

CORDAID INVESTMENT MANAGEMENT BV ANNUAL REPORT 2016

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MESSAGE FROM MANAGEMENT

2016 has been a successful year for Cordaid Investment Management BV (CIMBV), with our portfolio exceeding €74 million as at the year end. We are proud that, since 1998, we have financed over 250 partners in more than 30 countries, and made over 470 investments with cumulated commitments of over €200 million.

With a team of 20 professionals, we manage the Rural and Agricultural Fund (RURAF), Stability Impact Fund (SIF), and Health Investment Fund (HIF). Through these three funds, we aim to contribute to the Sustainable Development Goals and to keep our promise to strengthen human dignity by providing access to inclusive finance. During the course of 2016, we have reached more than 180,000 microentrepreneurs (of which more than 70% are women) through our investments in Microfinance Institutions (MFIs). We have also supported the creation of over 5,000 jobs through our investments in Small and Medium Enterprises (SMEs) and SME Funds.

Continuing with our focus on Fragile and Conflict Affected-States (FCAS), we started our first investments in small enterprises in Sierra Leone. Some of these investments were made in selected graduates from the Resilient Business Development Services (RBDS) programme managed by Cordaid Foundation. We rolled out the HIF in Rwanda. We also expanded our presence to new countries such as El Salvador, where we provided funding to an MFI.

This year was also challenging. We grew our operations in Myanmar, supporting MFIs with finance in local currency. Despite a complex economic and political environment we negotiated an innovative blending solution in collaboration with other two international organizations to manage currency risk now and in the future. In Latin America, Ecuador was hit by a massive earthquake. In partnership with a local institution, we supported one of our MFIs to create a recovery plan for such disasters. This model has been shared with other Ecuadorian MFIs and will help them to design a strategy to reduce the impact of similar catastrophes.

We also invested in CIMBV. We believe in continuously developing and enhancing the skills of our team through specialised training. Further, we launched an implementation programme for eFront, a new management information system to help us to be prepared for new challenges in the future.

In 2016 Rudolf Mulder ended his 7 year term as member of the External Investment Committee (EIC). We thank Rudolf for his outstanding contribution, and welcome Arianne Leuftink who will join the EIC next year.

Looking forward:

We will continue to invest in challenging markets to deliver on the stated objectives of CIMBV, working in close cooperation with our local partners and with Cordaid Foundation:

■ Transition from Dependent to Flourishing

We see it as our responsibility to contribute to economic stability and flourishing communities. We catalyze grant-based development activities through our investments, especially in the field of agriculture, entrepreneurship and health.

■ Deliver continued high social impact

Integral to our mission is the delivery of profound social impact. We commit capital to those opportunities that stimulate the creation of jobs, empower women, catalyze rural businesses and facilitate access to healthcare services.

■ Offer balanced return to investors

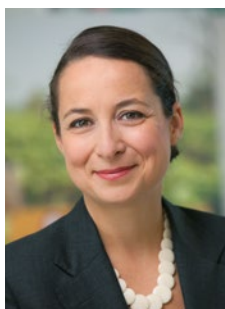
We have a duty towards our investors to guarantee a financial return, and open up markets in which investors would not otherwise be able to invest.

■ Demonstration and catalyst effect

We strive to commit to those businesses that can serve as an example for their local communities in running a business responsibly. We strongly believe that selectively empowering the right investees can be a catalyst for local development.

■ Open up markets in fragile communities.

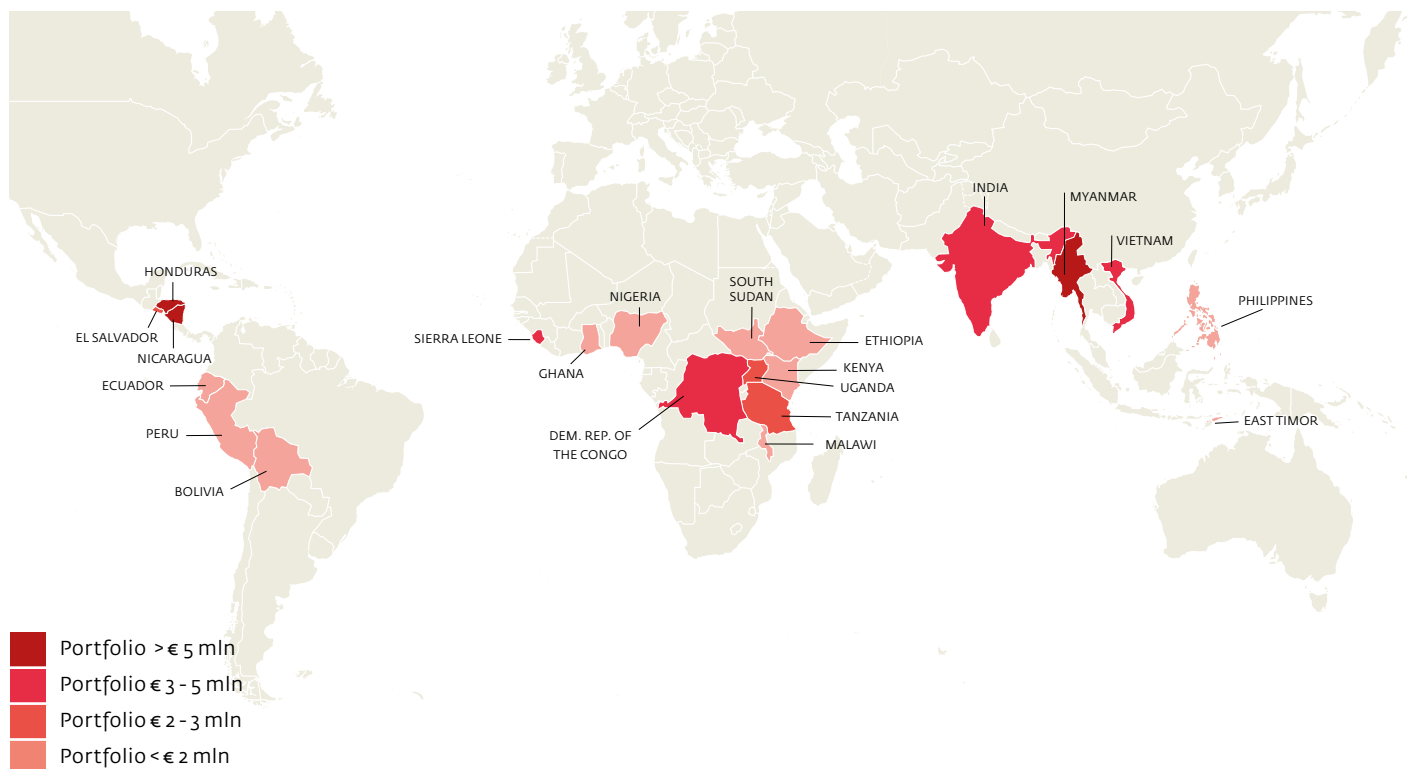
We strive to invest in markets in fragile communities while maintaining an integrated Environmental Social and Governance (ESG) approach.



