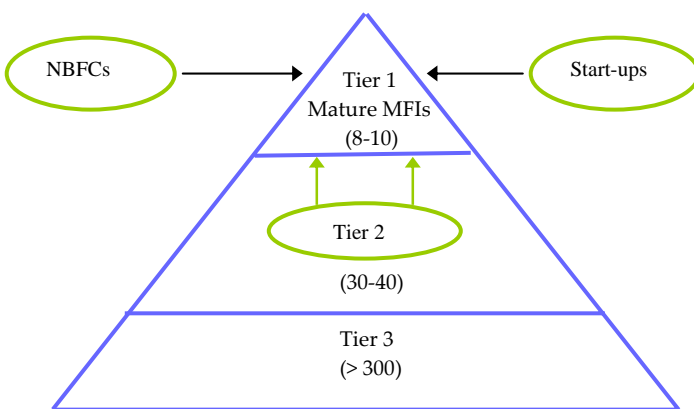


## Bellwether Microfinance Fund: Strategy and Portfolio Update

Data as of July 31, 2006

The Bellwether MF Fund, established in early 2005, functions as a microfinance venture capital investor, providing much-needed domestic equity and also other financial instruments (debt, guarantees, etc). The Fund focuses on high potential start up and early stage microfinance institutions (MFIs). It also provides the necessary resources, both financial and strategic, to financially viable MFIs to help them scale up their operations and/or transform themselves in to regulated entities. The Fund aims to deliver a competitive financial return along with a significant social return to its investors.

### The Microfinance Sector in India\*



The Fund follows a three-pronged strategy to achieve its mission of increasing the access of the poor to financial services. The strategy includes 1) promoting the transformation of NGO-MFIs (Tier 2) into formal financial institutions (Tier 1); 2) Investing in existing NBFCs and help them downscale into microfinance and 3) Investing in promising start-up MFIs conceived by experienced entrepreneurs in economically backward and underserved regions across the country.

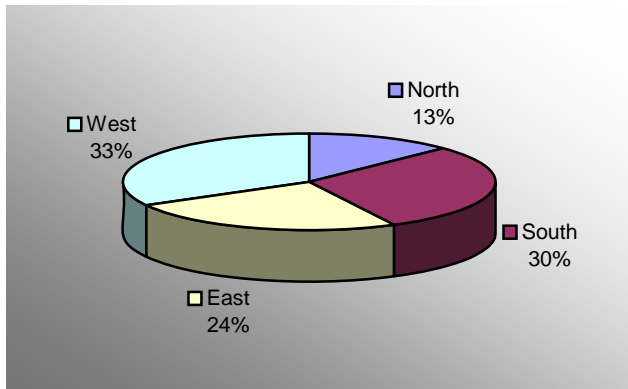
### Portfolio as on July 31, 2006

Asset Class	Outstanding (Rs. mn)
Equity/Quasi Equity	96
Convertible/Plain Debt	31
Credit Enhancement	6
<b>Total</b>	<b>133</b>

Bellwether (as on July 31, 2006) has 7 investees geographically scattered across India. The total commitments made are of Rs. 235 million or about US\$ 6 million. Bellwether has built a strong pipeline with a number of entrepreneurs keen to promote MFIs, the existing players (NGOs/MFIs) in the microfinance sector looking forward to transforming and existing retail finance companies (NBFCs) that are seeking to downscale into the microfinance market.

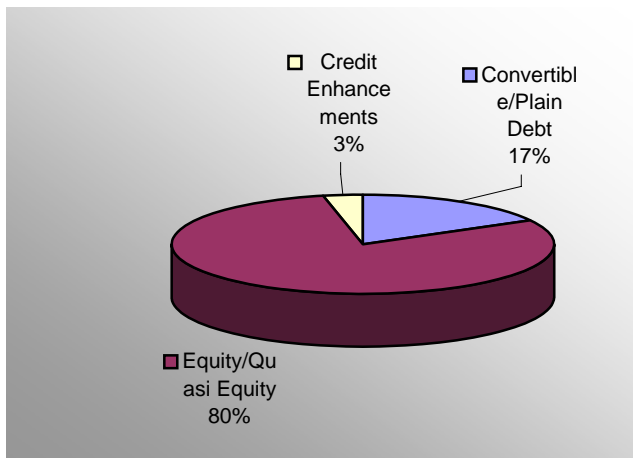
\* The division of MFIs into 3 Tiers is based on the Fund's own internal categorization in its Investment Policy

### Geographical allocation\*



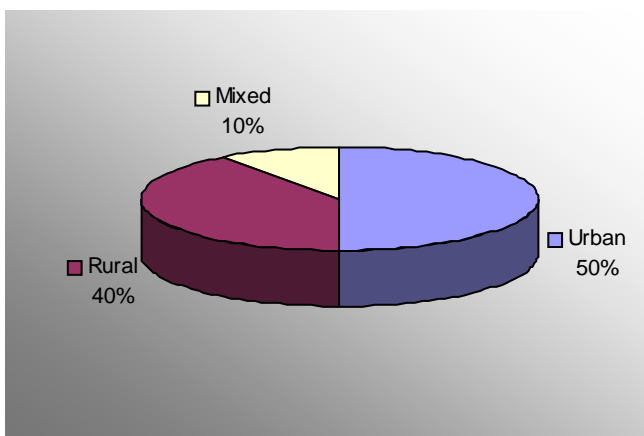
The Fund focuses on microfinance deficient regions in the country and actively seeks to find more partners outside of the four states of south India given the concentration of microfinance in the southern states. 70% of Bellwether's commitments are outside the Southern States.

### Asset Class



Bellwether's primary financial instrument is risk capital or equity. The Fund also undertakes loan syndication for its partners to further its objective of linking MFIs with formal financial institutions

### Rural-Urban Mix



The Fund aims for an urban-rural balance in its portfolio, subject to market conditions. The first few investments have been predominantly urban; partly a response to the relative absence of urban MF programs.

\* All the charts shown on the page are based on the commitments of \$ 6 million that Bellwether has made.