

Market update

South East Asia: In Cambodia the industry portfolio growth remained strong during the quarter while portfolio quality deteriorated (PAR30 is expected to reach 1% in June from 0.75% in March due to the agriculture portfolio).

The Indonesian government has issued 12 economic reform packages since September 2015, aimed at reducing investment barriers and improving ease of doing business. The reforms have loosened restrictions on foreign ownership in most sectors including land, transportation, shipping businesses and port management.

In the Philippines, President Rodrigo Duterte, known for his hardline stance on crime, drug abuse and corruption, was sworn into office on June 30, 2016. The Central Bank (BSP) continues its focus on financial inclusion and government changes should not have any impact on the microfinance sector.

South Asia: The long-awaited Microfinance Law was approved in May by the Sri Lankan parliament and is expected to come into force later on this year. All microfinance players, including all the unregulated NGO-MFIs, will be required to be registered and supervised.

The MFI industry association in India reported a portfolio growth of 84% for the financial year ending in March 2016 as well as a good portfolio quality. Two microfinance companies that had obtained in-principle Small Finance Bank approvals, Equitas Holdings and Ujivan Financial, were listed on Indian stock exchanges.

Central Asia and Mongolia: The exchange rate of the local currency in Tajikistan remained stable while the portfolio quality of banks and MFIs deteriorated (past due loans increased from 21.8% to 23.5% over the quarter). Some banks and money transfer systems reported a slight increase in the volume of remittances from Russia compared to the same period of last year.

The LCY in Kazakhstan has remained stable, but the political setting was rather tense. In April and May 2016, Kazakhstan witnessed a number of protests related to the changes to the Land Code adopted in late 2015 allowing entities with (at most) 50 percent foreign ownership to become eligible to lease agricultural land for 25 years, which is a 15-year extension from the current code. In response to massive protests, Kazakh President placed a moratorium on land reform until 2017.

Following the recent ruble appreciation and an increase in remittances helped the local currency in Kyrgyzstan to regain value by 10%.

Mongolia's political environment remained volatile before the elections were completed end of June 2016. Despite its low public support ratings, it is expected that the Democratic Party will emerge as the dominant party. However, it will need to form a coalition.

Investment manager's comment

The second quarter of 2016 resulted in an outstanding portfolio of USD 131 mm over 13 countries. The fund disbursed 16 mm in 5 loans. East Asia and the Pacific became the largest region in the portfolio (43.9 %), followed by South Asia (41.5 %) and Central Asia (14.5 %).

Over the quarter Tier 2 and Tier 3 MFIs were 45% of outstanding portfolio and 38% of the total assets of the Fund. 40% of the MFI portfolio was composed by local currency loans (also USD hedged) in as many as 8 different currencies. The unhedged local currency component decreased from 0.76% to 0.36% of the MFI portfolio. Subordinated loans changed from 16% to 15% over the reporting period. The weighted average life of the Fund's portfolio is 24 months.

MIFA's total assets reached almost USD 158 mm following additional investors' subscriptions in the mezzanine (USD 3 mm) and junior (USD 2.2 mm) tranches.

Social performance updates

Humo was started as a microcredit unit within a broader development project implemented by CARE Tajikistan. When the Microfinance Law was passed in Tajikistan in 2004, Humo registered as a standalone not-for-profit NGO, and subsequently transformed to a for-profit entity. In November 2013, Humo received an MDO license, which allows the MFI to collect deposits, lend in different currencies and provide additional banking services, such as remittances, currency exchange and cash settlement services.

Since its inception, Humo has focused its activities on servicing rural areas with vulnerable populations, providing high quality financial products with the aim to support poor people to attain economic self-sufficiency. The MFI operates principally in the Southern part of Tajikistan, with approximately 80% of its portfolio in rural areas. Humo has an ongoing project with KfW on improving access to agricultural finance and currently has more than 35% of its portfolio in agricultural loans. Additionally, the MFI has recently started projects with several DFIs (EBRD, ADB and the IFC) that focus on private sector lending initiatives to increase resilience to climate change (e.g. increasing energy efficiency, effective management of land resources, and efficient use of water in the agricultural sector).

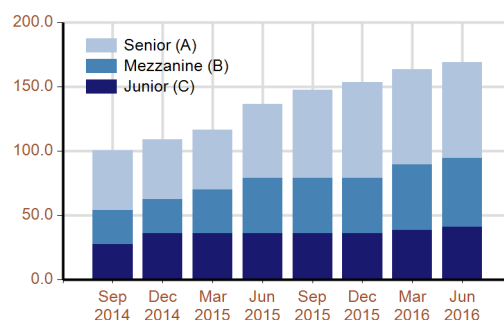
Fund facts

Net Asset Value (NAV) in USD	154'388'417
Total Assets in USD	157'690'450
Average exposure per MFI in USD	3'282'401
Portfolio average life (in months)	23.97
Number of countries	13
Number of MFIs	40
Number of loans outstanding	54
Microfinance portfolio as % of Total Assets	83%