Laure Wessemius- Chibrac

FOOTPRINT 2016

CORDAID INVESTMENTS FOOTPRINT 2016



We manage:

- €73,8 million committed investments
- 73 portfolio companies
- 3 impact investment funds

Our social achievements:

- Over 1 million microentrepreneurs directly impacted since 2010
- In 2016 the MFIs that we supported reached 7 million clients
- This year in excess of 180,000 microentrepreneurs were reached through our investee MFIs

OUR PROFILE

Mission CIMBV

Maximize the social impact of Cordaid by strengthening economic development in local communities. Offer inclusive finance in developing countries with a focus on fragile and conflict-affected countries. Support employment and reduce vulnerability, catalyze impact investors who share our strong belief in the potential of small businesses to create jobs and spearhead inclusive economic growth. Pay particular attention to creating opportunities for women, youth and rural communities.

History

Cordaid Foundation is the Catholic Organization for Relief and Development Aid, one of the largest development organizations in the Netherlands. For more than 100 years it has been creating opportunities for people in need, in the most difficult areas and challenging circumstances worldwide. Cordaid Foundation has a network of 260 funding and implementing partners in more than 50 countries in Africa, Asia, the Middle-East and Latin America.

Cordaid Investments is the asset management branch and 100% subsidiary of Cordaid Foundation which has been a frontrunner in opening markets to impact investment since 1997. In July 2015, Cordaid Investment Management BV (CIMBV) was incorporated as a private company with limited liability. It is registered with the AFM (The Dutch Authority for the Financial Markets) under the AIFMD (Alternative Investment Fund Management Directive) "light" regime.

We aim to achieve social impact by complementing the activities of Cordaid Foundation. This relationship has enabled us to be one of the first in the investment sector to deploy the powerful strategy of blending grant financing and risk bearing capital.

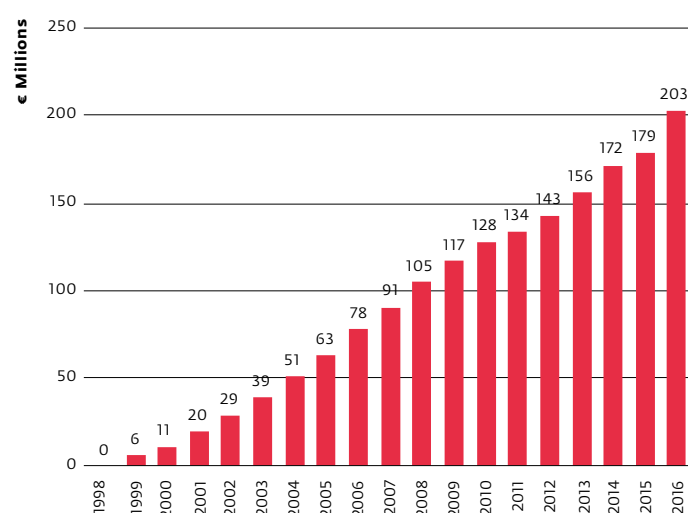
Organization

Cordaid Investments consists of an investment team with professionals from both the world of banking and development aid, combining both field experience and in-depth financial knowledge. The team currently consists of 20 persons of which 18 are based in our head office in The Hague, 1 is based in Sierra Leone and 1 in Rwanda. Cordaid Investments provides finance to partners in more than 20 developing countries in Africa, Asia and Latin America.

HISTORICAL ACHIEVEMENTS

Cumulative assets under management

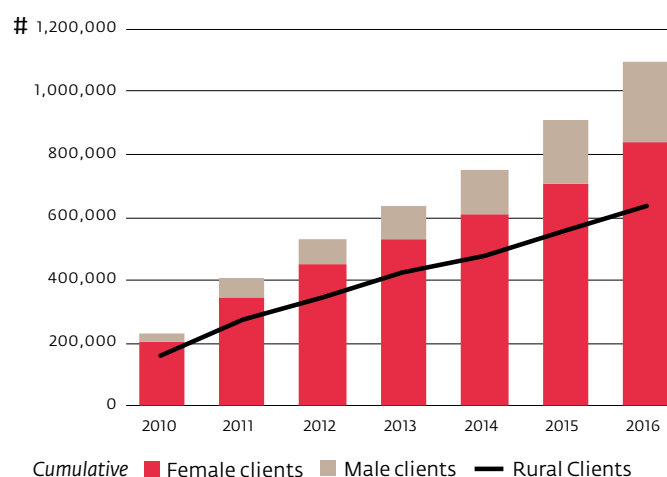
Since 1997, Cordaid Investments has invested for impact in developing and fragile countries. We provide access to finance using a mix of instruments: patient capital (equity and subordinated debt), senior debt (including loans with longer maturities and grace periods), and guarantees. Since inception, we have financed over 250 partners, making more than 470 investments totaling €203 million.



Cordaid Investments is a leader in generating financial returns for social impact. As a signatory of the United Nation's PRI, PIIF, CPP and a member of SPTF, GIIN, NpM, EVPA and e-MFP¹ Cordaid Investments has an influential voice on all issues related to impact investing, social impact measurement, blended financial and social commitment. Cordaid Investments firmly believes that its mission cannot be accomplished without working together, sharing experiences and investing in global partnerships with impact investors.

Social impact

Since 2010, through our investments in MFIs we have reached directly more than one million microentrepreneurs, 76% of whom are women and 58% of whom are located in rural areas.



Best practices

Cordaid Investments applies Environmental, Social and Governance (ESG) criteria across its entire investment process, from the initial investment sourcing to the final divesture. We support those entrepreneurs that form a force for good with respect to their environmental treatment, social impact or good governance and when needed strengthen their capacity on ESG.



WARC: creating job opportunities for youth in Sierra Leone

¹ United Nation's PRI = UN-supported Principles for Responsible Investment
 PIIF = Principles for Investors in Inclusive Finance
 CPP = Client Protection Principles
 SPTF = Social Performance Task Force
 GIIN = the Global Impact Investing Network
 NpM = Platform for Inclusive Finance in the Netherlands
 EVPA = European Venture Philanthropy Association
 e-MFP = European Microfinance Platform

FUNDS UNDER MANAGEMENT

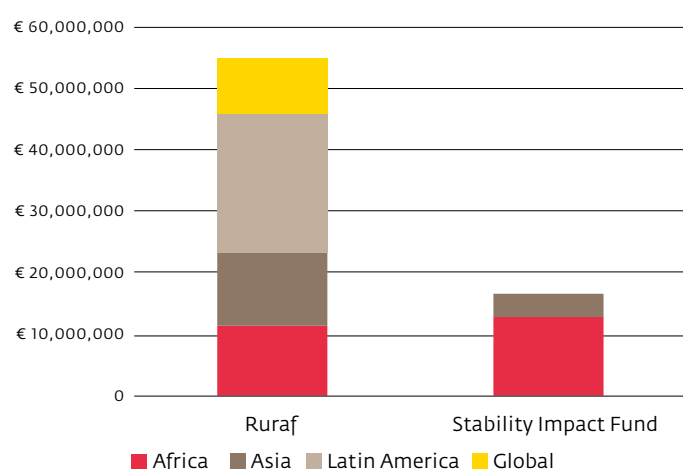
Cordaid Investments manages thematic investment funds that align with Cordaid's multidisciplinary approach to development, and that catalyze grant-based activities. Our focus is in rural and agricultural finance (RURAF), entrepreneurship (SIF) and health (HIF). An additional small Exit Fund includes a portfolio of legacy investments that are no longer aligned with our geographic or social strategy; these investments are being progressively phased out.

