment ethics of the financial institution concerned in order to determine whether its creditworthiness has deteriorated to a significant degree.

Valuation in the event of an unchanged credit risk profile

If the credit risk profile of the underlying Financial Inclusion Institutions has not changed materially, the Fund Investments are valued by determining the present value of all expected contractual cash flows of the relevant loan based on the yield curve applicable to the relevant currency, plus the additional spread of the loan on this curve at the time of acquisition the relevant Fund Investment.

Input required for valuation of individual Fund Investments

1) The yield curve for the relevant currency.

2) The additional spread of the loan in relation to the relevant yield curve at the time of acquisition.

3) The expected contractual cash flows from the loans.

The yield curve applied is in the currency in which the loan was provided. Where a yield curve is not available for the currency, the euro or US dollar yield curve is used. Which of them is chosen depends on which of them is used by the market for linkage to the foreign currency.

It is important for the original spread at the time of acquisition to be specifically determined for each individual loan based on the relevant applicable yield curve at the moment of acquisition of the loan.

Valuation in the event of a changed credit risk profile

A comparable method is used for valuing loans to Financial Inclusion Institutions s in case the credit risk profile has changed. When the credit risk profile changes, as reflected in an upward or downward adjustment of the loan rating, the spread at the time of acquisition is adjusted accordingly. This is done by adding a margin to the acquisition spread (in the event of a deterioration in the profile) and subtracting a margin from the spread (in the case of an improvement in the profile). The amount of the addition or subtraction is determined by a spread adjustment factor. This is based on differences in the average annual amortisations between ratings. The following table, based on Moody's historical data which are updated annually, is used for this purpose.

Spread adjustment factors in the event of rating changes	To CCC	To B	To BB	To BBB	To A
From CCC	0.0%	-10.08%	-12.18%	-12.74%	-12.84%
From B	+10.08%	0.0%	-2.10%	-2.66%	-2.76%
From BB	+12.18%	+2.10%	0.0%	-0.56%	-0.66%
From BBB	+12.74%	+2.66%	+0.56%	0.0%	-0,10%
From A	+12.84%	+2.76%	+0.66%	+0.10%	0.0%

Source: Annual Default Study: Corporate Default and Recovery Rates, 1920-2013 (of Moody's Investors Service, February 2014)

The method employed does justice both to the differences in other characteristics of investments and to changes in the credit risk profile.

Valuation in the event of a material deterioration in creditworthiness

For prudential reasons ACTIAM considers it expedient not to await a downgrading of the rating to CCC in certain circumstances, since it has been seen in practice that rating changes are often implemented only after some delay. This applies in particular in cases where there is a material deterioration in the creditworthiness of a financial institution. In such cases, the additional spread is generally routinely increased by the spread adjustment factor for a CCC rating, regardless of whether a CCC rating has actually already been assigned.

A material deterioration in the creditworthiness of an Financial Inclusion Institutions is deemed to occur where the institution exceeds three critical financial ratios and/or is unable to meet its current financial obligations in respect of a loan. The criteria for the financial key ratios are as follows:

- Solvency, as determined by dividing the own funds by total assets, is at a level lower than 10%.
- The arrears percentage of the debt portfolio, as reflected by the percentage of debts with arrears of more than 30 days, is at a level higher than 10%.
- The financial institution is making a loss, as reflected in an annualised return on assets of less than -/-25%.

The measurement of these financial ratios is carried out by reference to the latest known monthly figures, as supplied by the financial institutions concerned. Year-end figures must have been checked by an auditor.

The additional spread is normally increased by the spread adjustment factor for loans with a CCC rating only once all three financial ratios have exceeded the critical levels and/or as soon as a payment obligation has not been met. Where the valuation takes place on this basis, ACTIAM Valuation should approve the resulting valuation at least monthly on a case-by-case basis. ACTIAM Valuation is authorised to adjust a valuation and deviate from the standard valuation procedure as described if there is a specific reason for doing so. However, it may only make downward adjustments of the valuation.

The following exceptions apply in any event in this context.

- Where relevant, the value of a subordinated loan is valued at a maximum of 50%.

- As soon as there is proof from external sources that the value of a Fund Investment should be lower, this alternative value is applied. The Investment Manager serves as an important reference source in this context as he is best informed about the current position of the institution concerned.

In case the credit risk profile of the loans concerned recovers, a normal valuation can be reintroduced at some point, subject to the following conditions being met:

- Valuation in accordance with the original method will be possible again only once all three relevant financial risks have recovered to above the critical levels.

- Valuation in accordance with the original method will be possible again only once the arrears have been paid off or formal agreements have been made about some adjustment to the cash flow of the loan and even then only on condition that all three relevant financial ratios are once again above the critical levels.

Derivatives valuation policy

Derivatives are used to manage exchange rate and interest rate risks at transaction or portfolio level. Among the derivatives that can be used for this purpose are FX forwards, (amortising) interest rate swaps and/or cross currency swaps.

Derivatives transactions are entered into with eligible counterparties where adequate collateral management contracts and procedures have been put in place in order to limit the credit risk on the counterparty to the transaction. This means that the valuation of derivatives is frequently checked with counterparties and the market value is received or transferred in the form of collateral.

The derivatives valuation policy is set out and explained below, taking into account the considerations and requirements already described above.

A distinction has to be made between valuations of:

(i) derivatives in currencies for which market-based yield curves are available; and

(ii) derivatives in currencies for which market-based yield curves are not available.

Derivatives in currencies with market-based yield curves

To determine the value of a derivative, the present value of all expected contractual cash flows of the derivative is determined at every NAV for the yield curve applicable to the relevant currency.

Input required for valuing a derivative:

1) the yield curve(s) for the relevant currency;

2) the expected contractual cash flows applicable to the derivatives concerned.

Derivatives in currencies without market-based yield curves

As already mentioned, the Fund provides debt capital to Financial Inclusion Institutions throughout the world. It also does so in countries with currencies for which market-based yield curves are not available. The Fund may choose to cover the exchange rate and/or interest rate risk of such loans by means of derivatives.

As is also applicable for the valuation of the loans, the yield curve applied in such a case is equated with the EUR or USD yield curve. Which of them is chosen depends on which of them is used by the market for linkage to the foreign currency.

Input required for valuing a derivative:

1) the yield curve(s) for the euro or US dollar;

2) the expected contractual cash flows applicable to the derivatives concerned.

Check on the valuation of derivatives

Various checks are made to ensure that valuations are market-based. A check of the market value in relation to the counterparty is made by reference to the collateral reconciliation. This comparison is assessed monthly by ACTIAM Valuation as well. In addition, the yield s used for the valuation are checked at least annually.