

New Microfinance Investment Indexes (MFII)

Topic of the month January 2015

The Center for Microfinance (CMF) of the University of Zurich introduces two new indexes representing performance data of global microfinance investment vehicles (MIVs).

Transparency of MIVs is developing as databases start to disclose financial performance data and yearly reports assess social investment characteristics and the progress of the industry. Still, to date no widely acknowledged index representing the microfinance industry exists. The CMF closes this gap in the new MFII.

The indexes are calculated based on absolute day-to-day total returns (%) on a monthly basis. Funds enter the indexes on equal weights. Performance data of MIVs incorporated in the MFII are gathered from data providers (Bloomberg) and through a brief survey campaign conducted among MIVs. Submission of performance data to the CMF through the survey campaign is done on a voluntary basis. Data allows the calculation of an index representing investment funds in USD (MFII USD) and one for EUR funds (MFII EUR). As of today the MFII EUR include 17 funds and the MFII USD 11 funds.

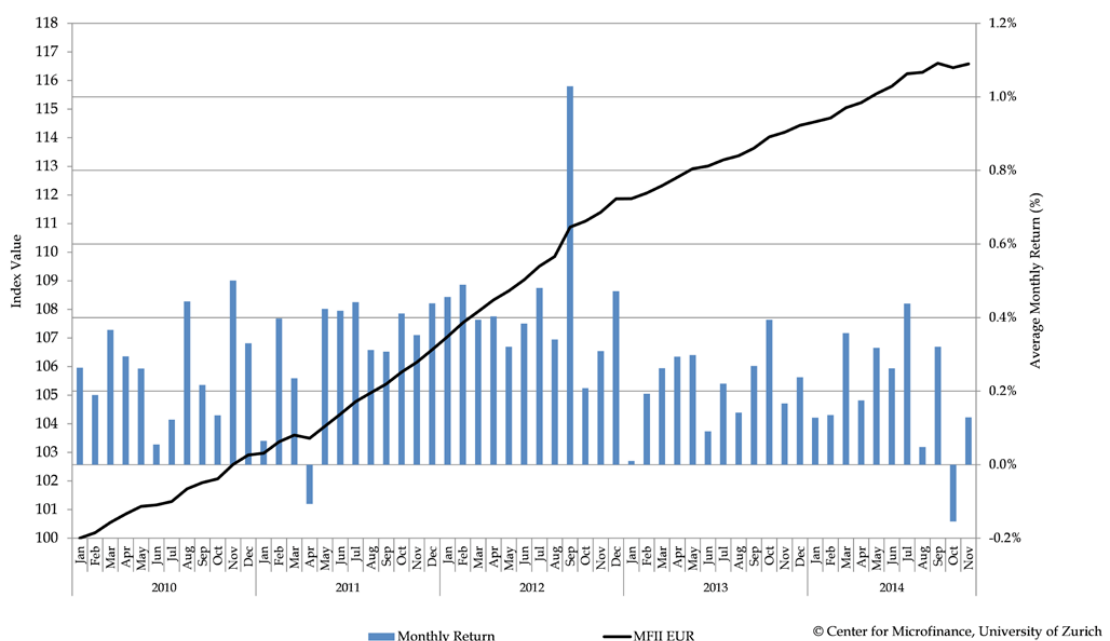


Figure 1, Index Values (Source: CMF)

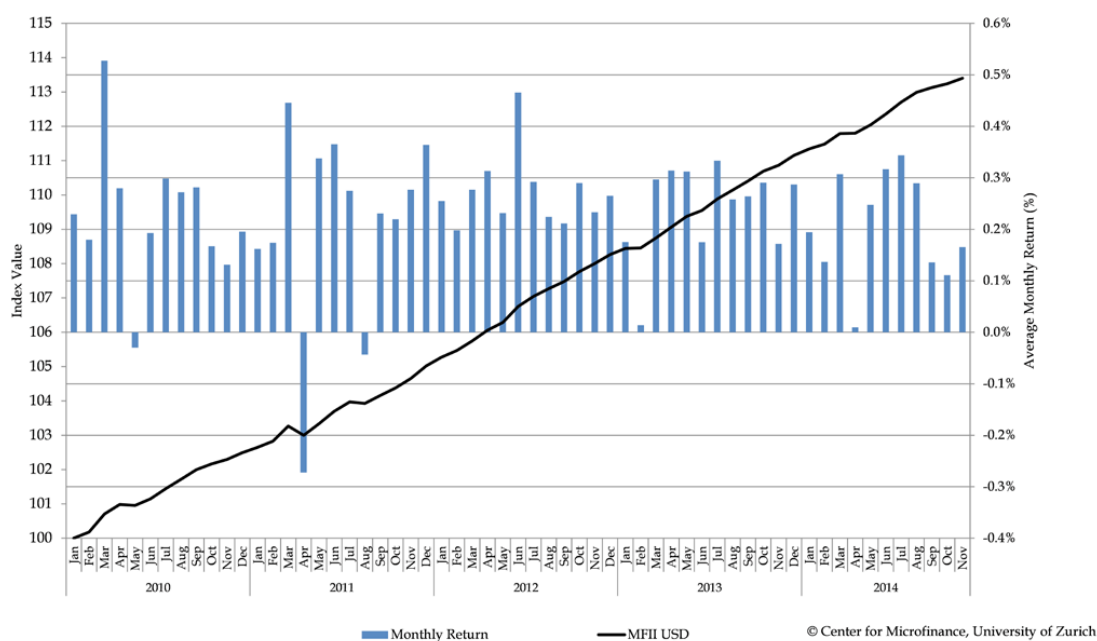


Figure 2, Index Values (Source: CMF)

Index Performance November 30 2014 – Gross Returns (%)				
	1 Month	3 Months	1 Year	3 Years
MFII EUR	0.13	0.26	2.36	10.42
MFII USD	0.17	0.41	2.54	8.77

The indexes comprise funds mainly invested in microfinance through debt instruments and include data of microfinance investment funds only, not of other types of MIVs. Currently, the indexes combine funds with a variety of objectives and return targets and include a large range of fund sizes.

The MFII are calculated by the CMF in the framework of an ongoing research project. The purpose is to advance the state of research on indexing microfinance investments and at the same time to increase transparency in the microfinance investment sphere. The indexes can be used as a benchmark by microfinance researchers and investors.

The CMF is currently evaluating different enhancements of the MFII. The calculation of an asset-weighted version of the index is ongoing and constant efforts are being made to expand the number of participants. In case the number and variety of participating funds is increasing, the calculation of specific indexes for different types of investment vehicles is under consideration.



Furthermore, in microfinance, financial return is accompanied by social factors, typically expressed in the so-called “double-bottom line” of microfinance suppliers, which leads to even more complex return assessment processes. Due to this duality of microfinance, it is important to focus on both financial and social factors when valuing investments in order to ensure the preservation of the socially responsible attitude of the sector.

Research is being conducted to expand the MFII through systematic valuation and inclusion of social factors in the representation of microfinance investment indexes, based on evidence showing the importance of social engagement in determining returns of microfinance institutions (Meyer 2013).



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The MFII were initiated by CMF team member Julia Meyer for her PhD research project, which was completed in 2013. The CMF gratefully acknowledges support from the Swiss Finance Institute for the ongoing index research project.

More information: www.cmf.uzh.ch



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