In 2016, our total committed portfolio grew to €73.8 million, from €58.8 million in 2015. The number of investees increased to 73 in 2016 from 63 in 2015. Our average loan size decreased to €0.8 million in 2016 (from €1 million in 2015), as we made our first investments in SMEs made in Sierra Leone (average size of €108,000).

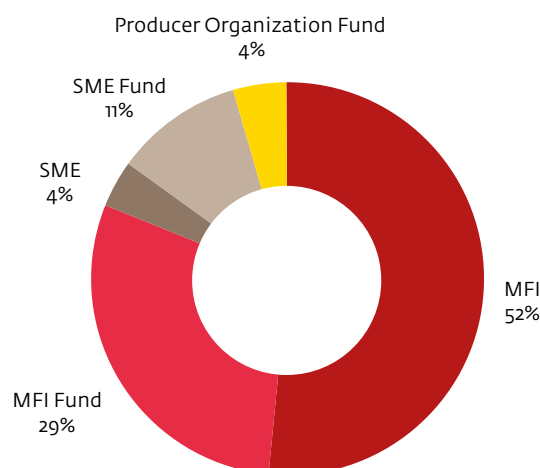
Total Committed Portfolio 31 Dec. 2016	73.8M EUR
Undisbursed Capital at 31 Dec 2016	9.1M EUR
Write offs in 2016	0.6M EUR

The Portfolio at Risk (PAR), percentage of the portfolio with payments overdue more than 90 days, has steadily decreased from 13% of our Outstanding Portfolio in 2010 to 3.7% in 2016. The write-off ratio was 0.9% of our Outstanding Portfolio, and related only to investees in the Exit Portfolio. These figures are the result of our focus on delivering social impact while following a risk framework, making our portfolio more financially sustainable.

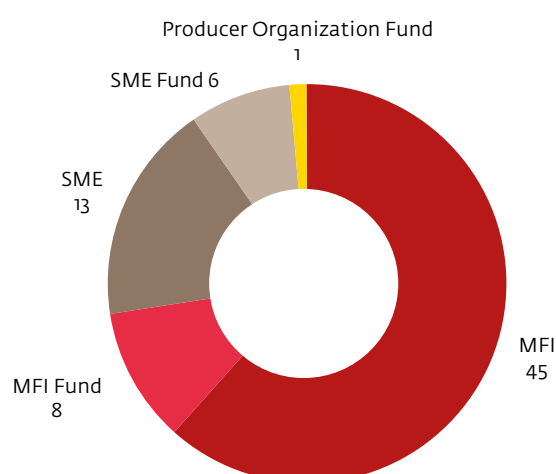
PORTFOLIO IN EUR PER REGION



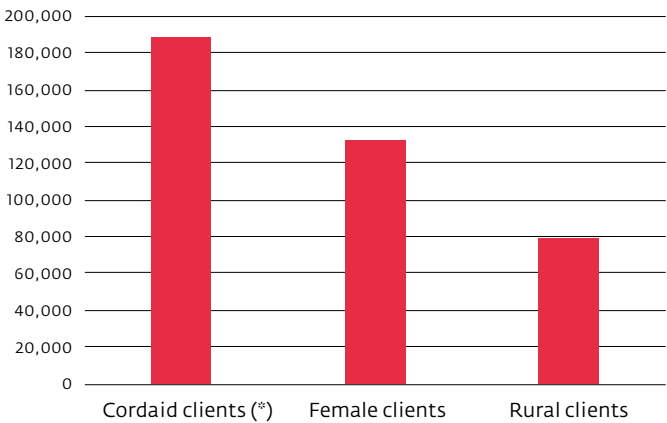
PORTFOLIO BY INVESTEE TYPE



NUMBER OF INVESTEEES IN THE PORTFOLIO



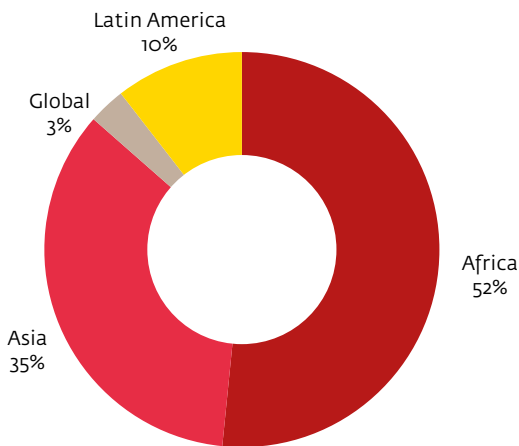
MFI END CLIENTS REACHED DIRECTLY WITH CIMBV SUPPORT



(*) borrower reached by the MFI with CIMBV's funding

In 2016, we made investments in MFIs that have a portfolio totalling 7 million clients. With CIMBV's support these MFIs reached over 180,000 microentrepreneurs, 71% of whom are women and 43% of whom reside in rural areas. More than 50% of these microentrepreneurs are located in Africa.

MFI END CLIENTS* REACHED PER REGION



(*) borrower reached by the MFI with CIMBV's funding

THE RURAL AND AGRICULTURE FUND (RURAF)

More than one billion people worldwide live in extreme poverty and face livelihood insecurity. Of these, in excess of 75% are small agricultural producers in rural areas. Inclusive financial services and capacity building are crucial to improve both their own livelihoods and the quality of the agricultural sector as a whole. However, less than 20% of the population in most developing countries can access affordable financial services. Cordaid Investments established RURAF to provide agricultural subsectors with access to inclusive finance, and to boost local rural economies.

RURAF's investees are mainly microfinance institutions (MFIs) and local SME funds serving farmers and rural micro-enterprises. RURAF provides senior and subordinated debt, equity,

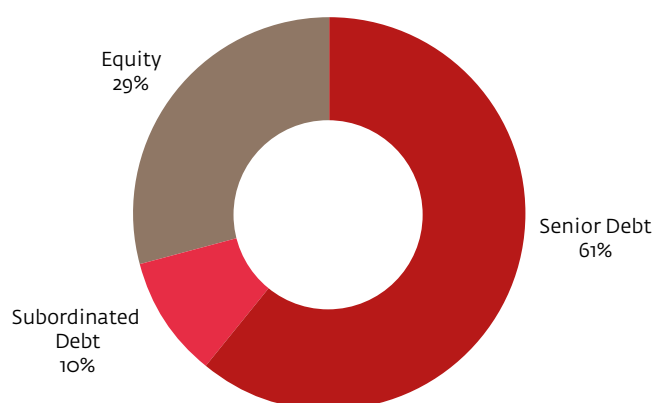
and guarantees. Grants are provided for capacity building and the development of innovative financial products, services, and methods. The RURAF portfolio grew from €45.7 million in 2015 to €55.2 million in 2016, comprising financial support to more than 40 investees. Most of this growth was in Africa and Asia, in line with our strategy of prioritizing the most underserved regions.