Activity Report

Total new disbursements	
Since inception	191,464,793
Q2 2016	16,125,000
Number of loans disbursed	
Since inception	91
Q2 2016	5

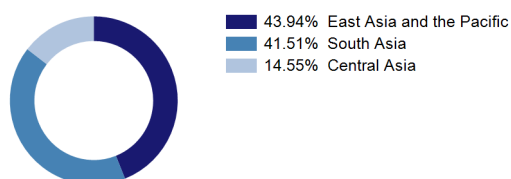
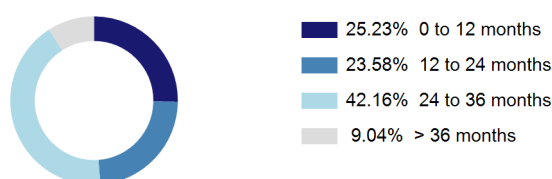
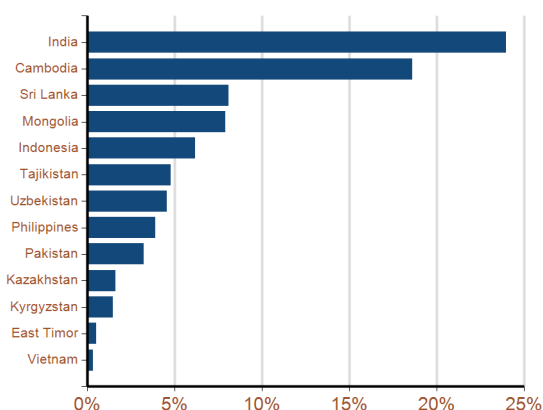
Capital drawn (in USD mm)



Social performance indicators*

Total # of microentrepreneurs reached by MFIs in the portfolio	9'111'889
# of microentrepreneurs reached by the fund	455'658
# of employees	57'572
# of loan officers	28'343
% of rural clients*	71%
% of female clients*	78%
% of individual lending*	61%
% of group lending	39%
Average loan size to microentrepreneurs	
Simple average across MFIs in USD	1'443
Median across MFIs in USD	660

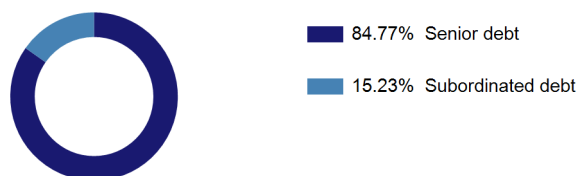
*Data based on the latest available data from MFIs in the portfolio - includes some estimates by BlueOrchard

Exposure
By region (as % of MFI portfolio)

By maturity (as % of MFI portfolio)

By country (as % of Net Asset Value)

By currency (as % of MFI portfolio)

By type of MFI (as % of MFI portfolio)

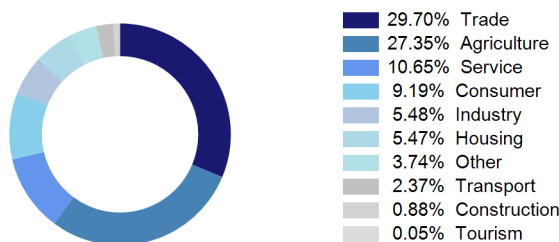
Five Largest Outstanding Positions (as % of committed capital)

UTKARSH MICRO FINANCE LIMITED	India	4.59%
MBK VENTURA	Indonesia	4.40%
KREDIT MFI	Cambodia	4.40%
KHAN BANK	Mongolia	4.40%
HAMKORBANK	Uzbekistan	4.40%

By asset class (as % of MFI portfolio)

MFI Financial indicators*

Asset growth (last 12 months)	35.68%
Portfolio growth (last 12 months)	34.76%
Return on assets (ROA) (last 12 months)	2.88%
Return on equity (ROE) (last 12 months)	15.22%
Portfolio at risk 30 days (PAR 30)	0.75%
Write-offs (last 12 months)	0.27%
Debt/equity ratio	5.43x
Debt/equity ratio (subdebt as equity)	4.12x

*Data presented are medians across MFIs in the portfolio for period ending the 31 March 2016 from unaudited management reports as provided by MFIs in local currency.

By sectors financed (as % of MFI portfolio)

For additional information, please contact:

BlueOrchard Finance S.A. Maria Teresa Zappia, Chief Investment Officer
 Mariateresa.Zappia@blueorchard.com • Tel.: +41 22 596 4795

Currency	Tranche	ISIN	NAV/share
EUR	Senior (A)	LU1006090028	100'000.00
USD	Senior (A)	LU0801844175	100'000.00
USD	Mezzanine (B)	LU0801844258	100'000.00
USD	Junior (C1)	LU0801844332	103'662.84
USD	Junior (C2)	LU0801844415	104'336.24
USD	Junior (C3)	LU0801844506	107'632.59