RURAF PORTFOLIO IN 2016

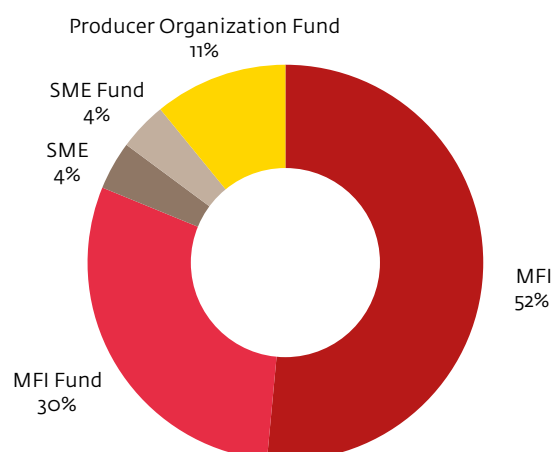
Total Portfolio as of 31 Dec 2016	EUR 55,2M
New Commitments in 2016	EUR 19,9 M
Undisbursed portfolio	EUR 8,1 M
Write offs in 2016	EUR 0 M
Number of portfolio companies	40 investees

PORTFOLIO OUTLOOK

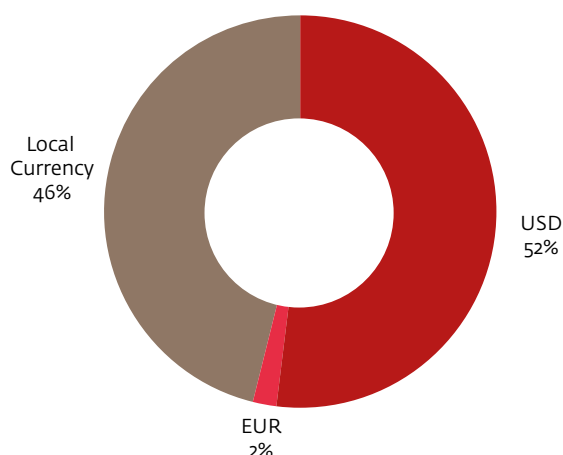
PORTFOLIO BY INSTRUMENT



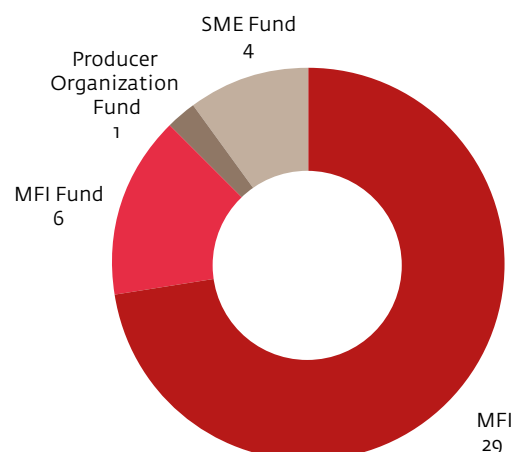
PORTFOLIO BY INVESTEE TYPE



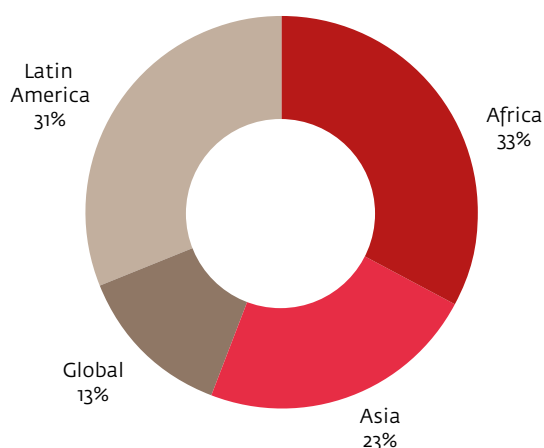
DISTRIBUTION BY CURRENCY



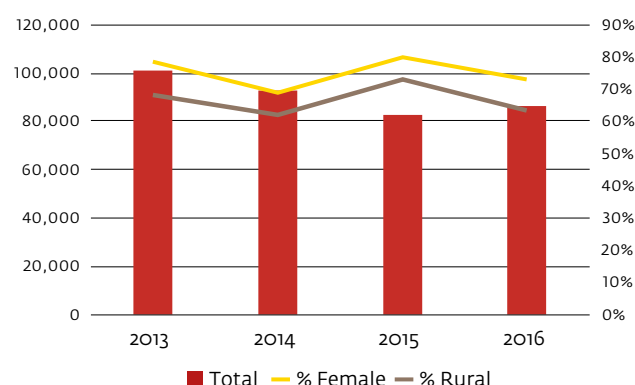
NUMBER OF INVESTEEES



GEOGRAPHIC DISTRIBUTION



RURAF - MFIs END CLIENTS* REACHED DIRECTLY WITH CORDAID SUPPORT



(*) borrower reached by the MFI with CIMBV's funding

RISK METRICS

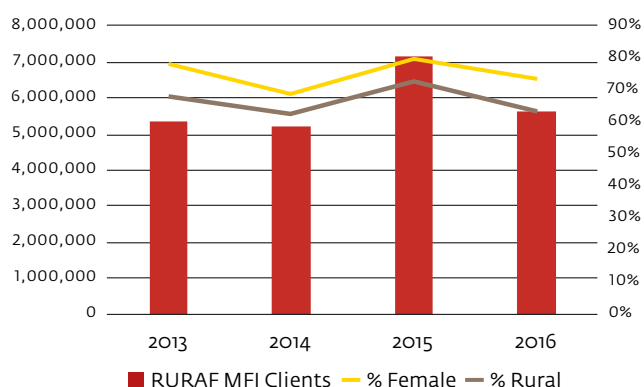
% OF OUTSTANDING PORTFOLIO	2016	2015
PAR	1,8%	2,6%
Write-offs	0,0%	1,3%

In 2016, the PAR level decreased to 1.8% in the RURAF Fund. This percentage is the result of our continuously improving risk management procedures and the strengthening of our investment criteria based on lessons learned.

SOCIAL IMPACT

In 2016 RURAF supported MFIs that offered financial services to more than 5,5 million clients. Our investments in these MFIs helped reach over 86,000 microentrepreneurs, 73% of whom are women and 63% of whom reside in rural areas.

RURAF - TOTAL CLIENTS* OF MFIs



(*) borrower

ECUADOR: EMERGENCY RESPONSE AFTER MASSIVE EARTHQUAKE

In April 2016 a 7.8 magnitude earthquake struck Ecuador. Coastal provinces were particularly affected, especially Manabí province, but there was damage was widespread throughout the country. Hundreds of people died, buildings collapsed and thousands of Ecuadorians were left homeless. The losses were estimated at 3 billion dollars (3% of the GDP).

The microfinance institutions (MFIs) operating in the area were also affected. Some lost staff members, branch infrastructure was severely damaged, and many of their clients -microentrepreneurs- lost their businesses. Further, an increase in withdrawals of savings, a rise in delinquency, and greater provisioning affected their liquidity, profits and solvency; potentially causing repayment problems with their lenders.

The MFI ESPOIR, one of our partners, was significantly impacted since 50% of its clients and 30% of the staff were in the worst affected area. Francisco Moreno Oleas, CEO of ESPOIR, said "It was a major blow to our organization. The earthquake hit Manabí the hardest, a region where we have been working for 23 years and where most of our clients work and live".

Together with the Red de Instituciones Financieras de Desarrollo (RFD) – a network of Ecuadorian MFIs- and with the help of Cordaid Investment Management, ESPOIR created an extensive guide on how to handle this kind of situation, a 'Post-Disaster Recovery and Response Plan for Development Finance Institutions'. Oleas said: "Cordaid provided the financial means to hire an international consultant who could help us find an answer to our questions. This helped us getting back in business and to prepare for possible future disasters.

Together with this consultant we worked for a month and a half and during that period, things slowly went back to normal. We started looking for a new building in which we could reactivate the branch office and in July we actually inaugurated our new office."

ESPOIR's recovery plan is a model that has been shared with other Ecuadorian MFIs. The guide helps to design a strategy to enable MFIs affected by a disaster to reactivate its lending and borrowing operations with its partners and customers, while mitigating the impact created by the catastrophe.



ESPOIR office before and after the earthquake

THE STABILITY IMPACT FUND (SIF)

Fragile and post-conflict countries are prone to relapsing into cycles of violence. The young generation is eager for change, but many of them are uneducated and have few job opportunities. The Stability Impact Fund aims to stimulate entrepreneurship and create jobs in fragile contexts as a means to achieve economic development and stability.

Since its inception in 2014, SIF has been an impact fund serving all segments of micro, small and medium-sized enterprises (MSMEs). Particular focus is placed on small companies at the less developed end of the sector; the under-served 'missing middle' that has the potential to become a powerful contributor to economic growth and employment. SIF provides its investees with access to loans, patient capital, and technical assistance. It is directly linked to Cordaid's grant-funded Resilient Business Development Services (RBDS)

to make the MSMEs investment ready and better equipped to achieve their social and business goals.

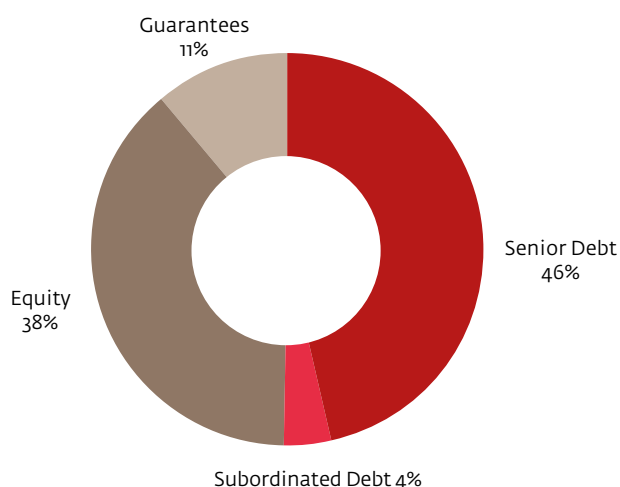
Currently SIF has a portfolio of €16.8 million. The number of investees increased from 8 in 2015 to 21 in 2016, thanks in part to 7 new direct SME investments in Sierra Leone. Four of these SME investees graduated from the RBDS program run by Cordaid Foundation.

SIF PORTFOLIO IN 2016

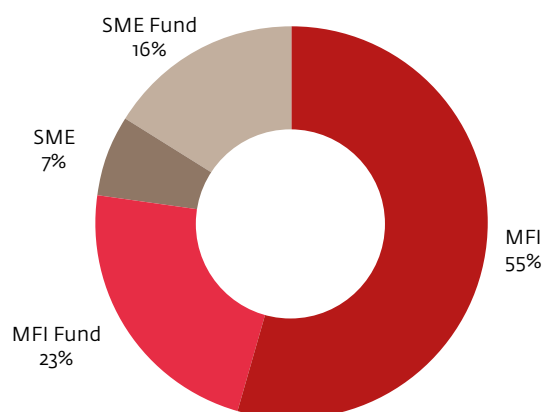
Total Portfolio as of 31 Dec 2016	EUR 16.8 M
New Commitments in 2016	EUR 6.4 M
Undisbursed portfolio	EUR 0.8 M
Write offs in 2016	EUR 0 M
Number of portfolio companies	21 investees

PORTFOLIO OUTLOOK

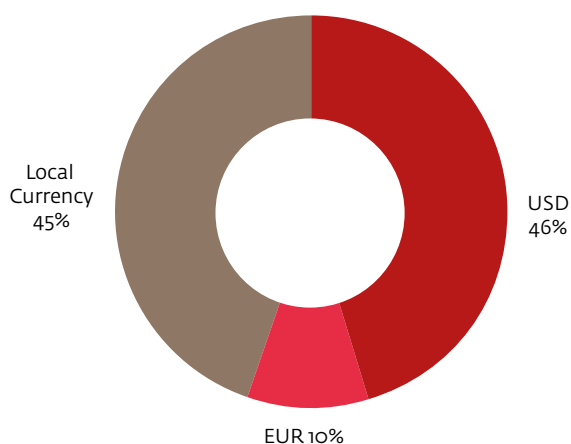
PORTFOLIO BY INSTRUMENT



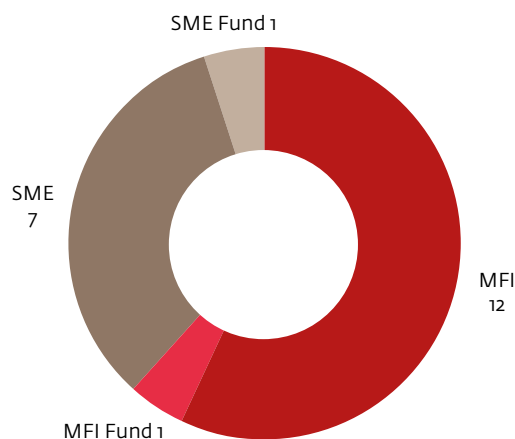
PORTFOLIO BY INVESTEE TYPE



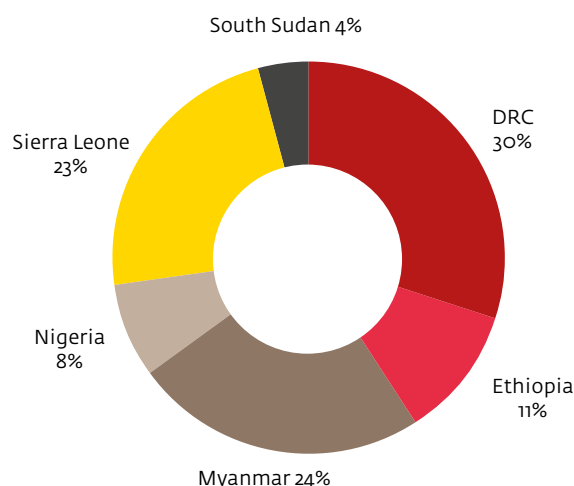
DISTRIBUTION BY CURRENCY



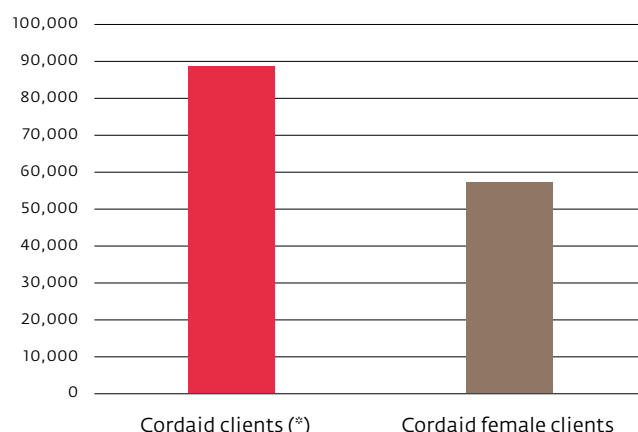
NUMBER OF INVESTEEES



COUNTRY DISTRIBUTION



SIF - MFIs END CLIENTS REACHED DIRECTLY WITH CORDAID SUPPORT



(*) borrower reached by the MFI with CIMBV's funding

RISK METRICS

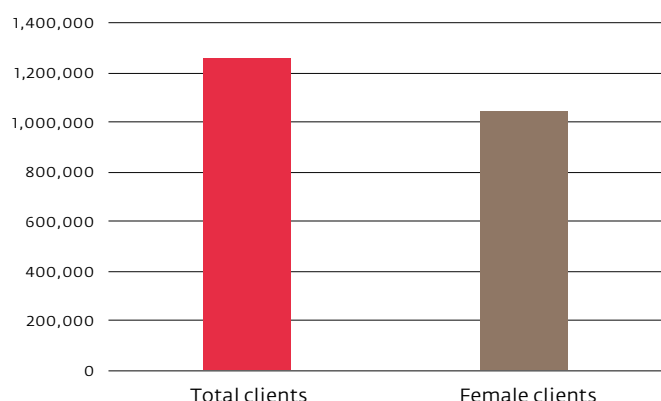
% OF OUTSTANDING PORTFOLIO	2016	2015
PAR	1,9%	0,0%
Write-offs	0,0%	0,0%

In 2015, no PAR/write-offs were recorded, in part attributable to the relative nascent stage of the fund. In 2016, the PAR increase was mainly attributable to the default of one of our MFI investees in Nigeria. A restructuring of the loan, in consultation with other lenders, is underway.

SOCIAL IMPACT

The Stability Impact Fund aims to promote entrepreneurship and create economic opportunities. In 2016, CIMBV invested in MFIs that had a total portfolio of more than 1.2 million clients. With our SIF funding, over 88,000 microentrepreneurs were reached, of which 64% were women. With our SIF funding we served only 7% of the total clients of the MFIs. The reason for this low percentage is a large MFI (Myanmar) in the SIF portfolio that accounts for over 700,000 clients.

SIF - TOTAL CLIENTS* OF MFIS



(*) borrower

MYANMAR : INNOVATIVE SOLUTION TO INVEST IN LOCAL CURRENCY

Since 2012, Cordaid Investments has been looking to expand its presence in Asia, particularly in Myanmar. Following the long military regime that ruled the country for more than two decades, the new government initiated a major policy of reforms. However, international investors remained sceptical, which had an impact on the international funding available in the country.

There was an urgent need for microfinance services. In 2012, it was estimated that the demand for microcredit was nearly a billion dollars. Most of the adult population was using the informal sector to access finance. The microfinance institutions were mainly serving urban areas and they needed funding to expand to rural areas.

Cordaid Investments made an analysis of the country and identified several risks, the most important being political, regulatory and financial. Despite these risks, Cordaid Investments - as an impact investor that works towards financial inclusion and fighting poverty in fragile and conflict affected states - decided to make its first investments in Myanmar. We believed that our investments could make a difference in one of the poorest countries in South Asia.

We make our investments in local currency whenever possible because we think we are in a better position to manage the currency risk than our investees. In that sense, Myanmar represented a big challenge for us. Not only did we expect a significant devaluation of the Myanmar Kyat, but the government also imposed a cap on the interest rate that foreign investors could charge. Hedging was not an option because of the costs that we would incur. Taking into account these factors we incurred early losses in our first investment in Myanmar. However, this financial loss was offset by social return; with our investment, our partner could provide the funding to the small farmers just in time for the planting season.



Myanmar: serving microentrepreneurs in rural areas

We wanted to keep supporting the microfinance sector in Myanmar but incurring financial losses was not sustainable. After analysing different options, we partnered with LIFT, a donor consortium that aims to improve the lives of rural people in Myanmar, and TCX, a company that started to provide hedging against the Myanmar Kyat volatility. This innovative blending solution required creativity and collaboration from the stakeholders. LIFT contributed with grants to cover not only the currency risk but also to provide capacity building to the MFIs. TCX provided the expertise for the hedge. As a result, Cordaid Investments could commit further funding to support MFIs, and in the process we reached over 28,000 microentrepreneurs.

For the full case study, follow this link:

http://www3.weforum.org/docs/WEF_Cordaid_Investments_in_Myanmar.pdf

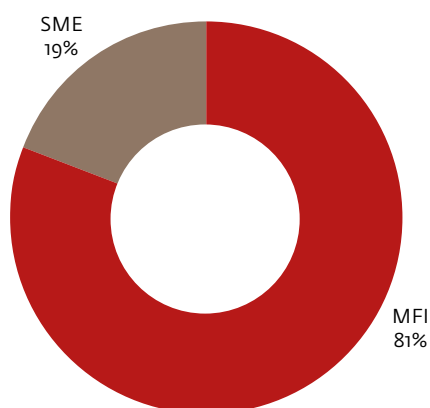
THE STABILITY IMPACT FUND AFRICA

The Stability Impact Fund Africa (SIFA) will be a carve-out of SIF specifically focusing on Africa. It focuses on microentrepreneurs and SMEs. The Fund will be the first one opened to impact investors who share our strong belief in the potential of SMEs to create jobs and spearhead inclusive economic growth. So that they can fulfil their potential and help bring an end to the vicious circle of conflict and poverty.

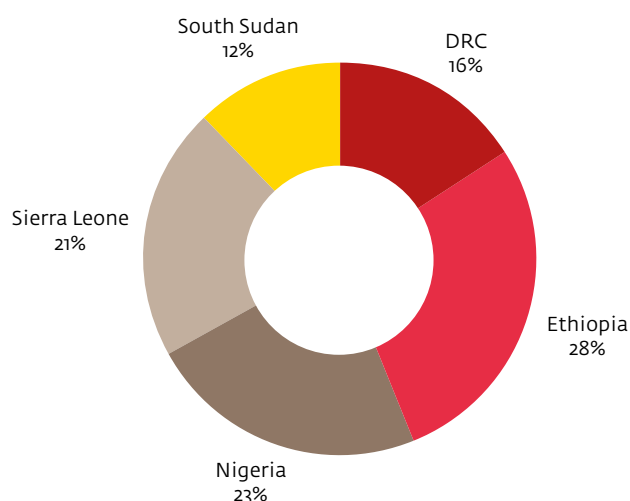
SIFA PORTFOLIO IN 2016

Total Portfolio as of 31 Dec 2016	EUR 5.7M
New Commitments in 2016	EUR 1.8M
Undisbursed portfolio	EUR 0.7M
Write offs in 2016	EUR 0M
Number of portfolio companies	14 investees

PORTFOLIO BY INVESTEE TYPE



COUNTRY DISTRIBUTION



SIERRA LEONE: INVESTING IN THE MISSING MIDDLE

In 2013, Mr. Foday Kamara started a piggery and layer poultry business in Makeni (Bombali District), called Mayefeh Farm. The business was growing fast until Ebola struck in May 2014. The layer poultry business had to be suspended because of the interrupted supply of maize, the main ingredient of poultry feed. The piggery business continued on a small scale.

Mr. Kamara participated in Cordaid's first RBDS program in Sierra Leone. "The course on internal management was especially helpful," says Kamara, "the business now benefits from much more effective team work. The program also helped me make the necessary changes in business practices to become eligible for investment." In September 2016, SIFA provided a four-year debt finance to Mayefeh Farm to construct additional poultry and piggery buildings, acquire a new stock of layers and to finance working capital. In a country where 80% of the demand for protein is met by imported products, a business like Mayefeh Farm has considerable growth potential. Customers value the fresh domestic pork meat and eggs, and increasingly question the quality of products that have spent time at sea being shipped from abroad.

Thanks to the business expansion financed by SIFA, Mayefeh Farm can employ eight additional farm workers. Kamara also intends to engage ten local women in a piggery outgrower scheme. Mayefeh Farm will provide the women with a pair of piglets each to grow and breed. Kamara: "We are working hard to increase employment especially for youth and to contribute to sustainable growth in our area."



Mr. Foday Kamara, his son, and the Mayefeh Farm team

SIERRA LEONE: CATALYSING ADDITIONAL FUNDING

Rice is the staple food in Sierra Leone. The consumption is estimated in 104kg per person, per year. Before the civil war, the country used to be a major world producer of rice but nowadays rice production is very low. Farmers do not have the technical skills or the funding to increase production yields. As there are only a few local producers that commercialize rice, the imported rice levels are high.

The West African Rice Company (WARC) was founded in 2011 with the mission to increase food security, production, and nutritional diversity to create more value at the farmer level. They established the farm in Tormabum, Bonthe District in the southern province of Sierra Leone. By the end of 2012, they started distributing the rice across the country under the brand “Leone Rice”. Due to the Ebola crisis, WARC suspended operations in 2014. The following year, the company resumed rice production and after having successful average production yields, WARC decided to expand its operations.

Cordaid Investments decided to support the expansion plan. We provided the finance for equipment and working capital. This will contribute to extend the farm size and to increase the production and productivity. “Cordaid Investments is one of the few international organizations that took risk by investing in primary production in Sierra Leone post-Ebola”, says Emiliano Mroue, CEO of WARC. “This loan will catalyse additional funding which will let us grow”.

With this expansion, WARC will provide increased food security to the community. Also, they will generate at least 51 additional jobs. They target to employ women (50%) and young people (65%).



Photo WARC

WARC: No-till system on a large scale

“Aside from having a target on number of female employees, we send messages about the important role of the woman as a farmer, employee, and member of our team. For example, for the harvester operator roles we only hire women. It is a well-paid job that anybody would like to have and there is no reason why a woman can not do it”, underlines Emiliano Mroue.

To accomplish the mission of creating more value at the farmer level, WARC has delivered various projects. In 2013, they rolled out an outgrowers’ programme (providing farmers with tools, inputs and knowhow). They also supported the construction of local market and currently assist farmers with market linkages. They collaborate with other organizations to implement farmers training, to undertake research for high yield varieties and to introduce no-till technologies (an agricultural practice that minimizes the need for fertilizer and irrigation).

<https://www.warcgroup.com/>



Photo WARC

WARC: Woman operating a harvester



Hekima's client

DEMOCRATIC REPUBLIC OF CONGO: SUPPORTING THE TRANSFORMATION OF OUR MFI CLIENT

Hekima started as a microfinance project in 2003 with the support of Word Relief, an NGO based in the United States, and USAID. It initiated operations in Goma and 4 years later it was officially incorporated and started functioning as a microfinance institution.

Hekima has currently two branches: one in Goma (North Kivu) and one in Bukavu (South Kivu). It targets vulnerable and low income women. It offers several financial products, the group loan being the most important. The group acts as collateral enabling Hekima to lend to the poor, a segment that cannot otherwise offer sufficient collateral to secure credit in their own right and is therefore financially excluded.

DRC has a volatile political and economic past. The country has endured long periods of civil war, and violence arising from a plethora of rebel groups, undermining security in the region. The economy is driven by the mining industry, making it highly dependent on cyclical commodity prices. High levels of corruption and weak political leadership have discouraged private sector investment. Despite these challenges, Hekima's portfolio has grown steadily in recent years, and it now serves more than 12,000 borrowers.

In order to keep growing and comply with regulations, Hekima had to change its legal status into a Société Anonyme (SA) - public limited liability corporation. This transformation necessitates raising equity to diversify its shareholder base, and strengthening its internal capacity.

In 2016, Cordaid Investments approved an equity and debt investment in Hekima. CIMBV, together with a private investor, played a critical role in the diversification and increment of the equity value and helped Hekima to progress towards becoming an SA. Mr. Marcellin Matabishi, CEO of Hekima, mentioned: "Cordaid's participation has strengthened our governance. It has enabled the diversification of the shareholders and thus allow a democracy in the strategic decision making to guide the company. Hekima will finalize its transformation process and get all the authorizations to function as a microfinance company to collect savings from the population. This step will let us diversify our products, improve our profitability and achieve our goals for the next 3 years according to our business plan." With this transformation Hekima estimates that it will reach more than 18,000 clients by 2018 (80% women).

THE HEALTH INVESTMENT FUND (HIF)



Remera Rukoma Health Center : view of the building post-investment

The Health Investment Fund (HIF) invests in and supports health centers and district hospitals in Sub-Saharan Africa that have the potential to grow sustainably. Health centers and district hospitals are an important but underserved segment of the health system. They are typically not-for-profit centers that serve large populations of rural poor people and depend on ad-hoc funding to improve the quality of health care services. These health centers and district hospitals often have little access to financial institutions because of their lack of formalization and credit history.

The HIF specifically targets health institutions participating in Cordaid's Results Based Finance (RBF) system. Healthcare providers receive their grant-based payments only after their output has been verified. However, the financial capacity of these health centers remains limited. Loans provided by the HIF enable recipients to access larger amounts of funding to further improve their performance and services. Loans are typically used to purchase medical equipment or supplies, renovate or build facilities, and improve medical services.

After ending the pilot phase, the HIF is now being rolled-out in DRC. Since inception in 2014, the fund has approved 21 loans with a total amount of €464k in Rwanda and Burundi.

RWANDA: BETTER HEALTH CARE FACILITIES

Remera Rukoma Health Center is located in Kamonyi District (Southern Province), half way between Kigali City and Muhanga Town. The Health Center is owned by the Presbyterian Church of Rwanda (EPR). In the year 2000 it was recognised that there was a requirement for the Health Center to invest in increasing and improving its provision of health care services. To do this the Health Centre made a plan to upgrade its existing buildings to be able to provide in-patient services.

In the 2014 pilot phase, Health Investment Fund in Rwanda provided a loan to refurbish the consultation room and the pharmacy. This loan was fully repaid at the end of 2015. In 2016, Remera Rukoma Health Center returned to Health Investment Fund Rwanda to request for a second loan to continue the refurbishment project. With the renovated unit in place, this Health facility is now able to provide better health care services for increasing numbers of patients.

The increased number of visits and better healthcare services is contributing to the increase of revenues and bigger impact on the population in and beyond the catchment area. Due to the intervention of HIF Rwanda, Remera Rukoma Health Center was able to increase quality score under the RBF scheme from 88% to 93% and the utilization rate from 92% to 94% (i.e from 32,669 visits to 33,379 visits) in one year. Health Investment Fund Rwanda came as a timely response to the needs of Remera Rukoma Health Center.

CIMBV AND CORDAID FOUNDATION

Cordaid Foundation

Cordaid Foundation is one of the largest development organizations in the Netherlands and has a network of 260 funding and implementing partners in more than 50 countries in Africa, Asia, the Middle-East and Latin America. Cordaid is a member of the global Caritas International network. Cordaid has been protecting vulnerable human beings for 100 years and is inspired by compassion, solidarity and the Catholic notion of subsidiarity. Its mission to reduce the fragility and vulnerability of people is focussed where it is most needed but most challenging: in fragile and conflict-affected societies. In 2016, Cordaid Foundation spent € 132 million to fight poverty. Cordaid counts 273,000 individual donors in The Netherlands.

Cordaid was formed when Mensen in Nood, Memisa and Cebemo joined forces in 2000. Although the legal structure Cordaid is a relatively young foundation, its mission remains unchanged from its founders' pioneering work in 1914; supporting those who suffer the consequences of poverty, exclusion and injustice. Now, at a time when 1.2 billion people worldwide are living with extreme poverty and social inequality, Cordaid's mission is more relevant than ever.

Cordaid Investment Management BV: Complementarity but independence

Cordaid Investment Management is a 100% daughter firm of Cordaid Foundation. As such, both entities can benefit from the other's expertise, combining the grant-based development aid approach of Cordaid Foundation and CIMBV's investment based approach, to support institutions providing access to finance and SMEs directly. The results of this approach are threefold:

- It maximizes social impact as investments leverage the available budget and catalyze the effect of grants by further strengthening investees.
- It mitigates investment risks by combining investments with grants for capacity building.
- Cordaid Investments' solid partnership with Cordaid Foundation, firm on-the-ground presence, its thorough due diligence on financial, social and environmental risks and opportunities of investees and deep understanding of the complexities, further reduce these risks.

The relationship between the mother and daughter are formalized and transparent (=disclosed) to future investors in the funds to be managed by Cordaid Investments. Cordaid Investment Management is registered with the AFM under the applicable exemption in Dutch law of section 2:66a of the Dutch Financial Supervision Act (commonly referred to as the AIFMD light regime) but does not have a license of the AFM nor any other authority in the Netherlands or any other jurisdiction.

FINANCIAL INFORMATION

Information on Investment Funds as stated in the Annual Report of Cordaid Foundation, as of 31 December 2016.

FINANCIAL FIXED ASSETS

X € 1,000	LOANS	GUARANTEES	PARTICIPATIONS	TOTAL
Value of portfolio at 1 January 2016	30,736	2,481	24,262	57,479
Provision at 1 January 2015	-2,200	0	0	-2,200
Carrying amount 1 January 2016	28,536	2,481	24,262	55,279
Changes				
Loans and guarantees issued	18,495	0	0	18,495
Loans and guarantees repaid	-8,875	-601	0	-9,476
Participations acquired/committed	0	0	305	305
Participations sold/commitments withdrawn	0	0	-1,161	-1,161
Impaired loans and guarantees	-550	0	0	-550
Revaluation of participations	0	0	-983	-983
Currency gains and losses	-139	-1	813	673
Value of portfolio at 31 December 2016	39,667	1,879	23,236	64,782
Changes in the provision				
Impaired loans and guarantees	550	0	0	550
Allocated to/withdrawn from provision for loans and guarantees	-427	0	0	-427
Provision at December 31, 2016	-2,077	0	0	-2,077
Value of portfolio at 31 December 2016	39,667	1,879	23,236	64,782
Provision at 31 December 2016	-2,077	0	0	-2,077
Carrying amount 31 December 2016	37,590	1,879	23,236	62,705

The provision on loans and guarantees decreased by €0.1m in 2016. Both write-offs and new additions to the provision were limited in 2016.

Loans and guarantees

The outstanding loans are the amounts actually transferred to the partner organizations. At balance sheet date an amount of €9.1m was signed as loan but not yet disbursed. This outstanding amount is not included in the figures above.

For all outstanding loans, the amortized cost is equal to cost.

STATEMENT OF INCOME AND EXPENDITURE

X €1,000	NOTE	2016		2015	
<i>Financial income</i>	-				
Interest income & fees	1 + 2	2,730		2,520	
Dividends	1 + 2	12		101	
Income from non-development investments and cash	3	652		-203	
			3,394		2,418
<i>Financial expenses</i>					
Additions Loan Losses	4	429		1,328	
Revaluation Investments	5	983		1,426	
Currency results	6	-674		-2,705	
			738		49
<i>Margin on financial activities</i>			2,656		2,369
<i>Operating expenses</i>					
Operating expenses direct	7	2,222		1,645	
Operating expenses indirect	8	881		934	
			3,103		2,579
Financial result from investing activities			-447		-210

1+2. **Interest Income & Fees + Dividends:** These items refer to interest income on senior/subordinated debt, guarantee fees and dividends received. The overall level increased in comparison to 2015 by €0.2m, mainly due to the extension of the portfolio.

3. **Income non-development investments and cash/cash equivalents:** This item refers to income on long and short-term excess liquidity, which is out of the scope of the managed portfolio by Cordaid Investment Management B.V. More information on the result of non-development can be found in note 19 to the financial statements.

4. **Additions loan losses:** This reflects the net addition to the provision for loans and guarantees in the portfolio. The amount stated is the net result of the release of provisions and the actual impaired loans and guarantees or write-offs.

5. **Revaluations Investments:** This refers to the annual revaluation of the equity participations. Cordaid values equity participations conservatively using the lower value of a) acquisition price or b) the value of the Cordaid share as per the end of 2016.

6. **Currency results:** Loans and guarantees are valued against the exchange rate at balance sheet date if denominated in foreign currency. Participations that are impaired are also revalued against the exchange rate at balance sheet date. The result of this (mostly unrealized) amounted to €0.7m positive in 2016.

7. **Operating expenses direct:** This refers to the total direct costs of Cordaid Investment Management BV plus legal and other costs incurred which are directly related to the investments in the Loans & Guarantees portfolio. The increase in costs is related to a higher number of FTE at CIM BV and the growth of the portfolio.

8. **Operating expenses indirect:** This refers to the Cordaid corporate overhead costs charged to CIM BV and the indirect costs of CIM BV itself.

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